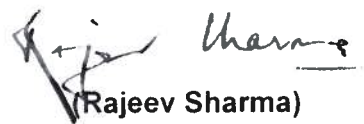
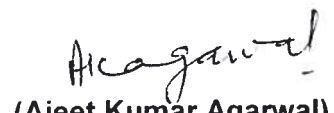
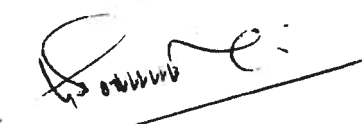

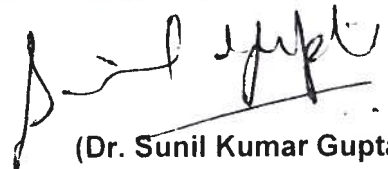


**FORM A**

**(Clause 31(a) of Listing Agreement)**

1.	Name of the Company:	Rural Electrification Corporation Limited
2.	Annual financial statements for the year ended	31 <sup>st</sup> March, 2014
3.	Type of Audit observation	Un-qualified Report
4.	Frequency of observation	N/A
5.	To be signed by-	
	Chairman & Managing Director	 (Rajeev Sharma)
	Director –(Finance)	 (Ajeet Kumar Agarwal)
	Joint Statutory Auditors :-	
	P.K. Chopra & Co. Chartered Accountants Firm Reg. No.: 006747N	 (K.S. Ponnuswami) (Partner) M.No.: 070276
	Raj Har Gopal & Co. Chartered Accountants Firm Reg. No.: 002074N	 (Gopal Krishan) (Partner) M.No.: 081085
	Chairman- Audit Committee	 (Dr. Sunil Kumar Gupta)

# 45<sup>TH</sup> ANNUAL REPORT 2013-14



# REC

*Creating  
Opportunities...  
Powering India...*



आर ई सी  
REC

असीमित ऊर्जा, अनन्त संभावनाएँ  
Endless energy. Infinite possibilities.

**Rural Electrification Corporation Limited**  
(A Government of India Enterprise)

# MISSION/VISION & OBJECTIVES

## MISSION/VISION

- (i) To facilitate availability of electricity for accelerated growth and for enrichment of quality of life of rural and urban population.
- (ii) To act as a competitive, client-friendly and development oriented organization for financing and promoting projects covering power generation, power conservation, power transmission and power distribution network in the country.

## OBJECTIVES

In furtherance of the Mission, the main objectives to be achieved by the Corporation are:-

1. To promote and finance projects aimed at integrated system improvement, power generation, promotion of decentralized and non-conventional energy sources, energy conservation, renovation and maintenance, power distribution with focus on pumpset energisation, implementation of Rajiv Gandhi Gramin Vidyutikaran Yojana, a Government of India scheme for rural electricity infrastructure and household electrification.
2. To expand and diversify into other related areas and activities like financing of decentralized power generation projects, use of new and renewable energy sources, consultancy services, transmission, sub-transmission and distribution systems, renovation, modernization & maintenance etc. for optimization of reliability of power supply to rural and urban areas including remote, hill, desert, tribal, riverine and other difficult/remote areas.
3. To mobilize funds from various sources including raising of funds from domestic and international agencies and sanction loans to the State Electricity Boards, Power Utilities, State Governments, Rural Electric Cooperatives, Non-Government Organizations (NGOs) and private power developers.
4. To optimize the rate of economic and financial returns for its operations while fulfilling the corporate goals viz. (i) laying of power infrastructure; (ii) power load development; (iii) rapid socio-economic development of rural and urban areas, and (iv) technology up-gradation.
5. To ensure client satisfaction and safeguard customers' interests through mutual trust and self respect within the organization as well as with business partners by effecting continuous improvement in operations and providing the requisite services.
6. To assist State Electricity Boards/Power Utilities/State Governments, Rural Electric Cooperatives and other loanes by providing technical guidance, consultancy services and training facilities for formulation of economically and financially viable schemes and for accelerating the growth of rural and urban India.

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## COMPANY INFORMATION

### Corporate Office

#### Functional Directors

Shri Rajeev Sharma Chairman & Managing Director	Shri Prakash Thakkar Director (Technical)	Shri Ajeet Kumar Agarwal Director (Finance)
--	--	--

#### Chief Vigilance Officer

Smt. Abha Anand Kishore

#### Executive Directors

Shri Vinod Behari Executive Director (HR/CC/Rajbhasha)	Shri D. S. Ahluwalia Executive Director (CIRE/Project Monitoring)	Shri Ashok Awasthi Executive Director (Admn./REN. & SD/Estate)	Dr. Dinesh Arora Executive Director (RGGVY-I/DDG) & CEO-RECPDCL
Shri Sanjiv Garg Executive Director (Loans & Recovery/ALM/Taxation)	Shri Sunil Kumar Executive Director (RGGVY-II/IT)	Shri S. K. Gupta Executive Director (T&D/NEF)	Shri Rakesh Kumar Arora Executive Director (Resources/CA/CP/CSR)

#### General Managers

Shri S. N. Gaikwad General Manager & CEO-RECTPCL	Shri T. S. C. Bosh General Manager (RGGVY)	Shri Dinesh Kumar General Manager (Renewable Energy)	Shri G. S. Bhati General Manager (RGGVY/DDG)
Shri C. P. Bhatia General Manager (IA)	Shri L. M. Verma General Manager (Loans & Recovery)	Smt. Kalpana Kaul General Manager (HR/CC/Rajbhasha)	
Shri J. S. Amitabh General Manager & Company Secretary	Shri S.L. Batta General Manager (Law) & PIO	Shri G. V. Mahendar General Manager (Entity Appraisal)	Shri Ajoy Choudhary General Manager (Finance) - Concurrence
Shri V. K. Singh General Manager (Generation)	Shri Fuzail Ahmed General Manager (PMG)		

#### Zonal Managers

Shri R. P. Vaishnav Zonal Manager Western Zone, Mumbai	Shri Jaidev Banerjee Zonal Manager Eastern Zone, Kolkata	Shri Rakesh Sareen Zonal Manager Northern Zone, Panchkula
Shri P. S. Hariharan Zonal Manager Southern Zone, Bangalore	Shri N. K. Maurya Zonal Manager Central Zone, Lucknow	

#### Registered Office

Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003  
Tel: 91 11 24365161, Fax: 91 11 24360644, E-mail: [reccorp@recl.nic.in](mailto:reccorp@recl.nic.in) Website: [www.recindia.gov.in](http://www.recindia.gov.in)

#### Corporate Identification Number (CIN)

L40101DL1969GOI005095

#### Company Secretary

Shri J. S. Amitabh

#### Registrar & Share Transfer Agent

Karvy Computershare Private Limited  
Plot 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500081, India, Tel: 91 40 44655000  
Fax: 91 40 23420814, E-mail: [einward.ris@karvy.com](mailto:einward.ris@karvy.com), Website: [www.karvycomputershare.com](http://www.karvycomputershare.com)

#### Shares listed at

National Stock Exchange of India Limited | BSE Limited

#### Depositories

National Securities Depository Limited | Central Depository Services (India) Limited

#### Joint Statutory Auditors

P. K. Chopra & Co.  
Chartered Accountants | Raj Har Gopal & Co.  
Chartered Accountants

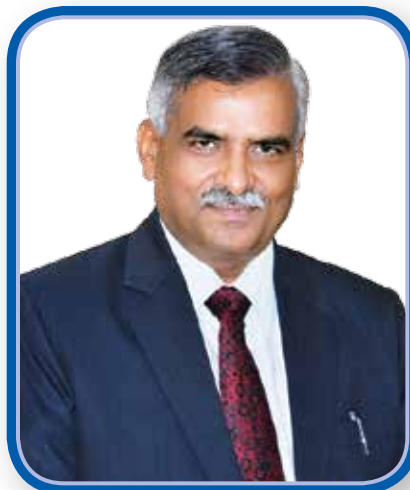
#### Secretarial Auditor

Chandrasekaran Associates, Practicing Company Secretaries

#### Bankers

Reserve Bank of India	Dena Bank	IDBI Bank	Yes Bank
State Bank of India	Corporation Bank	IndusInd Bank	Union Bank of India
State Bank of Hyderabad	HDFC Bank	Bank of India	Axis Bank
Vijaya Bank	ICICI Bank	RBL Bank	Honkong & Shanghai Banking Corporation Limited

## BOARD OF DIRECTORS



**SHRI RAJEEV SHARMA**  
Chairman & Managing Director



**SHRI PRAKASH THAKKAR**  
Director (Technical)



**SHRI AJEET KUMAR AGARWAL**  
Director (Finance)



**SHRI B. N. SHARMA**  
Government Nominee Director



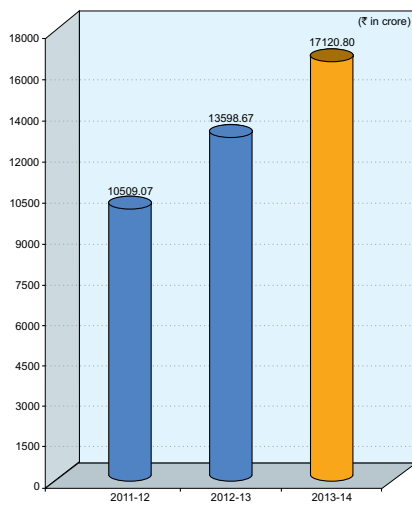
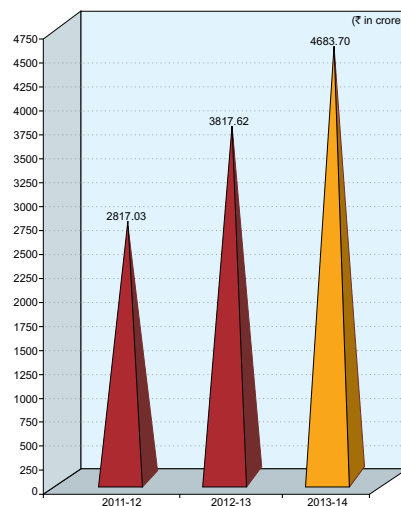
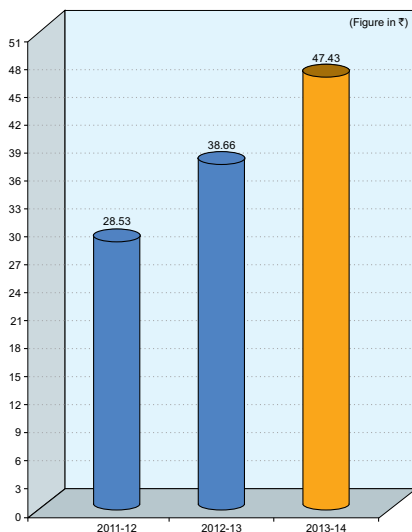
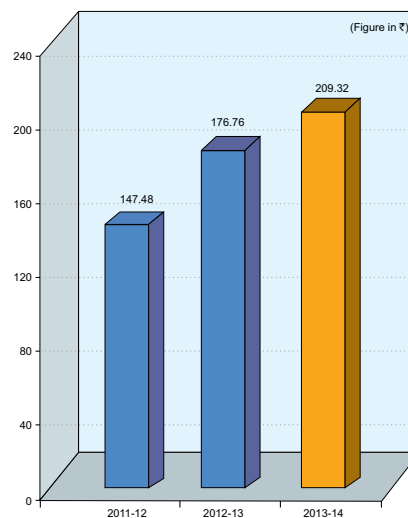
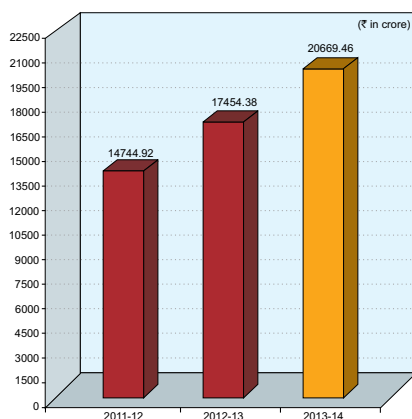
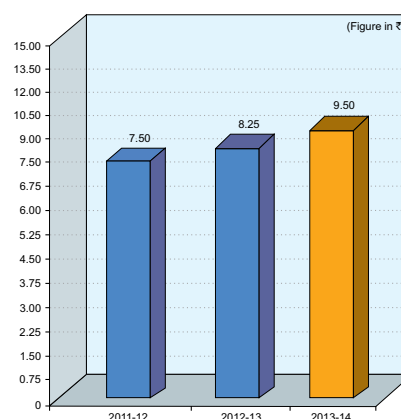
**DR. SUNIL KUMAR GUPTA**  
Part-time Non-official Independent  
Director

## PERFORMANCE HIGHLIGHTS

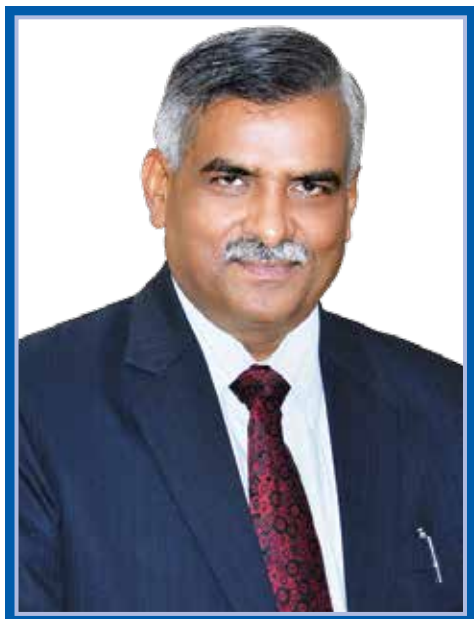
### Consistent Growth Over 10 Years

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
<b>SHAREHOLDERS' FUND</b> (at the end of the year) (₹ in Lakh)										
Equity Share Capital	98746	98746	98746	98746	98746	85866	85866	78060	78060	78060
Reserves & Surplus	1968200	1646692	1357558	1180116	1009288	533142	450905	323211	341773	299830
<b>Net Worth</b>	<b>2066946</b>	<b>1745438</b>	<b>1456304</b>	<b>1278862</b>	<b>1108034</b>	<b>619008</b>	<b>536771</b>	<b>401271</b>	<b>419833</b>	<b>377890</b>
<b>BORROWINGS</b> (₹ in Lakh)										
From Government of India	793	1514	2464	3613	4942	6474	8192	10048	11997	14017
Bonds/Debentures	10280671	8524904	7137220	5120853	4085714	3263148	2408961	2161163	1675724	1360591
From Financial institutions	299500	402000	437000	472000	407000	335000	350000	350000	350000	350000
Foreign Currency Borrowings	1762115	1523819	1069809	760590	207637	149367	104845	87209	-	-
Term Loans from Banks	26940	78880	109154	646914	581143	480105	443480	379680	315700	147200
Commercial Papers	254000	98000	-	-	245000	129500	-	-	-	-
Short term/Demand Loans	-	150000	250000	-	63000	130000	112800	40000	50500	66000
<b>Total</b>	<b>12624019</b>	<b>10779117</b>	<b>9005647</b>	<b>7003970</b>	<b>5594436</b>	<b>4493594</b>	<b>3428278</b>	<b>3028100</b>	<b>2403921</b>	<b>1937808</b>
<b>FINANCING OPERATIONS</b> (During the year) (₹ in Lakh)										
Number of projects approved	1035	1031	1091	658	492	506	881	748	661	1523
Financial assistance sanctioned	*7073948	*7947049	*5129677	*6641998	*4535736	*4074584	*4676976	*2862985	*1659689	1631636
Disbursements	3554602	4018306	3059330	2851711	2712714	2227786	1630370	1373299	800658	788509
Repayments by borrowers	1426045	1334592	811969	877258	580654	511936	560024	403444	350646	468324
Outstanding at the end of the year	14864110	12735552	10142626	8172545	6597875	5065281	3861483	3126218	2456368	2106218
<b>ACHIEVEMENTS</b> (in Nos.)										
<b>Electrification of un-electrified villages</b>										
During the year	1197	2587	7934	18306	18374	12056	9301	28706	9819	-
Upto end of the year	108280	107083	104496	96562	78256	59882	47826	38525	9819	-
<b>Release of free Electricity Connections to BPL Households</b>										
During the year	961730	1296541	3444902	5883355	4718468	3084788	1621182	655773	16815	-
Upto end of the year	21683554	20721824	19425283	15980381	10097026	5378558	2293770	672588	16815	-
<b>Pumpsets energised</b>										
During the year	264165	254993	329022	318176	240020	188743	181244	174750	182239	175772
Upto end of the year	10516606	10252441	9997448	9668426	9350250	9110230	8921487	8740243	8565493	8383254
<b>WORKING RESULTS</b> (₹ in Lakh)										
Total income	1712080	1359867	1050907	849526	670760	493128	353766	285400	224506	230209
Finance Costs	1003846	808376	643135	485101	391285	289870	207275	176478	135577	121995
Provisions for Loan Assets	31202	13068	5227	22	22	237	3999	2105	-	-
Other Expenses	23499	21653	22932	16472	14527	11217	11111	6085	5836	4445
Depreciation	421	375	327	303	215	136	139	113	110	115
Profit Before Tax	653112	516395	379286	347628	264711	191668	131242	100619	82983	103654
Provision for Taxation	184742	134633	97583	90635	64569	64460	45227	34593	19232	25518
Profit After Tax	468370	381762	281703	256993	200142	127208	86015	66026	63751	78136
Dividend on Equity	93809	81465	74059	74059	60321	38640	25760	17700	19126	23450

\* Excluding subsidy under RGGVY.

**TOTAL INCOME****PROFIT AFTER TAX****EARNING PER SHARE OF ₹ 10 EACH****BOOK VALUE****NETWORTH****DIVIDEND PER EQUITY SHARE OF ₹ 10 EACH**

## CHAIRMAN'S LETTER TO SHAREHOLDERS



**Ladies and Gentlemen,**

On behalf of the Board of Directors of Rural Electrification Corporation Limited (REC) and on my own behalf, I am pleased to welcome you on the occasion of the Forty Fifth Annual General Meeting of the Company.

I am privileged to head a "Navratna" Company having a consistent record of excellent all-round performance, growth and profitability over the past 45 years since its inception and is today one of the leading public financial institutions in the country funding almost all needs of entire Power Infrastructure space.

I hope that all of you have received the Annual Report for the year ending March 31, 2014 along with the Directors' Report and audited Annual Accounts of the Company, as ready reference for your Company's performance.

Before I proceed to read out the performance highlights of the Company during the year 2013-14, let me share with you, very briefly, the economic & financial environment, which had a strong bearing on the overall performance of the Company.

### ECONOMIC ENVIRONMENT

During the financial year 2013-14, the global economic condition remained highly uncertain and weak, reflecting subdued growth in almost all the major economies of the world. Throughout the year 2013, the macroeconomic situation was bleak and continues to face high interest rates, inflationary pressure, escalating energy prices, weak investment sentiments, structural bottlenecks, market volatility, political instability and macroeconomic imbalances. The slowdown in a number of emerging economies under the year of review was "hard" enough, and many of these emerging economies remained vulnerable in the outlook. Though the mild recovery in global economic activities is set, risk to the global economy is still not over. Global GDP grew by 3.0 % in 2013 as against 3.1 % registered in 2012 and poised to grow by 3.5 % in 2014. Our economy has been also impacted by the slowdown in the global economy.

During the financial year 2013-14, India continued to show a deceleration in growth with the GDP growth rate at lower than 5 %. The macroeconomic scenario was difficult with a slowdown in the investment cycle, persistently high headline inflation and a volatile currency and interest rates. The trend of declining private investment in Infrastructure continued during the year. The issues faced by the infrastructure sector are well known and the Government initiated some steps to reduce the bottlenecks faced in project execution. It is expected that the new Government with a clear majority, will be able to clear the bottlenecks that have affected the economy and the infrastructure sector in particular. It is imperative to kick start the investment cycle and restore investors' confidence which has taken a beating over the past couple of years. Investors are looking for signs of stability and predictability in Government policy and reduced execution challenges before returning to the sector.

### POWER SECTOR

The Indian power sector continues to face challenges on the fuel front. With the total installed generating capacity in the country now at over 249 GW, thermal plants which constitute highest generating capacity, are struggling with inadequate supply of fuel which has led to their operating at low PLFs. Despite having the fourth largest coal reserves in the world, the country's power sector does not get the coal it needs. Coal India's production has been unable to keep pace with the increase in domestic coal based power capacity. It is expected that coal imports for the power sector, would continue to rise. Based on a presidential directive, Coal India has now signed Fuel Supply Agreements (FSAs) with nearly 78 GW of power plants which are under construction. The situation with gas based plants continues to be uncertain with no clear visibility on a resolution. Further, a healthy power distribution sector is critical for the overall viability of the power sector. The financial restructuring programme for Distribution Companies (DISCOMs) has met with mixed success. While several DISCOMs have accepted the scheme, there is not much headway in its implementation in several states. Renewable Energy has seen an unprecedented growth and its share is itself an indication of major shift imminent in the fuel mix for generation sources in the country.

But for the major challenges faced by the Indian Power sector currently viz. slippages of long term Coal linkages to the projects identified, failure to achieve planned targets from captive coal mine blocks, rising imported fuel prices, land acquisition, Rehabilitation and Resettlement (R & R), Environment and water related issues, shortage of qualified Balance of Plant (BoP) suppliers and Delay in Financial Closure etc, the capacity addition would have been much higher.

The XII five year plan targets for power envisage capacity addition of 88,537 MW. The overall funds requirement for the power sector for XII five year plan period has been estimated at around ₹ 14 lakh crore. For the XIII five year plan period, Planning Commission estimates that in order to meet the projected demand requirement by 2022 at a GDP growth rate of 9 %, capacity addition of 94,000 MW would be required along with matching expansion required in transmission and distribution systems.

Distribution Sector, the revenue generating link in the Generation - Transmission - Distribution chain is clearly the weakest link in the power sector value chain and is threatening to derail the entire process of power sector reforms as also jeopardize India's growth story. While the power generation sector in the Country is struggling to meet burgeoning demand, the Distribution sector has been reeling under losses and has been in focus with various measures being taken by the Government of India to make the State DISCOMs/Utilities viable.

Though most of the SEBs have been unbundled, distribution is still largely under the control of Government Utilities. Post unbundling, their operations on sound commercial principles under the regulatory supervision has not yielded the desired results. Worsening financial condition of power distribution utilities owing to high Aggregate Technical & Commercial (AT&C) losses, inability to revise tariffs strictly in principle and spirit despite respective Electricity Regulatory Commissions (ERCs) directive for revision in most of the states, increasing subsidy burden, cross subsidization by the industry to domestic consumer and farmers, billing inefficiencies and more importantly need to buy expensive power to tide over short-term deficits are eating away the benefits of the policy initiatives.

To turnaround State DISCOMs and ensure their long term viability, a financial restructuring scheme for the State owned DISCOMs viz Transitional Finance Mechanism (TFM) has been formulated by the Government of India. The mechanism includes measures such as approval of Financial Restructuring Plan (FRP) from State Government and the respective State Electricity Regulatory Commission (SERC), revision of tariff, thereby reducing the gap between Average Revenue Realised (ARR) and Average Cost of Supply (ACS), release of subsidies only to State Government to be later adjusted in the ARR, posting of Audited Accounts on regular basis, incentivisation through technology interventions in R-APDRP and NEF, devising utility wise turnaround plan and monitoring its implementation at the highest level.

For the XII five year plan, the Planning Commission estimates investment of ₹ 3.14 lakh crore for the sector inclusive of Restructured Accelerated Power Development and Reforms Programme (R-APDRP) and Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) schemes. The focus of the R-APDRP is on actual, demonstrable performance in terms of sustained loss reduction, establishment of reliable and automated systems for sustained collection of accurate base line data and the adoption of Information Technology in the areas of energy accounting. RGGVY Scheme seeks Rural Electricity Infrastructure and Household Electrification for providing access to electricity to all rural households. The performance orientation built into the R-APDRP and NEF is expected to attract and accelerate investments in distribution infrastructure, thus resulting in faster accomplishment of loss reduction goals.

The power sector is thus poised to remain vibrant and attract significant investments in the future.

## PERFORMANCE HIGHLIGHTS

Your Company continued to register higher growth and record performance for the financial year 2013-14, in key areas of Disbursements of Loans, Recoveries, Operating Income and Profits. A total sum of ₹ 37,969.99 crore (including subsidy under RGGVY and DDG) was disbursed during the financial year 2013-14 as against ₹ 40,183.06 crore in the previous year. Your Company's Non-performing Assets (NPAs) continued to be at low levels. The total operating income of your Company for the financial year 2013-14 increased by 26 % to ₹ 17,017.98 crore from ₹ 13,537.37 crore during the previous year. The profit after tax increased by 23 % to ₹ 4,683.70 crore from ₹ 3,817.62 crore for the previous year.

Your Company enjoys international credit rating from International Credit Rating Agencies Moody's and Fitch which are "Baa3" and "BBB-" respectively equivalent to sovereign rating of India. "Baa3" rated obligations denote moderate credit risk and "BBB-" rated obligations denote that expectations of default risk are currently low. Further, during the financial year 2013-14, your Company continued to get the highest rating "AAA" from domestic rating agencies - the highest assigned by CRISIL, CARE, India Ratings & Research and ICRA for its specific Resource Mobilization programme. Consistent high ratings bear testimony to REC's stature as an institution with strong fundamentals and inherent financial strength.

Your Company mobilized ₹ 36,934.37 crore from the market during the financial year 2013-14 for its operational requirements. This includes ₹ 17,403 crore through issue of Institutional Bonds, ₹ 6,000 crore (₹ 1,500 crore through private placement and

₹ 4,500 crore through public issues) raised by way of Tax Free Secured Redeemable Non-convertible Bonds u/s 10(15) (iv) (h) of the Income Tax Act, 1961. The Company raised ₹ 5,349.91 crore by way of Capital Gains Tax Exemption Secured Redeemable Non-convertible Taxable Bonds, under Section 54EC of the Income Tax Act, 1961. Further, ₹ 4,986.16 crore was mobilised through Commercial Paper (CP) and ₹ 1,195 crore through Term Loans. The Company also raised ₹ 1,780.28 crore by way of External Commercial Borrowings and ₹ 220.02 crore by way of Official Development Assistance (ODA) loan from KfW, Germany and Japan International Cooperation Agency (JICA), Japan.

## DIVIDEND

In addition to interim dividend of ₹ 7.75 per share paid on February 28, 2014, the Board of Directors of your Company have recommended a final dividend of ₹ 1.75 (One Rupee and Seventy Five paise only) per share (on the face value of ₹ 10/- each) for the financial year 2013-14, which is subject to approval of the Shareholders in the 45<sup>th</sup> Annual General Meeting. The total dividend for the financial year 2013-14 will work out to ₹ 9.50 (Rupees Nine and Fifty Paise only) per share (on the face value of ₹ 10/- each), representing 95.00 % of the paid-up share capital of the Company, as against ₹ 8.25 per share, representing 82.50 % of the paid-up share capital of the Company, in the previous year. The total dividend pay-out for the financial year will amount to ₹ 938.09 crore (excluding dividend distribution tax of ₹ 159.40 crore).

## FINANCING POWER PROJECTS

The Company has been funding power generation, transmission and distribution projects besides electrification of villages and pumpset energisation. It continued to play an active role in creating new infrastructure and improving the existing ones under the transmission and distribution network in the country. In line with the country's objective to reduce the AT&C losses and provide electricity to all, the Company has been laying special thrust in expansion and strengthening of existing transmission network and more importantly modernising of the distribution system by financing investment in transformers, meters, capacitors etc. and for conversion of Low Voltage Distribution to High Voltage Distribution System (HVDS).

## FINANCING GENERATION PROJECTS

During the financial year 2013-14, your Company sanctioned 23 nos. of Generation/R&M loans including 9 nos. of additional loan assistance with total financial outlay of ₹ 28,723.50 crore, including consortium financing with other financial institutions and has disbursed ₹ 12,987.43 crore against the ongoing generation projects (including renewable energy projects).

## FINANCING TRANSMISSION & DISTRIBUTION PROJECTS

Your Company continued to play an active role in creating new infrastructure and improving the existing ones under the transmission and distribution network in the country. In line with the national objective to reduce the AT&C losses and provide electricity to all, your Company has been financing schemes for expansion and strengthening of the transmission network and more importantly, modernising of the distribution system. During the financial year 2013-14, the Company sanctioned a total sum of ₹ 32,014.99 crore and disbursed a total sum of ₹ 10,789.09 crore for transmission and distribution projects.

## FINANCING RENEWABLE ENERGY AND OTHER PROJECTS

During the financial year 2013-14, besides financing to Generation and T&D projects, your Company sanctioned loan assistance of ₹ 295.48 crore to 6 new, grid-connected Renewable Energy projects with installed generation capacity aggregating 98 MW which included 3 Solar photo-voltaic projects of 75 MW; 2 Small Hydro Projects of 21 MW; and 1 Wind project of 2MW and disbursed an amount of ₹ 134.99 crore for Renewable Energy projects.

## RAJIV GANDHI GRAMEEN VIDYUTIKARAN YOJANA (RGGVY)

Government of India is according topmost priority to rural electrification to realise the objective of 'Power to all villages' and 'Provide access to electricity to all' through its flagship programme Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY). Under the scheme, 90% capital subsidy is being provided by Government of India for overall cost of the projects. Continuation of the Scheme in XII and XIII five year plans was also approved by Ministry of Power with capital subsidy of ₹ 35,447 crore, out of which ₹ 23,397 crore would be met through Gross Budgetary Support (GBS) for XII five year plan and remaining ₹ 12,050 crore from XIII five year plan. Under RGGVY, cumulatively up to March 31, 2014, works in 1,08,280 un-electrified villages have been completed and electricity connections to 2.16 crore BPL households have been provided. During this financial year, an amount of ₹ 2,686.97 crore (including subsidy of ₹ 2,394.71 crore under RGGVY and ₹ 29.26 crore under DDG subsidy) has been disbursed.

## SUBSIDIARY COMPANIES & JOINT VENTURE

Your Company has following Wholly Owned Subsidiaries, to focus on additional business of consultancy in the areas of distribution, transmission etc.:

- (i) REC Power Distribution Company Limited; and
- (ii) REC Transmission Projects Company Limited

Further, Ministry of Power (MoP), Government of India, has also designated REC Transmission Projects Company Limited (RECTPCL) (a Wholly Owned Subsidiary of REC) as “Bid Process Coordinator” (BPC) for selection of Transmission Service Provider (TSP) for independent transmission projects allocated by MoP from time to time, through Tariff Based Competitive Bidding Process notified for Inter State transmission projects.

Accordingly, in order to initiate development of each allocated transmission project, RECTPCL has incorporated a Project Specific Special Purpose Vehicle (SPV) as Wholly Owned Subsidiary Company and after the selection of successful bidder, the respective Project Specific SPV along with its all assets and liabilities is to be transferred to the successful bidder. As on date, the following project specific Special Purpose Vehicles (SPVs) exist as Subsidiary Companies of RECTPCL:

- (i) Nellore Transmission Limited (NTL)
- (ii) Baira Siul Sarna Transmission Limited (BSSTL)
- (iii) NRSS XXIX Transmission Limited\*
- (iv) NRSS XXXI (A) Transmission Limited\*
- (v) NRSS XXXI (B) Transmission Limited\*
- (vi) Gadawara (A) Transco Limited<sup>#</sup>
- (vii) Gadawara (B) Transmission Limited<sup>#</sup>

*\*After the selection of successful bidder through Tariff Based Competitive Bidding Process, NRSS XXXI (A) Transmission Limited and NRSS XXXI (B) Transmission Limited have been transferred to M/s Power Grid Corporation of India Limited & M/s Essel Infraprojects Limited, respectively, on May 12, 2014. NRSS XXIX Transmission Limited has also been transferred to M/s Sterlite Display Technologies Private Limited (investing affiliate of Sterlite Grid Limited) on August 4, 2014.*

*<sup>#</sup> Incorporated after March 31, 2014.*

During the Financial Year 2013-14, REC Power Distribution Company Limited (RECPDCL) has not only carried out Third Party Inspection (TPI) but also been involved in preparation of Detailed Project Reports through GPS based field survey. During the year, RECPDCL has prepared 98 Detailed Project Reports (DPRs) under RGGVY XII five year plan and 33 DPRs under RE works for Rajasthan DISCOMs and carried out Third Party Inspection (TPI) of more than 11,000 Villages as REC Quality Monitors.

The performance of RECPDCL has improved and the financial performance of the company is on the fast trajectory growth path. The company's gross income during the financial year 2013-14 has increased by 145.5% to ₹ 75.16 crore compared to the previous year income of ₹ 30.61 crore. The Profit Before Tax (PBT) during the financial year 2013-14 has increased by 214% to ₹ 50.18 crore as compared to ₹ 15.98 crore in the previous year. The Profit After Tax (PAT) during the financial year 2013-14 has also increased by 205.36% to ₹ 33 crore from ₹ 10.81 crore during the previous year. The Net-worth of RECPDCL is now ₹ 60.22 crore (previous year ₹ 27.52 crore) in its 7<sup>th</sup> year of operation as against initial capital of ₹ 0.05 crore, injected by REC.

During the financial year 2013-14, RECTPCL has concluded the two stage bidding process featuring separate Request for Qualification (RfQ) and Request for Proposal (RfP), for selection of TSP for three projects out of five transmission projects allocated in the year 2012-13 and the respective Project Specific SPV along with its all assets and liabilities is transferred to the successful bidder. Accordingly, two project specific SPVs i.e. Vizag Transmission Limited (VTL) and Unchahar Transmission Limited (UTL), have been transferred to M/s Power Grid Corporation of India Limited (successful bidder) on August 30, 2013 & March 24, 2014 respectively, on payment of acquisition price. Similarly, another project specific SPV i.e. Kudgi Transmission Limited (KTL) has also been transferred to M/s L&T Infrastructure Development Projects Limited (successful bidder) on August 30, 2013 after payment of acquisition price.

In addition to the above, during the current financial year i.e. 2014-15, Ministry of Power has also allocated the following five transmission projects to RECTPCL:

- i. Transmission system associated with Gadawara STPS (2x800 MW) of NTPC (Part - A);
- ii. Transmission system associated with Gadawara STPS (2x800 MW) of NTPC (Part - B);

- iii. Connectivity lines for Maheshwaram (Hyderabad) 765/400kV Pooling S/s;
- iv. Transmission System for LTA of 400 MW for 2x500 MW Neyveli Lignite Corporation Ltd. TS-I (Replacement) (NNTPS) in Neyveli; and
- v. Transmission System Strengthening associated with Vindhyachal-V.

In order to initiate development of each of the above listed transmission systems, RECTPCL has incorporated two Wholly Owned Subsidiary (WOS) Companies namely "Gadarwara (A) Transco Limited" and "Gadarwara (B) Transmission Limited" on August 5, 2014 and July 30, 2014 respectively, relating to transmission projects detailed at Sl. No. (i) and (ii) above and the incorporation of other three subsidiary companies is under process.

During the financial year ended March 31, 2014, REC Transmission Projects Company Limited has been able to generate an income of ₹ 35.18 crore. The Profit before tax and Profit after tax for the year is ₹ 34.30 crore and ₹ 23.86 crore respectively. The Net-worth of RECTPCL is now ₹ 68.92 crore as against initial capital of ₹ 0.05 crore injected by REC, in year 2007.

Further, your Company along with three other PSUs namely NTPC, PGCIL and PFC as equal partners, had formed a Joint Venture Company by the name Energy Efficiency Services Limited (EESL) on December 10, 2009. The business plan of EESL envisages taking up projects in Energy Conservation Building Codes, Agriculture Demand Side Management, Municipal DSM, Bachat Lamp Yojana, promoting usage of energy efficient appliances and concept of Energy Service Companies (ESCOs) etc., besides taking over the current commercial roles being discharged by the Bureau of Energy Efficiency (BEE).

Currently, EESL is implementing Municipal Street Lighting projects with various municipal corporation and AgDSM projects for replacement of inefficient Agricultural Pump sets in agriculture Sector, DSM Based Efficient Lighting Programme (DELP) in domestic residential sector in Energy Service Company (ESCO) mode with various Utilities and CSR projects of various companies.

#### CENTRAL INSTITUTE FOR RURAL ELECTRIFICATION

The Company had established a National Institute in Hyderabad 33 years ago, called Central Institute for Rural Electrification (CIRE), to cater to the training and development needs of engineers and managers of Power and Energy Sector and other organisations concerned with Power and Energy. CIRE conducts regular programmes on various aspects of Transmission and Distribution for national and international Power Sector Executives, as well as in-house training programmes for the Company's employees. In keeping with the needs of the 21<sup>st</sup> century, we plan to further modernise CIRE, along with establishment of an 'Energy Park' in its premises to give a practical orientation to the training.

#### HUMAN RESOURCE MANAGEMENT

Training and HRD continued to receive a place of priority as a means of equipping employees with aim of sharpening business skills and competence required for better employee performance and providing all possible opportunities and support to the employees to improve their performance and productivity. Based on the assessed needs and as means to satisfy them, the Company sponsors its officers and staff to various training programmes, workshops etc. within the country and abroad. In addition, training programmes are conducted in-house including at CIRE training institute owned by REC.

#### INFORMATION TECHNOLOGY INITIATIVES

Your Company has been making continuous efforts at upgrading and implementing state-of-the-art IT enabled and IT based systems for improving internal systems and processes. Your Company has already implemented an integrated Oracle based ERP system covering all major business functions. It covers all important business functions of the Company including Finance, Project, Disbursements, Loan Accounts, Treasury, Payroll, CPF, Cash management, Banking, Purchases across all Offices. Your Company has extended the benefit of ERP directly to Borrower by developing an online "Borrower Portal" to facilitate them in knowing status of loans and schemes on real time basis. In addition to that your Company has already implemented a number of other systems also including Document Management System, e-procurement system, Workflow Management System (WMS), Intranet etc. for greater transparency and better e-governance. Further during the financial year 2013-14, your Company has a full fledged Disaster Recovery Centre for ERP operation, a Work-Flow Management system for electronic movement of decision making in selected divisions and offices. All these have led to improvement of internal efficiency and greater customer satisfaction. Your Company has initiated implementation of integrated HR-ERP solution for automation of entire HR functions including Employee Self Service Portal across the Company. The Company has also redesigned and revamped the existing static Corporate website to an interactive and dynamic website.

#### CORPORATE GOVERNANCE

As a listed Public Sector Enterprise, your Company has been complying with the requirements of Corporate Governance as stipulated in the Companies Act, Listing Agreements and also the provisions of Guidelines notified by the Department of Public

Enterprises (DPE), Government of India in this regard. However, during the financial year 2013-14, in absence of requisite number of Independent Directors, the composition of the Board of Directors was not in compliance with the statutory requirements. Corporate Governance at Rural Electrification Corporation Limited (REC), is managing the business in an ethical and responsible manner for sustainable value creation of various stakeholders within the prevalent regulatory framework. The Company believes in adopting the best practices that are followed in the area of Corporate Governance across the globe.

Further, as a responsible Corporate Citizen, your Company has actively supported the implementation of 'Green Initiative' of Ministry of Corporate Affairs (MCA) and effected electronic delivery of Annual Report, Postal Ballot Notice alongwith annexures and intimation of Final/Interim Dividend to those shareholders whose email ids were registered.

**In recognition of good Corporate Governance practices followed by the Company, the Institute of Company Secretaries of India (ICSI), a statutory body constituted under the Company Secretaries Act, 1980 has adjudged your Company as one of the 'Best Governed Company' and conferred 13<sup>th</sup> ICSI National Award for Excellence in Corporate Governance for the year 2013.**

### CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

During the financial year 2013-14, the Corporate Social Responsibility and Sustainable Development (CSR & SD) initiatives of the Company were continued with a view to integrate REC's business operations with social processes while recognizing the interests of its stakeholders. CSR & SD projects were linked with the principle of sustainable development. The strategic focus was aimed at CSR & SD initiative towards fulfilling the National Plan goals and objectives including Millennium Development Goals ensuring the gender sensitivity, skill enhancement, entrepreneurship and employment generation by co-creating value with local institutions/people. While identifying such initiatives the Company has adopted an integrated approach to address the community, societal and environmental concerns measured in terms of triple bottom line approach.

During the financial year 2013-14, a budget @ 1 % of Profit After Tax (PAT) of previous year was allocated towards CSR and SD activities. During the year, the Company has undertaken various CSR & SD initiatives in the fields of Skill Development/ Up-gradation programmes, education, promotion of non-conventional sources of energy, promotion of Health care including for old age and persons with disabilities, drinking water and sanitation, installing Solar PV Smart Mini Grids, providing Solar-Lanterns to affected households and installation of Mobile-charging Solar Stations at various locations/ districts across the country. During the financial year 2013-14, under Corporate Social Responsibility and Sustainable Development, financial assistance aggregating to ₹ 66.61 crore was sanctioned and ₹ 38.40 crore was disbursed for various projects.

### MoU RATING & AWARDS

The performance of your Company in terms of MoU signed with the Government of India in the Ministry of Power for the financial year 2012-13 has been rated as "Excellent". This is the 20<sup>th</sup> year in succession that REC has received "Excellent" rating since the year 1993-94 when the first MoU was signed with the Government. For the financial year 2013-14 also, the performance of the Company is poised to receive "Excellent" rating. During the year, your Company received Award in the category of 'Energy & Power Sector' from India Pride Awards, Dainik Bhaskar & DNA, DSIJ PSU Award 2013 for 'Best Value creating Navratna with a Balance Sheet of more than ₹ 1 Lakh crore' and also rated among the Best Employers in India by Aeon Hewitt.

Further, it is a matter of great honour to your Company that your Company was honoured with the Helpage India 'Gold Plate Award' on the occasion of International Day for Older Persons in recognition of the project 'Multi Facility Health Package for Old Age Homes' funded under its CSR initiatives. Your Company has also been honored with RAJBHASHA SHREE SAMMAN by Bhartiya Rajbhasha Vikas Sansthan, Dehradun during the financial year 2013-14.

### OTHER INITIATIVES

Your Company constantly reviews and revises its lending and operation policies/ procedures to suitably align with market requirements as also with its corporate objectives. During the year, the Company has reviewed policies related to Grading of State Power Utilities, Standardization of repayment periods for T & D schemes, Renewable Energy guidelines and CSR Policy to align itself with prevailing practices and to comply with guidelines issued by Statutory Authorities from time to time.

### FUTURE STRATEGY

Your Company offers a wide range of products to target customer segments to satisfy their specific financial needs. REC will strive to strengthen its core financing activities and explore new business areas in the allied fields also viz. Power equipment financing, energy efficiency related activities, equity financing etc.

Your Company is planning to enhance its presence in the Green Energy financing, such as Solar, Biomass and Wind Power, which shall help in mitigating the problem of power scarcity, carbon emissions and fuel supply. Further, your Company constantly reviews and revises its lending and operational policies/ procedures to suitably align with market requirements as also with its corporate objectives.

Your Company has formed a “Strategic Business Group” comprising of senior officers to explore new business opportunities and look for the new products with regard to the business development of the Company.

Your Company is committed to accelerate growth and will continue to achieve the best standards of Corporate Governance with emphasis on authority and freedom of management coupled with transparency, accountability and professionalism in their working with the aim of enhancing long term economic value of all the stakeholders and society at large.

## LOOKING AHEAD

Even though the global economic conditions are still challenging, our policy maker has rebuilt buffers to cushion it against possible spillovers. The outlook of the country’s economy during the financial year 2014-15 is expected to be more positive since we are moving towards a stable government who will be taking positive decisions which will lead to rebound in manufacturing, credit expansion and investment growth and GDP is projected to grow at 5.5 % during the year 2014-15.

With the target of addition of 88,537 MW generation capacity in XII five year plan, together with matching transmission and distribution infrastructure, the power sector will continue to provide one of the biggest avenues to make significant contribution towards the development of Country’s infrastructure. The Asset size of the Company in the financial year 2013-14 stands at ₹ 1.49 Lakh crore. The strong foundation laid by your Company over the years, enabled it to increase the market share including capture optimal share of funding business of the estimated debt requirement of ₹ 9-10 lakh crore for XII five year plan as well as performance under all key parameters during the current year also. I would like to assure you that with the help of committed workforce, your Company is fully equipped to move forward by delivering best services to customers. This reinforces our absolute commitment to customer service which is the essence of doing business. There has been a significant sentiment change with the prospect of a stable Government for the next five years and one hopes that during this financial year we will see some definitive measures to bring back confidence and restart investment cycle and job creation.

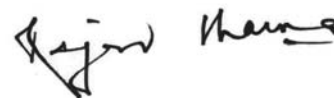
## ACKNOWLEDGEMENTS

I take this opportunity to express my sincere gratitude for the immense support and guidance received by your Company from the Hon’ble Minister of State for Power (Independent Charge), the Secretary (Power), the Additional Secretary (Power), the Joint Secretary (Rural Electrification) and other officers in the Ministry of Power. I am also grateful to the officers in the Ministry of Finance, Planning Commission and the Reserve Bank of India, the Comptroller & Auditor General of India, the Joint Statutory Auditors of the Company, and the Secretarial Auditor for all their support and guidance extended in ensuring smooth and successful operations of the Company. I also express my gratitude to our lenders and investors for having reposed their trust in us.

I would also like to express my thanks and appreciation to my esteemed colleagues on the Board and to all employees of REC for their unswerving commitment to their work. I convey my special thanks to all the other stakeholders of the Company for their valuable support and cooperation and reposing continued confidence in the Company’s performance.

I am confident that with a dedicated and committed resource of employees and valuable support of our esteemed shareholders, your Company will continue to deliver its responsibilities and enhance value to its stakeholders.

With best wishes,



(Rajeev Sharma)  
Chairman & Managing Director

## NOTICE

Notice is hereby given that the Forty Fifth Annual General Meeting of **Rural Electrification Corporation Limited** will be held on **Thursday, September 18, 2014 at 11.00 A.M. at Manekshaw Centre, Parade Road, Delhi Cantonment, New Delhi-110010** to transact the following businesses:-

### ORDINARY BUSINESS

- 1) To receive, consider, approve and adopt the audited Balance Sheet as at March 31, 2014 and Statement of Profit and Loss for the financial year ended on that date along with the Reports of the Board of Directors and Auditors thereon.
- 2) To confirm the payment of Interim Dividend and declare Final Dividend on equity shares of the Company for the financial year 2013-14.
- 3) To appoint a Director in place of Shri Ajeet Kumar Agarwal (DIN 02231613), who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To fix the remuneration of Auditors for the financial year 2014-15.

### SPECIAL BUSINESS

- 5) To consider and if thought fit, to pass, with or without modification(s), the following resolutions as a **Special Resolution**:-

**“RESOLVED THAT** in supersession of the earlier Resolution passed by the shareholders of the Company through Postal Ballot on June 10, 2014 and in accordance with the provisions of Section 42 and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and any other applicable laws including the SEBI (Issue & Listing of Debt Securities) (Amendment) Notification, 2012 and other applicable SEBI regulations and guidelines, the provisions of the Memorandum and Articles of Association of the Company and subject to the receipt of necessary approvals as may be applicable and such other approvals, permissions and sanctions, as may be necessary, including the approval of any existing lenders / trustees of Debenture Holders, if so required under the terms of agreement / deed and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (the “Board”) or any duly constituted Committee of the Board or such other authority as may be approved by the Board, consent of the Company be and is hereby accorded to raise funds upto ₹ 35,000 crore **during a period of one year from the date of passing of this resolution** by way of issue of unsecured/secured non-convertible bonds / debentures of the Company on private placement basis, in one or more tranches, to such person or persons, who may or may not be the bond/ debenture holders of the Company, as the Board (or any duly constituted Committee of the Board or such other authority as may be approved by the Board) may at its sole discretion decide, including eligible investors (whether residents and/or non-residents and/or institutions/incorporated bodies and/or individuals and/or trustees and/or banks or otherwise, in domestic and/or one or more international markets) including Non-resident Indians, Foreign Institutional Investors (FIIs), Venture Capital Funds, Foreign Venture Capital Investors, State Industrial Development Corporations, Insurance Companies, Provident Funds, Pension Funds, Development Financial Institutions, Bodies Corporate, companies, private or public or other entities, authorities and to such other persons in one or more combinations thereof through Private Placement in one or more tranches and including the exercise of a green-shoe option (within the overall limit of ₹ 35,000 crore, as stated above), if any, at such terms as may be determined under the guidelines as may be applicable, and on such terms and conditions as may be finalized by the Board or any duly constituted Committee of the Board or such other authority as may be approved by the Board.”

**“RESOLVED FURTHER THAT** for the purpose of giving effect to any Private Placement of unsecured/secured non-convertible bonds/debentures, the Board of Directors of the Company (the “Board”) or any duly constituted Committee of the Board or such other authority as may be approved by the Board be and is hereby authorized to determine the terms of the Issue, including the class of investors to whom the bonds/debentures are to be allotted, the number of bonds/debentures to be allotted in each tranche, issue price, tenor, interest rate, premium/discount to the then prevailing market price, amount of issue, discount to issue price to a class of bond/debenture holders, listing, issuing any declaration / undertaking etc. required to be included in the Private Placement Offer Letter and any other regulatory requirement for the time being in force.”

- 6) To consider and if thought fit, to pass, with or without modification(s), the following resolutions as a **Special Resolution**:-

**“RESOLVED THAT** pursuant to the provisions of Section 188 and other applicable provisions, if any, of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of the Board and its Powers) Rules, 2014 (including any statutory

modification(s) or re-enactment thereof, for the time being in force) and any other applicable laws/rules under any statute for the time being in force and subject to the approval /consent of such appropriate authorities, consent of the Company be and is hereby accorded for entering into contract(s) or arrangement(s) or transaction(s), **during a period of one year from the date of passing of this Resolution**, with Wholly Owned Subsidiary companies and associate company(ies) (both present and future) of Rural Electrification Corporation Limited, in the nature of providing them with necessary infrastructural support, manpower and/or other inputs/support/services on cost to cost basis, leasing of property of any kind, sale/purchase of goods or materials or property of any kind and/or availing/rendering of services, from time to time, in the ordinary course of business, provided that the cumulative value of contract(s) or arrangement(s) or transaction(s) with such related parties **during a period of one year from the date of passing of this Resolution**, shall not exceed two percent (2 %) of the turnover of Rural Electrification Corporation Limited for the preceding financial year i.e. FY 2013-14.”

“**RESOLVED FURTHER THAT** the Board of Directors of the Company (the “Board”) or any duly constituted Committee of the Board or such other authority as may be approved by the Board be and is hereby authorized to approve the individual contract(s) or arrangement(s) or transaction(s) with Wholly Owned Subsidiaries and associate company(ies) of Rural Electrification Corporation Limited within the overall limit of two percent (2 %) of the turnover of the Rural Electrification Corporation Limited for the financial year 2013-14, including the name of the related party and nature of relationship, nature, duration and particulars of the contract or arrangement, to be entered with Wholly Owned Subsidiaries and associate company(ies) of Rural Electrification Corporation Limited, material terms of such contract or arrangement *inter-alia* including the value of the contract, advance payment to be made/received, if any, manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract and/or any other matter to be decided in this regard.”

“**RESOLVED FURTHER THAT** the Board of Directors of the Company (including any Committee duly constituted by the Board of Directors or any authority as may be approved by the Board of Directors) be and is hereby authorized to do and execute all such acts, deeds and things as may be necessary for giving effect to the above resolution.”

By order of the Board of Directors  
For Rural Electrification Corporation Limited



(J. S. Amitabh)

General Manager & Company Secretary

**Registered Office:**

Core-4, SCOPE Complex,  
7, Lodhi Road,  
New Delhi-110003  
CIN : L40101DL1969GOI005095

**Dated: August 12, 2014**

**NOTES:-**

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and such proxy need not be a Member of the Company. The proxy form duly completed and signed must be deposited at the Registered Office of the Company, not less than forty eight hours before the commencement of the Annual General Meeting. Proxy so appointed shall not have any right to speak at the meeting. Blank proxy form is attached in this Annual Report and also available on Company's website i.e. [www.recindia.gov.in](http://www.recindia.gov.in).

A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

2. A Statement setting out the material facts concerning each item of Special Business, pursuant to Section 102(1) of the Companies Act, 2013, is annexed hereto.
3. Brief Resume of the Directors seeking re-appointment or appointed since last Annual General Meeting, as required under Clause 49 of the Listing Agreement executed with the Stock Exchanges is annexed hereto and forms part of Notice.
4. The Register of Members and Share Transfer Books of the Company will remain closed from **Thursday, September 4, 2014 to Thursday, September 18, 2014 (both days inclusive)**.
5. The Final Dividend @ ₹ 1.75 per equity share, as recommended by the Board of Directors in its Meeting held on May 26, 2014, subject to the provisions of Section 123 of the Companies Act, 2013 (erstwhile Section 206A of the Companies Act, 1956), **if approved by the Members at this Annual General Meeting, will be paid on Wednesday, October 1, 2014 to the members or their mandates whose names appear in the Register of Members of the Company after giving effect to all valid share transfer requests lodged with the Company/ R&TA, on or before Wednesday, September 3, 2014, in respect of physical shares. In respect of dematerialized shares, the final dividend shall be payable to the “beneficial owners” of the shares whose names appear in the Statement of Beneficial Ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited at the close of business hours on Wednesday, September 3, 2014.**

Further, the Board of Directors in its Meeting held on February 14, 2014 had declared an interim dividend of ₹ 7.75 per equity share on the paid-up equity share capital of the Company which was paid on February 28, 2014. The Shareholders are also requested to confirm the same.

6. Members who hold shares in physical form are requested to send all correspondence concerning registration of transfers, transmissions, sub-division, consolidation of shares or any other shares related matter and / or change in address and bank account, to Karvy Computershare Private Limited, Registrar and Share Transfer Agent of the Company and in case of shares held in electronic mode, to their respective Depository Participants.
7. Members who have not received/ encashed their dividend warrants within its validity period may write to the Company at its Registered Office or Karvy Computershare Private Limited, Registrar & Share Transfer Agent of the Company, for revalidating the warrants or payment in lieu of such warrants in the form of demand draft.

Pursuant to Section 205A read with Section 205C of the Companies Act, 1956, the dividend amount which remains unpaid/ unclaimed for a period of seven years, is required to be transferred to the Investor Education & Protection Fund (IEPF) of the Central Government.

Further, pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on September 13, 2013 (date of last Annual General Meeting) on the website of the Company ([www.recindia.gov.in](http://www.recindia.gov.in)) and also on the website of the Ministry of Corporate Affairs.

8. Corporate Members are requested to send/attach a duly certified copy of the Board Resolution authorizing their representative to attend and vote on their behalf at the Annual General Meeting, along with the Proxy Form/ Attendance Slip.
9. **Members are requested to:-**
  - a. **note that copies of Annual Report will not be distributed at the Annual General Meeting and they will have to bring their copies of Annual Report;**
  - b. **produce Attendance Slip, as sent herewith, at the venue duly filled-in and signed for attending the meeting, as entry to the Auditorium will be strictly on the basis of the Entry Slip, which will be available at the counters at the meeting venue in exchange of the Attendance Slip;**
  - c. **quote their Folio / Client ID & DP ID Nos. in all correspondence;**
  - d. **note that due to security reasons briefcases, eatables and other belongings shall not be allowed inside the Auditorium; and**
  - e. **note that no gifts / coupons will be distributed at the Annual General Meeting.**
10. As SEBI has made usage of electronic payment modes for making cash payments to the investors mandatory, therefore members are advised to submit their National Electronic Clearing System (NECS)/NEFT/Direct Credit mandates, to enable the Company to make payment of dividend by means of NECS/NEFT/Direct Credit/ Warrants. Those holding shares in

physical form may obtain and send the NECS/NEFT/Direct Credit mandate form to Registrar and Share Transfer Agent (R&TA) of the Company i.e. Karvy Computershare Private Limited, at Plot No. 17- 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081, India. Those holding shares in Electronic Form may obtain and send the NECS/NEFT/Direct Credit Mandate Form directly to their Depository Participant (DP). Those who have already furnished the NECS/NEFT/Direct Credit Mandate Form to the Company/ Registrar and Share Transfer Agent / DP with complete details need not send it again.

11. In order to avoid the incidence of fraudulent encashment of dividend warrants, the Members who do not wish to opt for NECS/NEFT/Direct Credit facility are advised to submit particulars of their bank account, viz., name(s) and address of the branch of the bank, Bank Account Number, 9 digit MICR code of the branch, IFSC Code, type of account etc. latest by September 18, 2014 to Karvy Computershare Private Limited, Registrar and Share Transfer Agent of the Company to enable them to print these details on the Dividend Warrant.
12. **SEBI has made it mandatory for the transferee(s) to furnish a copy of PAN card to the Company/RTAs for registration of transfers and for securities market transactions and off-market/private transactions involving transfer of shares in physical form of listed companies. Accordingly, members holding shares in physical mode should attach a copy of their PAN card for every transfer request sent to Company/RTA.**
13. Members holding shares in multiple folios in physical mode are requested to apply for consolidation to the Company or its Registrar & Share Transfer Agent along with relevant Share Certificates. In case of Joint Holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
14. Pursuant to Section 619(2) of Companies Act, 1956, the Auditors of a Government Company are to be appointed/ re-appointed by the Comptroller and Auditor General (C&AG) of India and, in terms of Section 224 (8) (aa) of the Companies Act, 1956, their remuneration shall be fixed by the company in a General Meeting or in such manner as the company in a General Meeting may determine. In pursuance of the same, C&AG of India had appointed Raj Har Gopal & Co., Chartered Accountants and P.K. Chopra & Co., Chartered Accountants, as Joint Statutory Auditors of the Company for the financial year 2013-14.

In the 44<sup>th</sup> Annual General Meeting (AGM) held on September 13, 2013 the Board of Directors were authorized by Shareholders in pursuance of Section 224 (8) (aa) read with Section 619 (2) of the Companies Act, 1956 to fix and approve the remuneration of Statutory Auditors/Joint Statutory Auditors of the Company for the financial year 2013-14, on the recommendation of the Audit Committee. Accordingly, the Board of Directors in their Meeting held on November 13, 2013 approved the payment of remuneration of ₹ 20,00,000/- (Rupees Twenty Lakh Only) plus service tax as applicable to be shared equally by the Joint Statutory Auditors, for the financial year 2013-14. The Board also approved that in addition to the above remuneration, the Statutory Auditors may be paid such actual reasonable traveling allowance and out of pocket expenses for outstation audit work, as may be decided by the CMD/ Director (Finance).

Further, pursuant to Section 139(5) of the Companies Act, 2013 (erstwhile Section 619(2) of the Companies Act, 1956), Raj Har Gopal & Co., Chartered Accountants (Firm Reg. No.: 002074N) and P.K. Chopra & Co., Chartered Accountants (Firm Reg. No.: 006747N) have been appointed as Joint Statutory Auditors of the Company for the financial year 2014-15 by the C&AG of India. Therefore, it is proposed to obtain approval of the Members of the Company in Annual General Meeting to fix the remuneration of Auditors for the financial year 2014-15, on similar lines as done for the last financial year. **Accordingly, the Members are requested to authorize the Board of Directors of the Company to fix the remuneration of the Statutory Auditors/ Joint Statutory Auditors of the Company, as it deems fit, for the financial year 2014-15.**

15. Members desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 72 of the Companies Act, 2013 (erstwhile Section 109A of the Companies Act, 1956), are requested to write to Karvy Computershare Private Limited, Registrar and Share Transfer Agent of the Company in Form SH-13 as prescribed in the Companies (Share Capital and Debentures) Rules, 2014. Blank Nomination form is available on Company's website i.e. [www.recindia.gov.in](http://www.recindia.gov.in). In case of shares held in dematerialized form, the nomination form has to be lodged directly with the respective Depository Participant (DP).
16. **Members desirous of getting any information on any items of business of this meeting are requested to address their queries to the Company Secretary at the Registered Office of the Company at least ten days prior to the date of the Annual General Meeting, so that the information required can be made available at the time of the meeting.**
17. Ministry of Corporate Affairs, Government of India vide its General Circular dated February 8, 2011 granted general exemption under Section 212(8) of the erstwhile Companies Act, 1956 from attaching the Balance Sheet etc. of Subsidiary

Companies to the Balance Sheet of the holding Company, subject to compliance of certain conditions by the Companies as prescribed in this Circular. Accordingly, your Company has provided full details of accounts of individual Subsidiary Companies along with the entire text of Annual Report at its website [www.recindia.gov.in](http://www.recindia.gov.in).

18. The Companies Act, 2013 permits companies to send documents like Notice of Annual General Meeting, Annual Report and other documents through electronic means to its members at their registered email addresses besides sending the same in physical form. Accordingly, the Company proposes to send all documents viz. Notice, Audited Financial Statements, Directors' and Auditors' Report etc. henceforth to the shareholders in electronic form to their registered e-mail addresses. These documents would also be available on the website of the Company. Please note that as a Member of the Company you are entitled to receive above mentioned and all other documents required under the law, free of cost, in physical form on receipt of your request in this regard.

**Members, who have not registered their e-mail addresses so far, are requested to register their e-mail address with the Registrar and Share Transfer Agent (R & TA) of the Company / Depository Participant (DP) of respective Member and take part in the Green Initiative of the Company.**

19. The Register of Directors and Key Managerial Personnel (KMP) and their Shareholding, maintained under Section 170 of the Companies Act, 2013 and all other documents referred to in the Notice will be available for inspection by the Members at the Registered Office of the Company on all working days (except Saturday and Sunday) between 11.00 A.M. to 1.00 P.M. and the same will also be available at the time of AGM of the Company at the venue of the meeting.
20. Non-Resident Indian Members are requested to inform Karvy, immediately of:
- Change in their residential status on return to India for permanent settlement.
  - Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the bank with pin code number, if not furnished earlier.
21. In compliance with provisions of Clause 35B of the Listing Agreement and Section 108 of Companies Act, 2013 read with Rule 20 of Companies (Management and Administration) Rules, 2014, the Company is offering e-voting facility to the shareholders of the Company to enable them to cast their votes electronically on the items mentioned in the Notice. For this purpose, the Company has entered into an agreement with Karvy Computershare Private Limited for providing e-voting facility to enable the Shareholders to exercise their right to vote through electronic means in respect of businesses to be transacted in the Annual General Meeting. E-voting is optional.

The Company has appointed Shri Sanjay Grover, Sanjay Grover & Associates, Practicing Company Secretaries, New Delhi as the Scrutinizer to scrutinize the electronic voting process in a fair and transparent manner.

Further, the Company has fixed **Thursday, the August 14, 2014** as the Cut-off date for determining voting rights of shareholders entitled to participate in the e-voting process. The e-voting portal will be open for voting from **Wednesday, September 10, 2014 (1000 Hours) and ends on Friday, September 12, 2014 (1800 Hours)**.

**All members are requested to read the following instructions and other information carefully before casting their vote electronically:**

- Launch internet browser by typing the URL: <https://evoting.karvy.com> or click on the link provided in the email in case a Member receives an e-mail from Karvy.
- Enter the login credentials (i.e. user-id & password) mentioned at the bottom of Proxy Form. Your folio / DP ID and Client ID will be your User-ID.

User-ID	For Members holding shares in Demat form:-
	a) For NSDL : 8 Character DP ID followed by 8 Digits Client ID
	b) For CDSL : 16 digits beneficiary ID
	<b>For Members holding shares in Physical form:-</b>
	EVEN no. followed by Folio Number registered with the Company.
<b>Password</b>	Your Unique password is printed on the Proxy form/mentioned in the email received from Karvy
<b>Captcha</b>	Enter the Verification code i.e., please enter the alphabets and numbers in the exact way as they are displayed for security reasons.

- After entering these details appropriately, Click on "LOGIN".
- You will now reach password change Menu wherein you are required to mandatorily change your password. The new

password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@, #, \$, etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.

- (v) You need to login again with the new credentials.
  - (vi) On successful login, the system will prompt you to select the “EVENT” i.e. Rural Electrification Corporation Limited.
  - (vii) If you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote.
  - (viii) On the voting page, enter the number of shares (which represents the number of votes) as on the Cut Off date under “FOR/AGAINST” or alternatively, you may partially enter any number in “FOR” and partially in “AGAINST” but the total number in “FOR/AGAINST” taken together should not exceed your total shareholding as mentioned hereinabove. You may also choose the option ABSTAIN. If the shareholder does not indicate either “FOR” or “AGAINST” it will be treated as “ABSTAIN” and the shares held will not be counted under either head.
  - (ix) Shareholders holding multiple folios/demat accounts shall choose the voting process separately for each folios/demat accounts.
  - (x) Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item, it will be treated as abstained.
  - (xi) You may then cast your vote by selecting an appropriate option and click on “Submit”.
  - (xii) A confirmation box will be displayed. Click “OK” to confirm else “CANCEL” to modify. Once you confirm, you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution(s).
  - (xiii) Corporate/Institutional Members (i.e. other than Individuals, HUF, NRI, etc.) are also required to send scanned certified true copy (PDF Format) of the Board Resolution/Authority Letter, etc. together with attested specimen signature(s) of the duly authorized representative(s), to the Scrutinizer at e-mail ID: [scrutinizer.recl@gmail.com](mailto:scrutinizer.recl@gmail.com) with a copy marked to [evoting@karvy.com](mailto:evoting@karvy.com). The scanned image of the above mentioned documents should be in the naming format “Corporate Name\_ EVEN NO.”
22. Once the vote on a resolution is cast by a shareholder, the Shareholders shall not be allowed to change it subsequently. Further, the Shareholders who have cast their vote electronically shall not be allowed to vote again at the AGM.
  23. The Scrutinizer shall within a period not exceeding three (3) working days from the conclusion of the e-voting period unblock the votes in the presence of at least two (2) witnesses not in the employment of the Company and will make a Scrutinizer’s Report of the votes cast in favour or against, forthwith to the Chairman of the meeting.
  24. Once discussion on all the agenda items is completed in Meeting, Chairman will order Poll in respect of all the items. Poll will be conducted and supervised under Scrutinizer(s) to be appointed for the purpose. After conclusion of the Poll, the Chairman may declare the meeting as closed.
  25. In compliance of statutory provisions, the results of the Poll aggregated with the results of e-voting will be announced and uploaded on the website of the Company ([www.recindia.gov.in](http://www.recindia.gov.in)) and on Karvy’s website (<https://evoting.karvy.com>) and will also be submitted to the Stock Exchanges within the prescribed time. Further, the resolutions will be deemed to be passed on the Annual General Meeting date subject to receipt of the requisite number of votes in favour of the Resolutions.
  26. The Company is not providing Video Conferencing facility for this meeting.
  27. The entire Annual Report is also available on the Company’s website [www.recindia.gov.in](http://www.recindia.gov.in).

## STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013 (“the Act”)

### THE FOLLOWING STATEMENT SETS OUT ALL MATERIAL FACTS RELATING TO THE SPECIAL BUSINESS SET OUT IN THE NOTICE.

#### Item No. 5

As per provisions of Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and Rule 18 of the Companies (Share Capital and Debentures) Rules, 2014, a company shall not make a Private Placement of its securities unless the proposed offer of securities or invitation to subscribe to securities has been previously approved by the Shareholders of the Company by a Special Resolution for each of the offers or invitations. However, in case of offer or invitation for **“non-convertible debentures”, it shall be sufficient if the company passes a previous special resolution only once in a year for all the offers or invitations for such debentures during the year.**

Accordingly, the shareholders of the Company had passed a Special Resolution through Postal Ballot on June 10, 2014 for making Private Placement of Unsecured/Secured Non-Convertible Bonds/Debentures upto ₹ 30,000 crore during the financial year 2014-15 (including funds already raised during the financial year 2014-15 till that date, by way of issue of unsecured/secured non-convertible bonds / debentures of the Company on private placement basis) in one or more tranches, to such person or persons, who may or may not be the bond / debenture holders of the Company, within the overall market borrowing programme of the Company of ₹ 37,000 crore for the financial year 2014-15, as approved by the Board of Directors in its Meeting held on March 28, 2014. Therefore, as per the above approval, the Company can raise funds through Private Placement of Unsecured/Secured Non-Convertible Bonds/Debentures only upto March 31, 2015, subsequent to which, the Company will not be able to make Private Placement of Unsecured/Secured Non-Convertible Bonds/Debentures, unless a Special Resolution is passed in the beginning of financial year 2015-16 itself.

Therefore, it is proposed to pass a Special Resolution in supersession of the earlier Resolution passed through Postal Ballot on June 10, 2014, to enable the Company to raise funds upto ₹ 35,000 crore during a period of **one year from the date of passing of this resolution, i.e. upto September 17, 2015** by way of issue of unsecured/secured non-convertible bonds / debentures of the Company on private placement basis, in one or more tranches, to such person or persons, who may or may not be the bond/debenture holders of the Company, within the overall market borrowing programme of the Company, as may be approved by the Board of Directors of the Company, from time to time.

Further, the Board of Directors of the Company (the “Board”) or any Committee duly constituted by the Board or such other authority as may be approved by the Board, shall be authorized to determine the terms of the issue, including the class of investors to whom the bonds/debentures are to be allotted, the number of bonds/debentures to be allotted in each tranche, issue price, tenor, interest rate, premium/discount to the then prevailing market price, amount of issue, discount to issue price to a class of bond/debenture holders, listing, issuing any declaration / undertaking etc. required to be included in the Private Placement Offer Letter and any other regulatory requirement for the time being in force.

The Board of Directors of the Company in its Meeting held on August 12, 2014 has approved the above proposal and recommends the passing of the proposed Special Resolution by members of the Company as contained in the Notice.

In view of the aforesaid provisions, you are requested to grant your consent to the Special Resolution as set out at Item No.5 of the Notice of Annual General Meeting dated August 12, 2014 of the Company.

The Directors or Key Managerial Personnel or their relatives do not have any concern or interest, financial or otherwise in passing of the said Special Resolution, except to the extent of their shareholding in the Company.

#### Item No. 6

As per provisions of Section 188(1) of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, the Company shall not enter into any contract or arrangement with a ‘Related party’, except with the prior consent of the shareholders by way of Special Resolution.

The term ‘Related party’, with reference to Rural Electrification Corporation Limited (REC) *inter-alia* includes the subsidiary and associate companies of REC. The level of income/profits of these subsidiaries is minimal as compared to REC. Further, in the absence of regular/permanent manpower and other basic infrastructural facilities, REC normally provides support to its subsidiary companies in the nature of deployment of its officials for managing the affairs of these subsidiary companies, leasing out space for its Registered office and other infrastructural support and services for day-to-day functioning of these subsidiary companies and the expenses in this regard are allocated proportionately on cost-to-cost basis in the books of accounts of the respective subsidiary companies.

Therefore, it is proposed to seek approval of shareholders for any contract(s) or arrangement(s) or transaction(s) **during a period of one year from the date of passing of this Resolution**, to be entered by REC with the following Wholly Owned Subsidiary

companies and associate companies of REC in the nature of providing them with necessary infrastructural support, manpower and/or other inputs/support/services on cost to cost basis, leasing of property of any kind, sale/purchase of goods or materials or property of any kind and/or availing/rendering of services, from time to time, in the ordinary course of business, provided that the cumulative value of contract(s) or arrangement(s) or transaction(s) with such related parties **during a period of one year from the date of passing of this Resolution**, shall not exceed two percent (2 %) of the turnover of Rural Electrification Corporation Limited for the preceding financial year i.e. FY 2013-14:-

#### Wholly-owned subsidiaries of REC

- (i) REC Power Distribution Company Limited (RECPDCL).
- (ii) REC Transmission Projects Company Limited (RECTPCL).
- (iii) Existing step-down subsidiaries incorporated as Project-Specific Special Purpose Vehicles (SPVs) by RECTPCL or SPVs as may be incorporated by RECTPCL from time to time.

#### Associate Company(ies) with regard to REC

- (i) Energy Efficiency Services Limited (EESL) [REC holds 25 % of the total paid-up share capital in EESL].
- (ii) Any other company, which becomes an associate company of REC, as per the provisions of the Companies Act, 2013 and Rules made there under.

The provisions of Section 188(1) of the Companies Act, 2013 are not applicable in case of any transaction(s) entered into by the company in ordinary course of business other than transactions which are not on an arm's length basis. Accordingly, the approval proposed to be sought is only for those transactions entered with the above-mentioned Related Parties which are not on arm's length basis.

Further, the Board of Directors of the Company (the "Board") or any Committee duly constituted by the Board or such other authority as may be approved by the Board, shall be authorized to finalize and approve the nature, material terms, monetary value and particulars of the contract(s) or arrangement(s) or transaction(s) with Wholly Owned Subsidiaries and associate company(ies) of Rural Electrification Corporation Limited, within the overall limit of two percent (2 %) of the turnover of the Rural Electrification Corporation Limited for the financial year 2013-14.

The Audit Committee and Board of Directors of the Company, in their Meetings held on August 12, 2014 have approved the above proposal and recommend the passing of the proposed Special Resolution by members of the Company as contained in the Notice.

In view of the aforesaid provisions, you are requested to grant your consent to the Special Resolution as set out at Item No.6 of the Notice of Annual General Meeting dated August 12, 2014 of the Company.

The Directors or Key Managerial Personnel or their relatives do not have any concern or interest, financial or otherwise in passing of the said Special Resolution, except to the extent of their shareholding in the Company.

**By order of the Board of Directors**  
For Rural Electrification Corporation Limited



**(J. S. Amitabh)**  
General Manager & Company Secretary

#### Registered Office:

Core-4, SCOPE Complex,  
7, Lodhi Road,  
New Delhi-110003  
CIN : L40101DL1969GOI005095

**Dated: August 12, 2014**

**BRIEF RESUME OF THE DIRECTORS APPOINTED SINCE LAST ANNUAL GENERAL MEETING HELD ON SEPTEMBER 13, 2013.**

<b>Name</b>	Since last Annual General Meeting held on September 13, 2013, no Director has been appointed on the Board of Rural Electrification Corporation Limited.
<b>Date of Birth</b>	
<b>Date of Appointment</b>	
<b>Qualifications</b>	
<b>Expertise in specific Functional area</b>	
<b>Directorship held in other Companies</b>	
<b>Membership/Chairmanship of Committees across all Public Companies other than REC</b>	
<b>Number of shares held in the Company</b>	

**BRIEF RESUME OF THE DIRECTORS SEEKING RE-APPOINTMENT AT THE 45TH ANNUAL GENERAL MEETING**

<b>Name</b>	Shri Ajeet Kumar Agarwal (DIN 02231613)
<b>Date of Birth</b>	May 30, 1960
<b>Date of Appointment</b>	August 1, 2012
<b>Qualifications</b>	<ul style="list-style-type: none"> <li>• Bachelor's degree in Commerce; and</li> <li>• Member of the Institute of Chartered Accountants of India (ICAI)</li> </ul>
<b>Expertise in specific Functional area</b>	Shri Agarwal has 31 years experience in public sector undertakings. During his tenure in REC as General Manager/ Executive Director (Finance), he had handled various finance functions including Resource Mobilisation, Loan Disbursement and Corporate Accounts & Taxation. Prior to joining our Company on March 29, 2007, he was General Manager in Telecommunications Consultants India Limited. He is also a Nominee Director on the Board of Indian Energy Exchange Limited (IEX).
<b>Directorship held in other Companies</b>	<ul style="list-style-type: none"> <li>• REC Transmission Projects Company Limited; and</li> <li>• Indian Energy Exchange Limited</li> </ul>
<b>Membership/Chairmanship of Committees across all Public Companies other than REC</b>	Indian Energy Exchange Limited - Member, Audit Committee
<b>Number of equity shares held in the Company</b>	242



**Shri Rajeev Sharma, Chairman & Managing Director (CMD) (DIN 00973413)**

Shri Rajeev Sharma, 54 years, is the Chairman & Managing Director (CMD) of our Company since November 29, 2011. He holds a Bachelor's degree in Electrical Engineering from Govind Ballabh Pant University, Pantnagar, a Post Graduate Diploma (Electronics and Communication Engineering) and a Masters degree in Engineering (Electrical Engineering) from Indian Institute of Technology, Roorkee.

He also holds a Masters degree in Business Administration from University of Delhi. He has rich and varied experience of more than 29 years in Power Sector. Under his guidance and leadership REC has excelled in all fields and surpassed all its previous targets and performance. Prior to joining REC, Shri Sharma was Director (Projects), Power Finance Corporation Limited, where he was responsible for all functions of Projects Division including appraisal of the projects financed by the company. During his tenure as Executive Director in PFC, he was Director (in-charge) for development of Krishnapatnam Ultra Mega Power Project and was responsible for implementation of R-APDRP in India. He has also

worked in Central Electricity Authority (CEA), where he was involved in design, engineering and consultancy of Nathpa Jhakri Hydro-electric Project (1500 MW). During his stint in the Ministry of Power, he was also looking after operations of Power Grid Corporation of India Limited, THDC, SJVNL, BBMB and NEEPCO, Public Sector Undertakings (PSUs) under administrative control of Ministry of Power. He was also instrumental in formulating the policies for APDRP and Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY).

Shri Rajeev Sharma was holding 60 Equity Shares in the Company as on March 31, 2014.

**Shri Prakash Thakkar, Director (Technical) (DIN 01120152)**

Shri Prakash Thakkar, 58 years, is Director (Technical) of our Company since May 2, 2011. He holds a Bachelor's degree in Electrical Engineering from Maharaja Sayajirao University, Baroda. Shri Thakkar has over 35 years of rich and diversified experience of power sector which includes Hydro Generation, Substation Engineering and Distribution. He is in-charge of all technical and operational aspects of various projects financed by our Company in the generation, transmission and distribution sectors as well as rural electrification projects under the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY).

Prior to taking over charge as Director (Technical), he was working in the Company as Executive Director (Transmission and Distribution/RGGVY). He joined our Company as General Manager (Technical) on deputation on September 19, 2005 and subsequently he was permanently absorbed in the Company on September 18, 2007. Prior to joining our Company, he has worked for about 11 years in NHPC (Installation of Hydrogenerators and Operation & Maintenance of Hydro Stations) and 15 years on different posts in Power Grid Corporation of India Limited. He was a member of India's first 400 kV Thyristor Controlled Series Compensation (TCSC) project implementation team. He was also a core member for switchgear equipment specifications for 800/400/220/132 kV. He has also served as Advisor to Government of Nepal for operation & maintenance of Devighat Hydro Electric Project during the year 1985-86.

He is a member of AIMA and also served as Nominee Director on the Boards of various companies. He is also the Chairman and Director of Energy Efficiency Services Limited. He has authored/co-authored various technical papers in National and International seminars.

Shri Prakash Thakkar was holding 4030 Equity Shares in the Company as on March 31, 2014.



**Shri Ajeet Kumar Agarwal, Director (Finance) (DIN 02231613)**

Shri Ajeet Kumar Agarwal, 54 years, is Director (Finance) of our Company since August 1, 2012. He has done B. Com (Hons.) from Shri Ram College of Commerce, University of Delhi. He is also a Fellow Member of the Institute of Chartered Accountants of India. Shri Agarwal has 31 years experience in Public Sector Undertakings. During his tenure in REC as General Manager/ Executive Director (Finance), he had handled various finance functions including Resource Mobilisation, Loan Disbursement and Corporate Accounts & Taxation. Prior to joining our Company on March 29, 2007, he was General Manager in Telecommunications Consultants India Limited. He is also a Nominee Director on the Board of Indian Energy Exchange Limited (IEX).

He is responsible for formulating financial strategies and plans to enable the Company in achieving its vision. He provides directions with respect to Financial Management and Operations of the organization encompassing organizational and financial planning, formulation of financial policy,

financial accounting, management control systems, cash and funds management, tax planning, mobilization and management of resources, liaison with financial institutions and capital market players. He also supervises treasury functions, lending operations and advises on corporate risk management matters.

Shri Ajeet Kumar Agarwal was holding 242 Equity Shares in the Company as on March 31, 2014.

**Shri B. N. Sharma, Government Nominee Director (DIN 01221452)**

Shri B. N. Sharma, 55 years, is the Government Nominee Director of our Company since August 23, 2012. He holds a Bachelor's and Master's degree in Financial Management. He has been a part of the IAS since 1985 in the Rajasthan cadre and has been in the Civil Services for about 29 years. He is currently the Joint Secretary in the Ministry of Power, where he is in-charge of Rural Electrification and Distribution and also a Government Nominee Director on the Board of Power Finance Corporation Limited. Prior to joining Ministry of Power, Government of India, he has served as Principal Secretary in Medical & Health and Family Welfare Department, Rajasthan. He has also served as Commissioner, Commercial Taxes Department, Rajasthan, Managing Director of Rajasthan State Industrial and Investment Corporation Limited (RIICO), Chairman & Managing Director of Rajasthan Financial Corporation (RFC), Secretary of Finance (Expenditure) Department and Elementary, Secondary & Sanskrit Education Department in Rajasthan. Prior to that he has worked as Collector & District Magistrate of Jaipur, Alwar and Tonk districts in Rajasthan, Chairman & Managing Director of M/s Jaipur Vidhyut Vitran Nigam Limited, Jaipur, Secretary, Rajasthan State Electricity Board, Jaipur. Shri Sharma has also served as Director / Nominee Director on the Board of various companies. He was also Chairman of Rajasthan Drugs and Pharmaceuticals Limited, Rajasthan Medical Services Corporation Limited, Rajasthan Asset Management Company Private Limited, Rajasthan Trustee Company Private Limited and Rajasthan Electronics and Instruments Limited.



Shri B. N. Sharma was holding "Nil" Equity Shares in the Company as on March 31, 2014.


**Dr. Sunil Kumar Gupta, Part-time Non-official Independent Director (DIN 00948089)**

Dr. Sunil Kumar Gupta, 47 years, is a Part-time Non-official Independent Director on the Board of our Company since March 16, 2012. He is a Chartered Accountant by profession and is Senior Partner at M/s Sunil Ram & Co., Ghaziabad. He is a Commerce graduate, Fellow Member of the 'The Institute of Chartered Accountants of India' and 'The Institute of Cost Accountants of India' and holds a Ph.D. on the topic 'Study of Internal Audit System'.

He is the elected Shareholders' Director on the board of Punjab National Bank since March 21, 2012 and has been co-opted as member of "Management Committee", "Risk Management Committee" and "IT Committee" of the board. He has completed tenure of 3 years as a Shareholders' Director on the board of Dena Bank on March 16, 2012. In Dena Bank also, he was co-opted as Chairman/member of various committees namely Management Committee, Audit Committee and Risk Management Committee.

The Government of India has nominated him as Director of General Insurance Corporation of India and as Member of Steel Consumers' Council, Ministry of Steel. He is the elected member of National Executive Council of FICCI. He is also an associate member of ASSOCHAM, CII, PHD Chamber of Commerce & Industry and Press Club of India, besides being member of several social organizations, educational societies and clubs.

Dr. Sunil Kumar Gupta has been the Founder Secretary of Ghaziabad Chapter of 'The Institute of Cost Accountants of India' and also Chairman, Vice-Chairman, Secretary of Ghaziabad branch of The Institute of Chartered Accountants of India at different times. Dr. Sunil Kumar Gupta remained the elected member to Central India Regional Council of The Institute of Chartered Accountants of India from 1998-2000.

Learning from his struggle as a child, he has committed himself to the restructuring of rural areas by becoming a life member of Gram Vikas Samiti which organizes education programmes at no cost in more than 24 villages. His service towards the society is not confined to humans; he being the founder member of Shri Krishna Gaushala, Ghaziabad works dedicatedly for the welfare of animals, beyond fighting the curse of malnutrition by providing unadulterated milk to children. As a Chairman of the Economic Affairs Committee of Unity International Foundation, he persistently drafts result-oriented policies ensuring cordial relations among nations. His valuable guidance helped India Centre Foundation (ICF) achieve success in the introduction of India-Japan Global Partnership and Delhi-Mumbai Industrial Corridor (DMIC).

Adding to his versatility, he has authored books and written articles for various newspapers and magazines. Inquisitive and analytical by nature, he never hesitates to take out time to share knowledge through personal-interviews and panel discussions. One quality, which outshines the rest of his achievements is his urge to give back to the society and serve the nation and is thus associated with various social organizations and encourages everybody around to do so.

Dr. Sunil Kumar Gupta was holding "Nil" Equity Shares in the Company as on March 31, 2014.

## DIRECTORS' REPORT

To

The Shareholders,

Your Directors have pleasure in presenting the Forty Fifth Annual Report together with the Audited Financial Statements of your Company for the financial year ended March 31, 2014.

### 1. PERFORMANCE HIGHLIGHTS

- 1.1** The highlights of performance of the Company for the financial year 2013-14 were as under with comparative position of previous year's performance:-

(₹ in crore)		
Parameter	2013-14	2012-13
Loans sanctioned (excluding sanctions under RGGVY & DDG)	70,739.48	79,470.49
Disbursements (including subsidy under RGGVY & DDG)	37,969.99	40,183.06
Recoveries (including interest)	30,755.36	26,728.86
Total Operating Income	17,017.98	13,537.37
Profit before tax	6,531.12	5,163.95
Profit after tax	4,683.70	3,817.62

### 1.2 Financial Performance

The total operating income of your Company for the financial year 2013-14 increased by 26 % to ₹ 17,017.98 crore from ₹ 13,537.37 crore during the previous year. The profit after tax increased by 23 % to ₹ 4,683.70 crore from ₹ 3,817.62 crore for the previous year.

Loan asset book of your Company as on March 31, 2014 has increased by a healthy 17 % to reach a historic high of ₹ 1,48,641 crore from ₹ 1,27,356 crore in the previous year. The outstanding borrowings as on March 31, 2014 were ₹ 1,26,240 crore.

Earnings Per Share (EPS) for the financial year ended March 31, 2014 was ₹ 47.43 per share of ₹ 10/- each. Net worth of the Company as on March 31, 2014 has increased by 18 % to ₹ 20,669.46 crore from ₹ 17,454.38 crore in the previous year.

### 1.3 Dividend

In addition to interim dividend of ₹ 7.75 per share paid on February 28, 2014, the Board of Directors of your Company have recommended a final dividend of ₹ 1.75 (One Rupee and Seventy five paise only) per share (on the face value of ₹ 10/- each) for the financial year 2013-14, which is subject to approval of the Shareholders in the 45<sup>th</sup> Annual General Meeting. The total dividend for the financial year 2013-14 will work out to ₹ 9.50 (Rupees Nine and Fifty Paise only) per share (on the face value of ₹ 10/- each), representing 95.00 % of the paid-up share capital of the Company, as against ₹ 8.25 per share, representing 82.50 % of the paid-up share capital of the Company, in the previous year. The total dividend pay-out for the financial year will amount to ₹ 938.09 crore (excluding dividend distribution tax of ₹ 159.40 crore).

### 1.4 Share Capital

The issued and paid up share capital as on March 31, 2014 was ₹ 987.46 crore divided into 98,74,59,000 equity shares of ₹ 10/- each against the Authorized Share Capital of ₹ 1,200 crore. During the financial year 2013-14, the President of India disinvested/sold 1,14,38,782 (One Crore Fourteen Lakh Thirty Eight Thousand Seven Hundred Eighty Two only) equity shares i.e. 1.16 % of total paid up capital of your Company through Central Public Sector Enterprises Exchange Traded Fund (CPSE ETF).

The President of India holds 65.64 % of the paid up equity share capital as on March 31, 2014 as against 66.80 % as on March 31, 2013.

### 1.5 The Companies Act, 2013

The Ministry of Corporate Affairs (MCA) has notified various sections of the Companies Act, 2013 in tranches in September 2013 and March 2014 with majority of the sections as well as rules being notified in March 2014. The Companies Act, 1956 continues to be in force to the extent of the corresponding provisions of the Companies Act, 2013 which are yet to be notified. MCA vide its Circular dated April 4, 2014 has clarified that the financial statements and documents annexed thereto, auditor's report and board's report in respect of financial year that have commenced earlier than April 1, 2014 shall be governed by the provisions of the Companies Act, 1956 and in line with the same, the Company's financial statements, auditor's report and Board's report and attachments thereto have been prepared in accordance with the provisions of the Companies Act, 1956. With respect to other provisions of the Act, appropriate references have been made in this report to the extent these provisions have become applicable effective April 1, 2014.

## 2. LOANS SANCTIONED

Your Company sanctioned loans worth ₹ 70,739.48 crore during the financial year 2013-14, as against ₹ 79,470.49 crore in the previous year, excluding sanctions under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and Decentralised Distributed Generation (DDG). The state and category-wise break-up of loans sanctioned during the financial year are given in enclosed **Table -1 and 2** respectively. The cumulative amount of sanctions made since inception up to March, 31 2014 was ₹ 5,54,586.76 crore, including subsidy under RGGVY and DDG project cost (capital subsidy and loan) upto XI five year plan only. The cumulative state-wise position of sanctions up to the end of financial year 2013-14 is given in enclosed **Table-3**.

## 3. DISBURSEMENTS

A total sum of ₹ 37,969.99 crore was disbursed during the financial year 2013-14 as against ₹ 40,183.06 crore in the previous year including subsidy under RGGVY and DDG. The cumulative amount disbursed since inception up to March 31, 2014 was ₹ 2,40,694.10 crore excluding subsidy under RGGVY and DDG. The state-wise disbursements and repayment of loan by borrowers during the year together with cumulative figures and outstandings as on March 31, 2014 are given in enclosed **Table-4**.

## 4. RECOVERIES

- 4.1** The amount due for recovery including interest during the financial year 2013-14 was ₹ 31,312.57 crore as compared to ₹ 26,881.04 crore during the previous year. The Company recovered a total sum of ₹ 30,755.36 crore during the year 2013-14 against ₹ 26,728.86 crore during the previous year. The overdues from defaulting borrowers as on March 31, 2014 were ₹ 993.04 crore. The Recovery Rate for the Financial year 2013-14 was 97.90 %.
- 4.2** Your Company's Non-Performing Assets (NPAs) continue to be at low levels. As on March 31, 2014, the Gross NPAs of the Company remained unchanged at ₹ 490.40 crore due to which the percentage of NPA as a percentage of Gross Loan Assets declined / decreased to 0.33 % as on March 31, 2014 as compared to 0.39 % as on March 31, 2013. The net NPA as on March 31, 2014 is ₹ 353.54 crore, which is 0.238 % of Gross Loan Assets.

## 5. FINANCIAL REVIEW

### 5.1 Summary of Financial Results

The summary of audited financial results of the Company for the financial year ended March 31, 2014 is given as under:

(₹ in crore)

Particulars	Standalone		Consolidated	
	2013-14	2012-13	2013-14	2012-13
Revenue from Operations	17,017.98	13,537.37	17,122.21	13,570.06
Other Income	102.82	61.30	106.73	68.64
<b>Total Income</b>	<b>17,120.80</b>	<b>13,598.67</b>	<b>17,228.94</b>	<b>13,638.70</b>
Finance Costs	10,038.46	8,083.76	10,034.74	8,083.39
Other Operating Expenses	239.20	220.28	264.90	237.86
Allowances against Loan Assets	312.02	130.68	312.59	131.24
<b>Total Expenses</b>	<b>10,589.68</b>	<b>8,434.72</b>	<b>10,612.23</b>	<b>8,452.49</b>
Profit before tax	6,531.12	5,163.95	6,616.71	5,186.21
Provision for Taxation	1,847.42	1,346.33	1,875.46	1,353.43
<b>Profit After Tax</b>	<b>4,683.70</b>	<b>3,817.62</b>	<b>4,741.25</b>	<b>3,832.78</b>

#### 5.1.1 Contribution to National Exchequer

During the financial year 2013-14, the Company contributed an amount of ₹ 2,424.27 crore as compared to ₹ 2,164.25 crore in the previous year to National Exchequer in the form of payment of Dividend to the Government of India against its holding in the Company, Direct Taxes, Dividend Tax and Service Tax, as detailed below:

(₹ in crore)

Particulars	2013-14	2012-13
Dividend paid to the GoI	610.14	610.14
Direct Taxes	1,640.42	1,376.21
Dividend Tax*	155.20	148.16
Service Tax	18.51	29.74
<b>Total</b>	<b>2,424.27</b>	<b>2,164.25</b>

\*Includes dividend tax on final dividend for the previous year, paid during the current year and on interim dividend for the current year.

### 5.1.2 Ratio Analysis

A comparative statement of important ratios of the Company for the financial year 2013-14 vis-à-vis 2012-13, is as below:

Particulars	2013-14	2012-13
Earnings per Share (₹ )	47.43	38.66
Return on Average Net Worth ( % )	24.57	23.85
Book Value per Share (₹ )	209.32	176.76
Debt to Equity Ratio (times)	6.11	6.18
Price Earnings Ratio (times)*	4.84	5.39
Interest Coverage Ratio (times)	1.65	1.64

\* Price Earnings Ratio has been calculated on the basis of closing share price of REC at NSE as on March 31, 2014 and March 31, 2013.

### 5.2 Resource Mobilization

Your Company mobilized ₹ 36,934.37 crore from the market during the financial year 2013-14 for its operational requirements. This includes ₹ 17,403 crore through issue of Institutional Bonds, ₹ 6,000 crore (₹ 1,500 crore through private placement and ₹ 4,500 crore through public issues) raised by way of Tax Free Secured Redeemable Non-convertible Bonds u/s 10(15) (iv) (h) of the Income Tax Act, 1961. The Company raised ₹ 5,349.91 crore by way of Capital Gains Tax Exemption Secured Redeemable Non-convertible Taxable Bonds, under Section 54EC of the Income Tax Act, 1961. Further, ₹ 4,986.16 crore was mobilised through Commercial Paper (CP) and ₹ 1,195 crore through Term Loans. The Company also raised ₹ 1,780.28 crore by way of External Commercial Borrowings and ₹ 220.02 crore by way of Official Development Assistance (ODA) loan from Kreditanstalt für Wiederaufbau (KfW), Germany & Japan International Cooperation Agency (JICA), Japan.

#### Utilization of proceeds of Tax Free Bonds

Your Company mobilised ₹ 6,000 crore from the market during financial year 2013-14 by way of Tax Free Secured Redeemable Non-convertible Bonds u/s 10(15)(iv)(h) of the Income Tax Act, 1961 (₹ 1,500 crore through private placement and ₹ 4,500 crore through public issues). The entire proceeds of the fund mobilised through these bonds was utilised for lending and other operational business of the Company.

#### External Commercial Borrowings

Your Company mobilized USD 285 million (₹ 1,780.28 crore) as Term Loan from international markets during the financial year 2013-14.

#### Cash Credit Facilities

Your Company has an approved cash credit/WCDL limit of ₹ 5,000 crore for availment from various banks for its day to day operations.

### 5.3 Domestic and International Credit Rating

#### Domestic

During the financial year 2013-14, the domestic debt instruments of REC continued to enjoy “AAA” rating – the highest rating assigned by CRISIL, CARE, India Ratings & Research and ICRA Credit Rating Agencies.

#### International

Your Company enjoys international credit rating from International Credit Rating Agencies Moody's and Fitch which are “Baa3” and “BBB-” respectively equivalent to sovereign rating of India. “Baa3” rated obligations denote moderate credit risk and “BBB-” rated obligations denote that expectations of default risk are currently low.

### 5.4 Cost of borrowing

The overall weighted average annualized cost of funds raised during the financial year 2013-14 was 8.48 % p.a. and Interest Coverage Ratio was 1.65. As a result your Company was able to deliver debt financing at competitive rates.

### 5.5 Redemption and Pre-Payment

During the financial year 2013-14, the Company repaid a total sum of ₹ 18,005.79 crore which includes ₹ 6,216.32 crore to Institutional Bondholders, ₹ 5,043.89 crore to Bondholders of Capital Gains Tax Exemption Secured Redeemable Non-convertible Taxable Bonds u/s 54 EC of Income Tax Act, 1961, Commercial Paper of ₹ 3,705 crore and Term Loans of

₹ 2,739.40 crore to Banks / Financial Institutions. Further, the Company repaid ₹ 7.22 crore of loan to Government of India and ₹ 293.96 crore of Official Development Assistance (ODA) loan.

## 5.6 Deployment of Resources at the close of the year

At the close of the financial year 2013-14, the total resources of your Company stood at ₹ 1,52,852.90 crore. Out of this, Equity Share Capital contributed ₹ 987.46 crore, reserves and surplus stood at ₹ 19,682.00 crore, Loans from Financial Institutions, Commercial Banks and market borrowings through Bonds and Commercial Papers accounted for ₹ 1,26,240.19 crore, Deferred Tax Liabilities of ₹ 173.69 crore and other liabilities & provisions stood at ₹ 5,769.56 crore. These funds were deployed as Long / Short Term Loans of ₹ 1,48,504.24 crore (net of allowances ₹ 136.86 crore), fixed assets (net of depreciation) of ₹ 81.83 crore (including Capital Work in progress & Intangible Assets under development), Investments of ₹ 1,707.79 crore, Cash & Bank Balances of ₹ 1,192.94 crore and other assets of ₹ 1,366.10 crore.

## 5.7 Policy Initiative

Your Company constantly reviews and revises its lending and operation policies/ procedures to suitably align with market requirements as also with its corporate objectives. During the year, the Company has reviewed policies related to Grading of State Power Utilities, Standardization of repayment periods for T & D schemes, Renewable Energy Guidelines and CSR Policy to align itself with prevailing practices and to comply with guidelines issued by Statutory Authorities from time to time.

In spite of growing competition in the market as well as concerns on account of factors like high government borrowings, increase in interest rates as per RBI policy, rise in inflation etc., your Company has been able to maintain healthy spreads, balancing its objectives of business growth and profitability during the year.

## 5.8 Status of Rescheduled Loans

The details of loans rescheduled during the financial year 2013-14 are as under:

		(₹ in crore)	
Particulars		2013-14	2012-13
Standard Loans Rescheduled*	No. of Borrowers	18	14
	Amount Outstanding	32,231.84	22,429.59
Sub-Standard Loans Rescheduled	No. of Borrowers	0	0
	Amount Outstanding	0	0
Doubtful Loans Rescheduled	No. of Borrowers	0	0
	Amount Outstanding	0	0
Total	No. of Borrowers	18	14
	Amount Outstanding	32,231.84	22,429.59

\*The Rescheduled loan amount includes ₹ 9,949.38 crore wherein the first repayment date was extended due to delayed commissioning of the respective project.

## 6. PRESENT DISTRIBUTION SCENARIO AND MAJOR CHALLENGES

The present scenario of Transmission and Distribution (T&D) industry is much more challenging in comparison to the past, since we achieved highest ever Generation Capacity addition during XI five year plan and have further set a target for addition of another 88000 MW during XII five year plan. The transfer of such magnitude of power from generating facilities to sub-stations/lines upto consumer end, needs a reliable & efficient system.

T&D system basically comprises of transmission lines (inter-state and intra-state), Sub-stations, switching stations, sub transmission network, distribution transformers and lines etc. of various voltage levels. Distribution has been identified as the weakest link in the power value chain and most difficult to deal with, due to various inherent issues. The ever increasing demand for affordable, reliable and quality power by various classes of consumers makes distribution all the more challenging task. Your Company has always strived to play an active role in creation of new infrastructure and augmentation/ strengthening of the existing ones. Your Company encourages the DISCOMs to expedite various reform measures and to adopt best practices including modernization and automation of systems, smart grid, IT-enabling of systems for metering and consumer services, other technology interventions in the distribution sector & helps them in improving their operational and financial performance. Since distribution is the gateway for all revenue coming into the power sector, it plays a pivotal role in development and sustainability of the Power sector.

Major challenges presently being faced by distribution sector includes accumulated losses of most of the DISCOMs across the country & their poor net worth, which is severely hindering their finances. High AT&C losses, delay in tariff order etc., has resulted in creation of regulatory assets. The utilities are also facing the financial deficit because of delay in trueing ups, realisation of carrying cost, release of subsidy by State Government, revenue collection cycle etc. The overall performance of the state distribution utilities has been an issue of concern due to the above factors. Keeping in tune with the times and dynamic environment wherein utilities are struggling and striving hard to meet the consumer expectation, your Company today finances entire gamut of distribution projects broadly with the objectives of system improvement & augmentation, loss reduction measures, IT-enabling, consumer satisfaction etc. Your Company is always ready to meet any special dispensation/requirements of DISCOMs based on the prudence/merit and sound appraisal mechanism. A dedicated Strategic Management Group has been set up in the Company for this purpose.

It gives me immense pleasure to inform you that your Company is playing a pivotal role in partnering with Ministry of Power (MoP), Government of India (GoI) in its major initiatives and its committed to improve and turn around the power distribution sector in the country, by its involvement in programmes like RGGVY (Nodal Agency), Restructured Accelerated Power Development and Reforms Programme (R-APDRP), National Electricity Fund (Nodal Agency), Financial Restructuring Plan (FRP), Smart Grid task force etc. With all these major interventions your Company is optimistic that distribution scenario would be much better in not too distant future when the results and effect of above massive programmes in conjunction with the reforms measure by the respective states starts trickling in and transform the entire land scape of distribution.

## 6.1 Major reforms in Distribution sector

Government of India has made all efforts to intervene in the sector for ensuring overall development by way of Electricity Act, 2003 and various other policy measures such as National Tariff Policy, National Electricity Policy, Rural Electrification Policy etc., to provide a comprehensive framework and also the blueprint for power sector reforms. The sector has shown signs of improvement in operational and financial performance during last few years which have still to go a long way. The process of un-bundling, corporatisation, instituting regulatory commission etc., has already been completed in most of the states, thus providing accountability and more autonomy to the DISCOMs. Further some of the DISCOMs have gone ahead with appointment of franchisees on case to case basis in order to improve operational efficiency in a specific area.

In the past decade, GoI through Ministry of Power has launched several programmes to extend the benefits to these ailing DISCOMs such as APDRP with an objective to strengthen the infrastructure and to reduce the losses, RGGVY to ensure last mile connectivity and to release service connections to all rural households living below poverty line, R-APDRP for undertaking improvements in urban pockets and to introduce IT enabling of distribution systems, NEF- Interest Subsidy Scheme to promote capital investment & expedite the reform process in distribution sector and Financial Restructuring Plan (FRP) to restructure loans, to provide liquidity to the DISCOMs with joint participation of Central & State Government.

In a major initiative, Ministry of Power (MoP) has come up with Integrated Rating System for all the state DISCOMs in the country which would facilitate realistic assessment of their performance. This would enable these DISCOMs to weigh their strength & weakness and shall facilitate a focused approach for achieving further improvements in their operational and financial performance. It will also aid in adoption of consistent approach by Banks/FIs while considering funding proposals of distribution companies.

REC has been providing counterpart funding for a large number of R-APDRP projects which aim to reduce the Aggregate Technical and Commercial (AT&C) losses considerably in urban areas. To further expedite the reforms process GoI has recently launched National Electricity Fund (NEF) - Interest Subsidy Scheme which will act as catalyst for incentivising capital investment in power distribution infrastructure. MoP is also working towards ensuring technological intervention through introduction of Smart Grid and has already extended financial assistance to several pilot projects. The information & communication technology in power Distribution Sector shall enable the system to become "SMART" & availability of near-real-time information will facilitate utilities to manage the entire system. The SMART system will help inactively sensing and responding to dynamics of power demand & supply and quality of power. Similarly, the information will enable the consumers to manage their energy use to meet their needs more effectively. Development of intelligent grid at local distribution level shall be crucial for ensuring efficient & seamless flow of power up to last mile by embedding IT/Internet/ Communication Technologies in the existing grid for data acquisition on real time and supervisory control throughout the network. This will include integrated communication system, sensing and measurement technology, advanced components for control & determining electrical behaviour & online management of the grid up to Distribution Transformer level and eventually up to consumer point. The on-going R-APDRP programme will provide a stepping stone, equipping the DISCOMs to integrate with further technical advancements to make the grid smarter.

SMART grid concept is now coming into reality and to evolve a road map for implementation of smart grids in India, Ministry of Power has constituted India Smart Grid Task Force (ISGTF), an inter-ministerial group. The Smart Grid Vision and Road map for India was released in September, 2013 that provides for a framework to enable development of Smart Grid in Indian Power sector. 14 nos Smart Grid Pilot Projects were approved by MoP with 50% GoI funding to test various functionalities in Indian Environment. The objectives of these Pilot projects are Power Quality Management (PQM), providing Advanced Metering Infrastructure (AMI), Outage management (OM), Peak Load Management (PLM) and also DG (Distributed Generation) & Micro Grid functionalities. AMI is functionality opted by most of the utilities. Smart Grid knowledge centre is being setup and also National Smart Grid Mission is under finalization. With these initiatives, I am sure that DISCOMs will definitely be benefited and there will be improvement in their performance.

Government of India, Ministry of Power has notified Financial Restructuring Plan for State Owned DISCOMs. The scheme was initially valid up to December 31, 2012 and was further extended up to July 31, 2013. The scheme is available to all participating States Owned DISCOMs having accumulated losses and facing difficulty in financing operational losses. Under the scheme 50% of the outstanding short term liabilities (STL) up to March 31, 2012 will be taken over by State Governments. This shall be first converted into bonds to be issued by DISCOMs to participating lenders, duly backed by State Government Guarantee. Further, State Government shall take over this liability in the next 2-5 years by way of special securities and restructuring of balance 50% Short Term Loans shall be issued by the lenders by re-scheduling loans and providing moratorium on principal on the best possible terms for this re- structuring to ensure viability of this effort. The re- structuring of loan is accompanied by concrete and measurable actions by the DISCOMs / State Government and shall definitely improve the operational performance and cash flow of distribution utilities. The states of Haryana, Rajasthan, Uttar Pradesh, Tamilnadu and Andhra Pradesh have already taken advantage of FRP.

With all above measures, GoI is basically working on two different fronts i.e, one to provide power to all and second to improve operational & financial performance of the utilities by extending reform based incentives. The results of these measures have already started to show effect in terms of timely notification of tariff by regulator in many states, filing of MYT petitions, claiming of Return on Equity in the ARR, release of revenue subsidy by State Government, finalisation of annual accounts etc.

The operational performance of the utility in terms of availability of systems shall improve by providing metering upto distribution transformer level for better energy accounting resulting in reduction of commercial losses. Further, segregation of feeders will ensure reliable power to rural households as well as agriculture.

## 6.2 National Electricity Fund

Your Company is the Nodal Agency for National Electricity Fund (NEF) - Interest Subsidy Scheme notified by Ministry of Power, Government of India to provide interest subsidy on loans disbursed to the Distribution Companies (DISCOMs) – both in public and private sector, to improve the infrastructure in distribution sector. The scheme is aimed to incentivize much needed investment into distribution. The scheme is reform linked and interest subsidy is payable to the DISCOMs on achievement of reforms based parameters outlined in NEF guidelines issued by MoP in July, 2012. This interest subsidy (3% to 7%) would be provided on loans taken by private and public power utilities in distribution sector for all Distribution Sector Infrastructure capital works, not covered under on-going Government Programmes like R-APDRP or RGGVY schemes.

Under NEF, interest subsidy aggregating to ₹ 8,466 crore spread over 14 years for loan disbursement amounting to ₹ 25,000 crore for distribution schemes sanctioned during 2 years viz., 2012-13 and 2013-14 shall be provided. Your Company during financial year 2012-13 & 2013-14 has exceeded the target of sanctioning ₹ 25,000 crore proposals and has issued sanctions to 25 DISCOMs in 14 states for taking benefits under NEF. The respective state DISCOMs will start taking benefits of (3-7%) subsidy on interest rate based on their achievement mainly on two major efficiency benchmark parameters i.e., reduction of AT&C losses & reduction in revenue gap (ACS & ARR).

## 7. FINANCING ACTIVITIES

Your Company has been providing funding assistance for power generation, transmission & distribution projects besides for electrification of villages. Details of major financing activities during the financial year 2013-14 are as under:

### 7.1 Generation

During the financial year 2013-14, your Company sanctioned 23 nos. of generation/R & M loans including 9 nos. of additional loan assistance with total financial outlay of ₹ 28,723.50 crore including consortium financing with other financial institutions and has disbursed ₹ 12,852.44 crore against the ongoing generation projects.

The sector wise break up of loans sanctioned including additional loan assistance is as under:

(₹ in crore)		
Particulars	No. of Loans	Loan Amount
<b>STATE SECTOR</b>		
Fresh Loan	8	22,452.83
Additional Loan	3	
<b>PRIVATE SECTOR</b>		
Fresh Loan	6	6,270.67
Additional loan	6	
<b>Total</b>	<b>23</b>	<b>28,723.50</b>

## 7.2 Renewable Energy

During the financial year 2013-14, your Company sanctioned loan assistance of ₹ 295.48 crore to 6 new, grid-connected Renewable Energy projects with installed generation capacity aggregating 98 MW which included 3 Solar photo-voltaic projects of 75 MW; 2 Small Hydro Projects of 21 MW; and 1 Wind project of 2MW.

The total cost of these projects aggregates to ₹ 993.08 crore. During the year, total disbursement was ₹ 134.99 crore for Renewable Energy as detailed below:



10 MW Solar Power Project of CBC Solar Technologies Limited located at Upleta in district Rajkot, Gujarat, financed by REC

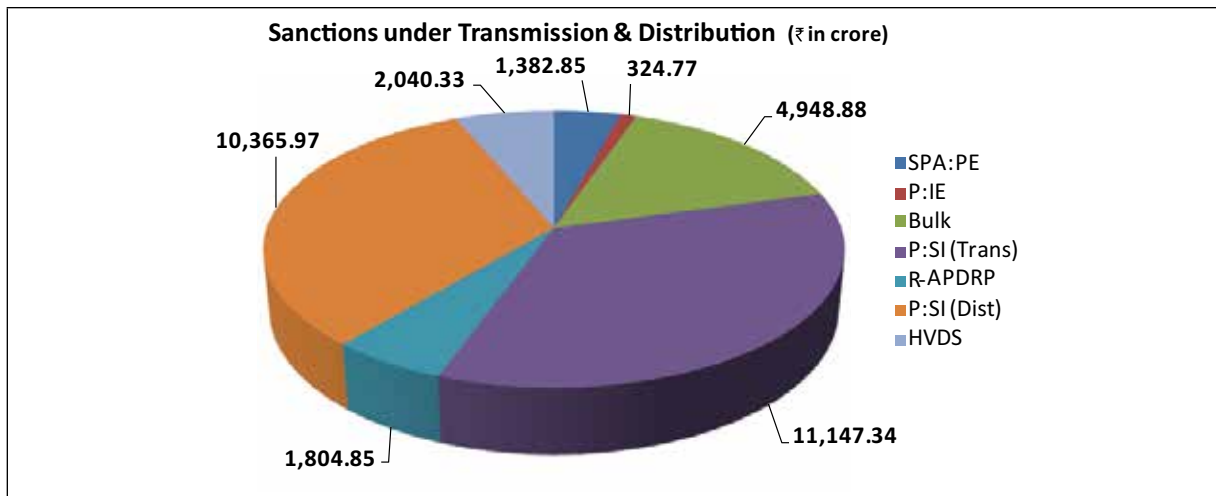
Assistance to Renewable Energy Projects (Grid-Connected)	Unit	Financial Year 2013-14	Financial Year 2012-13
No of Projects Sanctioned	Nos.	6	11
Capacity of Sanctioned Projects	MW	98	126.6
Cost of Projects	₹ Crore	993.08	1,824.75
Loan Sanctioned	₹ Crore	295.48	580.06
Loan Disbursed	₹ Crore	134.99	240.505

## 7.3 Transmission & Distribution

Your Company continued to play an active role in creation of new infrastructure and improvement of the existing ones under the transmission and distribution network in the country under its T&D portfolio. In line with the GoI's objective to provide power for all by creation of infrastructure and also to reduce the AT&C losses, your Company has been financing schemes for expansion and strengthening of the transmission network and more importantly, modernizing the distribution system.

During the financial year 2013-14, your Company sanctioned 987 nos. of Transmission and Distribution schemes involving a total loan assistance of ₹ 32,014.99 crore and has disbursed ₹ 10,789.09 crore against transmission and distribution projects. This includes primary power evacuation schemes associated with generating plants, system improvement schemes including R-APDRP projects, feeder segregation schemes, bulk loan schemes, intensive electrification schemes and pump set energisation schemes.

The state-wise and category-wise details of the projects sanctioned are as per **Table 1 & 2** respectively. The major programmes covered by your Company under T&D sanctions in brief are as under:



### 7.3.1 System Improvement & Bulk Loan

To overcome the system deficiencies and to improve the quality and reliability of power supply, REC finances System Improvement schemes, based on system studies of an electrical distribution network considering present status of system capacities, connected demand, voltage profiles and level of losses, together with scope for future load growths.

The system improvement programme also includes Bulk loan schemes meant for procurement and installation of meters, transformers, capacitors etc., HVDS schemes meant for conversion of LVDS to HVDS so as to improve the HT:LT ratio. System Improvement schemes reduce the AT&C losses to a great extent.

During the financial year 2013-14, a total of 837 system improvement schemes and bulk loan schemes were sanctioned involving a loan outlay of ₹ 30,307.37 crore. This included: (i) 107 schemes involving a loan assistance of ₹ 4,948.88 crore for financing investment in the distribution system by way of installation of essential equipments like transformers, meters, capacitors etc. (ii) 27 scheme involving a loan assistance of ₹ 2,040.33 crore for conversion of Low Voltage Distribution to High Voltage Distribution System (HVDS) (iii) 415 schemes for ₹ 10,365.97 crore for improving the distribution system (iv) 66 schemes involving loan assistance of ₹ 1,804.85 crore towards counterpart funding of part B of R-APDRP projects and (v) 222 schemes for loan assistance of ₹ 11,147.34 crore for improving the transmission network.

### 7.3.2 Intensive Electrification

Schemes under this activity mainly aim at intensive electrification of already electrified villages. During the year 2013-14, a total of 21 intensive electrification schemes were sanctioned involving a loan outlay of ₹ 324.77 crore.

### 7.3.3 Pumpsets Energisation

REC's loan portfolio also includes extension of loan assistance for energisation of agricultural pumpsets. During the financial year 2013-14, under REC financed schemes, 2,64,165 nos. electric irrigation pumpsets were reported to be energized. A loan assistance of ₹ 1,382.85 crore was sanctioned for 129 new schemes during the year under this category. The state wise details and cumulative position of pumpset energized up to March 31, 2014 are given in the enclosed **Table-5**.

### 7.4 Financing Activities in North Eastern States

During the financial year 2013-14, a loan assistance of ₹ 670.42 crore was sanctioned to North Eastern States for Generation schemes which include ₹ 587.67 crore to M/s Himagiri Hydro Energy Private Limited for its 4x75 MW Panan Hydro Electric Power Project in north Sikkim and additional loan of ₹ 82.75 crore to M/s Dans Energy Limited, south Sikkim. A loan assistance of ₹ 88.80 crore was also sanctioned to M/s Teesta Valley Power Transmission Limited for a transmission line in North Eastern states under T&D.

A total sum of ₹ 977.41 crore was disbursed during the financial year 2013-14 as against ₹ 509.78 crore in the previous year to North Eastern states for Generation projects which include ₹ 662.54 crore to M/s Teesta Urja Limited, ₹ 42 crore to M/s Lanco Energy Private Limited, ₹ 55.87 crore to M/s Dans Energy Private Limited and ₹ 217 crore to M/s Gati Infrastructure Limited. A loan assistance of ₹ 7.46 crore was also disbursed to North Eastern states under T&D schemes, during the year.

### 7.5 Appraisal System for Financing

REC has its own methodology for appraisal of Private Sector Power Generation and Transmission Projects and the grading of the State Power Utilities. REC's interest rates are linked to the grades assigned to the private sector projects and State Power

Utilities. REC along with PFC assists MoP in bringing out integrated ratings for State Power Distribution Utilities and adopts the ratings as revised by MoP from time to time to ensure uniformity in approach by various Banks/ FIs. The grading of State Power Utilities is an on-going process based on various parameters viz., financial, technical, tariff, regulatory measures, government support and management etc.

## 8. INTERNATIONAL COOPERATION & DEVELOPMENT

Implementation of projects under the 3<sup>rd</sup> line of credit from KfW, Frankfurt, signed on March 30, 2012 for availing ODA loan of EUR 100 million for financing Renewable Energy Projects in the areas of Wind Power/ Small Hydro Power/Biomass Cogeneration/ Biomass Power/Solar PV/Solar Thermal & Energy Efficiency, is under progress and cumulative amount of EUR 50 million (approx. ₹ 384.12 crore) has been drawn as on March 31, 2014.

Implementation of identified projects under the 2<sup>nd</sup> Line of Credit with JICA signed on March 10, 2008 for refinancing the 'Haryana Transmission System Project' with the objective of achieving stability in power supply by strengthening intra-state transmission systems in the State of Haryana is under progress, and cumulative amount of JPY 10,367.39 million (approx ₹ 561.62 crore) has been drawn from JICA under this line of credit as on March 31, 2014. The loan amount under the JICA-II line of credit was revised from the initial outlay of JPY 20,902 million to JPY 13,000 million, due to excess INR amount becoming available on account of exchange rate fluctuations, as compared to estimated actual project cost requirements.

## 9. RAJIV GANDHI GRAMEEN VIDYUTIKARAN YOJANA

Government of India, launched the scheme 'Rajiv Gandhi Grameen Vidyutikaran Yojana' (RGGVY)–Scheme of Rural Electricity Infrastructure and Household Electrification vide Office Memorandum dated March 18, 2005, for providing access to electricity to all rural households. REC is the Nodal Agency overseeing the implementation of the program. Under the scheme, 90 % capital subsidy is being provided by Government of India for overall cost of the projects.

### 9.1 Electrification of Villages and BPL Households

The initial approval was for implementation of Phase-I of the scheme for capital subsidy of ₹ 5,000 crore during X five year plan period. Further, sanction for continuation of the scheme in XI five year plan was conveyed by Ministry of Power vide Office Memorandum dated February 6, 2008 with an outlay of ₹ 28,000 crore as capital subsidy. Further, an additional amount of ₹ 6,000 crore outlay was also sanctioned by MoP in XI five year plan.

Cumulatively, 648 projects covering electrification of 1,11,998 un-electrified villages and 2.75 crore BPL households costing ₹ 43,579.23 crore have been sanctioned upto March 31, 2014 by the Ministry of Power for implementation upto XI five year plan. The state-wise details are furnished at **Table-6**.

Continuation of the Scheme in XII and XIII five year plans was also approved by Ministry of Power with capital subsidy of ₹ 35,447 crore, out of which ₹ 23,397 crore would be met through Gross Budgetary Support (GBS) for XII five year plan and remaining ₹ 12,050 crore from XIII five year plan.

Under XII five year plan, 273 projects covering 2,42,165 villages (12,141 un-electrified and 2,30,024 electrified villages) and 131.76 lakh BPL households with the total sanctioned project cost of ₹ 23,594.31 crore have also been sanctioned by the Ministry of Power. The state-wise details are furnished at **Table-7**.

During the financial year 2013-14, work in 1,197 un-electrified villages have been completed and free electricity connections to 9,61,730 BPL households have been provided. Further, during the year, RGGVY Subsidy of ₹ 2,938.52 crore was disbursed by the Ministry of Power, Government of India, to REC. Cumulatively, works in 1,08,280 un-electrified villages have been completed and electricity connections to 2.16 crore BPL households have been provided under the scheme up to March 31, 2014. The state-wise details are furnished at **Table-8**.

During this financial year, an amount of ₹ 2,686.97 crore (including subsidy of ₹ 2,394.71 crore under RGGVY and ₹ 29.26 crore under DDG subsidy) has been disbursed.

### 9.2 Achievement of MoU Targets of RGGVY

During the financial year 2013-14, closure of 205 nos. of projects as sanctioned in X and XI five year plans pending fulfilment of condition of deployment of Franchisees has been achieved as against MoU target of 200 projects. Further, 181 nos. of DDG projects were awarded during the year, as against MoU target of 100 projects, which is 181 % of the MoU target and 92 DDG projects have been commissioned during the year.

## 10. RGGVY- DECENTRALISED DISTRIBUTED GENERATION (DDG)

### 10.1 RGGVY provides grants for DDG projects from conventional or renewable non-conventional sources such as Biomass, Biogas, Micro Hydro, Wind, Solar etc. for villages where grid connectivity is either not feasible or not cost effective. In XII five year

plan, DDG will also be extended to grid connected areas to supplement the availability of power in areas where power supply is less than six hours a day. Under the scheme, 90 % capital subsidy is provided towards overall cost of the DDG projects under the RGGVY scheme, excluding the amount of state or local taxes, which is borne by the concerned State/ State Utility. 10 % of the project cost is to be contributed by states through own resources / loan from financial institutions. A provision of ₹ 900 crore has been kept as subsidy under XII five year plan. However, the allocation under DDG would be flexible to meet any additional requirement within the overall cost of the scheme.

- 10.2** The Guidelines for DDG projects under RGGVY were issued by Ministry of Power on January 12, 2009. To extend more coverage and faster implementation of DDG project and also for facilitation of DDG in Left Wing Extremism (LWE) affected districts, these guidelines were amended from time to time.
- 10.3** During the financial year 2013-14, in the states of Andhra Pradesh, Jharkhand, Rajasthan, Meghalaya, Karnataka, Kerala, Madhya Pradesh, Chhattisgarh and Odisha, 504 DDG projects were sanctioned for total project cost of ₹ 166.33 crore. A total sum of ₹ 31.02 crore was disbursed for DDG projects during the financial year 2013-14. Most of the states are in the process of award and implementation of DDG projects. The state-wise details of DDG projects sanctioned and amount disbursed under RGGVY during the financial year 2013-14 are given below:-

(₹ in crore)

Sl. No.	State	Sanction					Disbursement		
		No. of Projects	No. of Districts	No. of un electrified villages/ hamlets covered	No. of BPL House-holds Covered	Total sanctioned Project cost	Subsidy Amount	Loan Amount	Total Disbursement
1	Andhra Pradesh	214	5	214	6,925	52.34	8.77	0.69	9.46
2	Bihar	-	-	-	-	-	9.85	1.09	10.94
3	Chhattisgarh	80	3	81	3,923	24.31	9.35	-	9.35
4	Jharkhand	43	3	89	1,510	20.91	-	-	-
5	Karnataka	93	10	204	4,839	35.90	-	-	-
6	Kerala	15	1	15	730	5.32	-	-	-
7	Meghalaya	3	1	3	248	3.89	-	-	-
8	Madhya Pradesh	7	1	7	357	2.78	-	-	-
9	Odisha	7	1	7	43	1.97	-	-	-
10	Rajasthan	42	3	42	1,495	18.91	-	-	-
11	Uttarakhand	-	-	-	-	-	1.27	-	1.27
	<b>TOTAL</b>	<b>504</b>	<b>28</b>	<b>662</b>	<b>20,070</b>	<b>166.33</b>	<b>29.24</b>	<b>1.78</b>	<b>31.02</b>

## 11. STANDARDISATION, QUALITY CONTROL & MONITORING

Your Company has continually provided technical expertise in the distribution system to State Power Utilities. The technical specifications and construction standards issued by the Company are used extensively by the State Power Utilities. The Company, in order to promote new technologies, has been continuously looking for innovations using latest R&D in the field of power distribution.

In line with the Three-Tier Quality Control Mechanism for ensuring proper quality of materials and works in implementation of RGGVY XI five year plan schemes, (i) REC Quality Monitors (RQM) under Tier-II have been appointed covering 413 projects in 25 states and (ii) National Quality Monitors (NQMs), on behalf of Ministry of Power, have been appointed under Tier-III for the 332 projects covering 24 states of country. Further during the financial year 2013-14, RQMs have undertaken 87 Nos. of materials inspections and 11,672 village / 33 substation inspections, and NQMs have undertaken 506 Nos. of village / 42 substation inspections for ensuring quality of works.

Ministry of Power directed REC to carry out RQM inspections in 20 % villages with 100 % verification of BPL connections in 196 projects. Earlier, 100 % BPL verification was carried out in 2.5 % villages only. For balance 17.5 % villages, 6 agencies were deployed to carry out inspection of 27,385 villages in 24 states across the country covering 196 projects were identified. The assignment was targeted to complete in 6 months for plain states and 12 months for hilly states. As on March 31, 2014, the inspection calls for 26,107 villages were issued and out of which inspection in 21,830 villages has been completed.

## 12. PREFERRED CUSTOMER POLICY

As a part of business promotion strategy, a Preferred Customer Policy was formulated in 2008 with the basic purpose of offering an enhanced level of services to the Company's customers and to have a long term mutually beneficial relationship

with them. The policy lays down the eligibility criterion which takes into account various factors, such as, amount of loan outstanding, duration of loan relationship, repayment track record of the borrower etc., for determining preferred customers and sponsoring them for capacity building/ domestic/ international seminars/training programmes organized by various external agencies as well as CIRE, Hyderabad.

During the financial year 2013-14, under this policy, participants from eight such preferred customers mostly from the State Utilities viz. Maharashtra State Electricity Distribution Company Limited (MSEDCL), Mumbai, Maharashtra State Electricity Transmission Company Limited (MSETCL), Mumbai, Maharashtra State Power Generation Company Limited (MSPGCL), Mumbai, Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPL), Uttar Haryana Bijli Vitaran Nigam Limited (UHBVNL), Karnataka Power Corporation Limited (KPCL), Andhra Pradesh Power Generation Corporation Limited (APGENCO) and UP Power Corporation Limited (UPPCL) were sponsored by REC for 10 days training programme on “Global Best Practices in Power Sector” held at PMI, Noida, India and also in Italy and France.

### 13. JOINT VENTURE

REC, along with three other PSUs, namely Power Grid Corporation of India Limited, NTPC, and PFC as equal partners, has formed a Joint Venture Company by the name Energy Efficiency Services Limited (EESL) on December 10, 2009. Your Company has contributed ₹ 22.50 crore (being 25% of paid-up capital) upto March 31, 2014.

EESL is formed to create & sustain market access of energy efficient technologies particularly in the public facilities like municipalities, buildings, agriculture, industry etc. and to implement several schemes of Bureau of Energy Efficiency, Ministry of Power, Government of India. EESL is also leading the market related activities of the National Mission for Enhanced Energy Efficiency (NMEEE), one of the 8 national missions under National Action Plan on Climate Change. The Business verticals of the Company *inter-alia* include implementing projects in Energy Service Company (ESCO) mode in Agriculture Demand Side Management (AgDSM), Municipal Demand Side Management (MuDSM), Distribution Energy Efficiency projects, Building, Small & Medium Enterprises (SMEs), Perform, Achieve and Trade-Joint Implementation Plan (PAT-JIP), Corporate Social Responsibility activities etc.

Currently, EESL is implementing Municipal Street Lighting projects with various municipal corporation and AgDSM projects for replacement of inefficient Agricultural Pump sets in agriculture Sector, DSM Based Efficient Lighting Programme (DELP) in domestic residential sector in ESCO mode with various Utilities and CSR projects of various companies.

### 14. INFORMATION TECHNOLOGY INITIATIVES

All major business functions of the Company including Finance, Project, Disbursements, Loan Accounts, Treasury functions, Payroll, CPF, Cash management, Banking, Purchases across all offices are done through an integrated ERP system resulting in continuous & sustainable improvement of internal efficiency and greater customer satisfaction. The Company has extended the benefit of ERP directly to Borrower also by developing an online “Borrower Portal” to view information pertaining to their schemes. This is to facilitate the borrower in knowing status of loans and schemes on real time basis. This system has been implemented for DISCOMs of one state and is being extended to other states on demand basis. The Company has also initiated implementation of integrated HR-ERP solution for automation of entire HR functions including Employee Self Service Portal across the Company and the system will also be integrated with existing business ERP. The implementation of the project is at advanced stage for which Extensive Change Management Workshop has also been conducted across the Company.

REC has implemented Document Management System (DMS) across the Company for digitization of documents including scanning, cleaning, QC, indexing, uploading and retrieving. REC has also implemented Workflow Management System (WMS) for electronic movement of note sheet approval along with attached documents. Towards achieving efficient e-governance and transparency, the Company has implemented on-line ‘E-procurement’ system for procurement of goods and services above ₹ 10 lakhs, web-based online submission of ‘Annual Property Return’ etc. across the organization and Bill Payment Tracking system for tracking timely payment of bills to vendors has been implemented in selected divisions handling payments.

REC has a full-fledged Disaster Recovery Center (DRC) at CIRE, Hyderabad. Both the Primary Data Centre (PDC) and DRC are ISO/IEC 27001:2005 security standard certified.

The Company has also redesigned and revamped the existing static Corporate website to an interactive and dynamic website. Also, to make the employees IT enabled, Desktop Computers have been provided to nearly 100% employees (other than Class-IV employees).

## 15. CENTRAL INSTITUTE FOR RURAL ELECTRIFICATION

Central Institute for Rural Electrification (CIRE) was established at Hyderabad in 1979 under the aegis of REC to cater to the training and development needs of engineers and managers of Power and Energy Sector and other organisations concerned with Power and Energy. The following programmes are conducted on subjects of Power Generation, Transmission and Distribution:

### 15.1 National Training Programmes (NTP) under RGGVY

CIRE is designated as a nodal agency by Ministry of Power (MoP) for implementation of National Training Programmes on Franchisee and employees of C&D category under the Human Resources Development component of RGGVY programme. The programmes are continued during XII five year plan with a target of training 1,25,000 employees of C&D category and 25,000 existing franchisees. During the year, CIRE/REC has entered into Memorandum of Agreement (MoA) with 33 Power Utilities/Training Institutes, to train their employees of C&D category and these power utilities/institutions trained 26,275 employees of C&D category against the target of 25,000.

During the year, CIRE under its banner, has conducted 14 Programmes for employees of C&D category which was attended by 348 participants at various locations of power utilities.

### 15.2 R-APDRP Programme

CIRE as partner training institute organized R-APDRP programme sponsored by Ministry of Power. During the year, CIRE has conducted 37 R-APDRP programmes (27 for employees of A&B category and 10 for employees of C&D category) on different themes, viz. Efficiency Improvement Measures in Distribution System, Best Practices in Distribution Operation & Management System, Communication and Customer Relations, Revenue Management & Loss Reduction, O&M of Sub-stations for Linemen and Regulatory Module with 671 participants from different power utilities.

### 15.3 International Programmes

CIRE is empanelled by Ministry of External Affairs, Government of India to organise training programmes in the area of power sector under ITEC/SCAAP. During the year, CIRE has organised 9 International programmes with 168 participants, on the topics, namely, Planning and Management of Power Transmission & Distribution Systems (8 weeks); Financial Management and Accounting System for Power Companies (8 weeks); Best Practices in Power Distribution Sector (4 weeks); Planning, Appraisal and Financial Management of Power Projects (8 weeks); Management of Power Utilities using IT/Automated Solutions (5 weeks); Design, Erection, O&M of EHV Sub-station (4 weeks); Solar Power Generation-Grid enabling (4 weeks); Trends and Developments in Generation and Transmission System (8 weeks) and Decentralised Distributed Generation & Rural Power Distribution Management (8 weeks).

The participants from various countries, viz., Morocco, Sri Lanka, Bhutan, South Sudan, Malawi, Tanzania, Nigeria, Mauritius, Burundi, Uganda, Bhutan, Zimbabwe, Ethiopia, Myanmar, Gambia, Afghanistan, Kyrgyzstan, Oman, Liberia, Syria, Bangladesh, Egypt, Namibia, Algeria, Iran, Laos, Libya, Sierra Leone, etc., have attended the programmes.

### 15.4 Regular National Programmes

CIRE has organised 24 Regular Training Programmes with 249 participants for the personnel of various Power Utilities/ Distribution Companies, on different topics such as, Specifications, Standards and Construction Practices in Distribution System; Power Sector Accounting with reference to Indian Standards and IFRS; Pilferage of Electricity - Issues, Challenges and Remedial Measures; Protection System in Sub-stations; Earthing Practices in Electrical Installations and Safety Measures; Open Access, Power Trading and Tariffs-ABT Scenario; Power and Distribution Transformers-Efficient Operation & Maintenance; High Voltage Distribution System; Supervisory Control And Data Acquisition (SCADA) for Power Utilities; Solar Power Generation; EHT Transmission Lines-Design, Erection and O&M; Gas Insulated and Indoor Sub-stations including Power & Control Cables; O & M and Protection aspects in 33/11 KV Sub-stations; Design, O & M of Hydro Power Plants; Power Distribution Management; Power Factor Improvement-Reactive Power Management; Power Purchase Agreement; Tariff Policy & ARR Submission; Distribution System Planning with Automated Solutions and Latest Trends in Metering Billing and Technologies.

### 15.5 Programmes organised in collaboration

CIRE is organising training programmes in collaboration with premier Management Institute i.e. Institute of Public Enterprise and conducted 4 programmes during the financial year 2013-14, namely, Best Practices in HR Management of Power Utilities; Materials Management, e-procurement & Contract Management; Management Development Programme for Power Sector Executives; and Total Quality Management with 41 participants.

### 15.6 Sponsored Programmes

During the financial year, 8 sponsored programmes, namely, "RGGVY Programme" for Gorkhaland Territorial Administration; "Best Practices for Loss Reduction" for Tripura SECL; "Standard Construction Practices" & "Best Practices in O&M of

Transformers” for MP Paschim Kshetra Vidyut Vitaran Company Limited, Indore, and “Power Distribution Management” for Punjab State Power Corporation Limited (4 batches) were conducted by CIRE.

### 15.7 In-house Training Programmes

CIRE has also organised 8 in-house programmes for the employees of REC. 123 Employees have taken part in these programmes. The topics covered are: Right to Information Act; Finance for Non-finance Employees; General Management (2 batches), Project Appraisal Methodologies, ISO 9001:2008 (QMS); Technical aspects for Non-technical Executives and Hindi Workshop.

- 15.8** In all, during the financial year 2013-14, in addition to coordinating and monitoring the National Training Programmes for Franchisees and employees of C&D category, CIRE has conducted 105 programmes on various themes and trained 1,839 personnel with 12,725 mandays of training.

## 16. RISK MANAGEMENT

### 16.1 Asset Liability Management

The Company has a Risk Management Policy which covers Asset Liability Management Policy and Hedging Policy. ALM Policy provides a framework for defining, measuring and monitoring the mismatches and Hedging Policy covers the management of currency risk.

An Asset Liability Management Committee (ALCO) is currently functioning under the chairmanship of CMD and Director (Finance), Director (Technical), one Part-time Non Official Independent Director and Executive Directors & General Managers from Finance and Operating Divisions as its members.

ALCO monitors risks related to liquidity, interest rates and currency rates. The liquidity risk is being monitored with the help of liquidity gap analysis and the Committee manages the liquidity risk through a mix of strategies such as forward looking resource raising program based on projected disbursement and maturity profile. The interest rate risk is monitored through interest rate sensitivity analysis and managed through review of lending rates, cost of borrowings and the terms of lending & borrowing. Foreign currency risk associated with exchange rate and interest rate is managed through various derivative instruments.

### 16.2 Enterprise-Wide Integrated Risk Management

The Company has constituted a Risk Management Committee (RMC) which is currently functioning under the chairmanship of Part-time Non Official Independent Director and it comprises of Director (Finance) and Director (Technical) for monitoring the integrated risks of the Corporation. The main function of RMC is to monitor various risks likely to arise and to review the Risk Management Policies and practices adopted by the Company, and also to initiate action for mitigation of risk arising in the operation and other related matters of the Company. The Company has identified its various risks and has taken appropriate steps to mitigate them. The brief description of the same is as below:

#### i) Credit Risk

Credit risk is a risk inherent in the financing industry and involves the risk of loss arising from the diminution in credit quality of a borrower and the risk that the borrower will default on contractual repayments under a loan or an advance. To mitigate the same, the Company follows systematic institutional and project appraisal process to assess the credit risk. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures.

#### ii) Market Risk:

Market risk is the potential loss arising from changes in market rates and market prices. Our primary market risk exposures result primarily from fluctuations in interest rates and foreign currency exchange rates. In order to mitigate the interest rate risk, the Company periodically reviews its lending rates based on our cost of borrowing. We then determine our lending rates based on prevailing market rates, our weighted average cost of funding and our post tax margins.

#### iii) Liquidity Risk:

Liquidity risk is the risk of our potential inability to meet our liabilities as they become due. We face liquidity risks, which could require us to raise funds or liquidate assets on unfavourable terms. We manage our liquidity risk through a mix of strategies, including through forward-looking resource mobilization based on projected disbursements and maturing obligations.

#### iv) Foreign Currency Risk:

Foreign currency exchange risk involves exchange rate movements among currencies that may adversely impact the value of foreign currency-denominated assets, liabilities and off-balance sheet arrangements. The Company manages

foreign currency risk associated with exchange rate and interest rate through various derivative instruments. For this, the Company has put in place a Hedging Policy to manage risk associated with foreign currency borrowings.

**v) Legal risk:**

Legal risk arises from the uncertainty of the enforceability of contracts relating to the obligations of our borrowers. This could be on account of delay in the process of enforcement or difficulty in the applicability of the contractual obligations. We seek to minimise the legal risk through legal documentation and forward-looking contractual provisions in the legal documents.

**vi) Operational Risk:**

Operational risks are risks arising from inadequate or failed internal processes, people and systems or from external events. We have continually strengthened our systems and procedures to recognize and reduce operational risk in our business.

## 17. ISO 9001:2008 QUALITY ASSURANCE CERTIFICATION

Your Company has implemented Quality Management Systems as per ISO 9001:2008 standards in six major Divisions of Corporate Office and all Zonal / Project Offices across the country for claims processing.

## 18. HUMAN RESOURCE MANAGEMENT

In order to professionalize the Executive strength of REC and also to infuse fresh blood, 14 Executives were appointed through open advertisement and another 14 Executives through campus recruitment drawn from premier Institutions empanelled for the purpose during the financial year. The total manpower of the Company as on March 31, 2014 was 631 employees which includes 442 executives and 189 non-executives.

### 18.1 Reservation in Employment

The directives issued by the Government of India regarding reservations for SC/ST etc. in appointment and promotion to various posts were complied with. The group wise details of SC and ST employees out of total strength as on March 31, 2014, are given below:

GROUP	TOTAL NO. OF EMPLOYEES	SC	ST
A	377 (372)	35 (34)	12 (11)
B	122 (141)	18 (19)	2 (2)
C	45 (46)	7 (8)	0 (0)
D	87 (89)	27 (27)	1 (1)
<b>Total</b>	<b>631 (648)</b>	<b>87 (88)</b>	<b>15 (14)</b>

(Figures in bracket give the corresponding position in the previous year.)

### 18.2 Training & Human Resource Development

As a measure of capacity building including up-gradation of employees' skill sets and to ensure high deliverance of performance, Training and HRD continued to receive priority during the financial year. Training and Human Resource Policy of the Company aims at sharpening business skills and competence required for better employee performance and provides all possible opportunities and support to the employees to improve their performance and productivity. Training is also provided to promote better understanding of professional requirements as well as to sensitize them to socio-economic and political environment in which business is carried out. Training also helps employees benefit in health and attitudinal change process.

Based on the needs assessed and as a means to meet them, the Company sponsored 193 employees to various training programmes, workshops etc., within the country and abroad. In addition, 13 training programmes were



Training Programme conducted by CRISIL at Lonavala on "Project Risk Management"

conducted in-house which were attended by 223 employees. Taken together, these initiatives enabled the Company to achieve 1,542 training man days and also to achieve excellent rating on MoU target on this parameter. In order to enable them develop global exposure, 27 Officers were deputed to various programmes abroad to countries like USA, Japan, Greece, Spain, France, Germany and Italy. In terms of MoU target, 97 executives of the Company have been imparted training on risk/general management and an expenditure of ₹ 0.22 crore has been incurred on already established chairs by REC (one at IIT- Roorkee and other at G. B. Pant University of Agriculture) during the year.

### 18.3 Employee Welfare

In order to provide improved health care facilities to the employees and their dependent family members, the Company has expanded the list of empanelled hospitals under Direct Payment Scheme by adding six additional hospitals. Further, part time services of five specialized doctors were engaged to provide on-site medical facilities to employees. The Company has also been funding sports & recreation equipments (like carrom board etc.) for use in office premises to promote health and well being of employees.

#### Sports Activities

During the financial year 2013-14, REC hosted an Inter-CPSU Kabaddi Tournament and also sponsored its employees for various Inter- CPSU sports tournament including but not limited to Badminton, Table Tennis and Carrom tournaments organized by various power sector CPSUs under the aegis of Power Sports Control Board (PSCB). Further, employees were encouraged to participate in various quiz, paper presentations and other simulation competitions conducted by reputed organizations like SCOPE, POWER HR FORUM, AIMA etc., to foster a spirit of competition.

### 18.4 Representation of Women Employees

As on March 31, 2014, the Company had 102 permanent women employees, which represent 16.16% of the total work force. There is no discrimination of employees on the basis of gender. A Women Cell has been in operation in the Company to look after welfare and all round development of women employees. The Company has a proper framework for dealing with instances relating to sexual harassment and an NGO has also been included in the Committee as per Government's Directives. International Women's Day was celebrated by REC Women Cell on March 8, 2014.



*Women's Day Celebration*

### 18.5 Industrial Relations

The Industrial Relations continued to be cordial and harmonious in the financial year 2013 -14 also. There was no loss of man days on account of industrial unrest. Regular discussions were held with REC Employees Union and REC Officers Association. They were consulted on major issues affecting employee welfare. Commitment towards participative management is reflected by the fact that consensus could be reached on a majority of issues. This has helped build an atmosphere of trust and cooperation resulting in the motivated workforce and continued improvement in business performance.

### 18.6 Public Grievance Redressal Machinery

In accordance with the guidelines issued by the Government of India, the Company has constituted a Grievance Redressal Committee to redress the grievances of officers and staff. The scope of the committee has further been enlarged to cover Public Grievances also. One day during a week has been fixed as meetingless day to attend the grievances by the Heads of Divisions at Corporate Office as well as at Zonal/ Projects Offices and CIRE.

## 19. CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

During the financial year 2013-14, the Corporate Social Responsibility and Sustainable Development (CSR & SD) initiatives of the Company were continued with a view to integrate REC's business operations with social processes while recognizing the interests of its stakeholders. CSR & SD projects were linked with the principle of sustainable development. The strategic focus was aimed at CSR & SD initiative towards fulfilling the National Plan goals and objectives including Millennium Development Goals ensuring gender sensitivity, skill enhancement, entrepreneurship and employment generation by co-creating value with local institutions/ people. While identifying such initiatives the Company has adopted an integrated approach to address the community, societal and environmental concerns measured in terms of triple bottom line

approach. During the year, the Company has undertaken various CSR & SD initiatives in the fields of Skill Development/ Up-gradation programmes, education, promotion of non-conventional sources of energy, promotion of Health care including for old age and persons with disabilities, drinking water and sanitation, installing Solar PV Smart Mini Grids, providing Solar-Lanterns to affected households and installation of Mobile-charging Solar Stations at various locations/ districts across the country. CSR & SD strategy has been developed with action plan in project-based accountability approach. Most of the CSR & SD activities have been implemented in project-mode, with baseline survey, specified time-frame, identified milestones and periodic monitoring. Disbursement of allocated funds under CSR & SD was linked with achievement of the milestones and deliverables. During the financial year 2013-14, under Corporate Social Responsibility and Sustainable Development, financial assistance aggregating to ₹ 66.61 crore was sanctioned and ₹ 38.40 crore was disbursed for various projects. A detailed Report on Corporate Social Responsibility and Sustainability Activities is annexed to this Report.

## 20. VIGILANCE ACTIVITIES

- 20.1** Vigilance Division endeavored to optimize transparency, fairness and accountability in all operational areas. Streamlining of systems and procedures in matters relating to administrative and financial functions was also accorded priority. The thrust on leveraging of technology was continued, with the result that information relating to loans, schemes, tenders, third party bills, recruitment etc. has been made online. A comprehensive Bill Tracking System has been implemented in Information Technology and Administration Division.
- 20.2** Tenders were scrutinized and various suggestions were given for enhancing competitiveness and fairness in purchase procedures. Wherever loopholes were noticed, the matter was taken up with concerned divisions, which led to strengthening of tender systems. In compliance of Vigilance Division's suggestion for devising and operationalizing an effective system of recording/accounting of fixed assets, the procedure for reconciliation and maintenance of fixed assets has been formulated.
- 20.3** With a view to enhance the knowledge of employees about vigilance related issues, a Vigilance Bulletin is being issued on a quarterly basis. The details of Immovable Property Returns (IPR) of all Executives have been uploaded on REC's Website and vigilance clearance has been linked with timely submission of IPRs. Annual Property Returns of the employees were subject to systematic scrutiny.
- 20.4** As per directives of CVC, REC observed Vigilance Awareness Week from October 28, 2013 to November 2, 2013. Various activities were organized in the Corporate Office as well as at field offices to enlist the participation of the employees at large. At the Corporate Office, Quiz and Essay Writing Competitions were organized for executives as well as non-executives, and dignitaries were invited to sensitise REC employees on various facets of vigilance.
- 20.5** Inspections and field visits were regularly conducted by the Vigilance Division. Audit Reports were scrutinized from vigilance point of view.
- 20.6** Agreed List in respect of Corporate Office, Zonal Office/Project Offices and Central Institute for Rural Electrification, Hyderabad was finalized after interaction with local branches of CBI. In compliance with the instructions of CVC, HR Division was informed of the post identified as sensitive for the purpose of rotational transfers.
- 20.7** Prescribed periodical statistical returns were sent to CVC, CBI, MoP on time. The performance of Vigilance Division was reviewed regularly by the CVC, Board of Directors and CMD in addition to constant reviews undertaken by the CVO in accordance with the prescribed norms.

## 21. IMPLEMENTATION OF OFFICIAL LANGUAGE

The Company excelled with reference to the targets fixed by Department of Official Language, Home Ministry in its Annual Programme 2013-14. In order to encourage employees, all Incentive Schemes introduced by the Government of India have been implemented in the Company. During the year, Officers & Staff of the Company have shown keen interest in Hindi with the result that its usage has increased in day to day working.

To promote use of Hindi in official work, 8 Hindi workshops were organized in Corporate Office in which 83 officers and 56 employees participated and a three days Hindi workshop was organized from August 22 to August 24, 2013 at CIRE, Hyderabad, in which 25 officers participated. A Hindi Pakhwara was organized from September 14 to September 28, 2013 in Corporate Office, in which nine competitions including Hindi Quiz, were organized for employees and winners of competitions were awarded Certificates of Merits & Cash Prizes. Further, to popularise Hindi in a big way, a Kavi Sammelan was organized in which famous Hindi Poets Shri Hari Om Pawar, Dr. Sunil Jogi and Ms. Sita Sagar charmed with their satirical poetry in Hindi and motivated all, to work in Rajbhasha. The Company has been honored with RAJBHASHA SHREE SAMMAN by Bhartiya Rajbhasha Vikas Sansthan, Dehradun during the financial year 2013-14.

During the financial year 2013-14, the Parliament Committee on Official Language inspected 5 Zonal/ Project Offices of the Company at Shimla, Guwahati, Panchkula, Bhubaneswar and Mumbai to review the progress of Hindi made by these

offices. The progress of Official Language Implementation was reviewed from time to time by internal Committee headed by CMD and measures undertaken to overcome the difficulties in order to achieve the targets. Ministry of Power's officers have reviewed progress of Hindi work at Corporate Office as well as inspected 3 Project Offices during the year.

Website of the Company is maintained both in Hindi and English and is regularly being updated from time to time. Bilingual working facility has been made available on all computers. All publications, reports, memorandums, press releases, MoUs, tenders, annual report etc. were issued bilingually. To give impetus to the correspondence in Hindi, standard formats have also been made available on Intranet.

## 22. PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO.

### 22.1 Conservation of Energy

There are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 as your Company does not own any manufacturing facility. However, the Company has made intensive use of technology in its operations during the year under review.

All civil, electrical installation & maintenance of "SCOPE Complex", where the Registered Office is located is carried out by Standing Committee of Public Enterprises (SCOPE), an autonomous body. During the financial year 2013-14, SCOPE has saved about ₹ 90 Lakh (approx.) on Energy Conservation due to various actions taken by them, to reduce the consumption of Electrical Energy, Diesel and Gas /PNG etc. with replacement of Elevators, putting of energy efficient light fixtures, LEDs, Exhaust Blowers, water based heating of complex through Hot water Boilers operated through PNG etc. The details of achievement on account of above steps are as under:-

1. Less consumption of about 7,89,000 electrical units costing ₹ 77 lakh (approx.), during the financial year 2013-14 as compared to the previous year; and
2. Less consumption of about 3,900 Litre of Diesel and 20,886 SCM Piped Natural Gas costing ₹ 21.5 lakh (approx.) and ₹ 10.5 lakh (approx.) respectively, during the financial year 2013-14 as compared to the previous year.

### 22.2 Foreign Exchange Earnings & Outgo

No foreign exchange was earned during the financial year 2013-14. However, the foreign exchange expenditure aggregating ₹ 437.81 crore was made during the financial year on account of Interest, Finance Charges and other expenses.

## 23. SUBSIDIARY COMPANIES

Your Company has following Wholly Owned Subsidiaries, to focus on additional business of consultancy in the areas of distribution, transmission etc.:

- (i) REC Power Distribution Company Limited; and
- (ii) REC Transmission Projects Company Limited

Further, Ministry of Power (MoP), Government of India, has also designated REC Transmission Projects Company Limited (RECTPCL) (a Wholly Owned Subsidiary of REC) as "Bid Process Coordinator" (BPC) for selection of Transmission Service Provider (TSP) for independent transmission projects allocated by MoP from time to time, through Tariff Based Competitive Bidding Process notified for Inter State transmission projects.

Accordingly, in order to initiate development of each allocated transmission project, RECTPCL has incorporated a Project Specific Special Purpose Vehicle (SPV) as Wholly Owned Subsidiary Company and after the selection of successful bidder, the respective Project Specific SPV along with its all assets and liabilities is to be transferred to the successful bidder. As on date, the following project specific Special Purpose Vehicles (SPVs) existed as Subsidiary Companies of RECTPCL:

- (i) Nellore Transmission Limited (NTL)
- (ii) Baira Siul Sarna Transmission Limited (BSSTL)
- (iii) NRSS XXIX Transmission Limited\*
- (iv) NRSS XXXI (A) Transmission Limited\*
- (v) NRSS XXXI (B) Transmission Limited\*
- (vi) Gadarwara (A) Transco Limited<sup>#</sup>
- (vii) Gadarwara (B) Transmission Limited<sup>#</sup>

\* Transferred to selected bidder after March 31, 2014.

<sup>#</sup> Incorporated after March 31, 2014.

### 23.1 REC Power Distribution Company Limited

During the Financial Year 2013-14, REC Power Distribution Company Limited (RECPDCL) has not only carried out Third Party Inspection (TPI) but also been involved in preparation of Detailed Project Reports through GPS based field survey. The new Initiatives undertaken by RECPDCL, during the year includes:

- a) Preparation of Detailed Project Report (DPR):
  - i. under RGGVY XII five year plan;
  - ii. under National Electricity Fund (NEF) Scheme of Chhattisgarh State Power Distribution Company Limited (CSPDCL);
  - iii. for revamping the rural electrification under electric supply area (Jamshedpur, Dumla, Dhanbad); and
  - iv. for Installation of Solar Power Plants in schools.
- b) Project Management Consultancy (PMC) work under RGGVY XII five year plan for PuVVNL in 14 districts and for CSPDCL under National Electricity Fund (NEF) Scheme;
- c) Consultancy works for laying of Distribution network in the areas of Mumbai for Tata Power Company Limited;
- d) REC quality monitors in 196 Projects & 72 Projects for RE works through open tender; and
- e) Third Party Inspection for:
  - i. village electrification work under BRGF Fund Scheme of West Bengal State Electricity Distribution Company Limited (WBSEDCL);
  - ii. erection work and material of RE work of 1,291 villages under departmental scheme in Jharkhand state; and
  - iii. works and workmanship of R-APDRP Part B works for 17 zones of Maharashtra State Electricity Distribution Company Limited (MSEDCL).

During the year, RECPDCL has prepared 98 Detailed Project Reports (DPRs) under RGGVY XII five year plan and 33 DPRs under RE works for Rajasthan DISCOMs and carried out Third Party Inspection (TPI) of more than 11,000 Villages as REC Quality Monitors.

The performance of RECPDCL has improved and the financial performance of the company is on the fast trajectory growth path. The company's gross income during the financial year 2013-14 has increased by 145.5 % to ₹ 75.16 crore compared to the previous year income of ₹ 30.61 crore. The Profit Before Tax (PBT) during the financial year 2013-14 has increased by 214 % to ₹ 50.18 crore as compared to ₹ 15.98 crore in the previous year. The Profit After Tax (PAT) during the financial year 2013-14 has also increased by 205.36 % to ₹ 33 crore from ₹ 10.81 crore during the previous year. The Net-worth of RECPDCL is now ₹ 60.22 crore (previous year ₹ 27.52 crore) in its 7<sup>th</sup> year of operation as against initial capital of ₹ 0.05 crore injected by REC. The Board of Directors of the company has recommended a dividend for the financial year 2013-14 @ 500 % (₹ 50/- on per equity share of ₹ 10/- each) on paid up share capital of the company, subject to approval of shareholders of the company in the Annual General Meeting.

### 23.2 REC Transmission Projects Company Limited

During the financial year 2013-14, REC Transmission Projects Company Limited (RECTPCL) has concluded the two stage bidding process featuring separate Request for Qualification (RfQ) and Request for Proposal (RfP), for selection of TSP for three projects out of five transmission projects allocated in the year 2012-13, in accordance with Tariff Based Competitive Bidding Guidelines notified by Ministry of Power, Government of India and other two projects were de-notified/put on hold, as details mentioned below:

- i. System Strengthening in Southern Region for import of power from Eastern Region;
- ii. Transmission System required for evacuation of power from Kudgi TPS (3 x 800 MW in Phase-I) of NTPC Limited;
- iii. ATS of Unchahar TPS;
- iv. Transmission System for Connectivity for NCC Power Projects Limited (1320 MW); and
- v. Baira Siul HEP – Sarna 220 kV D/c line.

In respect of project at Sl. No. (i) & (iii) above, M/s Power Grid Corporation of India Limited emerged as the lowest Bidder, and acquired 100 % shares of respective project specific SPVs i.e. Vizag Transmission Limited and Unchahar Transmission Limited (UTL), on payment of acquisition price on August 30, 2013 & March 24, 2014 respectively.

In respect of project at Sl. No. (ii), M/s L&T Infrastructure Development Projects Limited has emerged as the lowest bidder and has acquired 100 % shares of Kudgi Transmission Limited on August 30, 2013 after payment of acquisition price.

Further, MoP vide Gazette notification dated January 2, 2014 had de-notified the transmission project mentioned at Sl. No. (iv) namely, Transmission System for Connectivity for NCC Power Projects Limited (1320 MW) due to discovery of higher tariff as compared to CERC norms. In respect of transmission project mentioned at Sl. No. (v) i.e. Baira Siul HEP-Sarna 220 kV D/c line, Central Electricity Authority has advised to put the bidding process for the project under hold.

In addition to above, during the financial year 2013-14, MoP vide Gazette Notification dated May 20, 2013 nominated RECTPCL to act as Bid Process Coordinator for selection of developer for three inter-state transmission systems with aggregate estimated cost of ₹ 32,160 million. These transmission systems are essentially for augmentation/ strengthening of inter-state transmission network. The transmission projects allocated to RECTPCL are as follows:

- i. Northern Region System Strengthening Scheme, NRSS – XXIX;
- ii. Northern Region System Strengthening Scheme, NRSS – XXXI (Part-A); and
- iii. Northern Region System Strengthening Scheme, NRSS – XXXI (Part-B).

After the selection of successful bidder through Tariff Based Competitive Bidding Process, the project specific SPVs i.e. NRSS XXXI (A) Transmission Limited and NRSS XXXI (B) Transmission Limited have been transferred to M/s Power Grid Corporation of India Limited & M/s Essel Infraprojects Limited, respectively, on May 12, 2014. Further, after the selection of successful bidder, for Northern Region System Strengthening Scheme, NRSS-XXIX, through Tariff Based Competitive Bidding Process, the project specific SPV i.e. NRSS XXIX Transmission Limited has also been transferred to M/s Sterlite Display Technologies Private Limited (investing affiliate of Sterlite Grid Limited) on August 4, 2014.

In addition to the above, during the current financial year i.e. 2014-15, the Ministry of Power has also allocated the following five transmission projects to RECTPCL to act as Bid Process Coordinator (BPC) for selection of developer:

- i. Transmission system associated with Gadawara STPS (2x800 MW) of NTPC (Part-A);
- ii. Transmission system associated with Gadawara STPS (2x800 MW) of NTPC (Part-B);
- iii. Connectivity lines for Maheshwaram (Hyderabad) 765/400kV Pooling S/s;
- iv. Transmission System for LTA of 400 MW for 2x500 MW Neyveli Lignite Corporation Ltd. TS-I (Replacement) (NNTPS) in Neyveli; and
- v. Transmission System Strengthening associated with Vindhyachal-V.

In order to initiate development of each of the above listed transmission systems, RECTPCL has incorporated two Wholly Owned Subsidiary (WOS) Companies namely “Gadawara (A) Transco Limited” and “Gadawara (B) Transmission Limited” on August 5, 2014 and July 30, 2014, respectively, relating to transmission projects detailed at Sl. No. (i) and (ii) above and the incorporation of other three subsidiary companies is under process.

During the financial year ended March 31, 2014, REC Transmission Projects Company Limited has been able to generate an income of ₹ 35.18 crore. The Profit before tax and Profit after tax for the year is ₹ 34.30 crore and ₹ 23.86 crore respectively. The Net-worth of RECTPCL is now ₹ 68.92 crore as against initial capital of ₹ 0.05 crore injected by REC, in year 2007. For the year, the Board of Directors has recommended a dividend @ 200 % (₹ 20/- on per equity share of ₹ 10/- each) on the paid up value of shares, subject to approval of shareholders of the company in the Annual General Meeting.

#### 24. FINANCIAL STATEMENTS/DOCUMENTS UNDER SECTION 212 OF THE COMPANIES ACT, 1956.

The Ministry of Corporate Affairs, Government of India, vide its Circular dated February 8, 2011 has granted general exemption to all companies from attaching the financial statements of its subsidiary companies, pursuant to Section 212(8) of the Companies Act, 1956, subject to compliance of certain conditions by the companies as prescribed in this circular. Accordingly, copies of the balance sheet, statement of profit and loss and reports of the Board of Directors and Auditors of the subsidiaries for the financial year 2013-14 have not been attached with the balance sheet of the Company.

The Audited Financial Statements and related information of subsidiaries of the Company are available on the website of the Company [www.recindia.gov.in](http://www.recindia.gov.in) under the head ‘Subsidiary Companies’. However, these documents will be made available upon request by any member of the Company interested in obtaining the same. As directed by the Central Government, a statement containing the financial data of the subsidiaries has been furnished along with the consolidated financial statements, which forms part of this Annual Report. The annual accounts of the Company including that of subsidiaries will be kept for inspection by any member at the Registered Office of the Company. Further, pursuant to Accounting Standard-21 (AS-21) prescribed under the Companies (Accounting Standard) Rules, 2006, Consolidated Financial Statements presented by the Company include financial information about its subsidiary companies. However, those subsidiary companies which

are incorporated by the Company for the purpose of subsequent disposal have not been consolidated in the accounts of the Company.

## 25. MoU RATING AND AWARDS

The performance of your Company in terms of MoU signed with the Government of India in the Ministry of Power for the financial year 2012-13 has been rated as “Excellent”. This is the 20<sup>th</sup> year in succession that REC has received “Excellent” rating since the year 1993-94 when the first MoU was signed with the Government. For the financial year 2013-14 also, the performance of the Company is poised to receive “Excellent” rating. During the year, your Company received Award in the category of ‘Energy & Power Sector’ from India Pride Awards, Dainik Bhaskar & DNA, DSIJ PSU Award 2013 for ‘Best Value creating Navratna with a Balance Sheet of more than ₹ 1 Lakh crore’ and also rated among the Best Employers in India by Aeon Hewitt.

Your Company was honoured with the Helpage India ‘Gold Plate Award’ on the occasion of International Day for Older Persons in recognition of the project ‘Multi Facility Health Package for Old Age Homes’ funded under its CSR initiatives. Your Company has also been honored with RAJBHASHA SHREE SAMMAN by Bhartiya Rajbhasha Vikas Sansthan, Dehradun during the financial year 2013-14.

Further, in recognition of good Corporate Governance practices followed by the Company, the Institute of Company Secretaries of India (ICSI), a statutory body constituted under the Company Secretaries Act, 1980 has adjudged your Company as one of the ‘Best Governed Company’ and conferred 13<sup>th</sup> ICSI National Award for Excellence in Corporate Governance for the year 2013.

## 26. PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956.

During the financial year 2013-14, no employee of the Company was drawing remuneration either on monthly or annual basis exceeding the limit as prescribed under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particular of Employees) Rules, 1975.

## 27. BOARD OF DIRECTORS

During the financial year 2013-14, there was no change in the composition of the Board of the Company. However, the tenure of three years of Dr. Devi Singh (DIN 00015681) and Shri Venkataraman Subramanian (DIN 00357727), Part Time Non Official Independent Directors has been completed on June 9, 2014 and both of them ceased to be directors from that date.

As per the provisions of the Companies Act, 2013 and in terms of provisions of Article 82 (4) of Articles of Association of the Company, Shri Ajeet Kumar Agarwal, shall retire by rotation at the 45<sup>th</sup> Annual General Meeting and being eligible, offers himself for re-appointment. The Board of Directors recommends his reappointment. His brief resume is furnished in the Notice for the Annual General Meeting.

## 28. DIRECTORS’ RESPONSIBILITY STATEMENT

With reference to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:–

- (i) in the preparation of the annual accounts for the year ended March 31, 2014, the applicable Accounting Standards have been followed and no material departures have been made from the same;
- (ii) such accounting policies have been selected and applied consistently (except for changes in Accounting Policies as disclosed in the Notes to Accounts to the Financial Statements) and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) proper and sufficient care is taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.

## 29. GREEN INITIATIVE IN CORPORATE GOVERNANCE

The Companies Act, 2013 permits companies to send documents like Notice of Annual General Meeting, Annual Report and other documents through electronic means to its members at their registered email addresses, besides sending the same in physical form.

As a responsible Corporate Citizen, your Company has actively supported the implementation of ‘Green Initiative’ of Ministry of Corporate Affairs (MCA) and effected electronic delivery of Notice of Annual General Meeting (AGM) and

Annual Report for the last three year(s) i.e. 2010-11 to 2012-13 and Postal Ballot Notice alongwith annexures to those shareholders whose email ids were already registered with the respective Depository Participants (DPs) and downloaded from the depositories viz. NSDL/CDSL and who have not opted for receiving Annual Report in physical form. The intimation of Final/Interim Dividend paid after the issue of above circulars were also sent electronically to those shareholders whose email ids were registered.

Members, who have not registered their e-mail addresses so far, are requested to register their e-mail address with the Registrar and Share Transfer Agent (R&TA) of the Company / Depository Participant (DP) of respective Member and take part in the Green Initiative of the Company, for receiving electronic communications and support the “THINK GREEN, GO GREEN” initiative.

It is reiterated that upon receipt of requisition from the member including the members who have exercised the option of electronic delivery of these documents, every member of the Company is entitled to receive free of cost, a copy of the Balance Sheet of the Company and all other documents required by law to be attached thereto, including the Statement of Profit and Loss and Auditors' Report etc.

The Company is providing e-voting facility to all members to enable them to cast their votes electronically on all resolutions set forth in the Notice of AGM. This is pursuant to Section 108 of the Companies Act, 2013 and Rule 20 of the Companies (Management and Administration) Rules, 2014. The instructions for e-voting are provided in the Notice of AGM.

### 30. RIGHT TO INFORMATION ACT, 2005

The Company has taken necessary steps for the Implementation of “Right to Information Act, 2005 (RTI)” in REC and independent RTI Cell has been set up for coordinating the work relating to receipt of applications and furnishing information thereto. RTI Handbook, both in English and Hindi, has been placed on REC website which is updated periodically.

The status of RTI applications during the financial year 2013-14 is as follows:

Sl. No.	Particulars	Nos.
1.	Applications received (upto March 31, 2014)	248
2.	Applications disposed off (upto March 31, 2014)	236
3.	Applications disposed off subsequently	12
4.	Appeals received by First Appellate Authority, REC	21
5.	Appeals disposed off by First Appellate Authority, REC	21
6.	Appeals received from Central Information Commission (CIC)	5
7.	Appeals disposed off by Central Information Commission (CIC)	5

### 31. STATUTORY AUDITORS

M/s Raj Har Gopal & Co., Chartered Accountants, New Delhi and M/s P.K. Chopra & Co., Chartered Accountants, New Delhi, were appointed as Joint Statutory Auditors of your Company for the financial year 2013-14 by the Comptroller and Auditor General (C&AG) of India. The Joint Statutory Auditors have audited the Financial Statements of the Company for the financial year ended March 31, 2014.

#### 31.1 Management's Comments on the Joint Statutory Auditors' Report

The Joint Statutory Auditors of the Company have given an unqualified report on the financial statements of the Company for the financial year 2013-14. However, they have suggested that internal Control System needs to be further strengthened. The Management's Reply to the observations / advice in respect of further strengthening the internal control system in certain areas, as mentioned in para (iv) of Annexure to the Independent Auditors' Report referred in Point No. 5 (i) of the Report are submitted as under:

Observation of Joint Statutory Auditors	Management's Reply
“In our opinion and according to information & explanations given to us, internal controls for purchase of fixed assets and for the financial services are generally commensurate with the size of the Company and the nature of its business. However in certain areas internal control needs further strengthening like monitoring and supervision of loans given to various SEBs / DISCOMs / TRANSCOs / GENCOs including obtaining search reports for charges created against the loans given and physical verification of assets charged to REC as security after Commercial Operations Date.”	“Continuous efforts are being made to further strengthen the internal control in the said areas.”

**32. COMMENTS OF C&AG OF INDIA**

The Comptroller and Auditor General (C&AG) of India, through letter dated July 5, 2014 has given 'NIL' Comments on the Audited Financial Statements of your Company for the year ended March 31, 2014 under Section 619 (4) of the Companies Act, 1956. The Comments of C&AG for the financial year 2013-14 have been placed along with the report of Statutory Auditors of your Company elsewhere in this Annual Report.

**33. SECRETARIAL AUDITORS**

M/s Chandrasekaran Associates, Practicing Company Secretaries, New Delhi, appointed as Secretarial Auditors of your Company for carrying out Secretarial Audit for the financial year 2013-14, have given an unqualified Secretarial Audit Report. A copy of the Secretarial Audit Report is annexed to this Report.

**34. DEBENTURE TRUSTEES**

In compliance to the requirements of Debt Listing Agreement, the details of Debenture Trustees appointed by the Company, for different series of Bonds issued by the Company, from time to time, is annexed to this report.

**35. STATUTORY AND OTHER INFORMATION REQUIREMENTS**

Information required to be furnished as per the Companies Act, 1956, Listing Agreement executed with Stock Exchanges, Government Guidelines etc. is annexed to this report as under:

Particulars	Annexure
Management Discussion & Analysis Report	I
Report on Corporate Governance	II
Certificate from Joint Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance	III
Business Responsibility Report	IV
Secretarial Audit Report issued by the Secretarial Auditors of the Company	V
Statement pursuant to Section 212 (1) (e) of the Companies Act, 1956 relating to subsidiary companies	VI
Detailed Report on Corporate Social Responsibility and Sustainability Activities	VII
Details of Debenture Trustees appointed by the Company for different series of Bonds	VIII

**36. ACKNOWLEDGEMENTS**

The Directors are grateful to the Government of India particularly the Ministry of Power and Ministry of Finance, the Planning Commission and the Reserve Bank of India for their continued co-operation, support and guidance in effective management of the Company's affairs and resources.

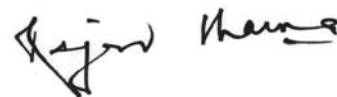
The Directors thank the State Governments, State Electricity Boards, State Power Utilities and other Borrowers for their continued support and trust in the Company.

The Directors also place on record their sincere appreciation for the continued support and goodwill of the esteemed Shareholders, Investors in REC Bonds, domestic and overseas Banks, Life Insurance Corporation of India, KfW of Germany and JICA of Japan in the fund raising programmes of the Company.

The Directors also thank Joint Statutory Auditors M/s Raj Har Gopal & Co. and M/s P.K. Chopra & Co., the Secretarial Auditors M/s Chandrasekaran Associates and the Comptroller & Auditor General of India for their valued cooperation.

The Directors also sincerely appreciate and thank all the employees of the Company for their valuable contribution and dedicated efforts in steering the Company to excellent performance for yet another year in succession.

For and on behalf of the Board of Directors



**(Rajeev Sharma)**  
 Chairman & Managing Director  
 (DIN 00973413)

New Delhi

August 12, 2014

**TABLE - I : SCHEMES SANCTIONED DURING 2013-14 UNDER REC FINANCED SCHEMES**

			(₹ in Lakh)
Sl. No.	State	No. of Schemes/Projects	Loan Amount
<b>A.</b>	<b>T &amp; D Projects</b>		
1	Andhra Pradesh	178	5,16,166.66
2	Bihar	1	1,35,948.48
3	Chhattisgarh	5	27,498.62
4	Haryana	111	2,20,292.22
5	Himachal Pradesh	21	14,899.69
6	Jammu and Kashmir	7	2,640.22
7	Karnataka	167	3,64,332.34
8	Kerala	33	1,53,213.52
9	Madhya Pradesh (only additional loan)	0	1,752.00
10	Maharashtra	138	4,50,324.03
11	Odisha	3	5,083.54
12	Puducherry	1	6,358.18
13	Punjab	20	1,69,816.99
14	Rajasthan	60	2,16,489.85
15	Tamil Nadu	65	3,05,563.65
16	Uttar Pradesh	124	2,42,758.18
17	Uttarakhand	29	49,559.69
18	West Bengal	21	1,88,557.56
19	Private (T&D)	3	1,30,244.00
	<b>Sub-Total-(A)</b>	<b>987</b>	<b>32,01,499.42</b>
<b>B</b>	<b>Generation Projects</b>		
1	Andhra Pradesh	3	8,90,882.00
2	Chhattisgarh	2	1,31,500.00
3	Jammu and Kashmir	2	78,620.00
4	Maharashtra	2	5,79,918.30
5	Odisha (only additional loan)	0	96,936.00
6	Punjab	1	1,46,800.00
7	Rajasthan (only additional loan)	0	26,676.00
8	Sikkim	1	67,042.00
9	Tamil Nadu	1	1,12,500.00
10	Uttar Pradesh (only additional loan)	0	39,711.00
11	Uttarakhand	1	65,536.00
12	West Bengal	1	6,36,229.00
	<b>Sub-Total-(B)</b>	<b>14</b>	<b>28,72,350.30</b>
<b>C</b>	<b>Renewable Projects</b>		
1	Gujarat	2	15,240.00
2	Madhya Pradesh	1	7,112.50
3	Maharashtra	2	2,195.50
4	Odisha	1	5,000.00
	<b>Sub-Total-(C)</b>	<b>6</b>	<b>29,548.00</b>
<b>D</b>	<b>STL and others</b>		
1	Andhra Pradesh	1	50,000.00
2	Delhi	1	10,000.00
3	Karnataka	6	67,500.00
4	Kerala	3	80,000.00
5	Maharashtra	3	1,50,000.00
6	Punjab	1	79,300.00
7	Rajasthan	2	25,000.00
8	Tamil Nadu	1	50,000.00
9	Uttar Pradesh	7	3,78,750.00
10	West Bengal	3	80,000.00
	<b>Sub-Total-(D)</b>	<b>28</b>	<b>9,70,550.00</b>
	<b>Grand Total (A+B+C+D)</b>	<b>1,035</b>	<b>70,73,947.72</b>

Note: The above sanctions do not include RGGVY sanctions, which are shown separately in Table -6.

**TABLE-2 : CATEGORY-WISE SCHEMES SANCTIONED DURING 2013-14 UNDER REC FINANCED SCHEMES**

				(₹ in Lakh)
Sl. No.	Category	Category Code	No. of Schemes/Projects	Loan Amount
<b>A</b>	<b>T&amp;D</b>			
	<b>Distribution</b>			
1	Intensive Electrification	P:IE	21	32,477.07
2	Pumpset Energisation	SPA:PE	129	1,38,285.40
3	System Improvement	P:SI-Distribution	442	12,40,629.38
4	Bulk	BULK	107	4,94,888.43
5	R-APDRP	P:SI(R_APDRP)	66	1,80,485.22
	<b>Transmission</b>			
1	System Improvement	P:SI-Transmission	222	11,14,733.92
	<b>Sub-Total (A)</b>		<b>987</b>	<b>32,01,499.42</b>
<b>B</b>	<b>Generation</b>	P:Gen	<b>14</b>	<b>28,72,350.30</b>
<b>C</b>	<b>Renewable Energy Projects</b>			
1	Small Hydro	SHP	2	6,292.20
2	Solar PV	SPV	3	22,352.80
3	Wind	Wind	1	903.00
	<b>Sub-Total (C)</b>		<b>6</b>	<b>29,548.00</b>
<b>D</b>	<b>STL and Others</b>		<b>28</b>	<b>9,70,550.00</b>
	<b>Grand Total (A+B+C+D)</b>		<b>1,035</b>	<b>70,73,947.72</b>

**TABLE- 3: CUMULATIVE STATE WISE SANCTIONS UNDER REC PROJECTS UPTO 2013-14**

Sl. No.	STATE	Upto 2001-02		X Plan		XI Plan		XII Plan Upto 2013-14		Cumulative upto 2013-14	
		No. of Projects	Sanctioned Amount	No. of Projects	Sanctioned Amount	No. of Projects	Sanctioned Amount	No. of Projects	Sanctioned Amount	No. of Projects	Sanctioned Amount
1	Andhra Pradesh	4,810	4,40,263	1,104	12,09,532	558	13,00,954	297	17,68,390	6,769	47,19,140
2	Arunachal Pradesh	159	29,954	54	1,04,020	16	73,949	0	0	229	2,07,923
3	Assam	393	32,984	33	30,404	20	1,50,197	0	0	446	2,13,585
4	Bihar	1,664	55,272	73	1,89,857	78	16,71,582	1	1,35,948	1,816	20,52,659
5	Chhattisgarh	0	0	22	5,16,315	63	4,86,756	16	1,43,035	101	11,46,106
6	Delhi	2	817	6	47,323	1	3,63,707	1	10,000	10	4,21,847
7	Goa	16	2,007	0	0	0	0	0	0	16	2,007
8	Gujarat	1,784	2,53,470	124	5,27,966	42	7,26,832	2	46,224	1,952	15,54,492
9	Haryana	1,209	1,16,989	148	3,95,304	253	9,57,795	141	7,11,541	1,751	21,81,629
10	Himachal Pradesh	419	52,240	37	1,16,177	125	2,15,489	45	75,330	626	4,59,236
11	Jammu & Kashmir	500	67,243	34	93,792	69	1,62,057	22	99,056	625	4,22,147
12	Jharkhand	0	0	27	1,47,602	12	2,55,581	0	0	39	4,03,183
13	Karnataka	2,384	3,07,390	472	3,88,445	213	12,76,890	199	9,11,010	3,268	28,83,736
14	Kerala	1,454	2,42,741	297	2,41,884	20	1,04,897	79	3,13,624	1,850	9,03,146
15	Madhya Pradesh	5,111	2,36,175	133	2,35,711	255	9,71,789	6	1,01,862	5,505	15,45,538
16	Maharashtra	4,602	4,40,595	833	15,16,910	418	27,53,167	330	16,42,139	6,183	63,52,811
17	Manipur	146	20,696	3	9,463	2	9,169	0	0	151	39,328
18	Meghalaya	105	19,351	4	31,571	10	44,645	0	0	119	95,567
19	Mizoram	46	7,879	24	20,360	7	14,343	0	0	77	42,582
20	Nagaland	71	7,791	23	5,648	36	28,108	0	0	130	41,547
21	Odisha	1,624	77,691	21	1,20,627	55	4,08,199	8	4,61,285	1,708	10,67,802
22	Punjab	1,303	2,59,737	216	6,57,148	125	11,61,462	109	8,14,854	1,753	28,93,202
23	Rajasthan	3,012	3,82,940	597	5,56,042	449	29,02,506	122	12,24,937	4,180	50,66,424
24	Sikkim	36	2,910	4	5,626	2	3,101	0	0	42	11,637
25	Tamil Nadu	3,003	1,75,458	597	3,80,610	364	26,04,368	97	5,00,284	4,061	36,60,719
26	Tripura	172	15,732	6	36,374	3	11,189	0	0	181	63,295
27	Uttar Pradesh	3,027	2,23,840	102	6,70,277	557	21,46,380	421	27,52,969	4,107	57,93,466
28	Uttarakhand	0	0	84	3,06,792	20	1,72,884	49	3,52,811	153	8,32,488
29	West Bengal	1,256	59,750	198	4,42,875	78	11,26,536	84	1,206,303	1,616	28,35,464
30	Puducherry - UT	0	0	0	0	2	12,507	1	6,358	3	18,865
31	T&D Private	0	0	9	4,955	10	1,07,085	7	2,85,328	26	3,97,368
32	Generation Pvt.	6	3,347	19	6,02,003	64	50,66,680	15	13,89,659	104	70,61,689
33	Renewable Pvt.							14	68,050	14	68,050
	<b>TOTAL</b>	<b>38,314</b>	<b>35,35,262</b>	<b>5,304</b>	<b>96,11,614</b>	<b>3,927</b>	<b>2,72,90,803</b>	<b>2,066</b>	<b>1,50,20,996</b>	<b>49,611</b>	<b>5,54,58,676</b>

Note: The above figures include RGGVY and DDG project cost (capital subsidy and Loan) upto XI five year plan only.

**TABLE- 4: STATEMENT SHOWING STATE-WISE AND PROGRAMME-WISE DISBURSEMENTS AND REPAYMENT BY BORROWERS DURING THE YEAR 2013-14 AND OUTSTANDINGS AS ON 31.03.2014**

Sl. No.	Name of State	Transmission & Distribution	Generation	RGVY (including DDG)	STL/Debt Re-financing	TFL	MTL	WCTL	Others	Total disbursement for the year 2013-14	Disbursed upto the end of the year	Repayments During the year	Repayments upto the end of the year	Outstanding at the end of the year 2013-14
														(₹ in Lakh)
1	Andhra Pradesh	1,46,059	1,72,382	173	-	-	-	-	-	3,18,614	24,51,925	1,71,309	11,58,329.91	12,93,595
2	Arunachal Pradesh	46	-	-	-	-	-	-	-	46	24,348	1,312	18,614.67	5,733
3	Assam	-	-	183	-	-	-	-	-	183	50,949	206	26,870.85	24,079
4	Bihar	-	96,129	9,152	-	-	-	-	-	1,05,281	2,72,431	5,616	41,173.13	2,31,257
5	Chhattisgarh	20,441	1,13,610	-	-	-	-	-	-	1,34,051	7,69,518	35,776	1,55,167.68	6,14,350
6	Delhi	-	-	-	-	-	-	-	-	-	1,093	-	1,093	-
7	Goa	-	-	-	-	-	-	-	-	-	1,479	-	1,479	-
8	Gujarat	-	18,857	48	-	-	-	-	-	18,905	6,85,159	6,516	6,29,818.40	55,340
9	Haryana	64,260	466	50	-	1,38,000	-	-	1,38,000	2,02,776	13,40,832	88,821	4,47,974.94	8,92,857
10	Himachal Pradesh	27,917	1,132	-	-	-	-	-	-	29,049	3,62,008	25,734	2,14,834.48	1,47,174
11	Jammu & Kashmir	595	-	359	-	-	-	-	-	954	1,26,401	7,350	76,238.01	50,163
12	Jharkhand	5,023	11,710	-	-	-	-	-	-	16,733	2,30,813	7,880	89,971.30	1,40,842
13	Karnataka	86,901	2,11,080	356	-	10,000	-	-	10,000	3,47,237	8,49,286	80,995	4,08,720.11	4,40,566
14	Kerala	4,583	-	252	15,000	65,000	-	-	65,000	84,835	4,80,801	35,406	3,83,168.22	97,633
15	Madhya Pradesh	70,697	48,531	1,416	-	-	-	-	-	1,20,644	7,48,008	15,661	1,92,986.77	5,55,021
16	Maharashtra	1,02,335	2,18,931	-	-	1,50,000	-	-	1,50,000	4,71,266	37,17,890	2,37,567	11,06,869.64	26,11,021
17	Manipur	-	-	322	-	-	-	-	-	322	18,630	822	5,380.50	13,250
18	Meghalaya	-	-	202	-	-	-	-	-	202	46,275	110	12,500.25	33,774
19	Mizoram	-	-	451	-	-	-	-	-	451	26,970	108	23,773	3,197
20	Nagaland	700	-	84	-	-	-	-	-	784	23,227	1,133	10,600.01	12,627
21	Odisha	5,602	54,730	-	-	-	-	-	-	60,332	3,44,521	2,539	1,33,878.55	2,10,642
22	Puducherry	1,617	-	-	-	-	-	-	-	1,617	3,574	-	-	3,574
23	Punjab	96,845	7,517	-	-	-	-	65,000	65,000	1,69,362	17,02,823	94,370	7,82,086.49	9,20,736
24	Rajasthan	1,60,647	14,841	87	15,000	10,000	-	-	10,000	2,00,575	24,73,913	1,33,217	10,45,024.49	14,28,889
25	Sikkim	-	97,741	185	-	-	-	-	-	97,926	3,85,719	1,179	4,520.57	3,81,198
26	Tamil Nadu	1,24,166	87,660	64	-	1,50,000	50,000	-	2,00,000	4,11,890	27,84,186	1,08,769	6,98,257.22	20,85,929
27	Tripura	-	-	-	-	-	-	-	-	-	12,792	-	11,055	1,737
28	Uttar Pradesh	78,224	48,919	12,257	75,000	3,03,750	-	-	3,03,750	5,18,150	26,65,189	2,57,850	10,69,128	15,96,061
29	Uttarakhand	13,756	9,009	-	-	-	-	-	-	22,765	4,58,463	29,595	1,97,534.90	2,60,928
30	West Bengal	68,495	85,498	659	15,000	-	50,000	-	50,000	2,19,652	10,07,174	76,204	2,56,959.85	7,50,214
31	Wind Energy	-	-	-	-	-	-	-	-	-	3,013	-	1,291	1,722
<b>TOTAL</b>		<b>10,78,909</b>	<b>12,98,743</b>	<b>26,300</b>	<b>1,58,900</b>	<b>6,01,750</b>	<b>3,25,000</b>	<b>65,000</b>	<b>9,91,750</b>	<b>35,54,602</b>	<b>2,40,69,410</b>	<b>14,26,045</b>	<b>92,05,300</b>	<b>1,48,64,110</b>
RGVY Subsidy										2,39,471				
DDG Subsidy										2,926				
(under RGVY)														
<b>GRAND TOTAL</b>		<b>10,78,909</b>	<b>12,98,743</b>	<b>26,300</b>	<b>1,58,900</b>	<b>6,01,750</b>	<b>3,25,000</b>	<b>65,000</b>	<b>9,91,750</b>	<b>37,96,999</b>	<b>2,40,69,410</b>	<b>14,26,045</b>	<b>92,05,300</b>	<b>1,48,64,110</b>

**TABLE-5 : PUMPSETS ENERGISED UNDER THE PROJECTS FINANCED BY REC DURING 2013-14 AND CUMULATIVE POSITION UPTO 31.03.2014**

Sl. No.	State	Achievement during 2013-14 (Nos.)	Cumulative Achievement upto 31.03.2014 (Nos.)
1	Andhra Pradesh	1,33,087	22,94,997
2	Assam	0	1,922
3	Bihar	0	1,13,354
4	Gujarat	0	4,20,456
5	Haryana	0	2,33,570
6	Himachal Pradesh	141	6,535
7	Jammu & Kashmir	110	15,551
8	Karnataka	0	8,62,387
9	Kerala	0	3,40,882
10	Madhya Pradesh	0	10,54,106
11	Maharashtra	1,13,710	24,72,273
12	Manipur	0	29
13	Meghalaya	0	58
14	Nagaland	0	164
15	Odisha	0	63,015
16	Punjab	0	5,01,913
17	Rajasthan	5,829	5,10,572
18	Tamil Nadu	11,288	11,61,546
19	Tripura	0	1,530
20	Uttar Pradesh	0	3,79,544
21	West Bengal	0	82,202
	<b>Total</b>	<b>2,64,165</b>	<b>1,05,16,606</b>

**TABLE-6 : RGGVY - PROJECTS SANCTIONED UNDER X AND XI FIVE YEAR PLAN**

As on 31.03.2014

Sl. No.	State	Total Projects Sanctioned (X and XI Five Year Plan together)					
		No. of Projects	No. of Districts	No. of un-electrified villages covered	No. of Partially electrified villages covered	No. of BPL HH covered	Project cost (₹ in crore)
1	Andhra Pradesh	26	22	0	25,902	27,50,400	880.87
2	Arunachal Pradesh	16	16	2,096	1,408	53,312	1,032.22
3	Assam	23	23	8,353	12,897	12,70,332	2,837.03
4	Bihar	43	38	22,956	5,832	25,49,972	4,459.04
5	Chhattisgarh	16	14	1,605	15,037	11,83,831	1,190.49
6	Gujarat	25	25	0	16,189	8,41,219	316.45
7	Haryana	18	18	0	5,391	2,19,826	174.93
8	Himachal Pradesh	12	12	95	11,419	17,045	338.54
9	Jammu and Kashmir	14	14	237	3,247	79,991	954.05
10	Jharkhand	22	22	18,615	6,085	14,70,196	3,521.65
11	Karnataka	25	25	58	23,494	8,89,153	884.9
12	Kerala	7	7	0	629	1,05,204	147.76
13	Madhya Pradesh	32	32	696	33,000	13,42,332	1,875.26
14	Maharashtra	34	34	0	35,325	12,06,906	663.61
15	Manipur	9	9	882	1,378	1,07,369	437.33
16	Meghalaya	7	7	1,867	3,145	1,09,387	458.34
17	Mizoram	8	8	142	570	30,917	317.22
18	Nagaland	11	11	105	1,169	74,064	270.19
19	Odisha	32	30	14,525	29,083	30,85,925	3,948.21
20	Punjab	17	17	0	6,580	1,02,176	186.91
21	Rajasthan	40	33	4,226	34,047	12,65,533	1,279.04
22	Sikkim	4	4	25	413	12,108	217.92
23	Tamil Nadu	26	26	0	9,673	5,01,202	348.19
24	Tripura	4	4	148	658	1,17,163	199.08
25	Uttar Pradesh	64	65	27,761	2,982	10,62,226	3,768.27
26	Uttarakhand	13	13	1,512	9,506	2,63,593	763.42
27	West Bengal	28	17	4,185	23,918	22,82,634	2,730.53
<b>Total</b>		<b>576</b>	<b>546</b>	<b>1,10,089</b>	<b>3,18,977</b>	<b>2,29,94,016</b>	<b>34,201.45</b>

**New Projects Sanctioned Under Phase-II under XI Plan of RGGVY**

1	Chhattisgarh	2	2	126	1,077	84,334	176.12
2	Haryana	3	3	0	625	21,432	17.03
3	Karnataka	2	2	0	587	27,782	119.38
4	Kerala	7	7	0	643	18,839	89.83
5	Madhya Pradesh	20	20	183	15,635	4,96,714	983.20
6	Tamil Nadu	3	3	0	729	24,369	37.27
7	Bihar	11	11	1,338	12,790	28,98,328	2,994.11
8	Maharashtra	1	1	0	1,139	19,279	33.64
9	West Bengal	1	1	17	289	24,423	198.99
10	Uttar Pradesh	22	22	245	19,991	9,43,641	4,728.21
<b>Total</b>		<b>72</b>	<b>72</b>	<b>1,909</b>	<b>53,505</b>	<b>45,59,141</b>	<b>9,377.78</b>
<b>Grand Total</b>		<b>648</b>	<b>618</b>	<b>1,11,998</b>	<b>3,72,482</b>	<b>2,75,53,157</b>	<b>43,579.23</b>

**TABLE-7 : RGGVY - PROJECTS SANCTIONED UNDER XII FIVE YEAR PLAN**

Sl. No.	Name of State	No. of Projects	Villages			Total Habitations	Households		Sanctioned Cost (₹ in crore)
			Un-electrified	Partially electrified	Total		Rural	BPL	
1	Assam	16	1,009	10,259	11,268	28,884	15,27,797	5,41,943	1,621.07
2	Bihar	27	6,882	21,377	28,259	71,110	1,00,54,670	54,42,691	5,220.65
3	Chhattisgarh	4	0	3,240	3,240	8,175	1,13,515	63,828	285.61
4	Jammu & Kashmir	3	45	352	397	1,324	42,911	26,233	101.28
5	Jharkhand	17	125	18,308	18,433	37,493	12,40,557	4,71,972	1,260.93
6	Karnataka	9	0	9,210	9,210	11,129	2,07,778	1,16,861	98.20
7	Madhya Pradesh	34	221	25,832	26,053	51,608	17,56,426	8,63,360	1,419.17
8	Manipur	6	136	1,721	1,857	2,138	69,399	36,362	204.73
9	Mizoram	8	0	0	0	0	0	0	77.03
10	Nagaland	11	1	199	200	229	45,220	39,314	92.31
11	Odisha	31	3,144	41,018	44,162	1,06,618	38,43,136	16,68,454	3,550.77
12	Rajasthan	28	0	25,397	25,397	59,127	13,35,791	4,43,757	1,453.91
13	Tripura	8	26	778	804	6,881	2,01,381	89,604	316.23
14	Uttar Pradesh	64	541	66,638	67,179	1,34,649	93,49,025	31,20,460	7,282.81
15	West Bengal	7	11	5,695	5,706	14,626	5,90,658	2,51,488	609.61
	<b>Total</b>	<b>273</b>	<b>12,141</b>	<b>2,30,024</b>	<b>2,42,165</b>	<b>5,33,991</b>	<b>3,03,78,264</b>	<b>1,31,76,327</b>	<b>23,594.31</b>

**TABLE-8 : RGGVY - DETAILS OF STATE-WISE CUMULATIVE ACHIEVEMENT**

Sl. No.	State	Achievement upto 2013		Achievement in FY 2013-14*		Cumulative Achievement (As on 31.03.2014)	
		UEV	BPL	UEV	BPL	UEV	BPL
1	Andhra Pradesh	0	27,52,833	0	0	0	27,50,400
2	Arunachal Pradesh	1,700	28,786	282	18,762	1,982	47,548
3	Assam	8,019	9,08,550	125	2,04,904	8,144	11,13,454
4	Bihar	22,730	23,50,915	206	1,06,007	22,936	24,56,922
5	Chhattisgarh	1,071	9,79,911	164	69,538	1,235	10,49,449
6	Gujarat	0	8,29,547	0	11,672	0	8,41,219
7	Haryana	0	1,94,461	0	5,432	0	1,99,893
8	Himachal Pradesh	83	15,278	0	927	83	16,205
9	Jammu and Kashmir	176	53,086	27	14,276	203	67,362
10	Jharkhand	18,086	12,98,825	47	11,608	18,133	13,10,433
11	Karnataka	62	8,58,836	0	16,560	58	8,75,396
12	Kerala	0	52,993	0	60,229	0	1,13,222
13	Madhya Pradesh	596	9,61,816	98	1,80,737	694	11,42,553
14	Maharashtra	0	11,81,880	0	32,709	0	12,14,589
15	Manipur	616	28,851	0	807	616	29,658
16	Meghalaya	1,654	85,495	144	18,262	1,798	1,03,757
17	Mizoram	94	15,144	13	4,096	107	19,240
18	Nagaland	88	37,562	4	8,237	92	45,799
19	Odisha	14,345	28,26,140	84	38,896	14,429	28,65,036
20	Punjab	0	80,404	0	20,000	0	1,00,404
21	Rajasthan	4,137	11,40,660	18	17,163	4,155	11,58,009
22	Sikkim	25	9,783	0	346	25	10,129
23	Tamil Nadu	0	5,01,202	0	0	0	5,01,202
24	Tripura	143	99,502	1	16,383	144	1,15,885
25	Uttar Pradesh	27,762	10,47,531	0	14,695	27,750	10,62,226
26	Uttarakhand	1,511	2,34,593	0	29,000	1,511	2,63,593
27	West Bengal	4,185	21,47,044	0	62,927	4,185	22,09,971
	<b>Total</b>	<b>1,07,083</b>	<b>2,07,21,628</b>	<b>1,197</b>	<b>9,61,730</b>	<b>1,08,280</b>	<b>2,16,83,554</b>

\* Achievement of UE villages during 2013-14 is 1,213 but Karnataka & Uttar Pradesh have reduced their earlier reported figure of UE Villages by 4 and 12 respectively during 2013-14, hence the actual achievement during 2013-14 is 1,197 which is 16 less than 1,213.

Similary, achievement of BPL Households during 2013-14 is 9,64,173 but Andhra Pradesh has reduced its earlier reported figure of BPL HHs by 2,443 during 2013-14, hence the actual achievement during 2013-14 is 9,61,730 which is 2,443 less than 9,64,173.

ANNEXURE-I TO DIRECTORS' REPORT

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT [Pursuant to Clause 49 (IV) (F) of the Listing Agreement]

The Management of the Company is pleased to present its report on Industry Scenario including Company's performance during the financial year 2013-14.

### 1. INDUSTRY STRUCTURE AND DEVELOPMENT

#### Industry Overview

The financial year 2013-14 saw a capacity addition of 17,825 MW vis-à-vis addition of 20,623 MW in previous fiscal which was 13.57 % lesser on year on year basis. The major contribution came from Thermal stream having constituted 94 % of the total capacity addition. Out of 17,825 MW, the private sector share was 66.7 % and more than 70 % of total thermal capacity addition came from the private developers. The electricity generation was 6 % higher than the achievement of 912 BUs in the year 2012-13. The actual electric energy generation during the fiscal 2014 was 966.4 BUs against the generation of 912 BUs in the previous fiscal.

The total Power Supply deficit during the fiscal 2014 was 4.3 % whereas the Peak Power deficit stood at 4.5 %. In fiscal 2013, total power deficit was 8.7 % which was 10.2 % and 7.5 % in fiscal 2012 and fiscal 2011, respectively. Similarly peak power deficit in fiscal 2013 was 9.0 % compared to 11.1 % in fiscal 2012 and 10.3 % in fiscal 2011. Among all regions, the Power Supply deficit and Peak Power deficit was highest in Southern region followed by Northern region.

As on March 31, 2014, the total installed capacity of the country was 2,43,029 MW which was 8.8 % increase over that at the end of previous fiscal. Therefore, during the first two years of XII five year plan, 38,448 MW was added against the targeted capacity addition of 88,537 MW in the XII five year plan.

The power generation capacity has increased substantially in recent years. The capacity addition during XI five year plan was 88 % of the revised target of 62,374 MW. However, in the previous five year plans, the generation capacity had not increased as expected and achievement was not more than 50 % of the plan targets. The XII five year plan targets for power envisage adding 88,537 MW of capacity. In light of the fact that more than 43 % capacity has been added during the first two years of the current Plan, the target of the XII five year plan seems achievable.

The overall requirement of funds for the power sector for XII five year plan period (fiscal 2013-2017) has been estimated at around ₹ 14 lakh crore. For the XIII five year plan period, Planning Commission estimates that in order to meet the projected demand requirement by 2022 at a GDP growth rate of 9 %, capacity addition of 94,000 MW would be required along with matching expansion required in transmission and distribution systems.

#### Industry Structure

##### Generation

The installed generation capacity in the country stood at 2,43,029 MW as on March 31, 2014 with 92,187 MW (37.93 %) in the State Sector, 68,125 MW (28.03 %) in the Central Sector and 82,715 MW (34.03 %) in the Private Sector. The share of the Private sector has seen an increase over the last two years.

In terms of the generation capacity by type as on March 31, 2014, capacity in Thermal was 1,68,255 MW (69.29 %), 40,531 MW (16.67 %) was in Hydro and 29,463 MW (12.12 %) was in Renewable Energy Sources. The nuclear capacity witnessed no new addition during the period which stood at 4,780 MW (1.96 %).

Despite the increase in capacity, the sector is still in the midst of the policy imbroglio and struggling hard to meet burgeoning demand due to major bottlenecks like slippages of long term coal linkages to the projects identified, failure to achieve planned targets from captive coal mine blocks, inability to ramp up indigenous coal and gas production, rising imported fuel prices, land acquisition, R & R and environmental issues etc. The Government of India has taken proactive initiatives of augmenting existing indigenous manufacturing capacity, encouraging latest technology interventions and facilitating developers getting speedy clearances and fuel linkages. To reduce dependence on Coal, lower auxiliary consumption, extract higher efficiency and reduce Carbon footprint, most of the Projects are planned to be based on Supercritical technology in the XIII five year plan.

To support economic growth in the XII five year plan, the Planning Commission has projected that about 88.5 GW of generation capacity needs to be added up by 2017. Further, to maintain a sustained economic growth of 8 %, through to fiscal 2032, as per the Planning Commission, India needs to increase its electricity generation several times over for which the power generation capacity must increase to around 8,00,000 MW by fiscal 2032.

## Transmission and Distribution

### Transmission

The transmission system planning in the country, in the past, has traditionally been linked to generation projects as part of the evacuation system. The ability of the power system to safely withstand a contingency without generation rescheduling or load-shedding was the main criteria for planning the transmission system. However, due to various reasons such as spatial development of load in the network, non-commissioning of load centre generating units originally planned and deficit in reactive compensation, certain pockets in the power system could not safely operate even under normal conditions. This had necessitated backing down of generation and operating at a lower load generation balance in the past. Transmission planning has therefore moved away from the earlier generation evacuation system planning to integrated system planning keeping in view the long term power perspective.

In India, the transmission and distribution system is a three-tier structure comprised of regional grids, State grids and distribution networks. The five regional grids, configured on a geographical contiguity basis, enable transfer of power from a power surplus State to a power deficit State. The regional grids also facilitate the optimal scheduling of maintenance outages and better co-ordination between power plants. Presently, these regional grids are operating as an integrated unit of national grid with an inter-regional transfer capacity of more than 32,000 MW, whereby surplus power from a region could be redirected to another region facing power deficits thus allowing an optimal utilization of the National generating capacity.

With connection of the Southern grid to the already operating grid, the interregional grid connectivity has been achieved thereby bringing more flexibility and resilience in the system. The Country has now one of the largest operating synchronous grids in the World after synchronous connection of Southern grid to National grid through Raichur-Sholapur 765 kV transmission line. Also the efforts are on to provide unconstrained inter-regional power transfer, availability of open access, adoption of new EHV and HVDC technologies. Further, proper checks and balances are being put in place to strengthen the grid discipline to avoid any major grid collapse. Efforts are on for making suitable amendments in Electricity Act 2003 thereby endowing special powers to RLDCs and NLDC for regulating the grid which may also include legal provisions for their empowerment. The RLDCs would then have the power to disconnect load to States not adhering to Grid discipline.

At the end of fiscal 2014, the total length of transmission lines aggregated about 2.91 lakh ckm as compared to about 2.74 lakh ckm at the end of previous year.

The breakup of installed transmission line system is as per the following table:

Transmission Lines	As on 31.03.2014 (cKm)	As on 31.03.2013 (cKm)	Increase (cKm)
765 kV	11,096	6,459	4,637
400 kV	1,25,957	1,18,180	7,777
220 kV	1,44,851	1,40,517	4,334
+/- 500 kV HVDC	9,432	9,432	0
<b>Total</b>	<b>2,91,336</b>	<b>2,74,588</b>	<b>5,895</b>

At the end of fiscal 2014, the aggregated substation transformation capacity at 765 kV, 400 kV and 220 kV level stood at 5.30 lakh MVA. The aggregated capacity was 4.73 lakh MVA at the end of fiscal 2013.

As per the Planning Commission estimates for the XII five year plan, the funds requirement for Transmission System development would be about ₹ 2-3 lakh crore including Central and State Sector share. The aim is to build a robust integrated grid network that will allow large transfers of power from one part of the country to another.

### Distribution

Distribution Sector, the revenue generating link in the Generation - Transmission - Distribution chain is clearly the weakest link in the power sector value chain and is threatening to derail the entire process of power sector reforms as also jeopardize India's growth story. While the power generation sector in the Country is struggling to meet rising demand, the Distribution

sector has been reeling under losses and has been in focus with various measures being taken by the Government of India to make the State DISCOMs/Utilities viable.

The issues pertaining to the Distribution sector are not similar to Generation and Transmission sector. Distribution provides the crucial last mile connectivity and has disparate, numerous and varied consumers. Though most of the SEBs have been unbundled, distribution is still largely under the control of Government Utilities. Post unbundling, their operations on sound commercial principles under the regulatory supervision has not yielded the desired results. Worsening financial condition of power distribution utilities owing to high Aggregate Technical & Commercial (AT&C) Losses, inability to revise tariffs strictly in principle and spirit, despite respective ERCs directive for revision in most of the States since long, increasing Subsidy burden, cross subsidization by the industry to domestic consumer and farmers, billing inefficiencies and more importantly need to buy expensive power to tide over short-term deficits are eating away the benefits of the policy initiatives. The gap between their Average Cost of Supply (ACS) and Average Revenue Realized (ARR) is increasing and has crossed ₹ 1.50 per Kwh, resulting in further erosion of the net worth of these utilities.

In order to enable the turnaround of the State DISCOMs and ensure their long term viability, a financial restructuring scheme for the State owned DISCOMs viz Transitional Finance Mechanism (TFM) has been formulated by the Government of India. The mechanism includes measures such as approval of Financial restructuring plan (FRP) from State Government and the respective State Electricity Regulatory Commission (SERC), revision of tariff, thereby reducing the gap between Average Revenue Realised (ARR) and Average Cost of Supply (ACS), release of subsidies only to State Government to be later adjusted in the ARR, posting of Audited Accounts on regular basis, incentivisation through technology interventions in Restructured Accelerated Power Development and Reforms Programme (R-APDRP) and National Electricity Fund (NEF), devising utility wise turnaround plan and monitoring its implementation at the highest level. Therefore, it is necessary that all the interventions are dovetailed and integrated to overcome the major challenges like exorbitantly high transmission and distribution losses, suboptimal internal functioning of regulatory institutions, mismatch in tariffs, etc., so as to help turn around the power distribution sector.

On the Policy front an integrated rating methodology has been developed covering the State Power Distribution Utilities. The objective is to rate all utilities on the basis of their performance and their ability to sustain commercially viable operations in the long run. The mechanism focuses on ranking and incentivizing/dis-incentivizing the entities in order to stimulate and improve their operational & financial performance and is expected to facilitate Banks/FIs adopt a uniform and realistic assessment of the risks associated with funding needs of different Utilities. It would also enable funding with appropriate loan covenants for stimulating and enhancing operational, financial and managerial performance. The methodology may serve as a basis for Government assistance to the State Power Utilities through various schemes like APDRP, NEF etc.

To help Power utilities access funds the policy of subsidizing the interest on loans taken by them for cutting distribution losses as well as to incentivize investment in improvement of distribution infrastructure in the country, National Electricity Fund has been launched in financial year 2012-13. The utilities/DISCOMS shall be eligible for discount on interest rates depending on performance.

Technical interventions such as implementation of Feeder separation scheme, High Voltage Distribution Systems (HVDS) in the distribution network, installation of Smart energy meters such as Automatic Meter Reading (AMRs) with 100 % coverage having two-way real-time digital communication and facility of remote metering, usage of information technology in operation & maintenance coupled with harnessing best management practices are the measures being undertaken to ensure safe and reliable delivery of power with minimal losses and at reduced costs.

Harnessing intelligent Smart-grid technologies for providing two way communications between the consumer and the utility would completely change the way electricity is used and delivered. Since Indian distribution sector is a weak link in the power value chain, the Smart-Grid projects to be implemented by the utilities for efficient, reliable and delivery of quality power would be a long term business opportunity.

To improve and turn around the power distribution sector in the country, the Company in coordination with MoP, GoI has initiated major initiatives by its involvement in programmes like RGGVY(Nodal Agency), R-APDRP, NEF(Nodal Agency), Financial Restructuring Plan (FRP), Smart Grid task force etc. With all these major interventions your Company is optimistic of a better and improved distribution scenario when the results and effect of these programmes in conjunction with the reforms measures taken by the respective states starts trickling in and transform the entire land scape of distribution.

Approximately, Rupee One Lakh crore was utilised for the sub-transmission and distribution system development inclusive of R-APDRP and RGGVY schemes. For the XII five year plan, the Planning Commission estimates investment of ₹ 3.14 lakh crore inclusive of investments planned towards Demand Side Management (DSM) and energy efficiency for the sector.

### Power Sector Policy Environment

In past few years, owing to persistent power shortages and given the estimated rate of increase in demand for electricity in India, the GoI has taken significant measures to restructure the power sector, increase capacity, improve transmission, and sub-transmission & distribution network.

These major policy initiatives taken by Government of India have helped in enabling and redefining the power sector thus making it an attractive investment destination.

With the advent of Electricity Act, 2003 in its new shape and modified legal framework governing the Electricity sector, arranging capital and establishing large Power projects became a reality. The Act replaced the multiple legislations that previously governed the Indian electricity sector and introduced a multi-buyer and a multi-seller system. Furthermore, the regulatory regime was granted more autonomy in determining tariffs, without being constrained by rate-of-return regulations. This was followed by the notification of National Electricity Policy. Subsequently, National Tariff Policy, RE Policy, National Hydro Policy and Mega Power Policy were notified.

With the objective of developing large capacity power projects in India, the concept of Ultra Mega Power Projects (UMPPs) involving each contracted capacity of 3,500 MW or above has been introduced. The economies of scale in terms of large generation capacities based at a single location, utilization of super critical technology for reducing emissions and tariff based on international competitive bidding process adopted for the selection of developers have driven the electricity generating tariffs potentially downwards. To expedite the activities starting from preliminary site investigation to obtaining appropriate regulatory and other approvals (including for land, water, the environment and for power selling), conducting bidding process and finally handing over these projects, Special Purpose Vehicle (SPVs) are created. The role of the SPVs ends once the project is transferred to successful bidders. Four of these SPVs have already been transferred to successful bidders. A tariff based competitive bidding process is already in place for Independent Power Transmission Companies (IPTCs) for the development of Inter-state and Intra-state transmission systems on similar lines to that followed for UMPPs. The IPTCs aim to evacuate power from generating stations and transmit the power from pooling stations to other grid stations, resulting in system strengthening across India. A number of transmission projects have been transferred to the developers in last 2-3 years.

In a bid to attract private funds in the development of hydroelectric projects, the Hydro Power Policy was implemented in the year 2008. The policy aimed at attracting private funds by encouraging joint ventures with private developers and the use of the IPP model, in addition to promoting power trading and speeding up the availability of statutory clearances. The policy provides guidelines for accelerated development of the hydropower industry in India, particularly in the Himalayan States.

National Electricity Fund (Interest Subsidy) Scheme has been set up by Ministry of Power to provide interest subsidy linked to the progress achieved in reform linked parameters on loans disbursed to the State Power Utilities, Distribution Companies (DISCOMs) - both in public and private sector, to improve the infrastructure in distribution sector on works which have not been covered under R-APDRP or RGGVY. National Electricity Fund would provide interest subsidy aggregating ₹ 8,466 crore spread over 14 years for loan disbursement amounting to ₹ 25,000 crore for distribution schemes sanctioned during the 2 years viz., 2012-13 and 2013-14. Your Company is the designated nodal agency to operationalize the scheme for channelizing the interest subsidy amounts to the utilities.

In an attempt to tide over severe fuel shortage as well as funding issues hurting the power sector, a slew of steps for fast tracking the solution of issues obstructing the project progress as well as commissioning have been undertaken.

### Renewable Energy Sources

To mitigate the challenges posed on climate, National Action Plan for Climate Change (NAPCC) was announced in June 2008. The effort is to increase the share of renewable energy in total electricity consumption in the country. To bring momentum to the initiative, purchase obligation of Renewable Energy Certificates (RECs) has been imposed mandatorily on the State Utilities. The mechanism will enable sale and purchase of renewable energy component across the State boundaries without being linked to carbon credits.

### National Solar Mission

The MNRE has approved a new policy on development of solar energy in India by the Jawaharlal Nehru National Solar Mission. The mission recommends the implementation of an installed capacity of 20,000 MW in three stages by the end of the XIII five year plan (2017-2022). It proposes to establish a single window investor-friendly mechanism, which reduces

risk and at the same time, provides an attractive, predictable and sufficiently adequate tariff for the purchase of solar power from the grid. The key driver for promoting solar power would be through a renewable purchase obligation mandated for power utilities, with a specific solar component.

### Accelerated Power Development & Reforms Programme

The Government of India approved a scheme called “Accelerated Power Development and Reforms Programme (APDRP)” in March 2003 which has been re-launched as Restructured APDRP (R-APDRP) by making it more performance-based and financially attractive.

The APDRP programme has been restructured by the Government of India, in order that reliable and verifiable baseline data of revenue and energy in APDRP Project areas is attained over an IT platform and that AT & C loss reduction is achieved on a sustained basis. The R-APDRP was launched by Ministry of Power, Government of India in July 2008 as a central sector scheme for the XI five year plan.

The Rural Electrification Policy was notified in August 2006, with the objective of improving access and quality of electricity supply in rural areas to ensure rapid economic development by providing electricity as an input for productive uses in agriculture, rural industries etc.

### RGGVY

The Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) which was launched by the Government of India in April 2005 aimed to establish (i) Rural Electricity Distribution Backbone (REDB) with at least a 33/11 KV sub-station in the blocks where it does not exist; (ii) Village Electrification Infrastructure (VEI) with at least one Distribution transformer in a village or hamlet; and (iii) Stand alone grids with generation where grid supply is not feasible. Subsidy towards capital expenditure to the tune of 90 % is canalised through REC, which is a nodal agency for implementation of the scheme. Electrification of un-electrified Below Poverty Line (BPL) households is financed with 100 % capital subsidy. The Management of Rural Distribution is undertaken through franchisees. A three-tier quality monitoring has been built into the scheme. RGGVY has thus resulted in huge investments in providing electricity connections in rural India.

Besides the above policies/initiatives, some of the other initiatives by Government of India towards improving power sector are Establishment of Power Exchanges and Demand Side Management initiatives like National Mission for Enhanced Energy Efficiency (NMEEE); Perform, Achieve and Trade (PAT) Scheme; and Energy Conservation Building Code (ECBC), etc.

## 2. OPPORTUNITIES

The investments in the Power sector are estimated at around ₹ 14 Lakh crore in the XII five year plan period (fiscal 2013 - 2017) covering a capacity addition of 88,537 MW with associated Transmission and Distribution network. Further, green energy of 30,000 MW capacity is planned to be added in the period. An addition of almost 94,000 MW in Generation capacity (this apart from 30,000 MW green energy) with back to back expansion in T&D network for handling the increased capacity is envisaged in the XIII five year plan. The idea of creating a Green corridor exclusively for Green energy projects with major stress on promoting Solar energy projects on a large scale throws a whole gamut of business opportunity in the near future. With the passage of time the share of Green energy is bound to increase substantially diluting reliance on depleting fossil fuel resources. The National Electricity Fund (NEF) - an Interest Subsidy Scheme has been launched and would be a potential source of income in future. As a nodal agency for monitoring and channelizing funds under the RGGVY program the Company continues to take up the socio - economic responsibility of village electrification. Therefore the power sector is expected to attract significant investment opportunities in future also.

## 3. THREATS, RISKS AND CONCERNS

The Power Sector financing industry has become increasingly competitive and broad based with entry of new players and Banks (mostly as Consortium) giving tough challenge to our Company.

Financing infrastructure projects especially Power is not bereft of risks, rather the risks are high as the time horizon associated are long, associated with the various policy aspects in the dynamic business environment. Despite the restructuring efforts taken, the condition of State Electricity Boards and State Power utilities across the country continue to present a grave picture on the financial front as most of them are reeling under severe financial stress barring a few. The failure of the entities in meeting their debt related obligations may adversely impact our Company's ability to mobilise low cost funds. Since the Company has significant exposure to these State Electricity Boards and State Power utilities, the risk perception for our Company is high.

Our Company is concerned about prevailing exposure norms, limit constraint of raising money from tax saving Bonds, financial position of State Distribution Utilities, entry of new players and competition from banks/Multilateral Agencies, uncertain business environment, prevailing high interest rate scenario, fluctuation in rupee and likely increase in cost of capital due to volatile market conditions/large requirement of funds.

The uncertain business and policy environment having cascading effect on Interest rate regime, statutory regulations and policies, cost and availability of raw materials, long gestation periods, large capital outlay, other key inputs and general economic conditions may adversely affect projects' viability affecting the borrowers' capacity of servicing the loans.

In such prevailing situation, judicious raising of resources at a low cost and ensuring most productive deployment of these funds would be the key factor for Company's profitability and growth.

#### 4. SEGMENT WISE OR PRODUCT-WISE PERFORMANCE

The principal products of REC as a leading Public Financial Institution are interest bearing loans to SEBs, State Power Utilities/State Power Departments and Private sector for all segments of Power infrastructure. Our Company does not have any separate reportable segment.

During the financial year 2013-14, the Company sanctioned loan assistance of ₹ 70,739.48 crore. This included sanction of loans of ₹ 28,723.50 crore for the Generation Sector, ₹ 295.48 crore for Renewable Energy Sector, ₹ 32,014.99 crore for Transmission & Distribution Sector, and ₹ 9,705.50 crore for Short Term & other Loans. Decentralised Distributed Generation (DDG) Projects under RGGVY were sanctioned for a total project cost of ₹ 166.33 crore.

Aggregate disbursement of ₹ 37,969.99 crore was achieved during the financial year 2013-14. This included ₹ 12,987.43 crore under Generation (including renewable energy projects), ₹ 10,789.09 crore under T&D schemes, ₹ 1,589.00 crore under Short Term Loan, ₹ 9,917.50 crore under other Loans and ₹ 2,686.97 crore under RGGVY (including subsidy of ₹ 2,394.71 crore under RGGVY and ₹ 29.26 crore under DDG subsidy).

#### 5. OUTLOOK

Considering the continued shortages in electricity generation in the country, low levels of per capita energy consumption, significant growth projections for the Indian economy over the long term and Government efforts to inch closer to developed economy, it is felt that the power infrastructure sector will be a significant beneficiary. Estimated, aggregate capacity addition of 180 GW during the XII and XIII five year plans put together (fiscal 2013-2022) with estimated investments of over ₹ 34 lakh crore will continue to drive the prospects of power sector in the country. Thrust in rural electrification, renewable energy with special focus on Solar Energy and decentralised distributed generation (DDG) will *inter-alia* increase the penetration of electricity in the country thereby driving the demand further. With the timely interventions by the Government of India in addressing the issues affecting the Power Industry adversely, the outlook for the sector is quite optimistic with ample market opportunities available for financial products.

Demand, supply and consumption trends will be key in defining the future of Indian power sector and the current fall in power demand could be a short term issue mainly arising from the industrial slowdown, lack of power procurement by utilities and seasonal fluctuations. The long-term outlook for power demand remains strong. Low per capita consumption and expected growth of economy are pointers to the long-term energy requirement.

India ranks among the top countries in terms of electricity generation and lags China in generation by almost 5 times within the BRICS countries. However, India has lowest per capita electricity consumption among the BRICS nations. The low per capita electricity consumption suggests a large latent demand in the country. With the exception of financial year 2013-14 the energy deficits and peak deficits during the past 10 years have remained generally in the range of 7 % to 17 %.

Further, the low per capita consumption of electricity in India compared to the world average presents significant potential for sustainable growth in the demand for electric power in India. The total energy consumption in India is estimated to grow rapidly creating huge potential for investments in Energy Sector in India.

The enormous capital expenditure, development of equally huge operational infrastructure combining ample potential for future expansion in the distribution sector creates a very optimistic business outlook for the Company. Also the performance orientation built into the R-APDRP and NEF is expected to attract and accelerate investments in distribution infrastructure, thus resulting in faster accomplishment of loss reduction goals.

## 6. MoU RATING & AWARDS

The performance of your Company in terms of MoU signed with the Government of India in the Ministry of Power for the financial year 2012-13 has been rated as “Excellent”. This is the 20<sup>th</sup> year in succession that REC has received “Excellent” rating since the year 1993-94 when the first MoU was signed with the Government. For the financial year 2013-14 also, the performance of the Company is poised to receive “Excellent” rating. During the year, your Company received Award in the category of ‘Energy & Power Sector’ from India Pride Awards, Dainik Bhaskar & DNA, DSIJ PSU Award 2013 for ‘Best Value creating Navratna with a Balance Sheet of more than ₹ 1 Lakh crore’ and also rated among the Best Employers in India by Aeon Hewitt.

Your Company was honoured with the Helpage India ‘Gold Plate Award’ on the occasion of International Day for Older Persons in recognition of the project ‘Multi Facility Health Package for Old Age Homes’ funded under its CSR initiatives. Your Company has also been honored with RAJBHASHA SHREE SAMMAN by Bhartiya Rajbhasha Vikas Sansthan, Dehradun during the financial year 2013-14.

Further, in recognition of good Corporate Governance practices followed by the Company, the Institute of Company Secretaries of India (ICSI), a statutory body constituted under the Company Secretaries Act, 1980 has adjudged your Company as one of the ‘Best Governed Company’ and conferred 13<sup>th</sup> ICSI National Award for Excellence in Corporate Governance for the year 2013.

## 7. PREFERRED CUSTOMER POLICY

As a part of business promotion strategy, a Preferred Customer Policy was formulated in 2008 with the basic purpose of offering an enhanced level of services to the Company’s customers and to have a long term mutually beneficial relationship with them. The policy lays down the eligibility criterion which takes into account various factors such as amount of loan outstanding, duration of loan relationship, repayment track record of the borrower etc, for determining preferred customers and sponsoring them for capacity building/domestic/ international seminars/training programmes organized by various external agencies as well as CIRE, Hyderabad.

During the financial year 2013-14, under this policy, participants from eight such preferred customers mostly from the State Utilities viz. Maharashtra State Electricity Distribution Company Limited (MSEDCL), Mumbai, Maharashtra State Electricity Transmission Company Limited (MSETCL), Mumbai, Maharashtra State Power Generation Company Limited (MSPGCL), Mumbai, Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPL), Uttar Haryana Bijli Vitaran Nigam Limited (UHBVNL), Karnataka Power Corporation Limited (KPCL), Andhra Pradesh Power Generation Corporation Limited (APGENCO) and UP Power Corporation Limited (UPPCL) were sponsored by REC for 10 days training programme on “Global Best Practices in Power Sector” held at PMI, Noida, India and also in Italy and France.

## 8. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company maintains an adequate system of Internal Control including suitable monitoring procedures which ensures accurate and timely financial reporting of various transactions, efficiency of operations and compliance with statutory laws, regulations and Company policies. Suitable delegations of power and guidelines for accounting have been issued for uniform compliance. In order to ensure that adequate checks and balances are in place and internal control systems are in order, regular and exhaustive Internal Audit of various Divisions/offices are conducted by In-house Internal Audit Division and for some selected Project Offices by experienced firms of Chartered Accountants. The Internal Audit Division covers all the major areas of operations including identified critical/risk areas as per the Annual Internal Audit Programme. Audit Committee of Board of Directors periodically reviews the significant findings of different Audits as prescribed in the Companies Act and in the Listing Agreement.

## 9. FINANCIAL AND OPERATIONAL PERFORMANCE

The loan sanctioned during the financial year 2013-14 was ₹ 70,739.48 crore as compared to ₹ 79,470.49 crore during the previous financial year 2012-13 (excluding subsidy under RGGVY & DDG). The disbursement during the financial year 2013-14 decreased to ₹ 37,969.99 crore as compared to ₹ 40,183.06 crore during the previous financial year 2012-13 (including subsidy under RGGVY and DDG).

The amount due for recovery including interest during the financial year 2013-14 was ₹ 31,312.57 crore as compared to ₹ 26,881.04 crore during the previous year. The overdues from defaulting borrowers as on March 31, 2014 were ₹ 993.04 crore. The Company recovered a total sum of ₹ 30,755.36 crore during the year 2013-14 as against ₹ 26,728.86 crore during the previous year.

During the financial year, the Company registered an increase of ₹ 3,480.61 crore in operational income which went up to ₹ 17,017.98 crore from ₹ 13,537.37 crore during the financial year 2012-13. Profit before tax was at ₹ 6,531.12 crore in 2013-14 in comparison to ₹ 5,163.95 crore in 2012-13. Net profit of the Company in 2013-14 is ₹ 4,683.70 crore, an increase of ₹ 866.08 crore over the previous year. Net worth of the Company as on March 31, 2014 has increased by 18 % to ₹ 20,669.46 crore from ₹ 17,454.38 crore.

#### 10. HUMAN RESOURCES/ INDUSTRIAL RELATIONS

In order to professionalize the Executive strength of REC and also to infuse fresh blood, 14 Executives were appointed through open advertisement and another 14 Executives through campus recruitment drawn from premier Institutions empanelled for the purpose, during the financial year under review.

The total manpower of the Company as on March 31, 2014 was 631 employees which includes 442 executives and 189 Non-executives.

Based on the needs assessed and as a means to meet them, the Company sponsored 193 employees to various training programmes, workshops etc within the country and abroad. In addition, 13 training programmes were conducted in-house which were attended by 223 employees. Taken together, these initiatives enabled the Company to achieve 1,542 training man days and also to achieve excellent rating on MoU target on this parameter. In order to enable them develop global exposure, 27 Officers were deputed to various programmes abroad to countries like USA, Japan, Greece, Spain, France, Germany and Italy.

#### 11. CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABLE DEVELOPMENT

Corporate Social Responsibility and Sustainable Development (CSR & SD) initiatives were pursued actively. Accordingly, CSR budget @ 1 % of Profit after Tax (PAT) was allocated for the financial year 2013-14, amounting to ₹ 38.18 crore. the Company has undertaken various CSR & SD initiatives in the fields of Skill Development / Up-gradation programmes, education, promotion of non-conventional sources of energy, promotion of Health care including for old age and persons with disabilities, drinking water and sanitation, installing Solar PV Smart Mini Grids, providing Solar-Lanterns to affected households and installation of Mobile-charging Solar Stations at various locations/ districts across the country. During the financial year 2013-14, under Corporate Social Responsibility and Sustainable Development, financial assistance aggregating to ₹ 66.61 crore was sanctioned and ₹ 38.40 crore was disbursed for various projects.

#### Cautionary Note

*Certain statements in "Management Discussion and Analysis" section may be forward looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Management envisages in terms of future performance and outlook.*

ANNEXURE-II TO DIRECTORS' REPORT

## REPORT ON CORPORATE GOVERNANCE

As a listed Company and a good corporate entity, the Company is committed to sound corporate practices based on conscience, openness, fairness, professionalism and accountability paving the way in building confidence among all its stakeholders for achieving sustainable long term growth and profitability.

Besides adhering to the provisions of Listing Agreement, we are also following Guidelines on Corporate Governance for Central Public Sector Enterprises 2010 issued by Department of Public Enterprises (DPE), Ministry of Heavy Industries and Public Enterprises, Government of India. A report regarding compliance of conditions of Corporate Governance is given below along with the Auditors' Certificate.

### 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance at Rural Electrification Corporation Limited (REC), is managing the business in an ethical and responsible manner geared to sustainable value creation for stakeholders within the prevalent regulatory framework. The Company believes in adopting the best practices that are followed in the area of Corporate Governance across the globe. The Company has strong legacy of fair, transparent and ethical government practices. REC is also committed to facilitate availability of electricity for accelerated growth and for enrichment of quality of life of rural and urban population and acts as a competitive, client-friendly and development-oriented organization for financing and promoting projects covering power generation, power conservation, power transmission and power distribution network in the country.

The premise of Corporate Governance framework at REC is based on the following guiding principles:

- Compliance of law, rules & regulations in true letter and spirit;
- Appropriate transparent systems and practices to protect, promote and safeguard the interests of all its stakeholders; and
- Establishing a climate of trust and confidence among various stakeholders by means of transparent and timely disclosure of all material information.

**In recognition of good Corporate Governance practices followed by the Company, the Institute of Company Secretaries of India (ICSI), a statutory body constituted under the Company Secretaries Act, 1980 has adjudged your Company as one of the 'Best Governed Company' and conferred 13<sup>th</sup> ICSI National Award for Excellence in Corporate Governance for the year 2013.**

### 2. BOARD OF DIRECTORS

The Board of Directors provides leadership and strategic guidance, objective judgment and at the same time monitors the strategic direction of the Company. The Company is headed by an Executive Chairman. None of the Part-time Non-official Independent Director has held office of Director in the Company for a period of ten years or more and all Part-time Non-official Independent Directors have adequate qualifications, expertise and experience which enables them to contribute effectively to the management of the Company.

#### (A) Composition of the Board

We are a Government Company within the meaning of Section 2 (45) of the Companies Act, 2013 as the President of India presently holds 65.64% of the total paid-up share capital of the Company and as per Articles of Association of REC, the power to appoint Directors vests in the President of India. Further, in terms of Articles of Association of the Company, the number of Directors of the Company shall not be less than three and not more than fifteen.

As on March 31, 2014, the Board of the Company comprised of seven (7) members out of which three (3) are Executive Directors including the Chairman and Managing Director, one (1) Government Nominee Director and three (3) Independent Directors.

The composition of Board of Directors as on March 31, 2014 is as follows:

Sl. No.	Name	Director Identification Number (DIN)	Position
<b>Whole Time Directors (Executive Directors)</b>			
1	Shri Rajeev Sharma	00973413	Chairman and Managing Director
2	Shri Prakash Thakkar	01120152	Director (Technical)
3	Shri Ajeet Kumar Agarwal	02231613	Director (Finance)

Sl. No.	Name	Director Identification Number (DIN)	Position
<b>Government Nominee Director (Non-Executive Director)</b>			
4	Shri Badri Narain Sharma	01221452	Director (Government Nominee)
<b>Independent Directors (Non-Executive Directors)</b>			
5	Dr. Devi Singh	00015681	Independent Director
6	Shri Venkataraman Subramanian	00357727	Independent Director
7	Dr. Sunil Kumar Gupta	00948089	Independent Director

During the financial year 2013-14, there was no change in the composition of the Board of the Company. However, during the year, in absence of requisite number of Independent Directors on the Board of the Company, the composition of the Board of Directors was not in conformity with the provisions of sub-clause (I) (A) of Clause 49 of the Listing Agreement and Clause 3.1.4 of DPE Guidelines on Corporate Governance for CPSEs issued by DPE. Further, the tenure of three years of Dr. Devi Singh and Shri Venkataraman Subramanian, Part Time Non Official Independent Directors, has completed on June 9, 2014 and both of them ceased to be directors from that date. Hence, as on date, the number of Independent Directors has fallen short by three.

The Company has already requested the Ministry of Power, Government of India, the appointing authority, for appointment of three Independent Directors including One Woman Director on the Board of the Company and the same is under process. After appointment of three Independent Directors including One Woman Director on the Board of the Company, the Company would be in compliance with the provisions of the Companies Act, 2013, Listing Agreement and Guidelines on Corporate Governance for CPSEs, regarding composition of the Board of Directors.

**(B) Other provisions as to Board and its Committees**

**(i) Details of Board Meetings held during the financial year 2013-14**

The Company follows a methodized process of decision-making by the Board and its Committees. The meeting dates are usually finalized in consultation with all Directors in order to ensure presence of full Board in its Meeting. All the Agenda and Explanatory Notes are given to the Directors well in advance for the Meetings of the Board and Committees thereof. To address specific urgent needs, Meetings are also called at shorter notice but utmost efforts are made to adhere the minimum notice period. In some instances, resolutions are passed by circulation which is confirmed in the next Board Meeting. The Chairman & Managing Director of the Company decides inclusion of any matter in the Agenda for discussion in the Meeting of the Board. Head of Divisions (HoDs)/Senior Management officials are also called to provide additional inputs on the matters being discussed in the Meetings of the Board/ Committees of the Board. The Board is also given detailed presentation on certain Agenda Items, if required. The Meetings of the Board of Directors are normally held at Registered Office of the Company during office hours.

During the financial year 2013-14, eight (8) meetings of Board of Directors of the Company were held viz. (i) May 28, 2013; (ii) July 4, 2013; (iii) August 8, 2013; (iv) September 20, 2013; (v) November 13, 2013; (vi) December 20, 2013; (vii) February 14, 2014; and (viii) March 28, 2014.

The minimum and maximum interval between any two Board Meetings was thirty five (35) days and fifty six (56) days, respectively. The quantum and quality of information supplied by the Management to the Board goes well beyond the minimum requirement stipulated in Clause 49 of the Listing Agreement.

**(ii) Information placed before Board of Directors**

The Board has complete access to all the information available with the Company. The information regularly provided to the Board includes:

1. Annual operating plans and budgets and any updates.
2. Capital budgets and any updates.
3. Proposals relating to raising of funds and sanctions of financial assistance.
4. Quarterly results for the Company and its operating divisions or business segments.
5. Minutes of meetings of audit committee and other committees of the board.
6. The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
7. Show cause, demand, prosecution notices and penalty notices which are materially important.
8. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.

9. Any material default in financial obligations to and by the Company, or substantial nonpayment for goods sold by the Company.
10. Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
11. Details of any joint venture or collaboration agreement.
12. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
13. Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
14. Sale of material nature of investments, subsidiaries, assets, which is not in normal course of business.
15. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
16. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.
17. Major investments, formation of subsidiaries and Joint Ventures, Strategic Alliances, etc.
18. Quarterly Report on Investment of Funds.
19. Quarterly compliance on Reconciliation of Share Capital Audit.
20. Quarterly report on compliance of various laws.
21. Action Taken Report on all pending matters.
22. Any other information required to be presented to the Board for information or approval.

(iii) **Directors attendance at Board Meeting and last Annual General Meeting (AGM), number of other Directorships (in Public Limited Companies)/ Committee Memberships (viz Audit Committee and Shareholders/Investors Grievance Committee) (other than REC), held by Directors during the financial year 2013-14 are tabled below:-**

Sl. No.	Name of Director	Board Meetings			Attendance at Last AGM (held on September 13, 2013)	As on March 31, 2014		
		Held during the tenure	Attended	Percentage		No. of other Directorships	No. of other Committee Memberships <sup>\$</sup>	
							As Chairman	As Member
1.	Shri Rajeev Sharma	8	8	100	Present	2	Nil	Nil
2.	Shri Prakash Thakkar	8	8	100	Present	3	Nil	Nil
3.	Shri Ajeet Kumar Agarwal	8	8	100	Present	2	Nil	1
4.	Shri Badri Narain Sharma	8	7	87.50	Absent	1	Nil	Nil
5.	Dr. Devi Singh	8	8	100	Present	4	1	Nil
6.	Shri Venkataraman Subramanian	8	8	100	Present	4	Nil	2
7.	Dr. Sunil Kumar Gupta	8	2	25	Present	1	Nil	1

Notes:

In accordance with the provisions of Companies Act, 2013 and Articles 82 (4) of the Articles of Association of the Company, Shri Ajeet Kumar Agarwal, Director shall retire by rotation at the 45<sup>th</sup> Annual General Meeting of the Company and, being eligible, offer himself for re-appointment.

<sup>\$</sup> In line with Clause 49 of Listing Agreement, for reckoning the number of Committee memberships, only the Chairmanship Membership in Audit Committee and Stakeholders Relationship Committee (erstwhile Shareholders Investors Grievance Committee) in public companies have been taken into consideration.

None of the Directors is a member of more than 10 Board-level Committees of Indian Public Limited Companies nor are they Chairman of more than five Committees of such companies in which they are Members.

None of the Directors of the Company is in any way related to each other.

### 3. COMMITTEES OF THE BOARD OF DIRECTORS

The Board functions either as full Board or through various committees constituted to oversee specific operational areas. Each Committee of the Board is guided by its terms of reference, which defines the composition, scope and powers of the Committee. The Committees meet at regular intervals and focus on specific areas and make informed decisions within the authority delegated to them.

As on March 31, 2014, the Board had following committees:

1. Audit Committee;
2. Remuneration Committee;
3. Shareholders/Investors Grievance Committee;
4. Risk Management Committee;
5. Loan Committee;
6. Executive Committee;
7. Bond Committee;
8. Sub-Committee for review of lending rates for Short Term Loans/ Term Loans;
9. Sub-Committee for review and updation of HR Policies;
10. Sub-Committee for Borrowings other than Debentures;
11. Corporate Social Responsibility Committee (earlier Corporate Social Responsibility and Sustainability Committee); and
12. Committee on Investment of Surplus Funds.

The Minutes of the Meetings of the Committees are placed before the Board for information in terms of Article 93 of the Articles of Association of the Company.

#### 3.1 Audit Committee

##### (i) As on March 31, 2014, the Audit Committee comprised of the following members:

Sl. No.	Name of the Committee Members	Designation	Position in Committee
1.	Dr. Devi Singh	Independent Director	Chairman
2.	Shri Venkataraman Subramanian	Independent Director	Member
3.	Shri Prakash Thakkar	Director (Technical)	Member

The quorum of the Audit Committee is two independent members including Chairman of the Committee. Director (Finance), Head of Internal Audit and representatives of Joint Statutory Auditors are standing invitees in the Meetings of Audit Committee. Senior Functional Executives are also invited as and when required to provide inputs to the Committee. The Company Secretary of the Company acts as the Secretary to the Committee.

##### (ii) The terms of reference of the Audit Committee are as under:

- (a) to comply with the requirements in accordance with Section 292A of the Companies Act, 1956;
- (b) to comply with the requirements relating to Audit Committee as envisaged in Clause 49 of the Listing Agreement;
- (c) to comply with the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010, as notified by the DPE; and
- (d) to comply with any other applicable provisions relating to the Audit Committee.

Further, the Board of Directors of the Company in its 404<sup>th</sup> Meeting held on May 26, 2014 has revised the terms of reference of the Audit Committee, to align the same with the provisions of the Companies Act, 2013, Rules made thereof and the revised Listing Agreement (to be effective from October 1, 2014).

During the financial year 2013-14, six (6) meetings of the Audit Committee were held i.e. (i) May 28, 2013; (ii) June 24, 2013; (iii) August 8, 2013; (iv) November 13, 2013; (v) February 14, 2014; and (vi) March 28, 2014. The maximum gap between the two Meetings was not more than 4 months.

Meetings attended by individual member during the financial year 2013-14 are detailed below:-

Name of the Committee Members/ Attendees	Position in the Committee	Meeting			Attendance at last AGM
		Held during tenure of Director/Invitee	Attended	In Percentage	
Dr. Devi Singh	Chairman/ Member	6	6	100	Yes
Shri Venkataraman Subramanian	Member	6	6	100	Yes
Shri Prakash Thakkar	Member	6	5	83.33	Yes

The Chairman of the Audit Committee was present at the Annual General Meeting held on September 13, 2013 to answer shareholder queries.

The Chairman of the Audit Committee possesses accounting and financial management expertise and all other members of the Audit Committee are financially literate.

### 3.2 Remuneration Committee

REC, being a Central Public Sector Undertaking, the appointment of Chairman & Managing Director and Directors, tenure and remuneration are decided by the President of India as per the Articles of Association of the Company. However, as per the provisions of Department of Public Enterprises (DPE) guidelines on Corporate Governance for CPSEs, the Company has constituted a Remuneration Committee comprising of three Independent Directors. The terms of reference of Remuneration Committee shall be mainly to decide on Performance Related Payment, annual bonus/ variable pay pool and policy for its distribution across the Executives and Non-unionized Supervisors within the prescribed limits.

As on March 31, 2014, the Remuneration Committee comprised of the following members:

Sl. No.	Name of the Committee Members	Designation	Position in Committee
1.	Dr. Devi Singh	Independent Director	Chairman
2.	Shri Venkataraman Subramanian	Independent Director	Member
3.	Dr. Sunil Kumar Gupta	Independent Director	Member

Quorum of the Remuneration Committee is two members including Chairman of the Committee. Director (Finance), Director (Technical) and ED (HR)/GM (HR) are standing invitees to the Meetings of the Remuneration Committee. During the financial year 2013-14, one Meeting of the Remuneration Committee was held on July 4, 2013.

In accordance with the provisions of the Companies Act, 2013, Rules made thereof and the revised Listing Agreement (to be effective from October 1, 2014), the Board of Directors of the Company in its 404<sup>th</sup> Meeting held on May 26, 2014 has changed the name of the Remuneration Committee as 'Nomination and Remuneration Committee' and also the terms of reference of the Committee has been revised as per the requirement of the Companies Act, 2013.

#### Remuneration of Whole Time Directors

The remuneration paid to Whole Time Directors including the Chairman & Managing Director was as per the terms and conditions of their appointment. The details of remuneration paid to Whole Time Directors of the Company during the financial year 2013-14 are given below:

(Amount in ₹)

Sl. No.	Name	Salary & Allowances	Other Benefits	Incentive	CPF contribution	Pension Fund Contribution	Retiral Benefits	Total
1.	Shri Rajeev Sharma, CMD	23,85,102	2,91,107	26,48,881	2,24,668	1,68,501	0	57,18,259
2.	Shri Prakash Thakkar, Director (Technical)	23,30,090	1,98,140	21,01,918	2,19,470	1,64,603	0	50,14,221
3.	Shri Ajeet Kumar Agarwal, Director (Finance)	24,09,888	4,39,554	16,66,953	2,01,058	1,50,793	0	48,68,246

#### Remuneration of Independent and Government Nominee Directors

Independent Directors are paid only sitting fees at the rate of ₹ 20,000/- for each Meeting of the Board and Committee thereof as fixed by the Board in its 395<sup>th</sup> Meeting held on May 28, 2013 within the ceiling prescribed under the Companies

Act, 1956 for attending the Board Meetings as well as Committee Meetings. Details of Payments towards sitting fees to Independent Directors during the financial year 2013-14 is as under:

(Amount in ₹)

Sl. No.	Name of Part-time Non-official Independent Director	Sitting Fees		Total
		Board Meeting	Committee Meeting	
1.	Dr. Devi Singh	1,60,000	3,55,000	5,15,000
2.	Shri Venkataraman Subramanian	1,60,000	2,40,000	4,00,000
3.	Dr. Sunil Kumar Gupta	40,000	NIL	40,000
	<b>Total</b>			<b>9,55,000</b>

The Government Nominee Director is not entitled to any remuneration/ sitting fee from the Company.

### 3.3 Shareholders/Investors Grievance Committee

#### (i) Constitution of Shareholders / Investors' Grievance Committee

The Company has constituted a Shareholders/Investors' Grievance Committee. This Committee specifically looks into the redressal of Shareholders and Investors complaints like transfer of shares, non- receipt of Balance Sheet and declared dividend etc. The Committee is chaired by an Independent Director.

As on March 31, 2014, the Shareholders'/Investors' Grievance Committee comprised of the following members:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Shri Venkataraman Subramanian	Independent Director	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member

In accordance with the provisions of the Companies Act, 2013, Rules made thereof and the revised Listing Agreement (to be effective from October 1, 2014), the Board of Directors of the Company in its 404<sup>th</sup> Meeting held on May 26, 2014 has changed the name of the Shareholders'/Investors' Grievance Committee as 'Stakeholders Relationship Committee' and also the terms of reference of the Committee has been revised as per the requirement of the Companies Act, 2013.

The quorum of meeting of the Shareholders/Investors Grievance Committee is two members including the Chairman of the Committee. Further, the representatives of Registrar & Share Transfer Agents (R&TAs) appointed by the Company are Standing invitees at the Meetings of Shareholders/Investors' Grievances Committee. During the financial year 2013-14, four (4) Meetings of Shareholders/Investors Grievance Committee were held on (i) May 28, 2013; (ii) August 8, 2013; (iii) November 13, 2013; and (iv) February 14, 2014 to review the grievance procedure and status of pending Shareholders/Investors grievances.

The Company Secretary is the Convener of the Meetings of the Shareholders/Investors Grievance Committee and is the Compliance Officer of the Company in terms of Clause 47(a) of the Listing Agreement.

#### (ii) Status of Shareholders/Investors Grievances

The Company has been attending to all investor grievances expeditiously and promptly. Status of Shareholders/ Investors Grievances pursuant to Clause 49 of the Listing Agreement for the period from April 1, 2013 to March 31, 2014 related to Equity Shares/Listed Debt Securities is as follows:-

Pending at the beginning of the financial year.	2
Received during the financial year.	3,601
Disposed during the financial year.	3,603
Remaining unresolved as on March 31, 2014.	0

The Company has established three layers to handle Investor Grievances including Support Service from respective Registrars, In-house Investor Cell and direct Supervision by Shareholders/Investors Grievance Committee which has resulted in timely resolution of all the grievances.

### 3.4 Risk Management Committee

The Risk Management Committee has been constituted to manage the integrated risk. The main function of Risk Management Committee is to monitor various risks likely to arise and to review the various risk management policies and practices adopted by the Company and to initiate action for mitigation of risks arising in the operation and other related matters of the Company.

As on March 31, 2014, the Risk Management Committee comprised of the following members:

Sl. No.	Name of the Committee Members	Designation	Position in Committee
1.	Dr. Devi Singh	Independent Director	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member

The operational heads of Finance Division (Resource Mobilization) and Asset Liability Management Division are the standing invitees at Risk Management Committee Meeting. During the financial year 2013-14, two (2) Meetings of the Risk Management Committee were held on (i) August 16, 2013; and (ii) March 28, 2014.

### 3.5 Loan Committee

The Loan Committee of the Directors has been constituted for sanction of financial assistance in the form of Rupee Term Loan subject to following limits:

Type of Entity	Limit for individual scheme/project	Overall Annual limit (₹ in crore)
Central/State Government Power utilities or Central/State PSUs	In excess of ₹ 150 crore but upto ₹ 500 crore	25,000
Private Sector Power utilities	In excess of ₹ 100 crore and upto ₹ 500 crore	6,000

As on March 31, 2014, the Loan Committee comprised of the following members:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Shri Rajeev Sharma	CMD	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member
4.	Shri Badri Narain Sharma	Government Nominee Director	Member

The quorum of meeting of the Loan Committee is three Members including CMD and Government Nominee Director. During the financial year 2013-14, nine (9) meetings of Loan Committee were held viz. (i) April 23, 2013; (ii) June 6, 2013; (iii) July 16, 2013; (iv) July 29, 2013; (v) September 20, 2013; (vi) December 20, 2013; (vii) February 14, 2014; (viii) March 3, 2014; and (ix) March 24, 2014.

### 3.6 Executive Committee

The Executive Committee of the Directors has been constituted for sanction of financial assistance in the form of Rupee Term Loan subject to following limits:

Type of Entity	Limit for individual scheme/project	Overall Annual limit (₹ in crore)
Central/State Government Power utilities or Central/State PSUs	Up to ₹ 150 crore	20,000
Private Sector Power utilities	Up to ₹ 100 crore	5,000

As on March 31, 2014, the Executive Committee comprised of the following members:

Sl. No.	Name of the Committee Members	Designation	Position in Committee
1.	Shri Rajeev Sharma	CMD	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member

The quorum of the Executive Committee of the Board of Directors is two Members including CMD. During the financial year 2013-14, fifteen (15) meetings of the Executive Committee were held on (i) April 30, 2013; (ii) May 7, 2013; (iii) May 21, 2013; (iv) May 31, 2013; (v) July 8, 2013; (vi) July 25, 2013; (vii) August 19, 2013; (viii) September 10, 2013;

(ix) October 18, 2013; (x) November 13, 2013; (xi) December 11, 2013; (xii) December 20, 2013; (xiii) January 23, 2014; (xiv) February 10, 2014; and (xv) March 12, 2014.

### 3.7 Bond Committee

The Bond Committee of the Directors was constituted to finalize and approve the detailed terms and conditions including issue size, number of bonds to be issued, nature, type, pricing, timing, period, coupon rate, annual interest payment date of the issue etc. as may be required by the prevailing market conditions, consortium members for marketing of the issue and other terms and conditions of the issue etc. for Public Issue of Tax Free Secured Redeemable Non-convertible Bonds of the Company in the financial year 2013-14.

The Bond Committee comprised of the following members:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Shri Rajeev Sharma	CMD	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member

Quorum of the Bond Committee of the Board of Directors is two members. During the financial year 2013-14, five (5) Meetings of the Bond Committee were held on (i) August 16, 2013; (ii) August 26, 2013; (iii) September 12, 2013; (iv) September 24, 2013; and (v) March 24, 2014.

### 3.8 Sub-Committee for review of lending rates for Short Term Loans/ Term Loans.

The Sub-Committee of Directors for review of lending rates for Short Term Loans/ Term Loans was constituted for reviewing the lending rates of Short Term Loans and Term Loans.

As on March 31, 2014, the Sub-Committee for review of lending rates for Short Term Loans/ Term Loans comprised of the following members:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Shri Rajeev Sharma	CMD	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member

The quorum for the meeting of Sub-Committee for review of lending rates for Short Term Loans/ Term Loans is two Members including CMD. During the financial year 2013-14, fifteen (15) meetings of Sub-Committee for review of lending rates for Short Term Loans/ Term Loans were held (i) May 16, 2013; (ii) May 31, 2013; (iii) June 19, 2013; (iv) June 25, 2013; (v) July 16, 2013; (vi) August 19, 2013; (vii) September 12, 2013; (viii) September 23, 2013; (ix) October 8, 2013; (x) November 6, 2013; (xi) November 12, 2013; (xii) November 26, 2013; (xiii) December 23, 2013; (xiv) February 25, 2014; and (xv) March 13, 2014.

### 3.9 Sub-Committee for review and updation of HR Policies

The Sub-Committee of Directors for review and updation of HR Policies has been constituted for development, review and revision of Human Resources Policies including benefits / facilities of employees broadly in line with comparable Public Sector Enterprises and to submit the recommendations for approval of the Board.

As on March 31, 2014, the Sub-Committee for review and updation of HR Policies comprised of the following members:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Shri Ajeet Kumar Agarwal	Director (Finance)	Chairman
2.	Dr. Devi Singh	Independent Director	Member
3.	Shri Venkataraman Subramanian	Independent Director	Member

The quorum for the Meeting of the Sub-committee is two Members including Chairman of the Sub-committee and ED (HR)/GM (HR) are the standing invitee to the Meetings of the Sub-Committee for review and updation of HR Policies. During the financial year 2013-14, no Meeting of the Sub-Committee of Directors for review and updation of HR Policies was held.

### 3.10 Sub-Committee for Borrowings other than Debentures

The Sub-Committee of Directors for Borrowings other than Debentures was constituted by the Board of Directors to decide pricing, timing, mode, source of borrowing and marketing in respect of borrowings otherwise than on debentures such as term loans etc. from Life Insurance Corporation, Commercial Banks etc. depending upon prevailing market conditions within the overall size of market borrowings programme.

As on March 31, 2014, the Sub-Committee for Borrowings other than Debentures comprised of the following Members:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Shri Rajeev Sharma	CMD	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member

The quorum of the meeting of the Sub-Committee for Borrowings other than Debentures is two Members including CMD. During the financial year 2013-14, no Meeting of the Sub-Committee of Directors for Borrowings other than Debentures was held.

### 3.11 Corporate Social Responsibility Committee (earlier Corporate Social Responsibility and Sustainability Committee)

In terms of revised Guidelines on Corporate Social responsibility and Sustainable Development issued by DPE and applicable w.e.f April 1, 2013, the Board of Directors in its 395<sup>th</sup> Meeting held on May 28, 2013 had constituted a Committee by the name of "Corporate Social Responsibility and Sustainability Committee" and dissolved two Committees namely "Committee for review of CSR Initiatives/ Projects" and "Committee of Directors on Sustainable Development".

Further, in order to align with the provisions of the Companies Act, 2013 and rules made thereof, Listing Agreement entered with Stock Exchanges and DPE Guidelines on Corporate Governance, the Board of Directors of the Company in its 402<sup>nd</sup> Meeting held on March 28, 2014, changed the name from 'Corporate Social Responsibility and Sustainability Committee' to 'Corporate Social Responsibility Committee' and also the terms of reference of the Committee have been revised in above Meeting.

As on March 31, 2014, the "Corporate Social Responsibility Committee" comprised of the following Members:

Sl. No.	Name of the Committee Members	Designation	Position in Committee
1.	Dr. Devi Singh	Independent Director	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member

The quorum of the meeting of the Corporate Social Responsibility Committee is two Members including Chairman of the Committee. During the financial year 2013-14, four(4) meetings of Corporate Social Responsibility Committee were held on (i) June 24, 2013; (ii) October 31, 2013; (iii) February 14, 2014; and (iv) March 28, 2014.

The revised terms of reference of the Corporate Social Responsibility Committee include the following:

- to formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;
- to monitor the Corporate Social Responsibility Policy of the Company from time to time;
- to recommend the amount of expenditure to be incurred on the activities referred to in clause (a);
- to recommend/review CSR projects / programs / proposals, falling within the purview of Schedule VII of the Companies Act, 2013;
- to institute a transparent monitoring mechanism for implementation of the CSR projects / programs / activities undertaken by the Company;
- to assist the Board of Directors to formulate strategies on CSR initiatives of the Company;
- to approve the content of annual report on CSR activities as per proforma given in the Rules, inter-alia covering responsibility statement that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company;
- to periodically submit the reports to the Board of Directors for their information, consideration and necessary directions; and
- to comply with the other requirements on Corporate Social Responsibility Policy as amended from time to time.

### 3.12 Committee on Investment of Surplus Funds

The Company has an Investment Committee of Directors for the purpose of investments of surplus funds. As on March 31, 2014, the composition of “Committee on Investment of Surplus Funds” is as under:

Sl. No.	Name of the Committee Members	Designation	Position in Committee
1.	Shri Rajeev Sharma	CMD	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member

The quorum of the meeting of the Committee is two Directors including CMD. The Committee is empowered to approve the investment of surplus funds within the maximum outstanding limit at any time, upto ₹ 1,000 crore in mutual funds and upto ₹ 2,000 crore in fixed deposit.

During the financial year 2013-14, no Meeting of the Committee on Investment of Surplus Funds was held.

### 4. SHARE TRANSFER COMMITTEE

In addition to the Committees of the Directors constituted by the Board from time to time, as detailed at 3.1 to 3.12 above, there is a Share Transfer Committee comprising of Senior Officers constituted to consider and approve requests received from shareholders for splitting/ consolidation and transfer of physical shares exceeding 500 equity shares per individual in each case.

As on March 31, 2014, the Share Transfer Committee comprised of the following Members:

Sl. No.	Name of the Officer	Designation
1.	Shri J. S. Amitabh	Company Secretary
2.	Shri B. K. Johar	Deputy General Manager (F&A)- Resources

To facilitate splitting/consolidation/transfer process of Securities within the prescribed time limit, the Registrar and Share Transfer Agent (R&TA) has been authorized to consider and approve requests received from shareholders for splitting/ consolidation and transfer of physical shares upto 500 equity shares per individual in each case.

### 5. SUBSIDIARY COMPANIES

The Company does not have any “material non-listed Indian subsidiary” as defined in Clause 49 of the Listing Agreement in the immediately preceding financial year. The Minutes of Meetings of the Board of other unlisted Subsidiary Companies are placed before the Board of the Company for information. The Financial Results of other unlisted Subsidiary Companies were reviewed by the Audit Committee of Directors of the holding Company. Further, all significant transactions and arrangements entered into by the other unlisted Subsidiary Companies were brought to the attention of Board of Directors of the holding Company. The Company had following unlisted Subsidiary Companies as on March 31, 2014:

- (i) REC Power Distribution Company Limited; and
- (ii) REC Transmission Projects Company Limited

Further, in order to initiate development of each independent Interstate transmission project allocated by Ministry of Power, Government of India, RECTPCL has incorporated a Project Specific Special Purpose Vehicle (SPV) as Wholly Owned Subsidiary Company and after the selection of successful bidder through Tariff Based Competitive Bidding Process notified for transmission projects, the respective Project Specific SPV along with its all assets and liabilities is to be transferred to the successful bidder. As on March 31, 2014, the following project specific Special Purpose Vehicles (SPVs) existed as Subsidiary Companies of RECTPCL:

- (i) Nellore Transmission Limited (NTL)
- (ii) Baira Siul Sarna Transmission Limited (BSSTL)
- (iii) NRSS XXIX Transmission Limited\*
- (iv) NRSS XXXI (A) Transmission Limited\*
- (v) NRSS XXXI (B) Transmission Limited\*

\* Transferred to selected bidder after March 31, 2014.

Besides the above, RECTPCL has also incorporated two more Wholly Owned Subsidiary (WOS) Companies namely “Gadarwara

(A) Transco Limited” and “Gadarwara (B) Transmission Limited” on August 5, 2014 and July 30, 2014 respectively and the incorporation of other three subsidiary companies is under process.

The Audited Financial Statements and related information of all Subsidiary Companies of REC are available on the website of the Company [www.recindia.gov.in](http://www.recindia.gov.in) under the head “Subsidiary Companies”. As directed by the Central Government, a statement containing the financial data of the subsidiaries has been furnished along with the consolidated financial statements, which forms part of this Annual Report. Further, pursuant to Accounting Standard-21 (AS-21) prescribed under the Companies (Accounting Standard) Rules, 2006, Consolidated Financial Statements presented by the Company include financial information about its subsidiary companies. However, those subsidiary companies which are incorporated by the Company for the purpose of subsequent disposal have not been consolidated in the accounts of the Company.

## 6. GENERAL BODY MEETINGS

The details of last three Annual General Meetings of the Company are given below:

Meeting No.	Financial Year	Date	Time	Venue	Whether any Special Resolution passed
42 <sup>nd</sup>	2010-11	September 17, 2011	11.00 A.M.	Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110010	Yes
43 <sup>rd</sup>	2011-12	September 20, 2012	11.00 A.M.		Yes
44 <sup>th</sup>	2012-13	September 13, 2013	11.00 A.M.	Manekshaw Centre, Parade Road, Delhi Cantonment, New Delhi-110010	No

No Resolution was passed through Postal Ballot in the financial year 2013-14. However, three Special Resolutions related to borrowings in the financial year 2014-15, as detailed in Postal Ballot Notice dated April 30, 2014, have been passed through Postal Ballot on June 10, 2014. None of the business proposed to be transacted in the 45<sup>th</sup> Annual General Meeting require passing a Special Resolution through Postal Ballot.

## 7. SERVICE OF DOCUMENTS THROUGH ELECTRONIC MEANS

The new Companies Act, 2013 permits companies to send documents like Notice of Annual General Meeting, Annual Report and other documents through electronic means to its members at their registered email addresses, besides sending the same in physical form.

As a responsible Corporate Citizen, your Company has actively supported the implementation of ‘Green Initiative’ of Ministry of Corporate Affairs (MCA) and effected electronic delivery of Notice of Annual General Meeting (AGM) and Annual Report for the last three year(s) i.e. 2010-11 to 2012-13 and Postal Ballot Notice alongwith annexures to those shareholders whose email ids were already registered with the respective Depository Participants (DPs) and downloaded from the depositories viz. NSDL/CDSL and who have not opted for receiving Annual Report in physical form. The intimation of Final/Interim Dividend paid, after April, 2011, were also sent electronically to those shareholders whose email ids were registered.

Members, who have not registered their e-mail addresses so far, are requested to register their e-mail address with their Depository Participant (DP) or with the Registrar and Share Transfer Agent (R&TA) of the Company, for receiving electronic communications.

## 8. SECRETARIAL AUDIT

The Secretarial Audit for the financial year 2013-14 has been conducted by M/s Chandrasekaran Associates, Practicing Company Secretaries, Delhi and they have submitted an unqualified Secretarial Audit Report dated May 20, 2014 to the Company. A copy of Secretarial Audit Report is set out elsewhere in this Annual Report for information of the shareholders.

## 9. DISCLOSURES

- The Company has not entered into any material financial or commercial transactions with the Directors or the Management or their relatives or the companies and firms, etc., in which they are either directly or through their relatives interested as Directors and/or Partners.
- All members of Senior Management have made disclosures to the Board relating to all material, financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the Company at large (e.g. dealing in Company shares, commercial dealings with bodies which have shareholding of management and their relatives etc.).

- (iii) There were also no instances of non-compliance on any matter related to the Capital Markets during the last three years. There were no penalties imposed or strictures imposed on the Company by any statutory authorities in this regard. All returns/ reports were filed within stipulated time with stock exchanges/ other authorities.
- (iv) There are no materially significant transactions with related parties i.e. Promoters, Directors or the management, conflicting with the Company's interest.
- (v) The Company has laid down the procedure to inform the Board about the risk assessment and minimization. The Board of Directors of the Company reviews the procedures to ensure that the integrated risks are managed through a properly defined framework.
- (vi) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement for the financial year 2013-14 have been prepared as per the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.
- (vii) The Company affirms that no personnel have been denied access to the Audit Committee.
- (viii) The Company has adopted all suggested items to be included in the Report on Corporate Governance.
- (ix) During the financial year 2013-14, no Presidential Directives were issued by the Central Government to the Company.
- (x) The Company has not incurred any expenditure which is not for the purpose of the business. Further, no expense was incurred which was personal in nature and was incurred for the Board of Directors and Top Management.
- (xi) Administrative and office expenses as a percentage of total expenses for the financial year 2013-14 is 1.00 % (Previous year 0.77 %) and as a percentage of financial expenses for the financial year 2013-14 is 1.05 % (Previous year 0.80 %). The administrative and office expenses for the financial year 2013-14 have increased to ₹ 105.47 crore as compared to ₹ 64.69 crore. The increase in Administrative and office expenses in financial year 2013-14 as compared to financial year 2012-13 is mainly on account of higher expenses towards CSR & Sustainable Development of ₹ 38.40 crore during 2013-14 as against ₹ 17.50 crore during 2012-13. Under various other heads, there is a marginal increase in the expenses.
- (xii) In pursuance to Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs), 2010, Compliance Report is being submitted to Ministry of Power within 15 days of the end of quarter:

Quarter ended	Date of submission of report
June 30, 2013	July 2, 2013
September 30, 2013	October 7, 2013
December 31, 2013	January 7, 2014
March 31, 2014	April 4, 2014

Also Report containing Annual Score (consolidated score of four quarters) was submitted to Ministry of Power on May 23, 2014 against the due date May 31, 2014.

- (xiii) Audit Qualification: The audit observations/comments and reply of the management for the financial year 2013-14 has been given in para 31.1 of Directors' Report. The Company will be submitting the requisite form duly signed by Chairman & Managing Director, Director (Finance), Joint Statutory Auditors and Chairman of the Audit Committee of the Company as per the provisions of Clause 31(a) of the Listing Agreement.
- (xiv) Training to Board Members: The Board members based on their requirement attended various seminars, conferences, training programmes from time to time. Further, as per the requirement of Corporate Governance Guidelines issued by Department of Public Enterprises (DPE), the Company has framed a policy of Training to Board Members.

During the financial year, one day training programme on 'Corporate Governance for Board level / Senior Executives' was also organised, which was attended by most of the Directors of the Company.

## 10. COMPLIANCE WITH APPLICABLE LAWS

The Company has a robust system in place for monitoring of various statutory and procedural compliances. The Board periodically reviews the status of Statutory, Policy and procedural compliances to ensure proper compliances of all laws applicable to the Company.

## 11. CODE OF BUSINESS CONDUCT AND ETHICS FOR BOARD MEMBERS AND SENIOR MANAGEMENT

The Board of Directors of the Company in its 318<sup>th</sup> Meeting held on July 10, 2007, has approved Code of Business Conduct for Board Members and Senior Management. Subsequently, the Board of Directors of REC in its 367<sup>th</sup> Meeting held on September 8, 2010 has revised the Code in line with DPE Guidelines and adopted "Code of Business Conduct and Ethics for Board Members and Senior Management" in supersession of the existing Code of Conduct.

The Code of Business Conduct and Ethics for the Board Members and Senior Management is a comprehensive code applicable to all Directors and Members of Senior Management of the Company. It has been laid down in alignment with Company's mission and objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company. A copy of the Code of Business Conduct and Ethics is available on the website of the Company i.e. [www.recindia.gov.in](http://www.recindia.gov.in). Based on the affirmation received from the Board Members and Senior Management Personnel, declaration regarding Compliance of Code of Conduct from Chairman and Managing Director of the Company is as under:

### Declaration required under Clause 49 of the Listing Agreement

All Board Members and Senior Management have affirmed compliance with the 'Code of Business Conduct and Ethics for Board Members and Senior Management' of the Company for the financial year ended March 31, 2014.

Sd/-

**(Rajeev Sharma)**

Chairman and Managing Director

Date: June 23, 2014

Place: New Delhi

Further, the Department of Public Enterprises (DPE), Ministry of Heavy Industries and Public Enterprises has issued "Roles and Responsibilities of Non-official Directors on the Board of Central Public Sector Enterprises (CPSEs)" which describe the various roles, functions and duties of Independent Directors thereby leading to a transparent environment of decision making and fulfilling their assigned responsibilities in an efficient and effective manner. The same was submitted to the Board of Directors in its 395<sup>th</sup> Meeting held on May 28, 2013 for information and needful compliance by Independent Directors.

## 12. CODE FOR PREVENTION OF INSIDER TRADING IN REC EQUITY SHARES/SECURITIES

In terms of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Company has formulated a comprehensive Code for Prevention of Insider Trading in REC Equity Shares/Securities to preserve the confidentiality and to prevent misuse of unpublished price sensitive information. Every Director, officer and designated employee of the Company has a duty to safeguard the confidentiality of all such information obtained in course of his or her work at the Company and not to misuse his or her position or information regarding the Company to gain personal benefit or to provide benefit to any third party. The Code lays down guidelines and procedures to be followed and disclosures to be made while dealing with the shares/securities of the Company and the consequences of non-compliance. The Company Secretary has been appointed as Compliance Officer and is responsible for the adherence to 'Code of Prevention of Insider Trading in REC Equity Shares/Securities'. A Copy of the Code has been posted on the Company's website i.e. [www.recindia.gov.in](http://www.recindia.gov.in).

In line with the requirement of the said Code, the trading window was closed from time to time, whenever some price sensitive information was submitted to the Board. Notice of the Closure of trading window was issued to all employees well in advance and proper announcements were also made, restraining the designated employees under the Code not to deal in shares of the Company when the window is closed.

"Designated Employee" under the Code for Prevention of Insider Trading in REC Equity Shares/Securities mean:-

- The Chairman and Managing Director, Whole-time and Part-time Directors (Official and Non-official) and Chief Vigilance Officer.
- All Executives and Non-Executives of the Company.
- The Directors and Employees of the Subsidiary Companies.
- Such other employees of the Company including of Subsidiary Companies, temporary/adhoc employees designated by the Board from time to time to whom trading restrictions shall be applicable.

In case any of the Designated Employee leaves the services of the Company, he/she shall continue to be considered as Designated Employee for a further period of six months subsequent to the date of his/her leaving the Company, as envisaged under SEBI (Prohibition of Insider Trading) Regulations, 1992.

### 13. POLICY FOR PREVENTION OF FRAUD

Policy for Prevention of Fraud in REC has been framed to provide a system for detection and prevention of fraud, reporting of any fraud that is detected or suspected and fair dealing of matters pertaining to fraud. The policy covers the following provisions:-

- to ensure that management is aware of its responsibilities for detection and prevention of fraud and for establishing procedures for preventing fraud and/or detecting fraud when it occurs;
- to provide a clear guidance to employees and others dealing with REC forbidding them from involvement in any fraudulent activity and the action to be taken by them where they suspect any fraudulent activity;
- to conduct investigations into fraudulent activities; and
- to provide assurances that any and all suspected fraudulent activity will be fully investigated.

### 14. WHISTLE BLOWER POLICY

REC has adopted Whistle Blower Policy (PIDPI Resolution) as issued by Central Vigilance Commission vide Office Order No.33/5/2004 dated May 17, 2004 and the same has also been incorporated in "Vigilance Hand Book" issued by Vigilance Division in October, 2010.

Further, in terms of Clause 49 of the Listing Agreement and Clause 8 of Guidelines on Corporate Governance for CPSEs issued by DPE, the Board of Directors of the Company in its 380<sup>th</sup> Meeting held on November 10, 2011 had approved the Whistle Blower Policy of the Company, to support "The Code of Business Conduct and Ethics for Board Members and Senior Management". This policy is designated to enable Employees, Directors, Auditors, Consultants and Contractors ("individuals") to raise "concerns" internally to disclose information which the individual believes to be alleged malpractice or wrongdoing which could affect the business or reputation of the Company.

A declaration by the Chairman and Managing Director that he has not denied any personnel access to the Competent Authority, and that he has provided protection to Complainant from adverse personnel action for the financial year ended March 31, 2014 is as under:

#### Annual Affirmation by the Chairman & Managing Director in terms of Whistle Blower Policy of the Company

During the financial year 2013-14, no person has been denied access to the Competent Authority and necessary system has been put in place, to provide protection to the complainant, wherever required.

Sd/-

(Rajeev Sharma)

Chairman and Managing Director

Date: July 1, 2014

Place: New Delhi

Further, in order to align with the provisions of the Companies Act, 2013, rules made thereof and the Listing Agreement entered with Stock Exchanges, the Board of Directors of the Company, in its 405<sup>th</sup> Meeting held on July 15, 2014, has approved a revised 'Whistle Blower Policy' of REC.

### 15. FEE PAID/PAYABLE TO JOINT STATUTORY AUDITORS

The details of fee paid/payable to Joint Statutory Auditors during the financial year 2013-14, are as under:

		(₹ in crore)
Sl. No.	Particulars	Amount
1.	Statutory Audit Fees-Annual	0.32
2.	Tax Audit Fees	0.06
3.	Limited Review Report	0.06
4.	Payment to Statutory Auditors for Certification and any other matters	0.22
	<b>Total</b>	<b>0.66</b>

## 16. MEANS OF COMMUNICATION

- i. The Company recognizes the rights of shareholders & communications as key elements of the overall Corporate Governance framework and therefore emphasizes on continuous, efficient and relevant communication with shareholders and other stakeholders.
- ii. The Company communicates with its shareholders through its Annual Report, General Meetings and disclosures through website. All important information pertaining to the Company is also mentioned in the Annual Report for each financial year containing inter alia Audited Financial Statements (Standalone & Consolidated), Directors' Report, Auditors' Report, Report on Corporate Governance and Non-Banking Financial Companies Auditors' Report which is circulated to the members and others entitled thereto.
- iii. Quarterly/Half yearly/Annual Financial Results of the Company are communicated to the Stock Exchange and published in financial and national newspapers like The Economic Times, Hindustan Times, Mint, The Financial Express, Business Standard (English & Hindi), Jansatta (Hindi), etc. These results are also made available on Company's Website at [www.recindia.gov.in](http://www.recindia.gov.in).
- iv. The Company also communicates with its institutional shareholders through investor conferences and one to one Meetings.

## 17. CEO/CFO CERTIFICATION

In terms of Clause 49 of the Listing Agreement, a Certificate on financial reporting and internal controls to the Board, duly signed by Shri Rajeev Sharma, Chairman & Managing Director and Shri Ajeet Kumar Agarwal, Director (Finance) was placed before the Board of Directors in its 404<sup>th</sup> Meeting held on May 26, 2014 while consideration of the Annual Audited Financial Statements of the Company for the financial year ended on March 31, 2014.

## 18. GENERAL SHAREHOLDER INFORMATION

### i. Annual General Meeting for the financial year 2013-14

Day and Date	Time	Venue
Thursday, September 18, 2014	11.00 A.M.	Manekshaw Centre, Parade Road, Delhi Cantonment, New Delhi-110010

### ii. Financial Calendar for financial year 2014-15 vis-à-vis financial year 2013-14

Particulars	Financial Year 2013-14		Financial Year 2014-15	
Accounting Period	April 1, 2013 to March 31, 2014		April 1, 2014 to March 31, 2015	
Announcement of Financial Results	1 <sup>st</sup> Quarter	August 8, 2013	First three Quarters	Announcement within 45 days from the end of the each quarter.
	2 <sup>nd</sup> Quarter	November 13, 2013		
	3 <sup>rd</sup> Quarter	February 14, 2014		
	4 <sup>th</sup> Quarter	May 26, 2014	4 <sup>th</sup> Quarter & Annual Financial Results	Announcement within 60 days from the end of financial year.
Annual General Meeting	Thursday, September 18, 2014		September 2015	

### iii. Payment of Dividend

#### A. Dividend for the financial year 2013-14

##### (1) Interim Dividend Details:

In pursuance of Article 104 of the Articles of Association of the Company read with Section 205 of the Companies Act, 1956 and Companies (Transfer of Profits to Reserves) Rules, 1975 the Company has paid an Interim Dividend of ₹ 7.75 per Equity Share (on the face value of ₹ 10/- each) on February 28, 2014 for the financial year 2013-14.

##### (2) Final Dividend Details:

The Board of Directors of the Company in its 404<sup>th</sup> Meeting held on May 26, 2014 has recommended a Final Dividend of ₹ 1.75 per Equity Share (on the face value of ₹ 10/-each) for the financial year 2013-14 for approval of the shareholders in the 45<sup>th</sup> Annual General Meeting to be held on September 18, 2014. The total dividend (including Interim Dividend) for the financial year 2013-14 will be ₹ 9.50 per Equity Share (on the face value of ₹ 10/- each).

**B. Dividend History for the last five financial years**

(₹ in crore)

Financial Year	Total Paid-up Capital	Total Amount of Dividend Paid	Rate of Dividend (%)	Date of Payment	
				Interim	Final
2008-09	858.66	386.40	45	March 5, 2009	September 25, 2009
2009-10	987.46	603.21	65	January 12, 2010	September 15, 2010
2010-11	987.46	740.59	75	February 24, 2011	September 28, 2011
2011-12	987.46	740.59	75	February 7, 2012	October 4, 2012
2012-13	987.46	814.65	82.50	February 18, 2013	September 27, 2013

**C. Unpaid/Unclaimed Dividend and Share Application Money due for transfer to Investor Education Protection Fund**

Pursuant to Section 205A read with Section 205C of the Companies Act, 1956, the dividend amount and share application money which remains unpaid/ unclaimed for a period of seven years, is required to be transferred to the Investor Education & Protection Fund (IEPF) of the Central Government.

Accordingly, the Unpaid/Unclaimed amount, relating to share application money received at the time of Initial Public Offer (IPO) in February/ March 2008, will be due for transfer to the IEPF in the financial year 2014-15. Further, the Unpaid/ Unclaimed amount of final dividend for the financial year 2007-08 will be due for transfer to IEPF in the financial year 2015-16.

Therefore, it is advised to encash warrants relating to unpaid/ unclaimed share application money and /or dividend immediately or write to R&TA of the Company for revalidation or issue of DDs in place of old Warrants.

**iv. Date of Book Closure**

The Register of Members and Share Transfer Books of the Company will remain closed from Thursday, September 4, 2014 to Thursday, September 18, 2014 (both days inclusive).

**v. Pay-out Date for Payment of Final Dividend**

The Final Dividend on equity shares, as recommended by the Board of Directors, subject to the provisions of 123 of the Companies Act, 2013 (erstwhile Section 206A of the Companies Act, 1956), if approved by the Members of the Company at the 45<sup>th</sup> Annual General Meeting, will be paid on Wednesday, October 1, 2014 to the members or their mandates whose names appear in the Register of Members of the Company after giving effect to all valid share transfer requests lodged with the Company/ R&TA, on or before Wednesday, September 3, 2014, in respect of physical shares. In respect of Dematerialized shares, the final dividend shall be payable to the “beneficial owners” of the shares whose names appear in the Statement of Beneficial Ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited at the close of business hours on Wednesday, September 3, 2014.

**vi. Listing on Equity Shares**

REC shares are listed on the following Stock Exchanges:

Name & Address	Telephone / Fax / E-mail ID / Website	Scrip Code
National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.	Telephone: (022) 26598100 - 8114 Fax: (022) 26598120 E-mail ID: <a href="mailto:cmist@nse.co.in">cmist@nse.co.in</a> Website: <a href="http://www.nseindia.com">www.nseindia.com</a>	RECLTD
BSE Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.	Telephone: (022) 22721233/4 Fax: (022) 22721919 E-mail ID: <a href="mailto:corp.relations@bseindia.com">corp.relations@bseindia.com</a> Website: <a href="http://www.bseindia.com">www.bseindia.com</a>	532955

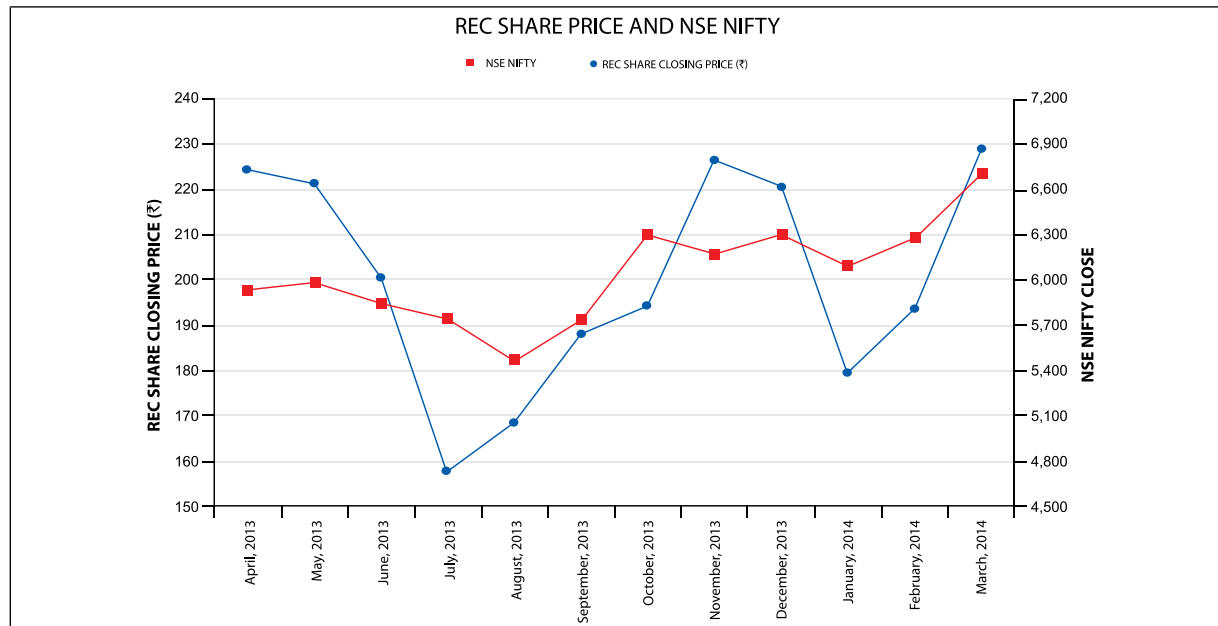
**vii. International Securities Identification Number (ISIN)**

ISIN is a unique identification number of traded scrip. This number has to be quoted in each transaction relating to the dematerialized securities of the Company. ISIN of Equity Shares of the Company is INE020B01018.

**viii. Market Price Data for the financial year 2013-14**

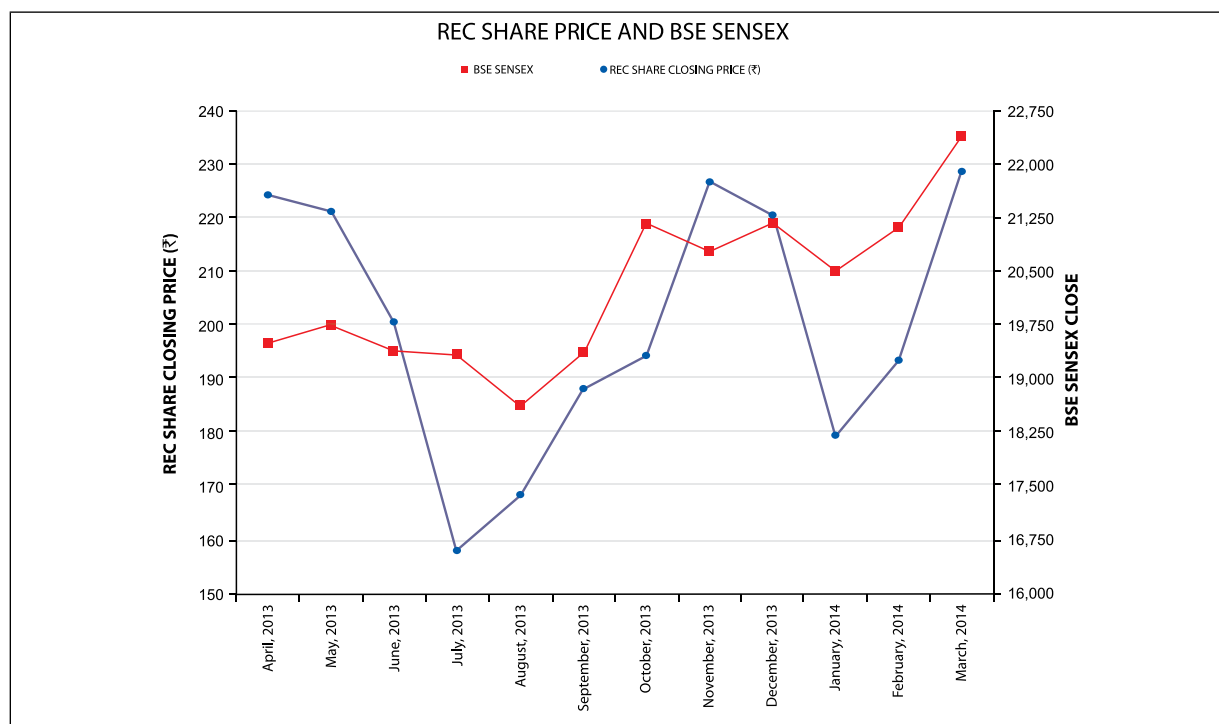
Performance of REC Share vis-à-vis NSE NIFTY

Performance of REC Share at NSE				Movement of NSE NIFTY		
Month	High (₹ )	Low (₹ )	Month Close (₹ )	High	Low	Month Close
April, 13	228.50	199.30	224.40	5,962.30	5,477.20	5,930.20
May, 13	245.50	216.25	221.10	6,229.45	5,910.95	5,985.95
June, 13	226.90	182.80	200.75	6,011.00	5,566.25	5,842.20
July, 13	212.00	151.60	158.50	6,093.35	5,675.75	5,742.00
August, 13	191.55	146.10	168.85	5,808.50	5,118.85	5,471.80
September, 13	204.90	161.10	188.05	6,142.50	5,318.90	5,735.30
October, 13	198.45	180.10	194.25	6,309.05	5,700.95	6,299.15
November, 13	228.00	193.00	226.85	6,342.95	5,972.45	6,176.10
December, 13	231.90	200.60	220.60	6,415.25	6,129.95	6,304.00
January, 14	223.25	166.50	179.75	6,358.30	6,027.25	6,089.50
February, 14	195.00	175.00	193.60	6,282.70	5,933.30	6,276.95
March, 14	233.30	186.00	229.70	6,730.05	6,212.25	6,704.20



## Performance of REC Share vis-à-vis BSE SENSEX

Performance of REC Share at BSE				Movement of BSE SENSEX		
Month	High (₹ )	Low (₹ )	Month Close (₹ )	High	Low	Month Close
April, 13	228.55	199.25	224.30	19,622.68	18,144.22	19,504.18
May, 13	245.20	216.35	221.10	20,443.62	19,451.26	19,760.30
June, 13	226.60	182.95	200.50	19,860.19	18,467.16	19,395.81
July, 13	212.00	151.80	158.05	20,351.06	19,126.82	19,345.70
August, 13	191.60	146.15	168.50	19,569.20	17,448.71	18,619.72
September, 13	204.50	161.50	188.10	20,739.69	18,166.17	19,379.77
October, 13	198.00	180.60	194.25	21,205.44	19,264.72	21,164.52
November, 13	227.80	193.50	226.60	21,321.53	20,137.67	20,791.93
December, 13	231.80	201.10	220.50	21,483.74	20,568.70	21,170.68
January, 14	223.20	166.60	179.55	21,409.66	20,343.78	20,513.85
February, 14	194.80	175.15	193.50	21,140.51	19,963.12	21,120.12
March, 14	233.00	186.10	228.80	22,467.21	20,920.98	22,386.27



## ix. Registrar and Share Transfer Agent

Karvy Computershare Private Limited  
 Plot 17 to 24, Vittal Rao Nagar,  
 Madhapur, Hyderabad- 500081, India  
 Tel: 91 40 44655000

Fax: 91 40 23420814

E-mail: [raju.sv@karvy.com](mailto:raju.sv@karvy.com); [balaji.reddy@karvy.com](mailto:balaji.reddy@karvy.com); [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

Website: [www.karvycomputershare.com](http://www.karvycomputershare.com)

**x. Share Transfer System**

The shares under physical segment are transferred through Karvy Computershare Private Limited. Karvy receives the shares to be transferred along with the transfer deed from transferee, verifies it, prepares the Memorandum of transfer etc. Request for splitting/ consolidation and transfer of physical shares upto 500 equity shares per individual in each case are approved directly by Karvy Computershare Private Limited.

Pursuant to Clause 49 of the Listing Agreement, a Share Transfer Committee has also been constituted to consider and approve requests received from shareholders for splitting/consolidation transfer of physical shares, exceeding 500 equity shares per individual in each case.

Further pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, Certificates on half yearly basis confirming due compliance of share transfer formalities by the Company from Practicing Company Secretary have been submitted to Stock Exchanges within stipulated time. Further, it is also confirmed that all transfer of shares were completed within the prescribed time period.

**xi. Distribution of Shareholding**

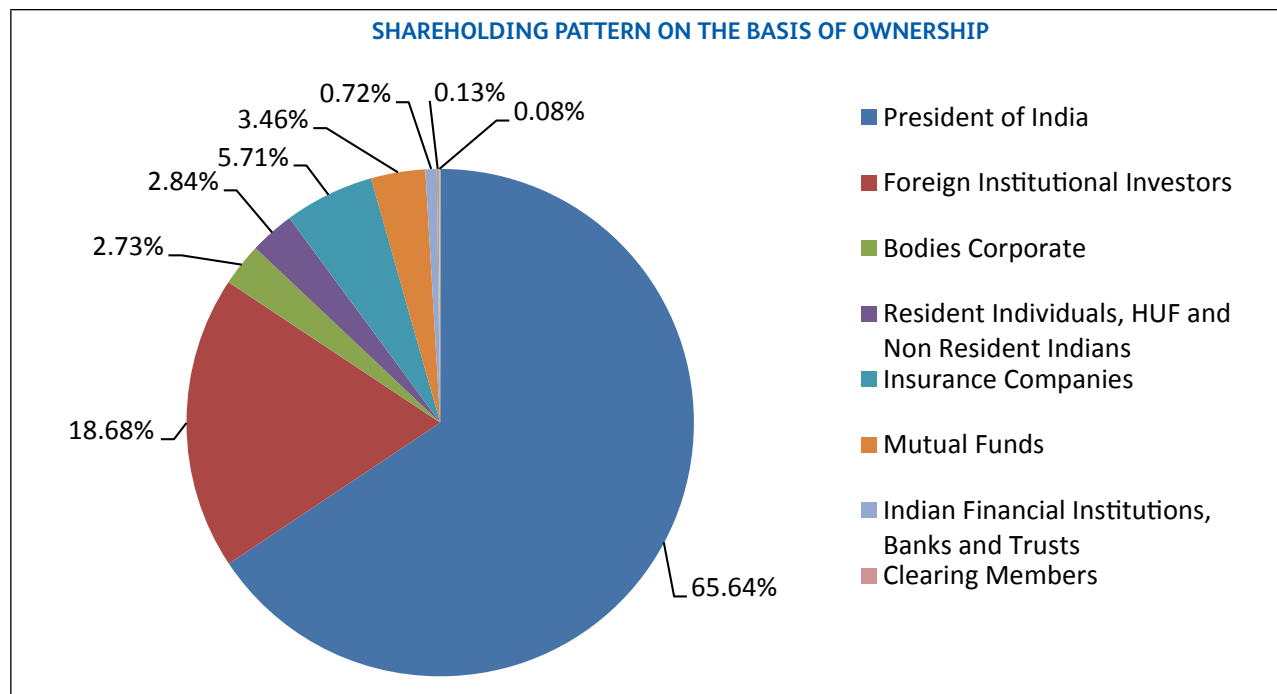
**DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2014**

Number of shares	Number of share - holders	Percentage of share-holders	Total Shares	Amount (₹ )	Percentage of shares
1-5000	2,24,779	97.11	2,04,40,355	20,44,03,550	2.07
5001-10000	3,996	1.73	28,63,346	2,86,33,460	0.29
10001-20000	1,203	0.52	17,48,049	1,74,80,490	0.18
20001-30000	365	0.16	9,22,255	92,22,550	0.09
30001-40000	169	0.07	6,01,331	60,13,310	0.06
40001-50000	148	0.06	6,84,901	68,49,010	0.07
50001-100000	201	0.09	14,40,972	1,44,09,720	0.15
100001 & Above	608	0.26	95,87,57,791	9,58,75,77,910	97.09
<b>Total</b>	<b>2,31,469</b>	<b>100</b>	<b>98,74,59,000</b>	<b>9,87,45,90,000</b>	<b>100</b>

**SHAREHOLDING PATTERN ON THE BASIS OF OWNERSHIP**

Category	As on March 31, 2014		As on March 31, 2013	
	Number of Shares	Percentage of total	Number of Shares	Percentage of total
President of India*	64,81,68,218	65.64	65,96,07,000	66.80
Foreign Institutional Investors	18,44,92,738	18.68	20,41,96,515	20.68
Bodies Corporate	2,69,38,990	2.73	2,68,16,276	2.72
Resident Individuals	2,62,55,532	2.66	2,94,00,306	2.98
Insurance Companies	5,63,88,536	5.71	3,84,11,126	3.89
Mutual Funds	3,41,35,283	3.46	2,06,33,558	2.09
Indian Financial Institutions	55,35,285	0.56	7,78,011	0.08
Clearing Members	13,10,192	0.13	30,60,010	0.31
H U F	12,11,477	0.12	13,55,492	0.14
Banks	12,76,714	0.13	12,66,867	0.13
Non Resident Indians	6,18,401	0.06	6,90,259	0.07
Trusts	3,11,711	0.03	3,18,480	0.03
Employees	8,15,923	0.08	9,25,100	0.09
<b>Total</b>	<b>98,74,59,000</b>	<b>100</b>	<b>98,74,59,000</b>	<b>100</b>

\* During the financial year 2013-14, the President of India disinvested/sold 1,14,38,782 equity shares i.e. 1.16 % of total paid up capital of your Company through Central Public Sector Enterprises Exchange Traded Fund (CPSE ETF).



#### xii. Dematerialization of shares

The shares of the Company are in compulsory dematerialized segment and available for trading under systems of both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

The names and addresses of the Depositories are as under:

<b>National Securities Depository Limited</b> Trade World, 4th Floor, Kamala Mills Compound Senapathi Bapat Marg, Lower Parel, Mumbai-400 013	<b>Central Depository Services (India) Limited</b> Phiroze Jeejeebhoy Towers 28th Floor, Dalal Street, Mumbai-400 023
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The Details of Number of shares held in dematerialized and physical mode as on March 31, 2014 was as under:

Category	Number of Shareholders	Number of Shares	Percentage of total Shares issued
Physical	7,345	12,147	Negligible
NSDL (Demat)	1,58,590	97,94,58,771	99.19
CDSL (Demat)	65,534	79,88,082	0.81
<b>Total</b>	<b>2,31,469</b>	<b>98,74,59,000</b>	<b>100.00</b>

#### xiii. Reconciliation of Share Capital Audit Report

For every quarter of the financial year 2013-14, M/s Savita Jyoti Associates, Practicing Company Secretaries, Secunderabad carried out audits to reconcile the total admitted, issued and listed share capital with NSDL and CDSL and issued the Reconciliation of Share Capital Audit Report for every quarter of the financial year 2013-14. The report confirms that the total issued / paid up share capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL and the same was submitted to the Stock Exchanges within the stipulated time.

**xiv. Details of Demat Suspense Account**

The Company went for a Initial Public Offer of 15,61,20,000 equity shares in February, 2008, which comprised fresh issue of 7,80,60,000 equity shares by the Company and an offer for sale of another equal number of shares by the President of India. Further, the Company went for a Follow on Public Offer of 17,17,32,000 equity shares in February, 2010 which comprised fresh issue of 12,87,99,000 equity shares by the Company and offer for sale of 4,29,33,000 by the President of India.

As per Clause 5A of the Listing Agreement, the details of unclaimed shares as on March 31, 2014 in the Demat Suspense Account is given as under:-

Sl. No.	Particulars	April 1, 2013 to March 31, 2014			
		Initial Public Offer		Further Public Offer	
		Number of cases	Number of shares involved	Number of cases	Number of shares involved
1.	Aggregate number of shareholders and the outstanding unclaimed shares in the Suspense Account as on April 1, 2013.	300	24,490	6	510
2.	No. of shareholders who approached the Company for transfer of unclaimed shares during the financial year.	25	1,899	1	60
3.	Number of shareholders to whom unclaimed shares were transferred from the Suspense Account during the financial year.	25	1,899	1	60
4.	Aggregate number of shareholders and the outstanding unclaimed shares in the Suspense Account as on March 31, 2014.	275	22,591	5	450

The voting rights in respect of the said shares will be frozen till the time rightful owner claims such shares.

**xv. Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion dates and likely impact on equity.**

No GDRs/ADRs/Warrants or any Convertible instruments have been issued by the Company.

**xvi. Annual Listing Fee to Stock Exchanges**

The Company has paid Annual Listing Fee for the financial year 2014-15 to NSE and BSE.

**xvii. Annual Custodial Fee to Depositories**

The Company has paid Annual Custodial Fee for the financial year 2014-15 to NSDL and CDSL.

**xviii. Plant Locations**

Not applicable. However, there are 5 Zonal Offices, 18 Project Offices, 2 Sub-Offices and 1 Training Centre.

**xix. Address for correspondence**

Rural Electrification Corporation Limited  
Core-4, SCOPE Complex, 7, Lodhi Road,  
New Delhi-110003, India

**xx. Corporate Identification Number (CIN)**

L40101DL1969GOI005095

**xxi. Compliance Officer and Public Spokesperson**

Shri J. S. Amitabh  
General Manager & Company Secretary  
Tel: 91 11 24367305, Fax: 91 11 24362039  
E-mail: [jsamitabh@recl.nic.in](mailto:jsamitabh@recl.nic.in)

For and on behalf of the Board of Directors



(Rajeev Sharma)  
Chairman & Managing Director  
(DIN 00973413)

## ANNEXURE-III TO DIRECTORS' REPORT

**AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE**

To,  
The Members  
Rural Electrification Corporation Limited,  
New Delhi.

We have examined the compliance of conditions of Corporate Governance by Rural Electrification Corporation Limited ("The Company") for the financial year ended March 31, 2014 as stipulated in Clause 49 of the Listing Agreement executed with the Stock Exchanges and Clause 8.2.1 of Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs), 2010 issued by the Department of Public Enterprises (DPE), Ministry of Heavy Industries and Public Enterprises, Government of India.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to review of the procedures and implementation thereof, adopted by the Company, for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and DPE Guidelines on Corporate Governance for CPSE. However, during the financial year 2013-14, in absence of requisite number of Independent Directors, the composition of the Board of Directors was not as per the provisions of sub-clause (I) (A) of Clause 49 of the Listing Agreement and Clause 3.1.4 of DPE Guidelines on Corporate Governance for CPSE issued by DPE.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For Raj Har Gopal & Co.**

Chartered Accountants  
Firm Regn. No.002074N

**(Gopal Krishan)**

Partner  
M. No. 081085

Place: New Delhi

Date: May 26, 2014.

**For P. K. Chopra & Co.**

Chartered Accountants  
Firm Regn No. 006747N

**(K.S. Ponnuswami)**

Partner  
M. No. 070276

ANNEXURE-IV TO DIRECTORS' REPORT

## BUSINESS RESPONSIBILITY REPORT

### Section A : General Information about the Company

1. **Corporate Identity Number (CIN) of the Company** : L40101DL1969GOI005095
2. **Name of the Company** : Rural Electrification Corporation Limited
3. **Registered address** : Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003, India
4. **Website** : [www.recindia.gov.in](http://www.recindia.gov.in)
5. **E-mail id** : [complianceofficer@reci.nic.in](mailto:complianceofficer@reci.nic.in)
6. **Financial year reported** : 2013-14
7. **Sector(s) that the Company is engaged in (industrial activity code-wise)**

**Group: 649 Class: 6492 Sub class: 64920**

Description: This class includes financial service activities primarily concerned with making loans by institutions not involved in monetary intermediation (such as venture capital companies, industrial banks, investment clubs), where the granting of credit can take a variety of forms, such as loans, mortgages, credit cards etc.

8. **List three key products/services that the Company manufactures/provides (as in balance sheet)**

REC is engaged in financing projects / schemes of power generation, transmission, distribution, rural electrification, system improvement, renovation and modernization of power plants in both public and private sectors. Its key product includes Term Loans, Medium Term Loans, Short Terms Loans etc. REC is also designated as Nodal Agency for implementation of "Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)- Scheme of Rural Electricity Infrastructure and Household Electrification" for providing electricity access to all rural households. Further, REC is also a Nodal Agency for National Electricity Fund (NEF), an Interest Subsidy Scheme to provide interest subsidy on loans disbursed to the State Power Utilities, Distribution Companies (DISCOMs)-both in public and private sector, to improve the infrastructure in distribution sector.

9. **Total number of locations where business activity is undertaken by the Company**

- i. **Number of International Locations (Provide details of major five):**

None

- ii. **Number of National Locations:**

REC has offices at 21 National locations namely New Delhi, Kolkata, Chennai, Jaipur, Panchkula, Shimla, Jammu, Lucknow, Bhopal, Mumbai, Vadodara, Bangalore, Thiruvananthapuram, Bhubaneswar, Hyderabad (Project Office as well as Central Institute for Rural Electrification (CIRE)), Shillong, Guwahati, Ranchi, Dehradun, Patna and Raipur.

10. **Markets served by the Company - Local/State/National/International:**

REC serves the Indian markets only and its business extends throughout India.

### Section B : Financial Details of the Company

1. **Paid up Capital (₹):** 987.46 crore
2. **Total Turnover (₹):** 17,120.80 crore
3. **Total Profit after Taxes (₹):** 4,683.70 crore
4. **Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%):**

During the financial year 2013-14, REC has spent an amount of ₹ 38.40 crore which is more than 1.00 % of its Profit after Tax of previous year on CSR and Sustainable Development Initiatives.

5. **List of activities in which expenditure in 4 above has been incurred:**

The major areas on which the above expenditure has been incurred includes:

- a. Job Oriented Skill Development Programs
- b. Education
- c. Promotion of Non-Conventional Energy Sources

- d. Promotion of Health Care including care for elderly and persons with disabilities and others (which includes Rural Development and Women Empowerment)
- e. Sustainability and other heads.

### Section C : Other Details

#### 1. Does the Company have any Subsidiary Company/ Companies?

The Company has following two Wholly Owned Subsidiary Companies as on March 31, 2014:

- (i) REC Power Distribution Company Limited; and
- (ii) REC Transmission Projects Company Limited

Further, in order to initiate development of each independent Inter State transmission projects allocated by Ministry of Power, Government of India, REC Transmission Projects Company Limited (RECTPCL) has incorporated a Project Specific Special Purpose Vehicle (SPV) as Wholly Owned Subsidiary Company and after the selection of successful bidder through Tariff Based Competitive Bidding Process notified for transmission projects, the respective Project Specific SPV along with its all assets and liabilities is to be transferred to the successful bidder. As on March 31, 2014, the following project specific Special Purpose Vehicles (SPVs) existed as Subsidiary Companies of RECTPCL:

- (i) Nellore Transmission Limited (NTL)
- (ii) Baira Siul Sarna Transmission Limited (BSSTL)
- (iii) NRSS XXIX Transmission Limited\*
- (iv) NRSS XXXI (A) Transmission Limited\*
- (v) NRSS XXXI (B) Transmission Limited\*

\* Transferred to selected bidder after March 31, 2014.

After selection of successful bidder through Tariff Based Competitive Bidding Process, the project specific SPVs i.e. NRSS XXXI (A) Transmission Limited and NRSS XXXI (B) Transmission Limited have been transferred to M/s Power Grid Corporation of India Limited & M/s Essel Infraprojects Limited, respectively, on May 12, 2014. Further, after the selection of successful bidder, for Northern Region System Strengthening Scheme, NRSS-XXIX, through Tariff Based Competitive Bidding Process, the project specific SPV i.e. NRSS XXIX Transmission Limited has also been transferred to M/s Sterlite Display Technologies Private Limited (investing affiliate of Sterlite Grid Limited) on August 4, 2014.

In addition to the above, during the current financial year i.e. 2014-15, the Ministry of Power has also allocated the following five transmission projects to RECTPCL:

- i. Transmission system associated with Gadawara STPS (2x800 MW) of NTPC (Part-A);
- ii. Transmission system associated with Gadawara STPS (2x800 MW) of NTPC (Part-B);
- iii. Connectivity lines for Maheshwaram (Hyderabad) 765/400kV Pooling S/s;
- iv. Transmission System for LTA of 400 MW for 2x500 MW Neyveli Lignite Corporation Ltd. TS-I (Replacement) (NNTPS) in Neyveli; and
- v. Transmission System Strengthening associated with Vindhyachal-V.

In order to initiate development of each of the above listed transmission systems, RECTPCL has incorporated two Wholly Owned Subsidiary (WOS) Companies namely "Gadawara (A) Transco Limited" and "Gadawara (B) Transmission Limited" on August 5, 2014 and July 30, 2014 respectively, relating to transmission projects detailed at Sl. No. (i) and (ii) above and the incorporation of other three subsidiary companies is under process.

#### 2. Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s).

Yes, REC encourages its subsidiary companies to participate in its Business Responsibility (BR) initiatives on a wide range of topics. Number of such subsidiary company(s) is one i.e. REC Power Distribution Company Limited.

#### 3. Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]

No.

## Section D : BR Information

### 1. Details of Director/Directors responsible for BR

- a) Details of the Director/Directors responsible for implementation of the BR policy/policies.

DIN: 01120152

Name: Shri Prakash Thakkar

Designation: Director (Technical)

- b) Details of the BR Head

Sl. No.	Particulars	Details
1.	DIN(if applicable)	01120152
2.	Name	Shri Prakash Thakkar
3.	Designation	Director (Technical)
4.	Telephone number	011-24367479
5.	e-mail id	thakkar@recl.nic.in

### 2. Principle-wise (as per NVGs) BR Policy/policies (Reply in Y/N)

The Ministry of Corporate Affairs, Government of India, in July 2011, came out with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business'. These guidelines contain the following 9 Principles which need to be adopted by companies as part of their business practices and a structured business responsibility reporting format requiring certain specified disclosures, demonstrating the steps taken by companies to implement the said principles.

- P1 - Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.
- P2 - Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
- P3 - Businesses should promote the well-being of all employees.
- P4 - Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
- P5 - Businesses should respect and promote human rights.
- P6 - Businesses should respect, protect and make efforts to restore the environment.
- P7 - Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
- P8 - Businesses should support inclusive growth and equitable development.
- P9 - Businesses should engage with and provide value to their customers and consumers in a responsible manner.

The principle wise responses are mentioned below:

Sl. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have policy/policies for...	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders	Y	Y	Y	Y	Y	Y	Y	Y	Y
3.	Does the policy conform to any national / international standards? If yes, specify?	Y	Y	Y	Y	Y	Y	Y	Y	Y
4.	Has the policy being approved by the Board? If yes, has it been signed by MD / owner / CEO / appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5.	Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6.	Indicate the link for the policy to be viewed online?	Y	Y	Y	Y	Y	Y	Y	Y	Y

Sl. No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8.	Does the Company have in-house structure to implement the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/ policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10.	Has the Company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	Y	Y	Y

The relevant explanation/ information/links are mentioned in the Annexure to this report.

**2a. If answer to Sl. No. 1 against any principle, is 'No', please explain why: (Tick up to 2 options)**

Not Applicable.

**3. Governance related to BR**

- **Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6months, Annually, More than 1 year.**  
On quarterly basis.
- **Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?**

Yes. REC publishes the Business Responsibility Report as part of its Annual Report. The hyperlink for viewing the Annual Report for the financial year 2013-14 is <http://recindia.gov.in/download/ar2013-14.pdf>

**Section E : Principle-wise performance**

**Principle 1- ETHICS, TRANSPARENCY & ACCOUNTABILITY**

**1. Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/No. Does it extend to the Group/Joint Ventures Suppliers/Contractors/ NGOs/ Others?**

REC is committed to act professionally, fairly and with integrity in all its dealings and has put in place a "Policy for prevention of Fraud" and "Whistle Blower Policy" which set forth obligations on part of every employee for prevention, detection and reporting of any act of fraud, bribery or corruption. REC has also framed Conduct, Discipline and Appeal (CDA) Rules which define code of conduct for employees and the acts of bribery, corruption etc. are included as misconducts on the part of employees. Central Vigilance Commission's (CVC) guidelines/instructions etc. are also followed in this regard. The above policies, rules, guidelines/instructions etc. are also applicable to the subsidiaries of REC and these (except CDA Rules) are available to other stakeholders like borrowers, banks, public, etc. Further, REC has adopted "Code of Business Conduct & Ethics for Board Members and Senior Management" which captures the behavioral and ethical standards. Further, in compliance of guidelines on Fair Practices Code of Reserve Bank of India (RBI), REC has also developed the Fair Practices Code (FPC) for its lending operations which intends to provide assurance to all the borrowers of the Company's commitment to fair dealing and transparency in its business transactions.

**2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.**

Under the Whistle Blower Policy and Fair Practices Code, the Company had not received any complaint during the financial year 2013-14. Further, the Company had received 8 general complaints during the year, relating to ethics, bribery and corruption and out of these, 4 complaints (50 %) were closed for want of verifiable facts and 4 complaints are under investigation.

The Company had received 604 and 2,997 complaints from Shareholders and Bondholders (Listed/Un-listed Debt Securities) respectively. All complaints of shareholders and Bondholders received during the year have been satisfactorily resolved and no complaint is pending at the end of financial year.

## Principle 2- SUSTAINABILITY IN LIFE-CYCLE OF PRODUCT

1. **List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.**

REC is conscious of the need for sustainable development in the country and our Project Finance business incorporates social and environmental concerns in its lending operations. The Company is also addressing the environmental concerns by way of providing finance for Clean & Renewable Energy projects. The Company also provides concessional interest rate loans and other financial support under RGGVY- initiative of Government of India, to meet the mission of 'electricity for all'. Further, the Company focuses on development of North-Eastern states under T&D, Generation & RGGVY programme.

2. **For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):**

Considering the nature of business of the Company and the products/initiatives referred to above, the questions below are not applicable to REC:

- i. **Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?**

As our products are financial services, the major resource consumed is paper. During the year, REC focused on reducing consumption of paper through printing and managing its paper procurement practices. REC has also outsourced the mechanism to collect waste papers from premises of the Company for recycling of the same.

- ii. **Reduction during usage by consumers (energy, water) has been achieved since the previous year?**

As the REC's products are financial services, resource consumption, like energy and water by consumers was minimal and efforts were made to further reduce it.

3. **Does the Company have procedures in place for sustainable sourcing (including transportation)? If yes, what percentage of your inputs was sourced sustainably?**

REC, being a Financial Institution, is relatively less resource intensive in terms of material inputs. Our major material requirements are office, communications and IT related equipments. Despite the limited scope of our procurement needs, we continue to take initiatives to ensure responsible sourcing in our supply chain. We have detailed procurement guidelines prescribing the procedure for our major procurements.

4. **Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

REC, being a Financial Institution, is relatively less resource intensive in terms of material inputs. However, we prefer locally available goods and services, other considerations being comparable. We are also following the Government of India's directives in respect of reservation for Small, Medium and Micro Enterprises in procurements.

5. **Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.**

The Company, being a financial institution, has limited applicability of mechanism to recycle products and waste. However, the Company has outsourced the mechanism to collect waste papers from premises of the Company for recycling of the same.

Further, we have also followed e-Waste (Management and Handling) Rules 2011 as notified by the Ministry of Environment & Forests (MoEF), Government of India, vide its notification dated May 12, 2011 with the specific aim of minimising and responsible disposal of the entire quantum of e-waste only through Government/ Pollution Control Board registered E-waste recyclers.

## Principle 3- EMPLOYEE WELL-BEING

1. **Please indicate the Total number of employees.**

As on March 31, 2014 the Company had 631 employees.

2. **Please indicate the Total number of employees hired on temporary/contractual/casual basis.**

During the financial year 2013-14, the Company had not hired any employees on temporary/contractual/casual basis. However, the Company utilizes the services of temporary staff through placement agencies based on requirements from time to time.

3. **Please indicate the Number of permanent women employees.**

As on March 31, 2014, the Company had 102 permanent women employees.

**4. Please indicate the Number of permanent employees with disabilities**

As on March 31, 2014, the Company had 10 permanent employees with disabilities.

**5. Do you have an employee association that is recognized by management?**

Yes, REC has recognized the Union of its non-supervisory permanent employees and the Association comprising of REC Executives.

**6. What percentage of your permanent employees is members of this recognized employee association?**

Eligible employees of the Company are members of the two representative bodies i.e REC Employees Union or REC Officers Association.

**7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.**

The Company has not received any complaints relating to child labour/forced labour/involuntary labour or sexual harassment in the last financial year and no complaint was pending as on March 31, 2014. Further, the Company neither engages in any form of child labour/forced labour/involuntary labour nor adopts any discriminatory employment practices. The Company has a proper framework for dealing with instances relating to sexual harassment and an NGO has also been included in the Committee as per Government's Directives.

**8. What safety & skill up-gradation training was provided in the last year?**

**Permanent Employees**

**Permanent Women Employees**

**Casual/Temporary/Contractual Employees**

**Employees with Disabilities**

Considering the nature of business of the Company the question has limited relevance in respect of safety.

Employee training and development is an essential element of the Company's strategy. REC has a proper training procedure and it does not differentiate on any parameters in terms of identifying and imparting training to its employees. REC's 58 % permanent employees, 68 % permanent women employees and 55 % permanent employees with disabilities, received skill up-gradation, health and attitudinal training during the financial year 2013-14 which amounts to 1,542 training man days.

The Company also has a training institute, "Central Institute for Rural Electrification" (CIRE) in Hyderabad, where various training programmes designed to meet the changing skill requirements of its employees are conducted. These training programmes include orientation sessions for new employees, programmes conducted by various functional academies, leadership mentoring programmes and other management development programmes for mid-level and senior executives.

#### Principle 4- STAKEHOLDER ENGAGEMENT

**1. Has the company mapped its internal and external stakeholders?**

Yes.

**2. Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders?**

Yes, the Company has identified the disadvantaged, vulnerable & marginalized stakeholders.

REC has adopted employee oriented policies relating to dependents of officials and staff deceased while in service, in line with the general laws and regulations and sound ethical practices followed Nationally, covering areas such as employee benefits, commitment to equal opportunity in recruitment and prevention of sexual harassment at the workplace which endeavour to provide an environment of care, nurturing and opportunity to accomplish professional aspiration. The Company is also following the guidelines/ directions issued by Government of India from time to time in respect of reservation for women and persons belonging to OBC/SC/ST/PH categories in recruitment.

Further, under Corporate Social Responsibility and Sustainability initiatives, the Company has also laid emphasis on providing Skill Development Training programmes for enhancing the employability of the rural youth from marginalized sections of the community, programmes for improving access to education to children from families from economically weaker sections of society, improving health care services for the poor and marginalized sections, including for the elderly and persons with disabilities and up-liftment and empowerment of women from underprivileged sections of society, in various parts of the country.

**3. Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.**

Yes, the Company regularly undertakes initiatives to engage with its internal and external disadvantaged, vulnerable and marginalized stakeholders.

REC also broadly follows the principles of “The UN Global Compact” in the areas of human rights, labour, environment and anti-corruption, which enjoy universal consensus.

Each year, the Company sets aside a percentage of its PAT, for CSR activities which engage the disadvantaged, vulnerable and marginalized stakeholders with the aim of social and economic upliftment of above mentioned stakeholders, helping them to lead lives of dignity and economic empowerment. Some of such initiatives undertaken during the financial year 2013-14, are as under:

1. Development of class room infrastructure in school for children from weaker sections in a village in a backward district of Uttar Pradesh;
2. Supporting children’s education, including deployment of a mobile ‘School on Wheels’ for bringing primary education to the doorstep of children of migrant workers at two construction sites in Maharashtra;
3. Supporting Installation of around 2,400 nos. of LED based Solar Street Lighting Systems in over 500 un-electrified and poorly electrified villages in Arunachal Pradesh and Madhya Pradesh;
4. Various projects for promotion of health care including for old age and persons with disabilities, drinking water and sanitation.

**Principle 5- PROMOTION OF HUMAN RIGHTS**

**1. Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/ Suppliers/ Contractors/ NGOs/Others?**

REC is an active member of “The UN Global Compact” and follows its principles in the areas of human rights, labour, the environment and anti-corruption, which enjoy universal consensus and are derived from the Universal Declaration of Human Rights, International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, Rio Declaration on Environment and Development and United Nations Convention Against Corruption.

Considering the nature of business of the Company, human rights cover only the Company and its subsidiary companies and further to protect the human rights of employees, REC has adopted employee oriented policies, in line with the general laws and regulations and sound ethical practices followed Nationally, covering areas such as employee benefits and prevention of sexual harassment at the workplace which endeavour to provide an environment of care, nurturing and opportunity to accomplish professional aspiration.

Further, the Company believes that a sustainable organization rests on a foundation of ethics and respect for human rights and the Company ensures diversity of workplace through efforts to recruit, develop and retain the most talented people from a diverse candidate pool. It upholds the principle that advancement is based on talent and performance and there is a commitment to equal opportunity. The Company also emphasizes on safe social environment, human well-being including a safe natural environment. It discourages conducts that implies granting or withholding favors or opportunities as a basis for decisions affecting an individual, in return for that individual’s compliance.

**2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

The Company did not receive any complaint in the area of human rights violations from stakeholders.

**Principle 6- ENVIRONMENTAL PROTECTION**

**1. Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/Suppliers/ Contractors/NGOs/others.**

The policy of Company pertaining to environmental protection is applicable to all our group companies. Furthermore, clients (borrowers) are required to be compliant to Environment & Social conditions in their operations.

**2. Does the Company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.**

REC is an active member of “The UN Global Compact” and follows its principles in the areas of human rights, labour, the environment and anti-corruption, which enjoy universal consensus and are derived from the Universal Declaration of Human Rights, International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, Rio Declaration

on Environment & Development and United Nations Convention Against Corruption. All relevant policies are available on Company's website i.e. [www.recindia.gov.in](http://www.recindia.gov.in)

REC has diversified its business activities by introducing special scheme for financing to promote Renewable Energy projects across the country with a view to address global environmental issues such as climate change, global warming etc.

REC initiated a project to estimate the sources of GHG emission from its operations, to quantify the emission levels and to identify the possible mitigation measures. The assignment was conducted by M/s Energy Efficiency Services Limited (EESL) as per ISO 14064 norms and also included "Energy Audit" of the Corporate building. The data was collated and analysed for 24 month period i.e. fiscal 2012 & 2013 for REC Corporate Office building and conversion parameters used were as per internationally accepted norms and databases. For the 24 month period, the GHG emission level for REC Corporate Office has been assessed as aggregate of 5,236 tons CO<sub>2</sub>-equivalent, comprising of Direct Emissions (874), Energy Indirect Emissions (1,845) and Other Indirect Emissions (2,517). Credits /offsets were also provided for the 16,400 non-solar Renewable Energy Certificates (equivalent to 15,458 tons of CO<sub>2</sub>), purchased on voluntary basis by REC as part of sustainable development expenditure in fiscal 2013. Thus, REC Corporate Office can be deemed to be 'carbon-neutral' as emissions are less than the mitigation measures.

**3. Does the Company identify and assess potential environmental risks? Y/N**

The above question is not applicable to the Company as it is not a manufacturing Company. However, REC identifies and assesses potential environmental and social risks in all the infrastructure projects which are financed by REC. REC has been in the forefront of integrating environmental risk assessment and mitigation into its overall investment risk assessment process. As part of the project appraisal, environment related issues are identified and detailed due diligence is carried out that includes site visits, secondary information collection and analysis, review of applicable compliances and consents.

**4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?**

REC has diversified its business activities by introducing special scheme for financing to promote Renewable Energy projects across the country with a view to address global environmental issues such as climate change, global warming, reduction of greenhouse gas emissions etc. However, the above question is not applicable directly to the Company as it is not a manufacturing Company.

**5. Has the Company undertaken any other initiatives on-clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

Yes. During the financial year 2013-14, under Sustainable Development, assistance was sanctioned for 7 projects aggregating ₹ 23.20 crore out of which ₹ 13.10 crore was incurred during the year itself. The projects inter alia include setting up a collaborative "Bhagidari" model for processing of Jute end-products in the Jute Cluster in Purnea, Bihar, installing Solar PV Smart Mini Grids in 5 Off-grid locations in Dhenkanal, Odisha, providing 4,000 Solar-Lanterns to affected households and installation of 100 Mobile-charging Solar Stations in Uttarakhand etc. The benefit of initiatives under Sustainable Development is expected to reach directly to about 1,60,000 beneficiaries. Indirect benefits may accrue to beneficiaries several times this number. The projects are in various stages of implementation by expert implementing agencies.

Further, REC initiated a project to estimate the sources of GHG emission from its operations, to quantify the emission levels and to identify the possible mitigation measures and the GHG emission level for REC Corporate Office has been assessed as aggregate of 5,236 tons CO<sub>2</sub>-equivalent, comprising of Direct Emissions (874), Energy Indirect Emissions (1,845) and Other Indirect Emissions (2,517). Credits /offsets were also provided for the 16,400 non-solar Renewable Energy Certificates (equivalent to 15,458 tons of CO<sub>2</sub>), purchased on voluntary basis by REC as part of sustainable development expenditure in fiscal 2013. Thus REC Corporate Office can be deemed to be 'carbon-neutral' as emissions are less than the mitigation measures.

For details of the Companies Sustainability initiatives, please refer to 'Report on Corporate Social Responsibility and Sustainability Activities', which forms part of this Annual Report.

**6. Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

The above question has limited relevance to the Company as it is not a manufacturing Company. However, the Company complies with applicable environmental regulations in respect of the premises and operations.

**7. Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of financial year.**

REC has not received any show cause/legal notices from CPCB/SPCB.

## Principle 7- RESPONSIBLE PUBLIC POLICY ADVOCACY

1. **Is your Company a member of any trade and chamber or association? If yes, name only those major ones that your business deals with.**

Yes. REC is a member of World Energy Council, The Federation of Indian Chambers of Commerce and Industry (FICCI), Central Board of Irrigation & Power (CBIP), Standing Conference of Public Enterprises (SCOPE), The Associated Chambers of Commerce and Industry of India (ASSOCHAM), Power HR Forum, India CFO Forum, All India Management Association (AIMA), Institute of Public Enterprises (IPE) and Global Compact.

The CMD and Whole-time Directors of the Company participate in various committees/ working groups constituted by the Ministry of Power, Government of India.

2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes / No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)**

The Company has raised issues relating to clean technology, energy efficiency, and renewable energy at different platform of above associations from time to time.

The Company is also working on several CSR initiatives for creation of infrastructure for public good like school building, sanitation facilities in school, sewage treatment plant in Government hospital, auditorium, girls hostel etc. besides initiatives in the field of job oriented Skill Development, Rural Electricity Delivery Model, Education, Health Care including initiatives for care of elderly and persons with disabilities, Rural Industry Promotion and Promotion of Non-conventional Energy sources etc. Further, the Company also provides funding for research & development work.

## Principle 8- INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT

1. **Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.**

REC has a CSR policy, formulated in terms of Guidelines on 'Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises' issued by the Department of Public Enterprises (DPE) that reflects its objective of economic and social development. The specific programme/ initiatives/ projects have been undertaken in pursuit of the REC CSR Policy. Detailed information about the specified programmes and initiatives undertaken during the financial year 2013-14 in pursuit of the policy, has been given in 'Report on Corporate Social Responsibility and Sustainability Activities', which forms part of this Annual Report.

Further, REC is the Nodal Agency for overseeing the implementation of Government of India's flagship program i.e. Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), which is aimed at providing Rural Electricity Infrastructure and access to electricity to all rural households. It also provides for free of cost connections to all rural households living below poverty line.

RGGVY also provides grants for Decentralised Distributed Generation (DDG) projects from conventional or renewable non-conventional sources such as Biomass, Biogas, Micro Hydro, Wind, Solar etc. for villages where grid connectivity is either not feasible or not cost effective. In XII five year plan, DDG will also be extended to grid connected areas to supplement the availability of power in areas where power supply is less than six hours a day.

2. **Are the programmes/projects undertaken through in-house team/own foundation/ external NGO/government structures/any other organization?**

Most of the CSR projects/initiatives of the Company are being carried out with the help of specialized agencies in line with their focus areas of operations, which are either Government Organization/Semi-Government/ PSU/ Autonomous Organization/Section 25 Companies or empanelled Agencies with the DPE designated National CSR Hub, and/or have past work experience with Government/Semi-Government/PSU/ Autonomous Organizations for similar works.

3. **Have you done any impact assessment of your initiative?**

REC under its CSR Policy, has a system of reviewing its initiatives wherein progress of major initiatives is monitored and evaluated along with its impact.

Further, REC continuously seeks feedback to understand the impact of its select initiatives which also includes visits by its own teams to the various projects funded by the Company.

**4. What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken?**

During the financial year 2013-14, a budget @ 1 % of Profit After Tax (PAT) of previous year was allocated towards CSR and SD activities. During the year, the Company has undertaken various CSR & SD initiatives in the fields of Skill Development/ Up-gradation programmes, education, promotion of non-conventional sources of energy, promotion of Health care including for old age and persons with disabilities, drinking water and sanitation, installing Solar PV Smart Mini Grids, providing Solar-Lanterns to affected households and installation of Mobile-charging Solar Stations at various locations/ districts across the country. During the financial year 2013-14, under Corporate Social Responsibility and Sustainable Development, financial assistance aggregating to ₹ 66.61 crore was sanctioned and ₹ 38.40 crore was disbursed for various projects.

For details of projects undertaken, please refer to 'Report on Corporate Social Responsibility and Sustainability Activities', which forms part of this Annual Report.

**5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words or so.**

The Company, under its CSR initiatives, encourages the active engagement of key stakeholders such as the community, Government Agency/Department, NGOs and other local institutions in the project planning and implementation to facilitate developing and building community ownership while ensuring the sustainability of the programmes. Feedback of the community is suitably incorporated in developing further such programmes in same or other locations.

### Principle 9- CUSTOMER VALUE

**1. What percentage of customer complaints/consumer cases are pending as on the end of financial year?**

All the complaints (including two investors' complaints pending at the beginning of the year) received from various stakeholders in the reporting period have been resolved and there are no complaints pending as at the end of financial year.

**2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks (additional information)**

The above is not applicable, as the Company is not a manufacturing Company. However, the Company ensures that adequate disclosures are made relating to its products and services with respect to financing of projects.

**3. Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so.**

There is no case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last 5 years.

**4. Did your Company carry out any consumer survey/ consumer satisfaction trends?**

The Company believes in providing best services to its customers. Time to time meeting(s) with customers is organized to understand their expectations and essentially to gauge our competitiveness in the business. Feedbacks received from customers are implemented to enhance quality of service.

For and on behalf of the Board of Directors



**(Rajeev Sharma)**

Chairman & Managing Director  
(DIN 00973413)

**ANNEXURE TO BUSINESS RESPONSIBILITY REPORT**

P1	<p>Sl. No. 3-The Company has a Policy for Prevention of Fraud in REC, Code of Business Conduct and Ethics and Whistle Blower Policy. The Policy for Prevention of Fraud is broadly to provide a system for detection and prevention of fraud, reporting of any fraud that is detected or suspected and fair dealing of matters pertaining to fraud. Further, as per the requirement of corporate governance under the Listing Agreement, the Company framed Code of Business Conduct and Ethics based on professional and ethical standards, which the Company believes all its employees should adopt. The Whistle Blower Policy broadly conforms to the standards set by the Office of CVC.</p> <p>Sl. No. 6- The Policy for Prevention of Fraud and Code of Business Conduct and Ethics are available on the website <a href="http://recindia.gov.in/download/prevention_fraud_policy.pdf">http://recindia.gov.in/download/prevention_fraud_policy.pdf</a> and <a href="http://recindia.gov.in/download/code_conduct.pdf">http://recindia.gov.in/download/code_conduct.pdf</a>. The other policies are internal documents and accessible only to employees of the organization.</p>
P2	<p>Considering the nature of the Company's business, this Principle has limited applicability to the Company. The Company complies with regulations governing its products and services and has taken initiatives to promote inclusive growth and environmental sustainability.</p>
P3	<p>Sl. No. 3- In line with the general laws and regulations and sound ethical practices followed Nationally, the Company has adopted employee oriented policies covering areas such as employee benefits and prevention of sexual harassment at the workplace which endeavour to provide an environment of care, nurturing and opportunity to accomplish professional aspirations.</p> <p>Sl. No. 6- These policies can be viewed physically or online only by the employees of the organization.</p>
P4	<p>The principle enunciates the aspect of being responsive towards all stakeholders especially those who are disadvantaged, vulnerable and marginalized and the Company does not have a specific policy in place for this. The Company has set processes in place to achieve the objectives. In addition, the Company works towards inclusive growth through interventions in areas like Skill Development leading to creation of employment opportunities, Rural Electricity Delivery Model, Education, Health Care including initiatives for care of elderly and persons with disabilities, Rural Industry Promotion and Promotion of Non-Conventional Energy sources etc.</p>
P5	<p>Sl. No. 3- The Code of Business Conduct &amp; Ethics (Code) which has been adopted by the Company addresses the requirements of this principle. The Code emphasizes fair employment practices &amp; diversity, fair competition, prohibition of harassment &amp; intimidation and safety at the workplace.</p> <p>Sl. No. 6- The Code of Business Conduct and Ethics is available on the website at <a href="http://recindia.gov.in/download/code_conduct.pdf">http://recindia.gov.in/download/code_conduct.pdf</a>.</p>
P6	<p>The aspects outlined under this Principle are not relevant to the nature of business of the Company. The Company complies with applicable environmental regulations in respect of its premises and operations. Further, the Company participates in initiatives towards addressing environmental issues. The Company also requires the borrowers of project loans to comply with the various national environmental standards/ requirements.</p>
P7	<p>While there is no specific policy outlined for this principle, the Company is working with the state governments and other organisations to promote initiatives in the field of Skill Development leading to creation of employment opportunities, Rural Electricity Delivery Model, Education, Health Care including initiatives for care of elderly and persons with disabilities, Rural Industry Promotion and Promotion of Non-Conventional Energy sources. Further, the Company provides funding for research &amp; development.</p> <p>The CMD and Whole-time Directors of the Company participate in various committees/ working groups constituted by the Ministry of Power, Government of India.</p>
P8	<p>While there is no specific policy outlined for this principle, REC has incurred expenditure under CSR Initiatives on various projects pertaining to Skill Development leading to creation of employment opportunities, Rural Electricity Delivery Model, Education, Health Care including initiatives for care of elderly and persons with disabilities, Rural Industry Promotion and Promotion of Non-Conventional Energy sources etc.</p>
P9	<p>Sl. No. 3- The Company has Fair Practices Code and Grievance Redressal Form for Loans which conforms to the guidelines issued by Reserve Bank of India in this regard.</p> <p>Sl. No. 6- The above Code /Form can be viewed online on <a href="http://recindia.gov.in/download/fair_practice_code.pdf">http://recindia.gov.in/download/fair_practice_code.pdf</a> and <a href="http://recindia.gov.in/download/griev_redressal_form_loans.pdf">http://recindia.gov.in/download/griev_redressal_form_loans.pdf</a> ; respectively.</p>
	<p><i>All policies and processes are subject to audits and reviews done internally in the Company from time to time.</i></p>

## ANNEXURE-V TO DIRECTORS' REPORT

## SECRETARIAL AUDIT REPORT

To

The Shareholders

Rural Electrification Corporation Limited

Core 4 Scope Complex

7 Lodhi Road

New Delhi

We have examined the registers, records and documents of Rural Electrification Corporation Limited (the Company) for the financial year ended March 31, 2014 in the light of the provisions contained in-

- The Companies Act, 1956 and the Rules made thereunder;
- The Depositories Act, 1996 and the Regulation made thereunder;
- The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; and
- The Listing Agreement entered into by the Company with Stock Exchanges having nation-wide trading terminals.

A. Based on our examination and verification of the records made available to us and according to the clarifications and explanations given to us by the Company, we report that the Company has, in our opinion, complied with the applicable provisions of the Companies Act, 1956 and the rules made thereunder and of the various Acts and the Rules, Regulations and Guidelines made thereunder, Listing Agreement as mentioned above and of the Memorandum and Articles of Association of the Company, with regard to:

1. Maintenance of various statutory and non-statutory registers and documents and making necessary changes therein as and when the occasion demands.
2. Filing with the Registrar of Companies the Forms, returns and resolutions.
3. Service of the requisite documents by the Company on its members, Registrar and Stock Exchanges.
4. Composition of the Board, appointment, retirement and resignation of directors.
5. Remuneration of executive and non executive directors.
6. Service of notice and agenda of Board Meetings and Meetings of the committee of directors.
7. Meeting of the Board and its committees.

8. Holding Annual General Meeting and production of the various registers thereat.
9. Recording the minutes of proceedings of Board Meetings, Committee Meetings and General Meetings.
10. Appointment and remuneration of Auditors.
11. The Company has declared dividend and paid to the eligible shareholders in compliance with the provisions of Section 205 of the Act during the year.
12. Registration of transfer of shares held in physical mode.
13. Dematerialisation and Rematerialisation of shares.
14. Execution of contracts, affixation of common seal, registered office and the name of the Company.
15. Requirement of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
16. Requirement of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.
17. Requirements set out in the Listing Agreement with the Stock Exchanges having nation-wide trading terminals **except the Composition of Independent Director in terms of Clause 49 of the Listing Agreement.**

B. We further report that-

the Company has complied with various requirements relating to disclosures, declarations made by the Directors with respect to directorships, memberships of committees of the Board of Companies of which they are directors, their shareholding and interest of concern in the contracts entered into by the Company in the pursuing its normal business.

There was no prosecution initiated against or show cause notice received by the Company and no fine or penalties were imposed on the Company under the aforementioned Acts, Rules, Regulations and Guidelines made thereunder or on its directors and officers.

For Chandrasekaran Associates  
Company Secretaries

Dr. S Chandrasekaran

Senior Partner

FCS: 1644

CP : 715

New Delhi

May 20, 2014

ANNEXURE-VI TO DIRECTORS' REPORT

**STATEMENT PURSUANT TO SECTION 212 (1) (e) OF THE COMPANIES ACT, 1956  
RELATING TO SUBSIDIARY COMPANIES.**

(₹ in crore)

Sl. No.	Name of the Subsidiary	REC Transmission Projects Company Limited (RECTPCL)	REC Power Distribution Company Limited (RECPDCL)	Nellore Transmission Limited (NTL)	Baira Siul Sarna Transmission Limited (BSSTL)	NRSS XXIX Transmission Limited	NRSS XXXI (A) Transmission Limited	NRSS XXXI (B) Transmission Limited
1	Financial year of the Subsidiary ended on	March 31, 2014	March 31, 2014	March 31, 2014	March 31, 2014	March 31, 2014	March 31, 2014	March 31, 2014
2	Date from which they became Subsidiary	January 8, 2007	July 12, 2007	December 4, 2012	January 24, 2013	July 29, 2013	July 29, 2013	July 29, 2013
3	Shares of the Subsidiary held by the Company as on March 31, 2014.							
	a) Number & face value	50,000 equity shares of ₹ 10/- each	50,000 equity shares of ₹ 10/- each	50,000 equity shares of ₹ 10/- each	50,000 equity shares of ₹ 10/- each	50,000 equity shares of ₹ 10/- each	50,000 equity shares of ₹ 10/- each	50,000 equity shares of ₹ 10/- each
	b) Extent of holding	100 % shares held by REC	100 % shares held by REC	100 % shares held by RECTPCL	100 % shares held by RECTPCL	100 % shares held by RECTPCL	100 % shares held by RECTPCL	100 % shares held by RECTPCL
4	The net aggregate amount of the Subsidiary Companies Profit/(Loss) so far as it concerns the members of the Holding Company.							
	(a) Not dealt within the Holding Company's accounts:-							
	(i) For the financial year ended March 31, 2014.	23.85	32.96	-	-	-	-	-
	(ii) Up to the previous financial year of the Subsidiary Company.	45.12	27.47	-	-	-	-	-
	(b) Dealt with in the Holding Company's accounts:-							
	(i) For the financial year ended March 31, 2014.	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	(ii) For the previous financial year of the Subsidiary Company since they became the holding Company's Subsidiaries.	0.20	0.25	NIL	NIL	-	-	-

**Notes:**

- (i) 100 % equity shares of (a) Nellore Transmission Limited (NTL); (b) Baira Siul Sarna Transmission Limited (BSSTL); (c) NRSS XXIX Transmission Limited; (d) NRSS XXXI (A) Transmission Limited; and (e) NRSS XXXI (B) Transmission Limited, are held by REC Transmission Projects Company Limited (RECTPCL) which is the wholly owned subsidiary of the Rural Electrification Corporation Limited (REC) and in terms of Section 4 (1) (c) of the Companies Act, 1956, these Companies are also Subsidiary Companies of REC as on March 31, 2014.
- (ii) Since then NRSS XXXI (A) Transmission Limited and NRSS XXXI (B) Transmission Limited have been transferred to M/s Power Grid Corporation of India Limited and M/s Essel Infraprojects Limited, respectively, on May 12, 2014; and NRSS XXIX Transmission Limited has also been transferred to M/s Sterlite Display Technologies Private Limited (investing affiliate of Sterlite Grid Limited) on August 4, 2014.

**(J. S. Amitabh)**  
GM & Company Secretary

**(Ajeet Kumar Agarwal)**  
Director (Finance)

**(Rajeev Sharma)**  
Chairman and Managing Director

## REPORT ON CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY ACTIVITIES

The Department of Public Enterprises (DPE) had issued revised guidelines on 'Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises' (Guidelines), effective from April 1, 2013. Accordingly, REC's 'Policy on Corporate Social Responsibility & Sustainability', as aligned with the above Guidelines, was approved by the Board of Directors of the Company in its 395<sup>th</sup> Meeting held on May 28, 2013 and same was effective from April 1, 2013.

### 1. APPROACH TO CORPORATE SOCIAL RESPONSIBILITY

During the financial year 2013-14, the Corporate Social Responsibility (CSR) initiatives of the Company were continued with a view to integrate REC's business operations with social processes while recognizing the interests of its stakeholders. CSR projects were linked with the principle of sustainable development. The strategic focus was aimed at CSR initiative towards fulfilling the National Plan goals and objectives including Millennium Development Goals ensuring the gender sensitivity, skill enhancement, entrepreneurship and employment generation by co-creating value with local institutions/ people. While identifying CSR initiatives, the Company has adopted an integrated approach to address the community, societal and environmental concerns in terms of triple bottom line approach. CSR strategy has been developed with action plan in project-based accountability approach. Most of the CSR activities have been implemented in project-mode, with baseline survey, specified time-frame, identified milestones and periodic monitoring. Disbursement of allocated funds under CSR was linked with achievement of the milestones and deliverables.

The Company's commitments for CSR and Sustainable Development (SD) over the last three years are as under:

(₹ in crore)

Year	% of Previous Year PAT	Amount Budgeted	Amount Committed (Sanctions)	Amount Disbursed
2011-12	0.5 %	12.85	14.10	12.99
2012-13	0.5 %	14.09	18.87	14.19
2013-14	1 %	38.18	66.61	38.40

### 2. IMPLEMENTATION OF CSR INITIATIVES

CSR Budget @ 1 % of Profit after Tax (PAT) of the previous year amounting to ₹ 38.18 crore was allocated for CSR activities for the financial year 2013-14, with the approval of the Board of Directors by passing a Board Resolution in their 394<sup>th</sup> Meeting held on March 18, 2013.

Sustainable CSR and Sustainability projects were identified and sanctioned financial assistance aggregating to ₹ 66.61 crore, mainly in six thematic areas, viz. Job Oriented Skill Development Programme, Education, Promotional of Non-Conventional Energy Sources, Promotion of Health Care, including care for elderly and persons with disabilities, Others (Including Rural Development, Women Empowerment), and Sustainability and other heads.

Summary of the CSR and Sustainable Development activities taken up during the financial year 2013-14, thematic area wise with the amount disbursed during the year and estimated numbers of targeted direct beneficiaries are as under:

Sl. No.	Name of the Project heads	Amount Disbursed (₹ in crore)	Estimated Targeted Direct Beneficiaries (in Nos.)
1	Job oriented Skill Development leading to creation of employment opportunities	6.97	2,987
2	Education	3.28	30,063
3	Promotion of Non-conventional Energy sources	4.05	4,62,750
4	Promotion of Health care including for old age and persons with disabilities, drinking water and sanitation	5.58	53,635
5	Project Based Others (Including rural Development, Women Empowerment and Contribution for relief and rehabilitation activities for calamity affected states)	5.00	1,84,800

Sl. No.	Name of the Project heads	Amount Disbursed (₹ in crore)	Estimated Targeted Direct Beneficiaries (in Nos.)
6	Sustainable Development	13.11	7,59,888
7	Misc. Expenditure -CSR Impact Evaluation / need assessment studies & CSR Training etc.	0.17	-
8	Non-Project Based	0.24	43
	<b>Total</b>	<b>38.40</b>	<b>14,94,166</b>

The following major project based CSR activities were initiated under the various thematic areas during the financial year 2013-14, in various parts of the country:

**(a) Skill Development**

The Company supported Job Oriented Skill Development/Up-gradation programmes in identified power sector related trades in 12 Backward Districts in 8 States, in terms of Annexure II of DPE Guidelines relating to backward districts identified by the Planning Commission for Backward Regions Grant Fund (BRGF), covering 2,987 beneficiaries belonging to SC/ST/Economically Weaker sections of society, including women. The details of skill development training programmes undertaken and number of persons to whom training was provided, during the year are as below:

Sl. No.	Name of the State	No. of persons received training
1	Madhya Pradesh	911
2	Uttar Pradesh	253
3	Odisha	566
4	Tamil Nadu	250
5	Rajasthan	250
6	Punjab	361
7	Chhattisgarh	250
8	Haryana	146
	<b>Total</b>	<b>2,987</b>

The youth were provided certification based Skill development Training in various trades like Electrician, Site Accountant, Land Surveyor, Lab Technician, Masonry, General works Supervisor, Data Entry Operator, CNC Operator, Welding Technician, and Industrial Fitter.



CMD, REC, at the inauguration of Skill Development Programme in Madhya Pradesh



Trainees of Skill Development Programme in Punjab during practical training

**(b) Education:**

The Company identified and took up the following major projects in the thematic area of Education:

- (i) Development of class room infrastructure in school for children from weaker sections in a village in a backward district of Uttar Pradesh;
- (ii) Development of Infrastructure facilities at 18 Government schools in a district in Odisha;
- (iii) Construction of a building for Girls Hostel for about 160 girl students in THDC Institute of Hydro Power Engineering & Technology in Uttarakhand;
- (iv) Setting up and operation of 80 nos. School libraries in Government Primary Schools in four states, Delhi, Chhattisgarh, Uttarakhand and Andhra Pradesh;
- (v) Supporting residential coaching programme for entrance examinations for admission to IIT/NIT and other leading engineering institutes for 20 underprivileged talented students selected from Chhattisgarh, Odisha, Bihar, Delhi and Jammu & Kashmir;
- (vi) Supporting the 'Every Child Counts Project for Parents Participation in Children's Education', including deployment of a mobile 'School on Wheels' for bringing primary education to the doorstep of children of migrant workers at two construction sites in Maharashtra;
- (vii) Supporting setting up sanitation facilities in 7 government schools in a district in Haryana;
- (viii) Supporting construction of a new class room block of six rooms in at tsunami ravaged Government Higher Secondary School in Kerala; and
- (ix) Supporting construction of auditorium building in a Government Higher Secondary School in Kerala.



CMD, REC, exchanging MoU with CMD, THDCIL for construction of a building for Girls Hostel in Engineering Institute in Uttarakhand



CMD, REC, at the inauguration of residential coaching programme for admission to IIT/NIT and other leading engineering institutes, in presence of other senior officials of REC

**(c) Promotion of Non-conventional Energy sources**

The Company has taken up the following projects for improvement of socio-economic conditions of remote rural villages by promotion of non-conventional sources of energy:

- (i) Supporting extending of solar lighting services to 60 un-electrified/poorly electrified villages in two districts each in Assam and Odisha towards promoting greater environmental responsibility and encouraging development and diffusion of environmentally friendly technologies;



Newly constructed class room block at tsunami ravaged Government Higher Secondary School in Kerala



Solar charging station set up in Assam for extension of solar lighting services in un-electrified/poorly electrified villages



Smart Green Power Project in un-electrified hamlets/habitations in Rajasthan



LED based Solar Street Lighting Systems in un-electrified and poorly electrified villages in Madhya Pradesh

- (ii) Supporting setting up of Smart Green Power Project in 14 un-electrified hamlets/habitations in Rajasthan, with the objective of bringing clean and sustainable grid-level power; and
- (iii) Supporting Installation of around 2,460 nos. LED based Solar Street Lighting Systems in over 500 unelectrified and poorly electrified villages in Arunachal Pradesh and Madhya Pradesh;

**(d) Promotion of Health care including for old age and persons with disabilities, drinking water and sanitation:**

The Company has taken up the following major projects for promotion of health care including for old age and persons with disabilities, drinking water and sanitation:

- (i) Supporting distribution of Aids and Appliances to persons with disabilities located at various locations/ districts of Uttar Pradesh, Madhya Pradesh, Andhra Pradesh, Tamil Nadu, Maharashtra, Assam, Bihar, Jharkhand, Jammu and Kashmir and Odisha;
- (ii) Supporting construction of an Old Age Home for elderly widows in Uttar Pradesh with the aim of restoration of lives of dignity and care for marginalized and impoverished elderly widows;
- (iii) Supporting construction of one rehabilitation centre for mentally retarded & physically challenged children in New Delhi, to make them self-confident, self-dependent by providing them appropriate method of education and vocational training facilities required to lead a normal life;
- (iv) Supporting construction of sanitation facilities in 235 homes in remote village in a district of Uttar Pradesh having no sanitation facilities;
- (v) Deployment of one Mobile Van and equipment of Day Care Physiotherapy Unit & Occupational Therapy Unit for reconstructive surgery and rehabilitation of the physically disabled people at a rehabilitation center located in Andhra Pradesh, helping them to improve their quality of lives with greater independence;
- (vi) Deployment of one vehicle for transportation of mentally challenged students of a rehabilitation center in Assam;
- (vii) Deployment of two Mobile Medical Units (one each) for reaching primary health services to people from underprivileged sections of society in few villages in Uttar Pradesh and Madhya Pradesh, through curative, preventive and promotive services at their doorsteps;



CMD, REC, handing over keys of Mobile Medical Unit for reaching primary health services in few villages in Uttar Pradesh, in presence of other senior officials of REC

- (viii) Deployment of equipment for advanced eye care surgery for people from weaker sections in an eye hospital in Uttar Pradesh;
- (ix) Supporting corrective surgeries for 1,000 polio affected and born disabled children from weaker sections of society and distribution of 500 calipers with crutches for rehabilitation of the patients;
- (x) Supporting cataract diagnosis and surgeries for 500 people from weaker sections of society; and
- (xi) Supporting the programme, "Bringing Safe Drinking Water to three villages in Andhra Pradesh", to provide access to safe drinking water to rural community.

**(e) Project based others (including Rural Development, Women Empowerment and Contribution for relief and rehabilitation activities for calamity affected states)**

- (i) Development of an Eco Park and road up to Eco Park, in a village in Karnataka, with the objective of promoting environmental preservation, improving ecological balance and preventing environmental degradation;
- (ii) Construction of one culvert between two villages in Uttar Pradesh, with the objective of mitigating hardships for the local community, improving quality of lives and improving socio-economic conditions of the area, having long term impact for about 5,000 rural population of the two villages as well as neighbouring villages;
- (iii) Integrated Village Development in three underdeveloped villages, one each in Uttar Pradesh, Odisha and Chhattisgarh, with the objective of improving the quality of life of people living in these villages, covering the thrust areas on Community Mobilization, Education Intervention, Vocational Training, Women Empowerment, Healthcare and Sanitation;
- (iv) Contribution of ₹ 1.00 crore to Chief Minister's Relief Fund for relief and rehabilitation activities in Cyclone affected areas in Odisha;
- (v) Contribution of ₹ 2.00 crore for relief and rehabilitation activities in flood ravaged areas of Uttarakhand, to be steered by sister PSU, THDC India Limited;
- (vi) Skill development and livelihood support programmes in Apparel and Dress Making, Handcrafts making, Aari & Zardozi, Handicrafts, and Beauty Culture for 600



*CMD, REC, inaugurating Safe Drinking Water plant to provide access to safe drinking water to rural community in a village of Andhra Pradesh, in presence of other senior officials of REC*



*Hon'ble Chief Minister, Odisha, being handed over cheque of ₹ 1.00 crore by CMD, REC, towards contribution to Chief Minister's Relief Fund, in presence of other senior officials of REC*



*Director (Technical), REC handing over cheque of ₹ 2.00 crore to CMD, THDCIL towards contribution for relief and rehabilitation activities in flood ravaged areas of Uttarakhand, in presence of other senior officials of REC*



*Women beneficiaries undergoing training at Women Empowerment Center in Uttar Pradesh*

women from Bihar and Uttar Pradesh, with the objective of reducing poverty and bringing socio-economic empowerment to the underprivileged women by enhancing their choices and opportunities for better livelihoods, higher incomes and secure future for their children through counselling and training; and

(vii) Supporting Revival of Crafts Heritage and Providing Sustainable Livelihood to around 1,000 artisans in Gujarat.

#### (f) Implementation of REC Sustainability Initiatives

During the financial year 2013-14, under Sustainable Development, assistance was sanctioned for 7 projects aggregating ₹ 23.20 crore out of which ₹ 13.10 crore was incurred during the year itself. The benefit from these projects is expected to reach directly to about 1,60,000 beneficiaries. Indirect benefits may accrue to beneficiaries several times this number. The projects are in various stages of implementation by expert implementing agencies. A brief of some notable projects is as follows:

- (i) “Carbon Footprint study of REC Corporate Office and Minimisation” – Business operations and manufacturing processes of organisations by virtue of usage of energy, materials, machines and human activity, have an adverse impact on the environment, being directly or indirectly responsible for green-house gas (GHG) emission. In perhaps a first such initiative by a listed public sector enterprise, REC initiated a project to estimate the sources of GHG emission from its operations, to quantify the emission levels and to identify the possible mitigation measures. The assignment was conducted by M/s Energy Efficiency Services Limited (EESL) as per ISO 14064 norms and also included “Energy Audit” of the Corporate building. The data was collated and analysed for 24 month period i.e. fiscal 2012 & 2013 for REC Corporate Office building and conversion parameters used were as per internationally accepted norms and databases. For the 24 month period, the GHG emission level for REC Corporate Office has been assessed as aggregate of 5,236 tons CO<sub>2</sub>-equivalent, comprising of Direct Emissions (874), Energy Indirect Emissions (1,845) and Other Indirect Emissions (2,517). Credits /offsets were also provided for the 16,400 non-solar Renewable Energy Certificates (equivalent to 15,458 tons of CO<sub>2</sub>), purchased on voluntary basis by REC as part of sustainable development expenditure in fiscal 2013. Thus REC Corporate Office can be deemed to be ‘carbon-neutral’ as emissions are less than the mitigation measures. The assignment was successfully completed well within the committed timelines.
- (ii) The results of the exercise were also validated by an independent, UNFCCC accredited, third party agency namely M/s Bureau Veritas, which finally issued an assurance statement as per ISO 14064-1:2006 vide certificate dated December 16, 2013.
- (iii) In another sustainability project being executed by The Energy Resources Institute (TERI), REC has provided assistance for Setting up a collaborative “Bhagidari” model for processing of Jute end-products in the Jute Cluster in Purnea, Bihar, with about 36 nos. automatic looms and provision of 2x100 kW biomass-gasifier based



decentralized electricity generation for reliable and assured power supply for the looming machines. The project cost is estimated to be ₹ 572 Lakh out of which REC is co-funding this project to the extent of ₹ 221 Lakh alongwith other partners including REEEP (Renewable Energy and Energy Efficiency Partnership), which is a reputed international body. The project will be implemented over a period of two years. The strength of the model is the institutional framework that is being mobilized, comprising of multiple agencies collaborating for the project. The project is expected to demonstrate integration of locally available biomass/ rice husk for renewable electricity generation using biomass gasification technology for Jute processing cluster. With reliable and assured power supply, the automatic looming machines being set up under the project are likely to enhance the share of jute processing in the state of Bihar besides creating local employment with a focus towards women. The project is expected to generate awareness and knowledge sharing with focus on replicable extensions to other clusters.

- (iv) A project for installing Solar PV Smart Mini Grids in 5 Off-grid locations in Dhenkanal, Odisha, was also implemented during the year. The target villages are un-electrified, and have the least chance of getting access to electricity, as they lie inside the Kandhara Reserve Forest near the 'elephant corridor' located in Hindol Block, of Dhenkanal district of Odisha. REC funded about 30 % of the project cost for an amount of ₹ 21.65 Lakh and the remaining part having been funded by international bodies. All the mini-grids have been commissioned.
- (v) REC extended a helping hand during the unprecedented calamity that struck Uttarakhand during the year by launching a project for providing 4,000 Solar-Lanterns to affected households and installation of 100 Mobile-charging Solar Stations in Uttarakhand, particularly in areas like Ukhimath, Kalimath, Phata where the devastation caused by flash floods and cloud burst was more severe. The assistance of ₹ 1.10 crore was channelized through the Uttarakhand Renewable Energy Development Agency (UREDA).
- (vi) Under the sustainability initiatives, REC has sought to install 5 kWp each, Solar PV rooftop plants in 16 residential schools in 9 backward districts of Odisha, owned by the ST & SC Development Department of Government of Odisha, at an aggregate cost of ₹ 202.40 Lakh. Of the above 16 schools, 9 schools are exclusive "girls" schools with predominantly SC/ST background. 65 % of total students are girl students. The total strength of the 16 schools covered is 6,782 students out of which 5,718 students stay in the hostels. The baseline survey reveals that average grid supply is for 6.7 hours per day in these identified schools and that too is generally not available during evening peak hours. The solar roof top plant will provide fully reliable and assured supply on almost 24 hours basis.
- (vii) In another ambitious project being implemented by the Solar Energy Corporation of India (SECI), REC sanctioned assistance of ₹ 17.20 crore for distribution of about 1,50,000 solar lanterns of advanced design.
- (viii) The lantern will be able to provide two days (8 hrs each) of continuous lighting once charged. SECI has developed rugged and advance design lanterns with models having 1 to 2 Watt LED light source with different illumination angles and lead acid as well as lithium ion batteries. Promoting the usage of solar lanterns for rural home-lighting is expected to add to economic prosperity and quality of life for rural India. The project scale is large and has the potential for employment generation from the supply chain and O&M activities, thus resulting in greater inclusion of villagers.

### 3. INSTITUTIONAL FRAMEWORK FOR CSR

The Corporate Social Responsibility Committee of Directors of the Company, headed by an Independent Director, oversees the CSR activities and reviews them periodically in line with the directions of the Board of Directors. Each project is considered by two levels of screening committees, i.e., (i) a first level Committee of officials of DGM/AGM Level and, (ii) a Senior level Committee, headed by Executive Director level official of the Company and thereafter, seen in Finance, and reviewed by the CSR Committee of Directors, before seeking approval of the Board of Directors for sanction of financial assistance under CSR. Progress reports of the CSR activities are also submitted to the Corporate Social Responsibility Committee of Directors and to the Board of Directors, REC from time to time.

Most of the CSR projects/initiatives of the Company are being carried out with the help of agencies in line with their focus

areas of operations, which are either empanelled with Tata Institute of Social Sciences/any other accredited agencies, and/ or have past work experience of working with Government/semi-Government/autonomous organizations or through PSUs/ Government bodies, or by tying up with other PSUs.

#### 4. IMPLEMENTATION PROGRESS/MONITORING GUIDELINES FOR CSR PROJECTS

In line with REC Policy on CSR and Sustainability, and in line with DPE Guidelines, most of the CSR initiatives are being implemented in 'Project' mode, implementation of which is monitored from time to time, so as to enable achievement of project objectives, as per Implementation Progress/Monitoring Guidelines for CSR Projects approved by the Board of Directors during the financial year 2013-14.

#### 5. EVALUATION OF SELECTED PROJECTS

Evaluation of the following selected projects in five chosen areas of CSR initiatives taken up by the Company was assigned to Tata Institute of Social Sciences (TISS):

CHOSEN AREAS	PROJECTS	LOCATIONS
Education	Setting up of libraries in Government schools	Delhi and Uttrakhand
Promotion of Non-Conventional Energy Sources	Extending Solar Lighting in un-electrified villages	Assam
Rural Electricity Delivery Model	Setting up "Smart Green Power Project" through Micro Grid in remote and inaccessible un-electrified hamlets.	Rajasthan
Rural Industry Promotion	Reviving Crafts Heritage and Providing Sustainable Livelihood to the Artisans	Gujarat
Skill Development leading to creation of employment opportunities	Skill Development programme for 500 educated unemployed youth from economically weaker section.	Uttar Pradesh, Haryana and neighbouring states

The Evaluation reports show satisfactory implementation of the projects and positive impact on the beneficiaries and society in the project areas.

#### 6. AWARENESS CREATION AND CAPACITY BUILDING

The Company has taken several measures for generating awareness about CSR activities being undertaken amongst its employees, like involving them in monitoring of projects, supervising procurement and distribution of goods & services etc., and dissemination of information about CSR projects in their geographical areas. Posters/ advertisements/ Press releases of CSR activities and success stories are disseminated across its offices from time to time. Information regarding CSR policies/ projects is also being posted on Company's website.

As part of dissemination exercise, a Corporate Brochure compiling details of CSR initiatives and activities undertaken by the Company during the financial year 2013-14 was published in the month of May 2014 and for circulation to various stake holders.

Officials engaged in the CSR function were provided with training and re-orientation and were periodically exposed to seminars/workshops/consultative meetings on CSR. Capacity building programmes were conducted for generating awareness about CSR amongst the employees of the Company at its Corporate Office, Lucknow and Chennai offices, through Indian Center for CSR and Tata Institute of Social Sciences, with a view to sensitizing officials of the Company at various levels to CSR, in line with the DPE Guidelines on CSR and Sustainability for CPSEs.

#### 7. AWARDS & RECOGNITION

The Company was honoured with the Helpage India 'Gold Plate Award' on the occasion of International Day for Older Persons in an event held on October 1, 2013 in recognition of the project 'Multi Facility Health Package for Old Age Homes' funded under its CSR initiatives. REC provided Multi Facility Health Kits comprising much-needed medical and



Director (Technical), REC receiving the Helpage India 'Gold Plate Award' on the occasion of International Day for Older Persons

physiotherapy apparatus/equipment to 40 Old Age Homes in 8 states across India, in order to achieve the goal of enabling elderly individuals to continue to lead independent lives with dignity.

#### 8. VISIT OF PARLIAMENTARY STANDING COMMITTEE

The Department Related Parliamentary Standing Committee on Industry, visited Kolkata, Port Blair and Chennai in the month of March 2014 and had met select PSUs, including REC, for CSR, in Kolkata on March 1, 2014. A presentation was made by the CMD, REC, before the Committee.

#### 9. DOCUMENTATION

Documentation relating to identification, appraisal and approval within the identified thematic areas, CSR approaches, policies, programmes, implementation, monitoring, expenditures, etc., including publicity material, dissemination material, has been maintained for various CSR projects.

#### 10. WAY FORWARD

The Ministry of Corporate Affairs (MCA), has notified that the provisions of Section 135 and Schedule VII of the Companies Act 2013 and “Companies (Corporate Social Responsibility Policy) Rules, 2014” (‘the Rules’), shall be effective from April 1, 2014. In line with the above regulatory changes, the existing REC Policy on “Corporate Social Responsibility and Sustainability”, which broadly conformed to the Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises issued by DPE, has been aligned with the provisions of the Companies Act, 2013 & the Rules made there under and REC’s revised “Policy on Corporate Social Responsibility” has become effective from April 1, 2014.

#### 11. ACKNOWLEDGEMENTS

The Corporate Social Responsibility Committee of Directors of the Company is deeply grateful to the Ministry of Power, Board of Directors of the Company and the CMD, REC, for the immense support and valuable guidance received from time to time. The committee also acknowledges and appreciates the efforts of the implementing agencies including local administration/ village authorities and the officials of the Company at the Corporate Office and various Project & Zonal offices involved in the CSR activities.

#### 12. RESPONSIBILITY STATEMENT

The implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

(Prakash Thakkar)  
Director (Technical)

(Devi Singh)  
Chairman, CSR Committee of Directors

New Delhi  
June 9, 2014

ANNEXURE-VIII TO DIRECTORS' REPORT

## DETAILS OF DEBENTURE TRUSTEES APPOINTED BY THE COMPANY FOR THE DIFFERENT SERIES OF BONDS

(IN TERMS OF SEBI CIRCULAR NO. CIR/IMD/DF/18/2013 DATED OCTOBER 29, 2013)

Sl. No.	Name & Address of Debenture Trustee	ISIN	Scrip Code
1.	IDBI Trusteeship Services Limited, Asian Building, Ground Floor, 17 R, Kamani Marg, Ballard Estate, Mumbai-400001 Contact : Mr. Ajit Guruji Phone : 022-40807001 Fax No : 022-66311776 E mail : <a href="mailto:ajit.guruji@idbitrustee.com">ajit.guruji@idbitrustee.com</a> , <a href="mailto:response@idbitrustee.com">response@idbitrustee.com</a> Website : <a href="http://www.idbitrustee.com">www.idbitrustee.com</a>	INE020B07AX7	RURAL ELECTRIFICATION CORP SR73 6.90 BD 8OCT14 FV RS10LAC
		INE020B07BP1	RURAL ELECTRIFICATION CORP 75-I 7.2 LOA 17SEP14 FVRS10LAC
		INE020B07BG0	RURAL ELECTRIFICATION CORP 75-J 7.2 LOA 17MAR15 FVRS10LAC
		INE020B07BW7	RURAL ELECTRIFICATION CORP 77-D 7.3 LOA 30JUN14 FVRS10LAC
		INE020B07BX5	RURAL ELECTRIFICATION CORP 77-F 7.3 LOA 30JUN15 FVRS10LAC
		INE020B07CK0	RURAL ELECTRIFICATION CORP 78 7.65 LOA 16JAN16 FVRS10LAC
		INE020B07CL8	RURAL ELECTRIFICATION CORP 79 7.85 LOA 14MAR16 FVRS10LAC
		INE020B07CM6	RURAL ELECTRIFICATION CORP 80 8.20 LOA 20MAR16 FVRS10LAC
		INE020B07CQ7	RURAL ELECTRIFICATION CORP 81 8.85 LOA 20JAN17 FVRS10LAC
		INE020B07CU9	RURAL ELECTRIFICATION CORP 82 9.85 LOA 28SEP17 FVRS10LAC
		INE020B07DE1	RURAL ELECTRIFICATION CORP 83 9.07 LOA 28FEB18 FVRS10LAC
		INE020B07DG6	RURAL ELECTRIFICATION CORP 85 9.68 LOA 13JUN18 FVRS10LAC
		INE020B07DT9	RURAL ELECTRIFICATION CORP 86A 10.70 LOA 29JUL18 FVRS10LAC
		INE020B07DW3	RURAL ELECTRIFICATION CORP 86B-III 10.85 LOA 14AUG18 FVRS10LAC
		INE020B07DY9	RURAL ELECTRIFICATION CORP 87-II 10.85 LOA 30SEP18 FVRS10LAC
		INE020B07EB5	RURAL ELECTRIFICATION CORP 87A-III 11.15 LOA 24OCT18 FVRS10LAC
		INE020B07EG4	RURAL ELECTRIFICATION CORP 88 8.65 LOA 15JAN19 FVRS10LAC
		INE020B07EK6	RURAL ELECTRIFICATION CORP 89-II 7.70 LOA 02JUNE14 FVRS10LAC
		INE020B07EP5	RURAL ELECTRIFICATION CORP 90 8.80 LOA 03AUG19 FVRS10LAC
		INE020B07EO8	RURAL ELECTRIFICATION CORP 90A-II 8.00 LOA 05AUG14 FVRS10LAC
		INE020B07EQ3	RURAL ELECTRIFICATION CORP 90B-I 8.35 LOA 04SEP14 FVRS10LAC
		INE020B07ER1	RURAL ELECTRIFICATION CORP 90B-II 8.72 LOA 04SEP19 FVRS10LAC
		INE020B07EV3	RURAL ELECTRIFICATION CORP 90C-II 8.80 LOA 06OCT19 FVRS10LAC
		INE020B07EY7	RURAL ELECTRIFICATION CORP 91-II 8.80 LOA 17NOV19 FVRS10LAC
		INE020B07FC0	RURAL ELECTRIFICATION CORP 92-II 8.65 LOA 22JAN20 FVRS10LAC
		INE020B07FF3	RURAL ELECTRIFICATION CORP 93-II 8.45 LOA 19FEB15 FVRS10LAC
		INE020B07HW4	RURAL ELECTRIFICATION COR 116-I 9.05 BD 17OT16 FVRS 10 LAC
		INE020B07HX2	RURAL ELECTRIFICATION COR 116-II 9.24 BD 17OT18 FVRS 10 LAC
		INE020B07HY0	RURAL ELECTRIFICATION COR SR-117 9.38 BD 06NV18 FVRS 10 LAC
		INE020B07HZ7	RURAL ELECTRIFICATION COR SR-118 9.61 BD 03JN19 FVRS10LAC
		INE020B07IA8	RURAL ELECTRIFICATION COR SR-119 9.63 BD 05FEB19 FVRS 10LAC
		INE020B07IB6	RURAL ELECTRIFICATION COR SR-120 9.67 BD 10MAR17 FVRS 10LAC
		INE020B07II1	RURAL ELECTRIFICATION COR SR-121 9.52 BD 25MAR17 FVRS 10LAC
2.	SBICAP Trustee Company Ltd. 8, Khetan Bhavan, 5 <sup>th</sup> Floor, 198, J. T. Road, Church Gate, Mumbai-400 020 Contact : Mr. Ajit Joshi Phone : 022-43025555 Fax : 022-43025500 Email : <a href="mailto:corporate@sbicaptrustee.com">corporate@sbicaptrustee.com</a> , <a href="mailto:investor.cell@sbicaptrustee.com">investor.cell@sbicaptrustee.com</a>	For Public Issue of REC Tax Free Bonds allotted in financial year 2011-12, financial year 2012-13 & financial year 2013-14	

Sl. No.	Name & Address of Debenture Trustee	ISIN	Scrip Code
3.	IDBI Trusteeship Services Ltd. Asian Building, Ground Floor, 17 R, Kamani Marg, Mumbai-400 001 Contact : Mr. Pradeep Hande Ms. Swati Borkar Phone : 022-56311771-3 Fax : 022-56311776 Email : <a href="mailto:itsl@idbitrustee.com">itsl@idbitrustee.com</a> , <a href="mailto:response@idbitrustee.com">response@idbitrustee.com</a>	For 54EC Capital Gain Bonds allotted under Series VIII and Series-IX (Allotments from 01-04-2013 & Onwards)	
4.	IL&FS Trust Company Ltd. The IL&FS Financial Centre, Plot C- 22, G Block, Bandra Kurla Complex, Bandra (E), Mumbai-400 051 Contact : Ms. Shweta Agrawal Phone : 022-26593843 Fax : 022-26533297 Email : <a href="mailto:shweta.agrawal@ilfsindia.com">shweta.agrawal@ilfsindia.com</a> , <a href="mailto:dtoperations.itcl@ilfsindia.com">dtoperations.itcl@ilfsindia.com</a>	For Infrastructure Bonds allotted under Series-I (financial year 2010-11) & Series-II (financial year 2011-12)	

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2014

(₹ in crores)

Particulars	Note No.	As at 31.03.2014	As at 31.03.2013
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	1	987.46	987.46
(b) Reserves and Surplus	2	19,682.00	16,466.92
<b>Sub-total (1)</b>		<b>20,669.46</b>	<b>17,454.38</b>
<b>(2) Non-current Liabilities</b>			
(a) Long-term Borrowings	3	110,162.30	90,960.38
(b) Deferred Tax Liabilities (Net)	4	173.69	-
(c) Other Long-term Liabilities	5	23.52	80.25
(d) Long-term Provisions	6	442.24	188.45
<b>Sub-total (2)</b>		<b>110,801.75</b>	<b>91,229.08</b>
<b>(3) Current Liabilities</b>			
(a) Short-term Borrowings	7	2,540.00	2,480.00
(b) Other Current Liabilities	8	18,583.73	19,116.40
(c) Short-term Provisions	6	257.96	227.43
<b>Sub-total (3)</b>		<b>21,381.69</b>	<b>21,823.83</b>
<b>Total (1+2+3)</b>		<b>152,852.90</b>	<b>130,507.29</b>
<b>II. ASSETS</b>			
<b>(1) Non-current Assets</b>			
(a) Fixed assets	9		
(i) Tangible Assets		69.67	67.59
(ii) Intangible Assets		2.45	3.71
(iii) Capital work-in-progress		9.71	8.75
		<b>81.83</b>	<b>80.05</b>
(b) Non-current Investments	10	1,660.63	613.45
(c) Deferred Tax Assets (Net)	4	-	9.51
(d) Long-term Loans & Advances	11	135,898.97	114,574.53
(e) Other Non-current Assets	12	32.12	187.99
<b>Sub-total (1)</b>		<b>137,673.55</b>	<b>115,465.53</b>
<b>(2) Current Assets</b>			
(a) Current Investments	10	47.16	47.16
(b) Cash & Bank Balances	13	1,192.94	1,484.26
(c) Short-term Loans & Advances	14	381.58	1,915.95
(d) Other Current Assets	15	13,557.67	11,594.39
<b>Sub-total (2)</b>		<b>15,179.35</b>	<b>15,041.76</b>
<b>Total (1+2)</b>		<b>152,852.90</b>	<b>130,507.29</b>

The Significant Accounting Policies and Notes to Accounts 1 to 40 are an integral part of these financial statements.

For and on behalf of the Board

**J. S. Amitabh**  
GM & Company Secretary

**Ajeet Kumar Agarwal**  
Director (Finance)

**Rajeev Sharma**  
Chairman and Managing Director

In terms of our Report of even date

**For Raj Har Gopal & Co.**  
Chartered Accountants  
Firm Reg. No.: 002074N

**For P.K. Chopra & Co.**  
Chartered Accountants  
Firm Reg. No.: 006747N

**Gopal Krishan**  
Partner  
M.No.: 081085

**K. S. Ponnuswami**  
Partner  
M.No.: 070276

Place : New Delhi  
Date : 26<sup>th</sup> May, 2014

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2014

(₹ in crores)

Particulars	Note No.	Year ended 31.03.2014	Year ended 31.03.2013
I. Revenue from Operations	16	17,017.98	13,537.37
II. Other Income	17	102.82	61.30
III. Total Revenue (I+II)		17,120.80	13,598.67
IV. Expenses			
(i) Finance Costs	18	10,038.46	8,083.76
(ii) Employee Benefits Expense	19	129.91	151.84
(iii) Depreciation & Amortization	9	4.21	3.75
(iv) Other Expenses	20	105.47	64.69
(v) Allowance for Bad & Doubtful Debts		47.32	25.00
(vi) Contingent Allowance against Standard Loan Assets		264.70	105.68
Total Expenses (IV)		10,590.07	8,434.72
V. Profit before Prior Period Items & Tax (III-IV)		6,530.73	5,163.95
VI. Prior Period Items		-0.39	-
VII. Profit before Tax (V-VI)		6,531.12	5,163.95
VIII. Tax Expense			
(i) Current Year		1,704.66	1,345.79
(ii) Earlier Years/ (Refunds)		14.04	-
(iii) Deferred Tax		128.72	0.54
Total Tax Expense (i+ii+iii)		1,847.42	1,346.33
IX. Profit for the period from Continuing Operations (VII-VIII)		4,683.70	3,817.62
X. Profit from Discontinuing Operations (after tax)		-	-
XI. Profit for the period (IX+X)		4,683.70	3,817.62
XII. Earnings per Equity Share (in ₹ for an equity share of ₹ 10 each)			
(1) Basic	21	47.43	38.66
(2) Diluted	21	47.43	38.66

The Significant Accounting Policies and Notes to Accounts 1 to 40 are an integral part of these financial statements.

For and on behalf of the Board

**J. S. Amitabh**  
GM & Company Secretary

**Ajeet Kumar Agarwal**  
Director (Finance)

**Rajeev Sharma**  
Chairman and Managing Director

In terms of our Report of even date

**For Raj Har Gopal & Co.**  
Chartered Accountants  
Firm Reg. No.: 002074N

**For P.K. Chopra & Co.**  
Chartered Accountants  
Firm Reg. No.: 006747N

**Gopal Krishan**  
Partner  
M.No.: 081085

**K. S. Ponnuswami**  
Partner  
M.No.: 070276

Place : New Delhi  
Date : 26<sup>th</sup> May, 2014

## SIGNIFICANT ACCOUNTING POLICIES

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS.

- (a) **Accounting Convention:** - The financial statements are prepared under the historical cost convention on accrual basis and in accordance with generally accepted accounting principles and accounting standards as notified under Section 211(3C) of the Companies Act, 1956. The financial statements adhere to the relevant presentational requirement of the Companies Act, 1956.
- (b) **Use of Estimates:** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure thereof at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which results materialize.

### 2. REVENUE RECOGNITION.

The Corporation has formulated its own detailed Prudential Norms. Accounting is done in accordance with these Prudential Norms of REC and the salient features of the same for Income Recognition, Asset classification and Provisioning are as under in the Paras 2.1a, 2.1e, 2.2 and 2.3:

#### 2.1. Income Recognition

- a. Income on Non Performing Assets where interest/ principal has become overdue for two quarters or more is recognized as and when received and appropriated. Any such income recognized before the asset becomes non-performing and remaining unrealized is reversed.  
  
Unless otherwise agreed, the recoveries from the borrowers are appropriated in the order of (i) costs and expenses of REC (ii) penal interest including interest tax, if any (iii) overdue interest including interest tax, if any and (iv) repayment of principal, the oldest being adjusted first.  
  
In respect of standard loans including those whose terms are renegotiated/rescheduled/ restructured and retained as Standard Loans, income is recognized on accrual basis.  
  
In respect of loans (Non Performing Assets), income is recognized on accrual basis when it is reasonably expected that there is no uncertainty of receipt of dues from the borrowers and there has been satisfactory performance under the renegotiated or rescheduled or restructured terms until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.
- b. Income of agency charges of RGGVY Schemes is recognized on the basis of the services rendered and amount sanctioned by the Ministry of Power.
- c. Income of service charges of NEF (Interest Subsidy) Scheme is recognized on the basis of the services rendered and amount of service charges sanctioned by the Ministry of Power.
- d. Income under the head processing fee, upfront fee, lead fee, fees/ charges received under the mutatis-mutandis clause and pre-payment premium is accounted for in the year in which it is received by the company.
- e. **Income from investments**
  - (1) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on accrual basis when REC's right to receive payment is established.
  - (2) Income from bonds and debentures of corporate bodies and from Government securities/bonds shall be taken into account on accrual basis:  
  
Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.
  - (3) Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government shall be taken into account on accrual basis.

#### 2.2 Assets Classification

Loans and advances and any other form of credit are classified into the following classes, namely:

- (i) **Standard Assets:** 'Standard assets' means an asset which is not an NPA and in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business.  
  
The rescheduling or restructuring or renegotiation of a standard infrastructure loan asset shall not cause it to be reclassified if the revised project is found to be viable by the competent authority.

## SIGNIFICANT ACCOUNTING POLICIES

(ii) **Sub-Standard Assets:** 'Sub-standard asset' means:

- (a) an asset which has been classified as non-performing asset for a period not exceeding 18 months;
- (b) an asset where the terms of the agreement regarding interest and / or principal have been renegotiated or rescheduled or restructured, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.

(iii) **Doubtful Assets:** Doubtful asset means an asset which remains a substandard asset for a period exceeding 18 months.

(iv) **Loss Assets:** Loss assets means -

- a) An asset which has been identified as loss asset by REC to the extent it is not written off by REC or the asset remains doubtful for a period exceeding 5 years, whichever is earlier.
- b) An asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non availability of security or due to any fraudulent act or omission on the part of the borrower.

For the purpose of classification of assets into standard, sub-standard, doubtful and loss categories, facilities shall be classified borrower wise with the following exception:

Government Sector loans, where cash flows from each project are separately identifiable and applied to the same project, REC shall classify such loans on project wise basis.

### 2.3 Provisioning against Loans

The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted shall be as under:

(i) **Loss Assets** - The entire asset shall be written off. If the assets are permitted to remain in the books for any reason, 100 % of the outstanding shall be provided for:

(ii) **Doubtful assets** -

- (a) 100 % provision to the extent to which the advance is not covered by the realizable value of the security to which REC has a valid recourse shall be made. The realizable value is to be estimated on a realistic basis; Loans covered by Central/State Govt. guarantee or loans to any State Govt. shall be treated as secured;
- (b) In addition to item(a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20 % to 50 % of the secured portion (i.e. estimated realizable value of the outstanding) shall be made on the following basis :-

Period for which the asset has been considered as doubtful	% of provision
Up to one year	20 %
1 to 3 years	30 %
More than 3 years	50 %

(iii) **Sub-standard assets** - A provision of 10 % shall be made.

An asset which has been renegotiated or rescheduled or restructured shall be a sub-standard asset or continue to remain in the same category in which it was prior to its renegotiation or re-schedulement or restructuring, as a doubtful asset or a loss asset as the case may be. Necessary provision is required to be made as applicable to such asset till it is upgraded.

(iv) **Standard assets** - Provision in respect of Standard Assets is made @ 0.25 % of the outstanding standard assets.

### 2.4 Treatment of Provisions held

The provisions in respect of Non Performing Assets (NPAs) is reversed only after the complete recovery of the outstanding/ regularization of the account.

## 3. FIXED ASSETS.

Fixed Assets are shown at historical cost less accumulated depreciation. The cost includes any cost attributable of bringing the assets to its working condition for its intended use.

## SIGNIFICANT ACCOUNTING POLICIES

### 4. DEPRECIATION.

- 4.1. Depreciation on assets is provided on straight-line method at the rates prescribed under Schedule XIV to the Companies Act, 1956.
- 4.2. Depreciation on assets purchased / sold during the year is charged for the full month if the asset is in use for more than 15 days, instead of charging the same on pro-rata basis from the date of purchase/sale.
- 4.3. Depreciation on assets purchased during the year up to ₹ 5,000/- is provided @ 100 %.
- 4.4. Leasehold land is amortized over the lease period.

### 5. INTANGIBLE ASSETS.

An Intangible Assets is recognized where it is probable that the future economic benefits attributable to the assets will flow to the company. The depreciable amount of an intangible asset is allocated on a systematic basis over the best estimate of its useful life.

### 6. INVESTMENTS.

Long term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually. Current investments are carried individually at the cost or fair value whichever is lower.

### 7. CURRENT TAX AND DEFERRED TAX.

Income Tax expenses comprises current Income Tax (Amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) is determined in accordance with Accounting Standard- 22 as notified under Section 211(3C) of the Companies Act, 1956. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially established by the Balance Sheet date. Deferred Tax Assets are recognized and carry forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

### 8. IMPAIRMENT OF ASSETS.

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of assets net selling prices and value in use.

### 9. PROVISIONS

A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of amount of the obligation can be made. Provisions are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

### 10. BOND / DEBT ISSUE.

- 10.1. Expenditure on raising of funds by way of bonds is charged to revenue in the year of issue of such bonds.
- 10.2. The Corporation discharges its obligation towards payment of principal and interest relating to bonds by depositing the amount in the designated Bank Accounts. Accordingly, the payments are treated as final payments and these amounts are not exhibited in the books till the validity of the instruments but reconciliation thereof is carried out.
- 10.3. Expenditure incurred on raising of funds is charged to the Statement of Profit & Loss in the year in which it is incurred except the discount/ interest on the Commercial Papers/ Reg-S-Bonds (External Commercial Borrowings), which is amortized proportionately over the period of its tenure.

### 11. CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular operating, financing and investing activities of the Company are segregated.

## SIGNIFICANT ACCOUNTING POLICIES

### 12. PRIOR PERIOD/ PREPAID ADJUSTMENTS

- 12.1.** Considering the nature of business, interest income/expenditure for the earlier years ascertained and determined during the year is accounted for in the year in which it is so ascertained/determined.
- 12.2.** Other items not exceeding ₹ 5,00,000/- in each case are accounted for under natural heads of account.

### 13. EMPLOYEES BENEFITS

- 13.1** The liability for employees benefit in respect of Gratuity is ascertained on actuarial valuation is provided and funded to a separate trust.
- 13.2** Post employment and other long term employee benefits are recognized as an expense in the Statement of Profit & Loss for the year in which the employees has rendered services. The expense is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the Statement of Profit & Loss.

### 14. TRANSACTION IN FOREIGN CURRENCY

- 14.1** Foreign Currency transactions are initially recorded at the exchange rate prevailing on the date of transaction.

In respect of accounting periods commencing on or after the 1<sup>st</sup> April, 2011, the exchange differences arising on reporting of long-term foreign currency monetary items (having a term of twelve months or more at the date of origination) at RBI reference rates prevailing at the end of each reporting period or where the RBI reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg, different from those at which they were initially recorded during the period, or reported in previous financial statements, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortized over the balance period of such long term monetary item, by recognition as income or expense in each of such periods.

Short-term foreign currency monetary items (having a term of less than twelve months at the date of origination) are translated at RBI reference rates prevailing at the end of each reporting period or where the RBI reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg. The resultant exchange fluctuation is recognized as income or expense in each of such periods.

- 14.2** The portion of Foreign Currency loans swapped into Indian rupees is stated at the rate fixed in the swap transaction, and not translated at the year end rate.

### 15. GRANTS/FUNDS FROM GOVERNMENT

Un-disbursed funds of grant received for further disbursements are classified as current liabilities. Interest wherever earned on such funds is credited to respective grant account.

### 16. DERIVATIVE TRANSACTIONS

- 16.1** Derivative transactions include forwards, interest rate swaps, cross currency swaps and currency and cross currency options to hedge assets and liabilities.
- 16.2** These derivative transactions are done for hedging purpose and not for trading or speculative purpose. These are accounted for on accrual basis and are not marked to market.

## NOTES TO ACCOUNTS

### 1. SHARE CAPITAL

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	Amount	No. of Shares	Amount
<b>Authorised :</b>				
Equity shares of ₹ 10 each	1,200,000,000	1,200.00	1,200,000,000	1,200.00
<b>Issued, Subscribed and Paid up :</b>				
Fully paid up Equity shares of ₹ 10 each	987,459,000	987.46	987,459,000	987.46
<b>Total</b>	<b>987,459,000</b>	<b>987.46</b>	<b>987,459,000</b>	<b>987.46</b>

- 1.1 The shareholders of the equity shares of the company are entitled to receive dividends as and when declared by the company and enjoy proportionate voting rights in case any resolution is put to vote. Further, the shareholders have all such rights, as may be available to a shareholder of a listed public company, under the Companies Act, 1956 (to the extent applicable), Companies Act, 2013 (to the extent notified), the terms of the listing agreements executed with the Stock Exchanges (NSE Ltd. and BSE Ltd.), and our Memorandum of Association and Articles of Association.

### 1.2 Shareholders holding more than 5% of fully paid-up equity shares :

Name	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	Percentage	No. of Shares	Percentage
The President of India	648,168,218	65.64%	659,607,000	66.80 %
Life Insurance Corporation of India	59,352,864	6.01%	36,853,654	3.73 %

### 2. RESERVES AND SURPLUS

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
<b>Capital Reserve</b>		105.00		105.00
<b>Securities Premium Account (Refer Note 2.1)</b>				
Balance as at the beginning of the year		3,222.48		3,222.43
Add: Additions during the year		1.24		0.05
<b>Balance as at the end of the year</b>		<b>3,223.72</b>		<b>3,222.48</b>
<b>Debenture Redemption Reserve (Refer Note 2.2)</b>				
Balance as at the beginning of the year		160.19		113.99
Add: Amount transferred from Surplus Account		185.79		46.20
<b>Balance as at the end of the year</b>		<b>345.98</b>		<b>160.19</b>
<b>Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961</b>				
Balance as at the beginning of the year		5,529.64		4,587.64
Add: Amount transferred from Surplus Account		1,291.00		942.00
<b>Balance as at the end of the year</b>		<b>6,820.64</b>		<b>5,529.64</b>
<b>Reserve for Bad and doubtful debts u/s 36(1)(viiia) of the Income Tax Act, 1961</b>				
Balance as at the beginning of the year		980.97		754.97
Add: Amount transferred from Surplus Account		288.00		226.00
<b>Balance as at the end of the year</b>		<b>1,268.97</b>		<b>980.97</b>

## NOTES TO ACCOUNTS

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
<b>Foreign Currency Monetary Item Translation Difference Account (Refer Note 2.3)</b>			
Balance as at the beginning of the year	-160.28	-181.88	
Add: Foreign Currency Translation Gain/ Loss (-) on long term monetary items during the year	-676.64	-56.97	
Amortisation during the year	304.27	78.57	
<b>Balance as at the end of the year</b>	<b>-532.65</b>	<b>-160.28</b>	
<b>General Reserve</b>			
Balance as at the beginning of the year	3,111.40	2,729.40	
Add: Amount transferred from Surplus Account	470.00	382.00	
<b>Balance as at the end of the year</b>	<b>3,581.40</b>	<b>3,111.40</b>	
<b>Surplus Account</b>			
Balance as at the beginning of the year	3,517.52	2,244.03	
Add: Profit during the year	4,683.70	3,817.62	
<b>Less : Appropriations</b>			
- Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	1,291.00	942.00	
- Transfer to Reserve for Bad & Doubtful Debts u/s 36(1)(viiia) of the Income Tax Act, 1961	288.00	226.00	
- Dividend			
- Interim Dividend	765.28	666.53	
- Proposed Dividend (Final)	172.81	148.12	
- Dividend Distribution Tax			
- Interim Dividend	130.06	108.11	
- Proposed Dividend (Final)	29.34	25.17	
- Transfer to Debenture Redemption Reserve	185.79	46.20	
- Transfer to General Reserve	470.00	382.00	2,544.13
<b>Balance as at the end of the year</b>	<b>4,868.94</b>	<b>3,517.52</b>	
<b>Total Reserves and Surplus</b>	<b>19,682.00</b>	<b>16,466.92</b>	

**2.1** Additions in Securities Premium Account for the year ended 31<sup>st</sup> March, 2014 represent the premium of ₹ 1.24 Crores (Previous year ₹ 0.05 Crores) received on issue of Tax Free Bonds through private placement.

## 2.2 Debenture Redemption Reserve (DRR)

In accordance with provisions of Section 117C of the Companies Act, 1956 as further clarified by Circular No. 4/2013 dated 11.02.2013 issued by Ministry of Corporate Affairs, Govt. of India, the company creates Debenture Redemption Reserve (DRR) upto 25% of the value of debentures issued through public issue as per present SEBI (Issue and Listing of Debt Securities) Regulations, 2008 during the maturity period of such debentures, and no DRR is required in the case of privately placed debentures.

Accordingly, during the year, the company has created DRR amounting to ₹ 185.79 Crores (Previous year ₹ 46.20 Crores).

## 2.3 Foreign Currency Monetary Item Translation Difference Account

The company has opted towards an irrevocable option for amortising the foreign exchange fluctuation loss/gain on the long term foreign currency monetary items over the balance period of such items in accordance with Para 46A of Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates'. Amount remaining to be amortised in 'Foreign Currency Monetary Item Translation Difference Account' is ₹ 532.65 Crores (Previous year ₹ 160.28 Crores).

## NOTES TO ACCOUNTS

### 2.4 Proposed Dividend

The final dividend proposed for the year is as follows :

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
On Equity Shares of ₹ 10 each		
- Amount of Dividend proposed (₹ in Crores)	172.81	148.12
- Rate of Dividend	17.50%	15.00%
- Dividend per equity share (₹)	1.75	1.50

### 3. LONG-TERM DEBT

Non-current portion of the long term debt has been classified as 'Long-term borrowings' and the current portion of the long term debt has been classified as "Current Maturities of Long-term debt" in Note-8 'Other Current Liabilities'.

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>(A) Secured Long-Term Debt</b>				
(a) Bonds				
- Institutional Bonds	24,974.50	2,925.88	17,297.38	3,826.32
- 54EC Capital Gain Tax Exemption Bonds	10,253.16	5,239.36	10,142.61	5,043.89
- Tax Free Bonds	11,648.41	-	5,648.41	-
(b) Term Loans				
- from Banks	-	19.40	19.40	19.40
- from Financial Institutions	2,645.00	350.00	1,800.00	2,220.00
<b>Total Secured Long-Term Debt (a+b)</b>	<b>49,521.07</b>	<b>8,534.64</b>	<b>34,907.80</b>	<b>11,109.61</b>
<b>(B) Unsecured Long-Term Debt</b>				
(a) Bonds				
- Institutional Bonds	41,979.20	4,565.80	39,695.00	2,440.00
- Infrastructure Bonds	376.32	-	376.32	-
- Zero Coupon Bonds	844.08	-	779.11	-
(b) Term Loans				
- from Banks	125.00	125.00	250.00	500.00
- from Govt. of India	3.07	4.86	7.93	7.21
(c) Other Loans & Advances				
- Foreign Currency Borrowings	17,313.56	307.59	14,944.22	293.97
<b>Total Unsecured Long-Term Debt (a+b+c)</b>	<b>60,641.23</b>	<b>5,003.25</b>	<b>56,052.58</b>	<b>3,241.18</b>
<b>Total Long-Term Debt (A+B)</b>	<b>110,162.30</b>	<b>13,537.89</b>	<b>90,960.38</b>	<b>14,350.79</b>
<b>Total Long-Term Debt (Non-Current + Current)</b>	<b>123,700.19</b>		<b>105,311.17</b>	

## NOTES TO ACCOUNTS

### Details of Long-term Debt :

#### 3.1 Details of secured long-term debt :

(Refer Note 3.3 for details of the security)

##### 3.1.1 Bonds

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>3.1.1.1 Institutional Bonds</b>				
<b>92-II Series</b>	945.30	-	945.30	-
8.65 % Redeemable at par on 22.01.2020				
<b>91-II Series</b>	995.90	-	995.90	-
8.80 % Redeemable at par on 17.11.2019				
<b>90-C-II Series</b>	1,040.00	-	1,040.00	-
8.80 % Redeemable at par on 06.10.2019				
<b>90-B-II Series</b>	868.20	-	868.20	-
8.72 % Redeemable at par on 04.09.2019				
<b>90<sup>th</sup> Series</b>	2,000.00	-	2,000.00	-
8.80 % Redeemable at par on 03.08.2019				
<b>119<sup>th</sup> Series</b>	2,090.00	-	-	-
9.63 % Redeemable at par on 05.02.2019				
<b>88<sup>th</sup> Series</b>	1,495.00	-	1,495.00	-
8.65 % Redeemable at par on 15.01.2019				
<b>118<sup>th</sup> Series</b>	1,655.00	-	-	-
9.61 % Redeemable at par on 03.01.2019				
<b>117<sup>th</sup> Series</b>	2,878.00	-	-	-
9.38 % Redeemable at par on 06.11.2018				
<b>87-A-III Series</b>	61.80	-	61.80	-
11.15 % Redeemable at par on 24.10.2018				
<b>116-II Series</b>	850.00	-	-	-
9.24 % Redeemable at par on 17.10.2018				
<b>87-II Series</b>	657.40	-	657.40	-
10.85 % Redeemable at par on 30.09.2018				
<b>86-B-III Series</b>	432.00	-	432.00	-
10.85 % Redeemable at par on 14.08.2018				
<b>86-A Series</b>	500.00	-	500.00	-
10.70 % Redeemable at par on 29.07.2018				
<b>85<sup>th</sup> Series</b>	500.00	-	500.00	-
9.68 % Redeemable at par on 13.06.2018				
<b>83<sup>rd</sup> Series</b>	685.20	-	685.20	-
9.07 % Redeemable at par on 28.02.2018				
<b>82<sup>nd</sup> Series</b>	883.10	-	883.10	-
9.85 % Redeemable at par on 28.09.2017				
<b>121<sup>st</sup> Series</b>	1,600.00	-	-	-
9.52 % Redeemable at par on 25.03.2017				

## NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>120<sup>th</sup> Series</b>	<b>1,100.00</b>	-	-	-
9.67 % Redeemable at par on 10.03.2017				
<b>81<sup>st</sup> Series</b>	<b>314.80</b>	-	314.80	-
8.85 % Redeemable at par on 20.01.2017				
<b>116-I Series</b>	<b>430.00</b>	-	-	-
9.05 % Redeemable at par on 17.10.2016				
<b>80<sup>th</sup> Series</b>	<b>500.00</b>	-	500.00	-
8.20 % Redeemable at par on 20.03.2016				
<b>79<sup>th</sup> Series</b>	<b>500.00</b>	-	500.00	-
7.85 % Redeemable at par on 14.03.2016				
<b>78<sup>th</sup> Series</b>	<b>1,795.70</b>	-	1,795.70	-
7.65 % Redeemable at par on 31.01.2016				
<b>93-II Series</b>	-	<b>443.10</b>	443.10	-
8.45 % Redeemable at par on 19.02.2015				
<b>73<sup>rd</sup> Series</b>	-	<b>46.78</b>	46.78	46.78
6.90 % Redeemable at par in equal annual instalments of ₹ 46.78 Crores, next instalment due on 08.10.2014				
<b>75<sup>th</sup> Series</b>	-	<b>100.00</b>	100.00	100.00
7.20 % Redeemable at par in equal half-yearly instalments of ₹ 50.00 Crores, next instalment due on 17.09.2014				
<b>90-B-I Series</b>	-	<b>883.90</b>	883.90	-
8.35 % Redeemable at par on 04.09.2014				
<b>90-A-II Series</b>	-	<b>1,000.00</b>	1,000.00	-
8.00 % Redeemable at par on 05.08.2014				
<b>77<sup>th</sup> Series</b>	<b>197.10</b>	<b>197.10</b>	394.20	197.10
7.30 % Redeemable at par in equal annual instalments of ₹ 197.10 Crores, next instalment due on 30.06.2014				
<b>89-II Series</b>	-	<b>255.00</b>	255.00	-
7.70 % Redeemable at par on 02.06.2014				
<b>69<sup>th</sup> Series</b>	-	-	-	133.84
6.05 % Redeemed at par on 23.01.2014.				
<b>87-C-III Series</b>	-	-	-	860.00
11.50 % Redeemed at par on 26.11.2013				
<b>87-A-II Series</b>	-	-	-	36.40
11.20 % Redeemed at par on 24.10.2013				
<b>87-I Series</b>	-	-	-	370.20
10.90 % Redeemed at par on 30.09.2013				
<b>86-B-II Series</b>	-	-	-	354.10
10.90 % Redeemed at par on 14.08.2013				
<b>86<sup>th</sup> Series</b>	-	-	-	727.90
10.75 % Redeemed at par on 24.07.2013				
<b>84<sup>th</sup> Series</b>	-	-	-	1,000.00
9.45 % Redeemed at par on 04.04.2013				
<b>Total - Institutional Bonds</b>	<b>24,974.50</b>	<b>2,925.88</b>	<b>17,297.38</b>	<b>3,826.32</b>

## NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>3.1.1.2 54EC Capital Gain Tax Exemption Bonds</b>				
<b>Series IX (2013-14)</b>	<b>5,349.91</b>	<b>-</b>	<b>-</b>	<b>-</b>
6.00 % Redeemable at par during financial year 2016-17				
<b>Series VIII (2012-13)</b>	<b>4,903.25</b>	<b>-</b>	<b>4,903.25</b>	<b>-</b>
6.00 % Redeemable at par during financial year 2015-16				
<b>Series VIII (2011-12)</b>	<b>-</b>	<b>5,239.36</b>	<b>5,239.36</b>	<b>-</b>
6.00 % Redeemable at par during financial year 2014-15				
<b>Series VIII (2010-11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,043.89</b>
6.00 % Redeemed at par during financial year 2013-14				
<b>Total - 54EC Capital Gain Tax Exemption Bonds</b>	<b>10,253.16</b>	<b>5,239.36</b>	<b>10,142.61</b>	<b>5,043.89</b>
<b>3.1.1.3 Tax Free Bonds</b>				
<b>Series 2013-14 Tranche 2</b>	<b>1,059.40</b>	<b>-</b>	<b>-</b>	<b>-</b>
Redeemable at par. Bonds amounting to ₹ 419.32 Crores are redeemable on 24.03.2024, ₹ 530.42 Crores are redeemable on 24.03.2029 and ₹ 109.66 Crores are redeemable on 24.03.2034 with interest rates varying from 8.19 % to 8.88 % payable annually				
<b>Series 2013-14 Series 4A &amp; 4B</b>	<b>150.00</b>	<b>-</b>	<b>-</b>	<b>-</b>
Redeemable at par. Bonds amounting to ₹ 105.00 Crores are redeemable on 11.10.2023 and ₹ 45.00 Crores are redeemable on 11.10.2028 with interest rates varying from 8.18 % to 8.54 % payable annually				
<b>Series 2013-14 Tranche 1</b>	<b>3,440.60</b>	<b>-</b>	<b>-</b>	<b>-</b>
Redeemable at par. Bonds amounting to ₹ 575.06 Crores are redeemable on 24.09.2023, ₹ 2,810.26 Crores are redeemable on 24.09.2028 and ₹ 55.28 Crores are redeemable on 24.09.2033 with interest rates varying from 8.01 % to 8.77 % payable annually				
<b>Series 2013-14 Series 3A &amp; 3B</b>	<b>1,350.00</b>	<b>-</b>	<b>-</b>	<b>-</b>
Redeemable at par. Bonds amounting to ₹ 209.00 Crores are redeemable on 29.08.2023 and ₹ 1,141.00 Crores are redeemable on 29.08.2028 with interest rates varying from 8.01 % to 8.46 % payable annually				
<b>Series 2012-13 Tranche 2</b>	<b>131.06</b>	<b>-</b>	<b>131.06</b>	<b>-</b>
Redeemable at par. Bonds amounting to ₹ 81.35 Crores are redeemable on 25.03.2023 and bonds amounting to ₹ 49.71 Crores are redeemable on 25.03.2028 with interest rates varying from 6.88 % to 7.54 % payable annually				
<b>Series 2012-13 Tranche 1</b>	<b>2,017.35</b>	<b>-</b>	<b>2,017.35</b>	<b>-</b>
Redeemable at par. Bonds amounting to ₹ 1,165.31 Crores are redeemable on 19.12.2022 and bonds amounting to ₹ 852.04 Crores are redeemable on 19.12.2027 with interest rates varying from 7.22 % to 7.88 % payable annually				
<b>Series 2012-13 Series 2A &amp; 2B</b>	<b>500.00</b>	<b>-</b>	<b>500.00</b>	<b>-</b>
Redeemable at par. Bonds amounting to ₹ 255.00 Crores are redeemable on 21.11.2022 and bonds amounting to ₹ 245.00 Crores are redeemable on 21.11.2027 with interest rates of 7.21 % and 7.38 % respectively payable annually				

## NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>Series 2011-12</b>	<b>3,000.00</b>	<b>-</b>	<b>3,000.00</b>	<b>-</b>
Redeemable at par. Bonds amounting to ₹ 839.67 Crores are redeemable on 27.03.2022 and bonds amounting to ₹ 2,160.33 Crores are redeemable on 27.03.2027 with interest rates varying from 7.93 % to 8.32 % payable annually				
<b>Total - Tax Free Bonds</b>	<b>11,648.41</b>	<b>-</b>	<b>5,648.41</b>	<b>-</b>

### 3.1.2 Term Loans

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>Term Loan from Banks</b>				
- State Bank of Saurashtra	-	19.40	19.40	19.40
7.25 % Loan repayable in equal half-yearly instalments of ₹ 9.70 Crores, next instalment due on 24.09.2014				
<b>Term Loan from Financial Institutions</b>				
- Life Insurance Corporation of India (LIC)	1,450.00	350.00	1,800.00	350.00
The Loan of ₹ 1500 Crores (present outstanding ₹ 400 Crores @ 6.242 % and ₹ 200 Crores @ 6.231 %) & ₹ 2,000 Crores (present outstanding ₹ 1,200 Crores @ 7.35 %) repayable in 10 equal annual installments commencing from 01.10.2008 and 01.10.2010 respectively .				
- India Infrastructure Finance Company Ltd. (IIFCL)	1,195.00	-	-	1,870.00
10.00 % Loan repayable on 10.09.2023				
<b>Total - Term Loans</b>	<b>2,645.00</b>	<b>369.40</b>	<b>1,819.40</b>	<b>2,239.40</b>

### 3.2 Details of Unsecured long-term debt :

#### 3.2.1 Bonds

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>3.2.1.1 Institutional Bonds</b>				
<b>95-II Series</b>	<b>1,800.00</b>	<b>-</b>	<b>1,800.00</b>	<b>-</b>
8.75 % Redeemable at par on 12.07.2025				
<b>94<sup>th</sup> Series</b>	<b>1,250.00</b>	<b>-</b>	<b>1,250.00</b>	<b>-</b>
8.75 % Redeemable at par on 08.06.2025				
<b>115<sup>th</sup> Series - Subordinate Tier-II Bonds</b>	<b>2,500.00</b>	<b>-</b>	<b>-</b>	<b>-</b>
8.06 % Redeemable at par on 31.05.2023				
<b>114<sup>th</sup> Series</b>	<b>4,300.00</b>	<b>-</b>	<b>-</b>	<b>-</b>
8.82 % Redeemable at par on 12.04.2023				
<b>111-II Series</b>	<b>2,211.20</b>	<b>-</b>	<b>2,211.20</b>	<b>-</b>
9.02 % Redeemable at par on 19.11.2022				
<b>107<sup>th</sup> Series</b>	<b>2,378.20</b>	<b>-</b>	<b>2,378.20</b>	<b>-</b>
9.35 % Redeemable at par on 15.06.2022				
<b>105<sup>th</sup> Series</b>	<b>3,922.20</b>	<b>-</b>	<b>3,922.20</b>	<b>-</b>
9.75 % Redeemable at par on 11.11.2021				

## NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>101-III Series</b>	<b>3,171.80</b>	<b>-</b>	<b>3,171.80</b>	<b>-</b>
9.48 % Redeemable at par on 10.08.2021				
<b>100<sup>th</sup> Series</b>	<b>1,500.00</b>	<b>-</b>	<b>1,500.00</b>	<b>-</b>
9.63 % Redeemable at par on 15.07.2021				
<b>98<sup>th</sup> Series</b>	<b>3,000.00</b>	<b>-</b>	<b>3,000.00</b>	<b>-</b>
9.18 % Redeemable at par on 15.03.2021				
<b>97<sup>th</sup> Series</b>	<b>2,120.50</b>	<b>-</b>	<b>2,120.50</b>	<b>-</b>
8.80 % Redeemable at par on 29.11.2020				
<b>96<sup>th</sup> Series</b>	<b>1,150.00</b>	<b>-</b>	<b>1,150.00</b>	<b>-</b>
8.80 % Redeemable at par on 25.10.2020				
<b>113<sup>th</sup> Series</b>	<b>1,542.00</b>	<b>-</b>	<b>1,542.00</b>	<b>-</b>
8.87 % Redeemable at par on 08.03.2020				
<b>111-I Series</b>	<b>452.80</b>	<b>-</b>	<b>452.80</b>	<b>-</b>
9.02 % Redeemable at par on 19.11.2019				
<b>108-II Series</b>	<b>960.00</b>	<b>-</b>	<b>960.00</b>	<b>-</b>
9.39 % Redeemable at par on 20.07.2019				
<b>95-I Series</b>	<b>200.00</b>	<b>-</b>	<b>200.00</b>	<b>-</b>
8.70 % Redeemable at par on 12.07.2019				
<b>112<sup>th</sup> Series</b>	<b>1,500.00</b>	<b>-</b>	<b>1,500.00</b>	<b>-</b>
8.70 % Redeemable at par on 01.02.2018				
<b>109<sup>th</sup> Series</b>	<b>1,734.70</b>	<b>-</b>	<b>1,734.70</b>	<b>-</b>
9.25 % Redeemable at par on 27.08.2017				
<b>108-I Series</b>	<b>2,125.00</b>	<b>-</b>	<b>2,125.00</b>	<b>-</b>
9.40 % Redeemable at par on 20.07.2017				
<b>106<sup>th</sup> Series</b>	<b>1,500.00</b>	<b>-</b>	<b>1,500.00</b>	<b>-</b>
9.28 % Redeemable at par on 15.02.2017				
<b>103-I Series</b>	<b>50.00</b>	<b>-</b>	<b>-</b>	<b>915.00</b>
9.35 % Redeemable at par on 19.10.2016				
<b>102<sup>nd</sup> Series</b>	<b>2,216.20</b>	<b>-</b>	<b>2,216.20</b>	<b>-</b>
9.38 % Redeemable at par on 06.09.2016				
<b>101-II Series</b>	<b>394.60</b>	<b>-</b>	<b>394.60</b>	<b>-</b>
9.45 % Redeemable at par on 10.08.2016				
<b>74<sup>th</sup> Series</b>	<b>-</b>	<b>250.00</b>	<b>250.00</b>	<b>-</b>
7.22 % Redeemable at par on 31.12.2014				
<b>110<sup>th</sup> Series</b>	<b>-</b>	<b>3,475.00</b>	<b>3,475.00</b>	<b>-</b>
8.84 % Redeemable at par on 16.10.2014				
<b>101-I Series</b>	<b>-</b>	<b>395.60</b>	<b>395.60</b>	<b>-</b>
9.43 % Redeemable at par on 10.08.2014				
<b>99-II Series</b>	<b>-</b>	<b>445.20</b>	<b>445.20</b>	<b>-</b>
9.75 % Redeemable at par on 07.06.2014				
<b>103-II Series</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>500.00</b>
9.35 % Redeemed on 19.10.2013				

## NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>104<sup>th</sup> Series</b>	-	-	-	1,025.00
9.30 % Redeemed on 03.05.2013				
<b>Total - Institutional Bonds</b>	<b>41,979.20</b>	<b>4,565.80</b>	<b>39,695.00</b>	<b>2,440.00</b>

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>3.2.1.2 Infrastructure Bonds</b>				
<b>Series-II (2011-12)</b>	<b>157.59</b>	-	157.59	-
Redeemable at par. Refer Note 3.5				
<b>Series-I (2010-11)</b>	<b>218.73</b>	-	218.73	-
Redeemable at par. Refer Note 3.5				
<b>Total - Infrastructure Bonds</b>	<b>376.32</b>	-	<b>376.32</b>	-
<b>3.2.1.3 Zero Coupon Bonds</b>				
<b>ZCB - Series II - Redeemable on 03.02.2021</b>	<b>151.35</b>	-	139.18	-
(Net of unamortised discount, 89,510 bonds with face value of ₹ 30,000 each redeemable at par on 03.02.2021)				
<b>ZCB - Series I - Redeemable on 15.12.2020</b>	<b>692.73</b>	-	639.93	-
(Net of unamortised discount, 3,92,700 bonds with face value of ₹ 30,000 each redeemable at par on 15.12.2020)				
<b>Total - Zero Coupon Bonds</b>	<b>844.08</b>	-	<b>779.11</b>	-

### 3.2.2 Term Loans

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>3.2.2.1 Term Loans from Banks</b>				
- Bank of Maharashtra	125.00	125.00	250.00	-
8.00 % Loan repayable in equal annual instalments on 30.06.2014 and 30.06.2015				
- Central Bank of India	-	-	-	500.00
<b>3.2.2.2 Loan from Govt. of India</b>	<b>3.07</b>	<b>4.86</b>	<b>7.93</b>	<b>7.21</b>
Loans in various tranches with original tenor of 30 years with a moratorium of five years for the principal amount and repayable in 25 equal annual installments commencing from the sixth anniversary of the drawdown with interest rates varying from 6.75 % to 7.75 %				
<b>Total - Term Loans</b>	<b>128.07</b>	<b>129.86</b>	<b>257.93</b>	<b>507.21</b>

### 3.2.3 Other Loans & Advances

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>3.2.3.1 Foreign Currency Borrowings</b>				
<b>CHF Bonds - CHF 200 Mn</b>	<b>1,350.32</b>	-	1,139.38	-
3.50 % Redeemable at par on 07.03.2017				

## NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>Reg S Bonds - US \$500 Mn</b>	<b>2,641.31</b>	<b>-</b>	<b>2,498.55</b>	<b>-</b>
4.25 % Redeemable at par on 25.01.2016				
<b>JICA Loan - Guaranteed by Govt. of India</b>	<b>735.25</b>	<b>203.81</b>	<b>921.89</b>	<b>192.61</b>
0.75 % JICA-I loan repayable in equal half-yearly instalments of ₹982.33 Mn till 20.03.2021, next instalment falling due on 20.09.2014 and 0.65 % JICA-II loan repayable in equal half-yearly instalments of ₹995.33 Mn till 20.03.2023, next instalment falling due on 20.09.2014				
<b>KfW Loan - Guaranteed by Govt. of India</b>	<b>195.83</b>	<b>50.34</b>	<b>246.17</b>	<b>47.92</b>
3.73 % Loan repayable in equal half-yearly instalments of €3.68 Mn, next instalment due on 30.06.2014				
<b>ECB - Syndicated Loans from Banks - II - US \$400 Mn</b>	<b>1,788.96</b>	<b>-</b>	<b>1,788.96</b>	<b>-</b>
Repayable on 22.09.2015				
<b>Bilateral Term Loan - Mauritius - US \$70 Mn</b>	<b>311.36</b>	<b>-</b>	<b>311.36</b>	<b>-</b>
Repayable on 28.10.2015				
<b>Bilateral Term Loan - Mizuho - US \$100 Mn</b>	<b>446.50</b>	<b>-</b>	<b>446.50</b>	<b>-</b>
Repayable on 30.03.2016				
<b>Bilateral Term Loan - BTMU - US \$100 Mn</b>	<b>446.50</b>	<b>-</b>	<b>446.50</b>	<b>-</b>
Repayable on 30.03.2016				
<b>Syndicated Loan- US \$300 Mn</b>	<b>1,367.24</b>	<b>-</b>	<b>1,367.24</b>	<b>-</b>
Repayable on 19.08.2016				
<b>KfW-II Loan - Guaranteed by Govt. of India</b>	<b>320.66</b>	<b>53.44</b>	<b>374.10</b>	<b>53.44</b>
2.89 % Loan repayable in equal half-yearly instalments of €3.88 Mn, next instalment falling due on 30.06.2014				
<b>Syndicated Loan- ₹12.525 Bn</b>	<b>1,184.43</b>	<b>-</b>	<b>1,143.76</b>	<b>-</b>
Repayable on 27.03.2017				
<b>Syndicated Loan- US \$250 Mn</b>	<b>1,366.49</b>	<b>-</b>	<b>1,366.49</b>	<b>-</b>
Loan of \$150 Mn & \$100 Mn repayable on 17.09.2015 and 19.11.2015 respectively				
<b>KfW-III Loan - Guaranteed by Govt. of India</b>	<b>416.99</b>	<b>-</b>	<b>173.86</b>	<b>-</b>
1.86 % Loan repayable in equal half-yearly instalments of €5.26 Mn, first instalment falling due on 30.06.2015				
<b>Syndicated Loan- US \$250 Mn</b>	<b>1,488.37</b>	<b>-</b>	<b>1,359.73</b>	<b>-</b>
Repayable on 05.02.2016				
<b>Syndicated Loan- US \$250 Mn</b>	<b>1,473.07</b>	<b>-</b>	<b>1,359.73</b>	<b>-</b>
Repayable on 21.03.2016				
<b>Syndicated Loan- US \$285 Mn</b>	<b>1,780.28</b>	<b>-</b>	<b>-</b>	<b>-</b>
Repayable on 02.12.2018				
<b>Total - Foreign Currency Borrowings</b>	<b>17,313.56</b>	<b>307.59</b>	<b>14,944.22</b>	<b>293.97</b>

## 3.3 Security Details of the Secured Borrowings

The Bond Series 73, 75 of Institutional Bonds are secured by a (a) mortgage of premises at 51 and 52/58-B, 5<sup>th</sup> floor, Mittal Tower, Block II, Backbay Scheme, Nariman Point, Colaba, Mumbai 400 005, Maharashtra, India and (b) pari passu charge on the receivables, both present and future, save and except receivables hypothecated to IL&FS Trust Company Limited on the basis of joint hypothecation agreement dated September 24, 2010 in favour of IDBI Trusteeship Services Ltd.

## NOTES TO ACCOUNTS

The Bond Series 77, 78, 79, 80, 81, 82, 83, 85, 86A, 86 B-III, 87-II, 87 A-II, 87 A-III, 88, 89-II, 90, 90 A-II, 90 B-I, 90 B-II, 90 C-II, 91-II, 92-II, 93-II of Institutional Bonds and Series VIII of 54EC Capital Gain Tax Exemption Bonds are secured by a charge on a (a) mortgage of Flat no. 640, Asiad Games Village, New Delhi 110 049, India and (b) pari passu charge on the receivables of our Company, both present and future, save and except receivables hypothecated to IL&FS Trust Company Limited on the basis of joint hypothecation agreement dated September 24, 2010 in favour of IDBI Trusteeship Services Ltd.

The Bond Series 116-I, 116-II, 117, 118, 119, 120, 121 of Institutional Bonds are secured by a charge on first pari passu charge on the book debts of the issuer both present & future which are charged to other lenders / trustees and as may be agreed between the issuer and the trustee, pursuant to the terms of the Debenture /Bond Trust cum Hypothecation Deed with a minimum security cover of one time of the aggregate face value amount of the bonds outstanding at all times in favor of IDBI Trusteeship Services Ltd.

The Bond Series IX of 54EC Capital Gain Tax Exemption Bonds is secured by first pari passu charge on (a) mortgage of premises at Sub Plot No. 8, TPS No 2, FP No. 584P, situated at Village Subhanpura, Distt Vadodara and (b) hypothecation of receivables in favour of IDBI Trusteeship Services Ltd.

Tax Free Bonds issued during FY 2011-12 are secured by first pari passu charge on premises at Shop No. 12, Ground Floor, Block No. 35, Church Road, Mylapore, Chennai and hypothecation of receivables of ₹ 4,998.66 Crores of MSEDCL in favour of IL&FS Trust Company Ltd.

Tax Free Bonds issued during FY 2012-13 are secured by first pari passu charge on (a) mortgage of premises at Sub Plot No. 8, TPS No 2, FP No. 584P, situated at Village Subhanpura, Distt Vadodara and (b) hypothecation of receivables in favour of SBICap Trustee Company Ltd.

Tax Free Bonds issued during FY 2013-14 are secured by first pari passu charge on the book debts (other than those that are exclusively charged/earmarked to lenders / other Trustees) of the Company in favour of SBICap Trustee Company Ltd.

The term loans are secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to IL&FS Trust Company Limited.

**3.4** Foreign Currency Borrowings have been raised at interest rates ranging from a spread of 129 bps to 220 bps over 6 Months' USD/JPY LIBOR (London Inter Bank Offered Rate) except where rates have been stated above in Note No. 3.2.3.1.

### **3.5 Details of Infrastructure Bonds Issued are as under :**

#### **Series I (2010-11) allotted on 31.03.2011**

(₹ in Crores)

Rate of Interest	Amount	Redemption Details
8.00 %	61.60	Redeemable on the date falling 10 years from the date of allotment with buyback option by bondholders after 5 years
8.20 %	151.74	
8.10 %	1.61	Redeemable on the date falling 10 years from the date of allotment
8.20 %	3.78	
<b>Total</b>	<b>218.73</b>	

#### **Series II (2011-12) allotted on 15.02.2012**

(₹ in Crores)

Rate of Interest	Amount	Redemption Details
8.95 % Cumulative	95.23	Redeemable on the date falling 10 years from the date of allotment with buyback option by bondholders after 5 years
8.95 % Annual	32.85	
9.15 % Cumulative	13.43	Redeemable on the date falling 15 years from the date of allotment with buyback option by bondholders after 7 years
9.15 % Annual	5.01	
8.95 % Cumulative	5.73	Redeemable on the date falling 10 years from the date of allotment
8.95 % Annual	1.38	
9.15 % Cumulative	2.83	Redeemable on the date falling 15 years from the date of allotment
9.15 % Annual	1.13	
<b>Total</b>	<b>157.59</b>	

## NOTES TO ACCOUNTS

### 4. DEFERRED TAX LIABILITIES/ ASSETS (-) (NET)

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
<b>Deferred Tax Liabilities on account of:</b>			
Depreciation	5.02	5.17	
Foreign Currency Exchange Fluctuation Loss	181.04	-	
<b>Total</b>	<b>186.06</b>	<b>5.17</b>	
<b>Deferred Tax Assets on account of:</b>			
Provision for Earned Leave Liability	7.79	7.93	
Provision for Medical Leave	4.58	4.12	
Provision for Post Retirement Medical Benefits	-	2.63	
<b>Total</b>	<b>12.37</b>	<b>14.68</b>	
<b>Deferred Tax Liabilities/ Assets (-) (Net)</b>	<b>173.69</b>	<b>-9.51</b>	

- 4.1 The Company has no intention to make withdrawal from the special reserve created and maintained under section 36(1)(viii) of the Income Tax Act 1961. Hence, the special reserve created and maintained is not capable of being reversed and thus, it becomes a permanent difference as per AS-22 as notified under Section 211(3C) of the Companies Act, 1956. Accordingly, the Company is not creating any deferred tax liability on the said reserve.

### 5. OTHER LONG-TERM LIABILITIES

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
- Non-Current Portion of Interest accrued but not due on borrowings	23.52	80.25	
<b>Total</b>	<b>23.52</b>	<b>80.25</b>	

### 6. LONG-TERM AND SHORT-TERM PROVISIONS

		(₹ in Crores)			
		As at 31.03.2014		As at 31.03.2013	
		Non-Current	Current	Non-Current	Current
(A)	<b>Provisions for</b>				
	<b>Employee Benefits</b>				
	Earned Leave Liability	20.19	2.73	19.54	3.78
	Post Retirement Medical Benefits	63.43	3.21	54.26	1.54
	Medical Leave Liability	12.83	1.91	11.03	2.37
	Settlement Allowance	1.02	0.14	1.03	0.13
	Economic Rehabilitation Scheme	2.58	0.07	1.95	0.28
	Long Service Award	3.02	0.36	2.44	0.62
	<b>Sub-total (A)</b>	<b>103.07</b>	<b>8.42</b>	<b>90.25</b>	<b>8.72</b>
(B)	<b>Others</b>				
	Standard Loan Assets	339.17	31.21	95.16	10.52
	Rescheduled Loan Assets	-	-	3.04	0.14
	Incentive	-	15.42	-	34.03
	Wealth Tax	-	0.37	-	0.37
	Fringe Benefit Tax	-	0.36	-	0.36
	Proposed Dividend	-	172.81	-	148.12
	Corporate Dividend Tax	-	29.37	-	25.17
	<b>Sub-total (B)</b>	<b>339.17</b>	<b>249.54</b>	<b>98.20</b>	<b>218.71</b>
	<b>Total (A+B)</b>	<b>442.24</b>	<b>257.96</b>	<b>188.45</b>	<b>227.43</b>

## NOTES TO ACCOUNTS

**6.1** Reserve Bank of India had permitted the Company to create provision of 0.25 % on 'Standard Assets' in a phased manner upto 31<sup>st</sup> March, 2015. During the previous year, the company had provided ₹ 105.68 Crores and balance amount of ₹ 264.70 Crores is provided in full so as to make it equal to 0.25 % of the outstanding Standard Assets in the current year 2013-14 itself.

**6.2** Details of Provisions as required under AS-29 are as under :

(₹ in Crores)				
Provisions for	Opening Balance	Additions During the Year	Paid/ Adjusted during the Year	Closing Balance
Earned Leave Liability	23.32	6.17	6.57	22.92
Previous year	23.45	5.66	5.79	23.32
Post Retirement Medical Benefits	55.80	15.05	4.21	66.64
Previous year	46.82	11.75	2.77	55.80
Medical Leave Liability	13.40	2.64	1.30	14.74
Previous year	11.99	2.23	0.82	13.40
Settlement Allowance	1.16	0.10	0.10	1.16
Previous year	1.12	0.07	0.03	1.16
Economic Rehabilitation Scheme	2.23	0.89	0.47	2.65
Previous year	2.19	0.25	0.21	2.23
Long Service Award	3.06	0.94	0.62	3.38
Previous year	3.01	0.45	0.40	3.06
Standard Loan Assets	105.68	264.70	-	370.38
Previous year	-	105.68	-	105.68
Rescheduled Loan Assets	3.18	-	3.18	-
Previous year	3.18	-	-	3.18
Incentive	34.03	10.95	29.56	15.42
Previous year	25.10	41.47	32.54	34.03
Ex-gratia	-	-	-	-
Previous year	0.10	-	0.10	-
Wealth Tax	0.37	0.37	0.37	0.37
Previous year	0.38	0.36	0.37	0.37
Fringe Benefit Tax	0.36	-	-	0.36
Previous year	0.36	-	-	0.36
Interim Dividend	-	765.28	765.28	-
Previous year	-	666.53	666.53	-
Proposed Dividend	148.12	172.82	148.13	172.81
Previous year	246.86	148.12	246.86	148.12
Corporate Dividend Tax	25.17	159.40	155.20	29.37
Previous year	40.05	133.28	148.16	25.17
Income Tax	2,321.78	1,707.92	40.74	3,988.96
Previous year	1,887.74	1,347.85	913.81	2,321.78

## 7. SHORT-TERM BORROWINGS

(₹ in Crores)		
Particulars	As at 31.03.2014	As at 31.03.2013
(A) Loans Repayable on Demand, unsecured		
- from Banks	-	500.00
- from Financial Institutions	-	1,000.00
(B) Commercial Paper, unsecured	2,540.00	980.00
<b>Total (A+B)</b>	<b>2,540.00</b>	<b>2,480.00</b>

## NOTES TO ACCOUNTS

### 8. OTHER CURRENT LIABILITIES

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
(A) Current maturities of long-term debt (Refer Note 3)	13,537.89	14,350.79	
(B) Interest accrued but not due on borrowings	4,400.95	3,736.70	
(C) Interest accrued and due on borrowings	1.10	1.05	
(D) Income Received in Advance	0.01	0.01	
(E) Unpaid Dividends	2.31	1.84	
(F) Unpaid Principal & Interest on Bonds			
- Matured Bonds & Interest Accrued thereon	61.05	72.77	
- Interest on Bonds	11.38	19.82	
(G) Other payables			
- Subsidy/ Grant Received from Govt. of India	30,260.46	27,347.67	
Add: Interest on Subsidy/ Grant (Refer Note 8.3)	11.55	3.65	
Less: Disbursed to Beneficiaries	-29,760.21	-27,330.93	
Undisbursed Subsidy/Grant	511.80	20.39	
- Statutory Dues payable including PF and TDS	24.38	21.62	
- Payable towards funded staff benefits	0.82	1.35	
- Other Liabilities	32.04	890.06	
Sub-total (G)	569.04	933.42	
Total (A to G)	18,583.73	19,116.40	

#### 8.1 Subsidy Under Accelerated Generation & Supply Programme (AG&SP):

The Company is maintaining an Interest Subsidy Fund Account and was given AG&SP subsidy (for disbursement to the eligible borrowers) by Govt. of India at net present value calculated at indicative rates and year in accordance with GOI's letter vide D.O.No. 32024/17/97-PFC dated 23.09.1997 and O.M.No.32024/23/2001-PFC dated 07.03.2003 irrespective of the actual repayment schedule, moratorium year and duration of repayment of the eligible schemes. The impact of difference between the indicative rate and year considered at the time of drawl and the actual can be ascertained only after the end of the respective schemes.

Net amount of ₹ 3.53 Crores as on 31<sup>st</sup> March, 2014 (Previous year ₹ 5.20 Crores) represents the balance amount of interest subsidy fund, which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following :-

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
Opening Balance of Interest Subsidy Fund	5.20	7.76	
Add: Interest earned during the year	0.22	0.26	
Less: Interest subsidy passed on to the borrower	1.89	2.82	
Closing Balance of Interest Subsidy Fund	3.53	5.20	

Further, an amount of ₹ 0.44 crores is included in 'Other Liabilities' in respect of the grant disbursed on 2<sup>nd</sup> April, 2014.

#### 8.2 Government of India has appointed Rural Electrification Corporation Ltd. as a nodal agency for implementation of Rajiv Gandhi Gramin Vidyutikaran Yojna (RGGVY). The funds received for disbursement to various agencies under the scheme are kept in a separate bank account. The undisbursed funds for the scheme including interest earned thereto are classified under "Undisbursed Subsidy/ grant" under the head "Other Current Liabilities.

During the year, interest earned of ₹ 38.00 Crores (Previous year ₹ 20.02 Crores) has been taken to RGGVY Subsidy account. Further, during the year, an amount of ₹ 29.51 crores (Previous year ₹ 98.92 Crores) has been refunded back to MoP out of the total interest on subsidy.

#### 8.3 The movement in Interest on Subsidy/ Grant is explained as under:

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
Opening Balance	3.65	83.14	
Add: Interest earned during the year	38.32	20.45	
Less: Amount refunded to Govt. during the year	29.51	98.92	
Less: Disbursement out of Interest earned on account of AG&SP Grant	0.91	1.02	
Closing Balance	11.55	3.65	

## NOTES TO ACCOUNTS

### 9. FIXED ASSETS AS AT 31<sup>ST</sup> MARCH, 2014

(₹ In Crores)

FIXED ASSETS	GROSS BLOCK			DEPRECIATION/ AMORTISATION			NET BLOCK	
	As at 01.04.2013	Additions during the year	Sales/ adjustment during the year	Closing as on 31.03.2014	Upto 31.03.2013	Adjustment during the year	As on 31.03.2014	As at 31.03.2013
<b>Tangible Assets</b>								
Freehold Land	34.75	-	-	34.75	-	-	34.75	34.75
Leasehold Land	1.45	-	-	1.45	0.20	0.01	1.24	1.25
Buildings	24.51	3.98	-	28.49	6.41	0.43	21.65	18.10
Furniture & Fixtures	7.49	0.29	1.04	6.74	4.26	0.29	2.67	3.23
Vehicles	0.51	-	0.06	0.45	0.41	0.02	0.08	0.10
EDP Equipments	15.22	1.10	0.49	15.83	8.35	1.87	5.88	6.87
Office Equipments	5.77	0.55	0.35	5.97	2.48	0.22	3.40	3.29
<b>Total</b>	<b>89.70</b>	<b>5.92</b>	<b>1.94</b>	<b>93.68</b>	<b>22.11</b>	<b>2.84</b>	<b>69.67</b>	<b>67.59</b>
Previous year	88.02	2.46	0.78	89.70	19.78	2.73	67.59	
<b>Intangible Assets</b>								
Computer Software	6.85	0.11	-	6.96	3.14	1.37	2.45	3.71
<b>Total</b>	<b>6.85</b>	<b>0.11</b>	<b>-</b>	<b>6.96</b>	<b>3.14</b>	<b>1.37</b>	<b>2.45</b>	<b>3.71</b>
Previous year	4.34	2.51	-	6.85	2.12	1.02	3.71	
<b>Capital Work-in-progress</b>	<b>8.75</b>	<b>0.96</b>	<b>-</b>	<b>9.71</b>	<b>-</b>	<b>-</b>	<b>9.71</b>	<b>8.75</b>
Previous year	7.92	0.83	-	8.75	-	-	8.75	
<b>Intangible Assets under Development</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Previous year	0.10	0.10	0.20	-	-	-	-	

**9.1** The formalities regarding registration of one conveyance deed in respect of the Land & Building acquired by the Company amounting to ₹ 4.59 Crores (Previous year ₹ 4.59 Crores) are yet to be executed.

**9.2** In the opinion of management, there is no impairment of the assets of the Company in terms of AS-28. Accordingly, no provision for impairment loss as required under Accounting Standard-28 'Impairment of Assets' has been made.

### 9.3 Disclosure in respect of Intangible Assets as required in AS-26 "Intangible Assets":

Useful Life	5 years
Amortisation Rate	20 %, 100 % in case the total cost of the asset is ₹ 5,000 or less
Amortisation Method	Straight Line

## NOTES TO ACCOUNTS

### 10. INVESTMENTS

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Number	Amount	Number	Amount
<b>Valued at Cost</b>				
<b>(1) Non-Current Investments</b>				
<b>(A) Other Investments (Unquoted)</b>				
<b>(i) Investment in Equity Instruments</b>				
- Subsidiaries				
- REC Power Distribution Company Limited	50,000	0.05	50,000	0.05
Equity shares of ₹ 10 each, fully paid up				
- REC Transmission Projects Company Limited	50,000	0.05	50,000	0.05
Equity shares of ₹ 10 each, fully paid up				
- Joint Ventures				
- Energy Efficiency Services Limited	22,500,000	22.50	22,500,000	22.50
Equity shares of ₹ 10 each, fully paid up				
- Others				
- India Energy Exchange Limited	1,250,000	1.25	1,250,000	1.25
Equity shares of ₹ 10 each, fully paid up				
- Universal Commodity Exchange Limited	16,000,000	16.00	16,000,000	16.00
Equity shares of ₹ 10 each, fully paid up				
<b>(ii) Investment in Government Securities</b>				
- 8% Government of Madhya Pradesh Power Bonds-II	10	471.60	12	565.92
Maturing in equal half yearly Instalments of one bond each, next instalment due on 01.10.2014				
(Bonds of Face Value of ₹ 47.16 Crores each)*				
<b>(iii) Investment in Venture Capital Funds</b>				
- KSK Energy Ventures Limited				
Units of 'Small is Beautiful' Fund at face value of ₹ 10.00 per unit	7,682,816	7.68	7,682,816	7.68
NAV of ₹ 9.70 per unit (Previous year ₹ 9.77)				
<b>(iv) Investment in Debentures</b>	114,150	1,141.50	-	-
9.68% Bonds of UP Power Corporation Ltd.				
Bonds of Face Value of ₹ 0.01 Crores each				
<b>Total - Non-Current Investments (1)</b>		<b>1,660.63</b>		<b>613.45</b>
<b>(2) Current Investments</b>				
<b>(A) Investment in Government Securities (Unquoted)</b>				
- 8% Government of Madhya Pradesh Power Bonds-II	1	47.16	1	47.16
Maturing in equal half yearly Instalments of one bond each, next instalment due on 01.10.2014				
(Bonds of Face Value of ₹ 47.16 Crores each)*				
<b>Total - Current Investments (2)</b>		<b>47.16</b>		<b>47.16</b>
<b>Total (1+2)</b>		<b>1,707.79</b>		<b>660.61</b>

\* The number of bonds and the amount of the investment in current portion represents the investments maturing within the next 12 months and the balance is the non-current portion.

## NOTES TO ACCOUNTS

### Additional disclosures required in respect of the investments :

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
(i) Aggregate amount of Quoted Investments	-	-	
(ii) Aggregate amount of Unquoted Investments			
- Non-Current investments	1,660.63	613.45	
- Current investments	47.16	47.16	
(iii) Aggregate provision for diminution in value of investments	-	-	

- 10.1** Investments include ₹ 7.68 Crores (Previous year ₹ 7.68 Crores) representing company's contribution in the units of 'Small is Beautiful (SIB) Venture Capital fund' promoted by KSK Energy Ventures Limited. During the year, Nil units (Previous year 1,42,311 units) were redeemed.

Name of the Company	Contribution towards Fund	Country of Residence	Percentage of Share
SIB Fund of KSK Energy Ventures Ltd	₹ 7.68 Crores	India	9.74 %

- 10.2** Information in relation to the interest of the Company in Joint Ventures as required under Accounting Standard – 27:

**1. Energy Efficiency Services Ltd.**

Proportion of Interest in Equity	25 %
Country of Incorporation	India

The Company's share of assets, liabilities, contingent liabilities and capital commitments as at 31.03.2014 and income and expenses for the year in respect of joint venture based on its unaudited accounts are given below :

	(₹ in Crores)
Total Assets	31.62
Total Liabilities	4.90
Total Reserves & Surplus	4.22
Contingent Liabilities	Nil
Capital Commitments	5.52
Total Income	8.39
Total Expenses	7.13

## 11. LONG-TERM LOANS & ADVANCES

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
(A) Capital Advances (Unsecured, considered good)	20.20	23.79	
(B) Security Deposits (Unsecured, considered good)	7.45	7.60	
(C) Loans & Advances to Related Parties			
- To Directors	0.06	0.07	
	0.06	0.07	
(D) Other Loans & Advances			
- Staff Loans & Advances (except to Directors)	15.85	13.73	
- Loan Assets	135,855.41	114,529.34	
	135,871.26	114,543.07	
<b>Total (A+B+C+D)</b>	<b>135,898.97</b>	<b>114,574.53</b>	

## NOTES TO ACCOUNTS

### Details of Staff Loans & Advances and Loan Assets :

#### 11.1 Staff Loans & Advances

Non-current portion of the staff loans & advances has been classified under 'Long-term Loans & Advances' above and the current portion of the staff loans & advances has been classified under Note-15 'Other Current Assets'.

(₹ in Crores)				
Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
(A) <b>Secured Staff Loans &amp; Advances</b>				
(A1) <b>To Directors</b>				
(a) Considered Good	0.01	-	0.01	-
(A2) <b>To Others</b>				
(a) Considered Good	4.13	0.69	3.78	1.01
(b) Classified Doubtful	0.02	0.05	-	-
Less: Allowance for bad & doubtful debts	0.02	0.05	-	-
	-	-	-	-
<b>Sub-total (A1+ A2)</b>	<b>4.14</b>	<b>0.69</b>	<b>3.79</b>	<b>1.01</b>
(B) <b>Unsecured Staff Loans &amp; Advances</b>				
(B1) <b>To Directors</b>				
(a) Considered Good	0.05	0.03	0.06	0.04
(B2) <b>To Others</b>				
(a) Considered Good	11.72	4.51	9.95	5.94
<b>Sub-total (B1+ B2)</b>	<b>11.77</b>	<b>4.54</b>	<b>10.01</b>	<b>5.98</b>
<b>Grand Total (A+B)</b>	<b>15.91</b>	<b>5.23</b>	<b>13.80</b>	<b>6.99</b>

#### 11.2 Loan Assets

Non-current portion of the loan assets has been classified under 'Long-term Loans & Advances' above and the current portion of the loan assets has been classified under Note-15 'Other Current Assets'.

(₹ in Crores)				
Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
(A) <b>Secured Loans</b>				
(A1) <b>Loans to State Power Utilities/ State Electricity Boards/Corpn. (Secured by hypothecation and/or mortgage of materials/ tangible assets)</b>				
(a) Considered Good	82,521.17	7,670.75	66,215.52	6,781.75
(A2) <b>Loans to Others (Secured by hypothecation and/or mortgage of tangible assets)</b>				
(a) Considered Good	22,027.26	1,160.66	17,716.40	734.32
(b) Classified Doubtful	308.02	182.38	353.48	136.92
Less: Allowance for bad & doubtful debts	119.64	17.22	57.02	32.52
	188.38	165.16	296.46	104.40
<b>Sub-total (A1+ A2)</b>	<b>104,736.81</b>	<b>8,996.57</b>	<b>84,228.38</b>	<b>7,620.47</b>
(B) <b>Unsecured Loans</b>				
(B1) <b>Loans Guaranteed by respective State Governments</b>				
(a) Considered good	27,201.58	2,363.27	27,278.56	2,975.03
(B2) <b>Loans to State Governments</b>				
(a) Considered good	2,860.78	340.09	2,919.40	230.83
(B3) <b>Loans - Others</b>				
(a) Considered Good	1,056.24	572.29	103.00	1.33
<b>Sub-total (B1+ B2+B3)</b>	<b>31,118.60</b>	<b>3,275.65</b>	<b>30,300.96</b>	<b>3,207.19</b>
<b>Grand Total (A+B)</b>	<b>135,855.41</b>	<b>12,272.22</b>	<b>114,529.34</b>	<b>10,827.66</b>

## NOTES TO ACCOUNTS

**11.2.1** Loan balance confirmations for around 85 % of total loan assets as on 31<sup>st</sup> March, 2014 have been received from the borrowers.

**11.2.2** Loan Assets also include amount financed by the Company as per the the Scheme for Financial Restructuring of State Distribution Companies (Discoms).

### 12. OTHER NON-CURRENT ASSETS

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
(A) Non-Current Portion of Interest Accrued on Staff Advances	4.03	3.00	
(B) Interest Accrued on Rescheduled Loans	2.11	118.79	
(C) Advance Income-tax & TDS	4,010.81	2,379.01	
Less : Provision for Income Tax	3,988.96	2,321.78	
Advance Income-tax & TDS (Net)	21.85	57.23	
(D) Non-current Portion of Unamortized Expenses :			
- Discount on Issue of Bonds	4.13	8.97	
<b>Total (A to D)</b>	<b>32.12</b>	<b>187.99</b>	

### 13. CASH AND BANK BALANCES

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
(A) Cash & Cash Equivalents			
- Balances with Banks	117.94	366.33	
- Others			
- Short-term Deposits with Scheduled Banks	1,075.00	1,117.93	
<b>Sub-total (A)</b>	<b>1,192.94</b>	<b>1,484.26</b>	
(B) Others	-	-	
<b>Total (A+B)</b>	<b>1,192.94</b>	<b>1,484.26</b>	
<b>Balances with Banks include:</b>			
- Earmarked Balances with Banks in separate accounts			
- For unpaid dividends	2.31	1.84	
- For RGGVY grant	0.20	2.81	
- For AG & SP grant	3.97	6.11	
- For other grants	1.75	2.35	
- Tax Free Bonds Public Issue Account	5.96	0.63	
- Amount set aside for grants disbursement	2.38	-	

Further, Short-term Deposits with Scheduled Banks include ₹ 503.50 Crores (Previous year ₹ 10.00 Crores) earmarked towards RGGVY grant.

**13.1** The Company had made public issue of Tax Free Bonds of face value of ₹ 1,000.00 each aggregating to ₹ 2,148.41 Crores in two tranches during the financial year 2012-13 in addition to a private placement issue of the Tax Free Bonds of ₹ 500 Crores. The issue proceeds of ₹ 0.63 Crores remaining unutilised as on 31st March, 2013 have since been utilised for the purposes as mentioned in the Offer document.

The Company has made a public issue of Tax Free Bonds of face value of ₹ 1,000.00 each aggregating to ₹ 4,500 Crores during the financial year 2013-14 in addition to a private placement of the Tax Free Bonds of ₹ 1,500 Crores. The bonds under public issue had been allotted in line with the prescribed guidelines and within the financial year 2013-14. The issue proceeds have been utilised for the purposes as mentioned in the Offer document except for ₹ 5.96 Crores which is kept in designated public issue account pending its utilisation.

## NOTES TO ACCOUNTS

### 14. SHORT-TERM LOANS & ADVANCES

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
- Loans & Advances to Related Parties (Unsecured, considered good)	3.63	3.35	
- Others			
- Advances recoverable in cash or in kind or value to be received (Unsecured, considered good)	1.34	3.60	
- Loan Assets			
(A) Secured Loans			
- Loans to State Power Utilities/ State Electricity Boards/Corpn. (Secured by hypothecation and/or mortgage of materials/ tangible assets)			
- Considered Good	259.94	1,759.00	
Sub-total (A)	259.94	1,759.00	
(B) Unsecured Loans			
- Loans Guaranteed by respective State Governments			
- Considered Good	116.67	150.00	
Sub-total (B)	116.67	150.00	
Total Loan Assets (A+B)	376.61	1,909.00	
Grand Total	381.58	1,915.95	

### 15. OTHER CURRENT ASSETS

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
(A) Current recoverable of Long-term Loan Assets (Net) (Refer Note 11.2)	12,272.22	10,827.66	
(B) Current recoverable of Staff Advances (Net) (Refer Note 11.1)	5.23	6.99	
(C) Interest Accrued & Not Due on:			
- Long Term Investments	43.06	-	
- Term Deposits	4.41	3.38	
Sub-total	47.47	3.38	
(D) Interest Accrued & Due on Loan Assets	547.49	120.26	
(E) Interest Accrued & Not Due on Loan Assets	561.70	560.89	
(F) Current Portion of Interest Accrued on Staff Advances	0.08	0.33	
(G) Recoverable from GOI			
- RGGVY Expenses	8.49	8.99	
- RGGVY/ UNDP Agency Charges	3.30	-	
Sub-total	11.79	8.99	
(H) Recoverable from SEBs/ Govt. Deptt/Others	3.29	14.61	
(I) Income Tax Recoverable	9.28	0.12	
(J) Prepaid Financial Charges on Commercial Paper	94.29	46.33	
(K) Current Portion of Unamortized Expenses			
- Discount on Issue of Bonds	4.83	4.83	
Total (A to K)	13,557.67	11,594.39	

## NOTES TO ACCOUNTS

### 16. REVENUE FROM OPERATIONS

		(₹ in Crores)	
Particulars	Year ended 31.03.2014	Year ended 31.03.2013	
(A) Interest on Loan Assets			
(i) Long term financing	16,413.47	12,479.02	
Less: Rebate for timely payments/ completion etc.	3.18	4.25	12,474.77
(ii) Short term financing	396.10		816.18
<b>Sub-total (A)</b>	<b>16,806.39</b>		<b>13,290.95</b>
(B) Revenue from Other Financial Services			
(i) Processing, Upfront, Lead fees, LC Commission etc.	52.90		108.62
(ii) Prepayment Premium	17.19		12.50
(iii) Agency/ handling charges for RGGVY Implementation/ others	28.76		9.97
<b>Sub-total (B)</b>	<b>98.85</b>		<b>131.09</b>
(C) Income from Short-term Investment of Surplus Funds			
(i) Interest from Deposits	98.07		96.82
(ii) Gain on Sale of Mutual Funds	14.67		18.51
<b>Sub-total (C)</b>	<b>112.74</b>		<b>115.33</b>
<b>Total (A to C)</b>	<b>17,017.98</b>		<b>13,537.37</b>

### 17. OTHER INCOME

		(₹ in Crores)	
Particulars	Year ended 31.03.2014	Year ended 31.03.2013	
(A) Interest Income (Other than Operating Income)			
- Interest from Govt. Securities	47.16	54.71	
- Interest from Long Term Investments	43.06	-	
- Interest from Income Tax Refund	4.56	0.67	
- Interest from Staff Advances	1.25	1.35	
- Interest from Subsidiary Companies	0.35	0.13	
<b>Sub-Total (A)</b>	<b>96.38</b>	<b>56.86</b>	
(B) Dividend Income			
- Dividend from Subsidiary Companies	0.15	0.15	
- Dividend from Long-Term Investments	0.38	0.25	
<b>Sub-Total (B)</b>	<b>0.53</b>	<b>0.40</b>	
(C) Net Gain on Sale of Long Term Investments	-	0.34	
(D) Other Non-Operating Income			
- Provision Written Back	3.18	1.69	
- Miscellaneous Income	2.73	2.01	
<b>Sub-Total (D)</b>	<b>5.91</b>	<b>3.70</b>	
<b>Total (A to D)</b>	<b>102.82</b>	<b>61.30</b>	

## NOTES TO ACCOUNTS

### 18. FINANCE COSTS

		(₹ in Crores)	
	Particulars	Year ended 31.03.2014	Year ended 31.03.2013
(A)	<b>Interest Expense</b>		
-	On Govt. Loans	0.90	1.53
-	On REC Bonds	7,881.47	6,554.77
-	On Loans from Banks/ Financial Institutions	415.78	414.32
-	On External Commercial Borrowings	1,064.92	790.52
-	On Commercial Paper	230.88	86.49
-	On AREP Subsidy	0.22	0.24
-	Interest on Advance Income Tax	2.96	2.06
	<b>Sub-Total (A)</b>	<b>9,597.13</b>	<b>7,849.93</b>
(B)	<b>Other Borrowing Costs</b>		
-	Guarantee Fee	18.66	27.32
-	Public Issue Expenses	30.37	10.37
-	Bonds Handling Charges	1.11	1.67
-	Bonds Brokerage	16.35	14.69
-	Stamp Duty on Bonds	3.73	0.84
-	Debt Issue and Other Finance Charges	59.08	101.43
	<b>Sub-Total (B)</b>	<b>129.30</b>	<b>156.32</b>
(C)	<b>Net Translation/ Transaction Exchange Loss</b>	<b>312.03</b>	<b>77.51</b>
	<b>Total (A to C)</b>	<b>10,038.46</b>	<b>8,083.76</b>

### 19. EMPLOYEE BENEFITS EXPENSE

		(₹ in Crores)	
	Particulars	Year ended 31.03.2014	Year ended 31.03.2013
-	Salaries and Allowances	88.81	116.11
-	Contribution to Provident Fund and Other Funds	10.95	9.94
-	Gratuity	0.82	1.35
-	Expenses towards Post Retirement Medical Facility	15.05	11.75
-	Staff Welfare Expenses	14.28	12.69
	<b>Total</b>	<b>129.91</b>	<b>151.84</b>

## NOTES TO ACCOUNTS

### 20. OTHER EXPENSES

(₹ in Crores)

Particulars	Year ended 31.03.2014		Year ended 31.03.2013	
- Expenses towards CSR & Sustainable Development		38.40		17.50
- Travelling and Conveyance		10.12		9.01
- Publicity & Promotion Expenses		6.46		5.11
- Repairs and Maintenance				
- Building	1.64		1.68	
- ERP & Data Centre	3.95		3.04	
- Others	0.59	6.18	0.42	5.14
- Rent & Hiring Charges		3.43		2.17
- Rates and Taxes		1.04		1.46
- Power & Fuel		1.12		1.07
- Insurance Charges		0.04		0.04
- Postage and Telephone		1.81		1.10
- Auditors' Remuneration		0.66		0.58
- Consultancy Charges		2.26		1.99
- Donations & Charity		-		0.01
- Loss on Sale of Assets		0.69		0.33
- Allowance on Staff Advances		0.07		-
- Miscellaneous Expenses		33.19		19.18
<b>Total</b>		<b>105.47</b>		<b>64.69</b>

#### 20.1 Auditors' Remuneration includes :

(₹ in Crores)

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
- Audit Fees	0.32	0.27
- Tax Audit Fees	0.06	0.05
- Limited Review Fees	0.06	0.06
- Payment for Other Services #	0.22	0.19
- Reimbursement of Expenses	-	0.01
<b>Total</b>	<b>0.66</b>	<b>0.58</b>

The figure above also includes service tax credit reversal of ₹ 0.04 crores (Previous year ₹ 0.03 crores) done as per Service Tax Rules.

# Inclusive of Certification Fee of ₹ 0.18 Crores (Previous year ₹ 0.15 Crores) for Certification of Prospectus for Tax Free Bonds Public Issue during the year.

#### 20.2 Earnings and Expenditure in Foreign Currency :

(₹ in Crores)

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
<b>Earnings</b>	-	-
<b>Expenditure</b>		
- Royalty, Know-how, Professional, Consultation Fees	0.21	0.39
- Interest	388.23	289.56
- Finance Charges	47.67	86.72
- Other Expenses	1.70	0.72
<b>Total</b>	<b>437.81</b>	<b>377.39</b>

## NOTES TO ACCOUNTS

- 20.3** The Company has taken office space, accommodations for staff and space for ERP Data Centre on lease. These are classified as operating lease. Lease payments in respect of office space and data centre amounting to ₹ 4.43 Crores (Previous year ₹ 2.39 Crores) is shown under the head 'Other Expenses'. Lease payments in respect of accommodations for staff amounting to ₹ 2.23 Crores (Previous year ₹ 1.57 Crores) form part of 'Employees Benefit Expense.' Future lease payments in respect of these lease agreements are as under:

Future minimum lease rent payments	Year ended 31.03.2014		Year ended 31.03.2013	
	Data Centre	Office & Accomodations	Data Centre	Office & Accomodations
Not later than one year	0.39	3.98	0.39	2.52
Later than one year and not later than 5 years	0.18	9.60	0.38	7.94
Later than 5 years	-	0.69	-	0.01
<b>Total</b>	<b>0.57</b>	<b>14.27</b>	<b>0.77</b>	<b>10.47</b>

(₹ in Crores)

### 21. EARNINGS PER SHARE

		(₹ in Crores)
Particulars	Year ended 31.03.2014	Year ended 31.03.2013
<b>Numerator</b>		
Profit after Tax as per Statement of Profit and Loss (₹ in Crores)	4,683.70	3,817.62
<b>Denominator</b>		
Weighted average Number of equity shares	987,459,000	987,459,000
Basic & Diluted Earnings per share of ₹ 10 each (in ₹)	47.43	38.66

### 22. CONTINGENT LIABILITIES AND COMMITMENTS :

#### 22.1 Contingent Liabilities not provided for in respect of:

		(₹ in Crores)
Particulars	As at 31.03.2014	As at 31.03.2013
A - Claims against the Company not acknowledged as debts	56.16	51.28
B - Others		
- Letters of Comfort	1,273.81	1,904.17

The amount referred to in 'A' above includes ₹ 5.24 Crores (Previous year ₹ 5.17 Crores) is in respect of cases pending in various courts including arbitration cases and is dependent upon the outcome of settlement of court/arbitration cases and also includes ₹ 50.92 Crores (Previous year ₹ 46.11 Crores) against various demands raised by the Income Tax Department including the cases pending in Delhi High Court.

#### 22.2 Commitments not provided for in respect of:

		(₹ in Crores)
Particulars	As at 31.03.2014	As at 31.03.2013
- Contracts remaining to be executed on capital account		
- Towards Tangible Assets	11.69	5.82
- Towards Intangible Assets	4.75	0.33
- Other Commitments		
- Undisbursed CSR Commitments	34.42	7.41

## NOTES TO ACCOUNTS

23. The Company is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company (NBFC) since 1997-98. As per notification No.DNBS(PD).CC No.12/02.01/99-2000 dated 13.1.2000 of RBI, Govt. companies as defined under Section 617 of the Companies Act, 1956 have been exempted from applicability of the provisions of Reserve Bank of India Act, 1934 relating to maintenance of liquid assets and creation of Reserve Funds and the Directions relating to acceptance of public deposits and prudential norms. The said notification is also applicable to REC, being a Govt. company conforming to Section 617 of the Companies Act, 1956. Further, as per Para No. 1 (3) (iv) of RBI's Master Circular No. DNBS (PD) CC No. 333/03.02.001/2013-14 dated July 1, 2013, REC being a Government Company as defined under section 617 of the Companies Act 1956 continues to be exempted from the applicability of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. Moreover in view of the non- applicability of the provisions of Section 45 (I) C of the RBI Act 1934 regarding creation of Reserve Fund, the Reserve Fund is not created.

Further, RBI, vide its letter dated September 17, 2010 had categorized REC as an Infrastructure Finance Company (IFC) in terms of instructions contained in RBI Circular CC No.168 dated February 12, 2010. As an IFC, the total permissible exposure for lending in the private sector is 25 % of owned funds in case of single borrower and 40 % in case of a single group of borrowers and exposure for lending and investing taken together can be upto 30 % and 50 % of owned funds, respectively. REC is also required to maintain a Capital to Risk Weighted Assets Ratio (CRAR) of 15 % (with a minimum Tier I Capital of 10 %). Accordingly, the Prudential Norms were modified with the approval of our Board on September 25, 2010. In view of the exemption granted by RBI, our maximum credit exposure limits to Central and State power Utilities vary from 50 % to 250 % of our net worth, depending upon entity appraisal.

24. On December 13, 2006, our Board of Directors approved Company's Prudential Norms and amendments thereto were approved on February 21, 2009, September 25, 2010, May 28, 2013 and May 26, 2014. Some important features of these are given in the Significant Accounting Policies also. However, in order to bring all "Systemically important" government-owned NBFCs within the framework of their prudential norms, RBI had advised our Company on December 12, 2006 to submit a 'road map'.

The Company submitted the road map to RBI through the Ministry of Power and RBI, vide its letter dated June 29, 2010 had granted exemption to REC from its Prudential exposure Norms in respect of Central and State entities in the power sector, till March 31, 2012. In response to the Company's submission for further extending the exemption period till at least the end of XII plan, forwarded to RBI by Ministry of Power vide letter dated January 16, 2012, RBI, vide its letter dated April 4, 2012 had agreed to extend the exemption from adhering to RBI Prudential Norms till March 31, 2013, subject to furnishing a Roadmap upto June 30, 2012 for compliance with the RBI Prudential Norms as laid down in Non Banking Financial Companies (Non Deposit Accepting or Holding) Prudential Norms (Reserve Bank) Directions, 2007 as amended from time to time, within three years beginning April 1, 2013.

Accordingly, REC submitted the roadmap for compliance of the RBI Prudential Norms in phased manner w.e.f. 2012-13, vide letter dated 22<sup>nd</sup> June, 2012 to Ministry of Power which was forwarded to RBI on 6<sup>th</sup> July, 2012. RBI, vide letter dated 25<sup>th</sup> July, 2013 has conveyed to REC that matters relating to restructuring/reschedulement/ renegotiation of assets and credit concentration norms are under consideration of the Bank and advised REC to take steps to comply with the prudential norms of RBI by 31<sup>st</sup> March, 2016. Subsequently, RBI vide letter dated April 4 2014, has exempted REC from credit concentration norms in respect of exposure to Central/ State Government entities till March 31 2016 and with regard to Restructuring of assets, REC has been advised that it may follow the instructions contained in RBI Circular DNBS.CO.PD.367/03.10.01/2013-14 dated January 23, 2014 issued vide Notification No. DNBS (PD) No. 271/ CGM (NSV)-2014 of the same date. Necessary steps would be taken by 31<sup>st</sup> March, 2016 in terms of RBI letters dated 04<sup>th</sup> April, 2012, 25<sup>th</sup> July, 2013 and 04<sup>th</sup> April, 2014. However, REC has taken up the matter with RBI and also through the Ministry of Power, for suitable directions in this regard and necessary action shall be taken in subsequent years in the manner so advised by RBI.

25. The National Electricity Fund (NEF), an interest subsidy scheme, has become operational during the year 2012-13. The scheme has been introduced by Govt. of India to promote the capital investment in the distribution sector. The scheme shall provide interest subsidy linked with reform measures, on the loans taken by public and private distribution power utilities for various capital works under Distribution sector. NEF would provide interest subsidy aggregating to ₹ 8,466 Crores (including interest subsidy to the borrowers, service charges to the nodal agency, payments to independent evaluators and other incidental expenses) spread over 14 years for loan disbursement against projects approved during 2012-13 and 2013-14. REC has been nominated as Nodal Agency for operationalisation of the NEF scheme in entire country.
26. There has been shortfall (gross) in creation of Special Fund by some of the RE Cooperative Societies amounting to ₹ 5.86 Crores (Previous year ₹ 5.86 Crores).

### 27. Changes in Accounting Policy

Modifications have been made in Significant Accounting Policy No. 1(a), 2.1a, 2.1e(1), 2.2 (i), 2.2(iv), 5, 6, 7 to make it more clarificatory/ explicit. However, there is no financial impact of such modifications.

Further, the Company has changed its Significant Accounting Policy 2.3 (iv) regarding provision on Standard Assets which is now created at 0.25 % of the outstanding standard assets as against creating it in a phased manner upto 31<sup>st</sup> March, 2015. If the company had followed the earlier policy, the profit after tax for the year ended March 31, 2014 would have been higher by ₹ 105.74 crore.

28. In the opinion of the management, the current assets, loans and advances appearing in the balance sheet have a value equivalent to the amount stated therein if realized during the ordinary course of business and all known liabilities have been provided.

## NOTES TO ACCOUNTS

29. The Company has no outstanding liability towards Micro, Small and Medium undertakings.
30. As part of hedging strategy, the company has executed, in some cases, interest rate swaps from fixed rate of interest to floating rate of interest. The INR value of outstanding borrowing on which such swap has been exercised is ₹ 7,427.80 Crores (Previous year ₹ 7,211.80 Crores).

In respect of foreign currency borrowings, the company has also executed cross currency swaps to hedge the Foreign Currency Exposure. The outstanding position of Foreign Currency Exposure on 31.03.2014 is as under:

(Foreign Currency amounts in Millions, INR amounts in Crores)

Currency	Total		Hedged Portion (Currency & Interest rate)		Unhedged	
	Foreign Currency	INR Equivalent	Foreign Currency	INR Equivalent *	Foreign Currency	INR Equivalent *
JPY ¥	36,483.43	2,123.49	35,851.15	2,086.30	632.28	37.19
Previous year	40,173.98	2,258.26	26,688.37	1,479.34	13,485.61	778.92
EURO €	141.28	1,037.26	113.63	808.90	27.65	228.36
Previous year	131.43	895.49	106.43	721.63	25.00	173.86
USD \$	2,505.00	13,110.08	1,830.00	9,053.34	675.00	4,056.74
Previous year	2,220.00	10,945.06	1,470.00	6,865.87	750.00	4,079.19
CHF (Swiss Franc)	200.00	1,350.32	-	-	200.00	1,350.32
Previous year	200.00	1,139.38	-	-	200.00	1,139.38
<b>Total</b>		<b>17,621.15</b>		<b>11,948.54</b>		<b>5,672.61</b>
Previous year		15,238.19		9,066.84		6,171.35

\* The portion of the foreign currency borrowings swapped into Indian Rupee is stated at the rate fixed in the swap transactions, and not translated at the year end rate. The unhedged portion of the foreign currency borrowings has been translated at the year end rate.

30.1 In terms of Accounting Policy 14.1, the foreign currency monetary items as at the year end have been translated at the following rates:

Sl. No.	Exchange Rates	As at 31.03.2014	As at 31.03.2013
1	USD/INR	60.0998	54.3893
2	JPY/INR	0.5883	0.5776
3	Euro/INR	82.5765	69.5438
4	CHF/INR	67.5159	56.9689

### 31. RELATED PARTY DISCLOSURES :

#### (1) Key Management Personnel

Sh. Rajeev Sharma

Chairman & Managing Director (from 29.11.2011 A/N)

Sh. Ajeet Kumar Agarwal

Director (Finance) (from 01.08.2012 F/N)

Sh. P.J. Thakkar

Director (Technical) (from 02.05.2011 A/N)

#### (2) Other Related Parties

##### 1. Subsidiary Companies

REC Transmission Projects Company Limited (RECTPCL)

REC Power Distribution Company Limited (RECPDCL)

## NOTES TO ACCOUNTS

### 2. Wholly owned Subsidiaries of REC Transmission Projects Company Limited

Vizag Transmission Limited (VTL) - Incorporated on 30.11.2011 and transferred to Power Grid Corporation of India Limited (PGCIL) on 30.08.2013, substantially upon the terms and conditions as detailed in the Share Purchase Agreement between RECTPCL, VTL and PGCIL

Kudgi Transmission Limited (KTL) - Incorporated on 27.11.2012 and transferred to L&T Infrastructure Development Projects Limited (LTIDPL) on 30.08.2013, substantially upon the terms and conditions as detailed in the Share Purchase Agreement between RECTPCL, KTL and LTIDPL.

Unchahar Transmission Limited (UTL)- Incorporated on 17.12.2012 and transferred to Power Grid Corporation of India Limited (PGCIL) on 24.03.2014, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, UTL and PGCIL.

Nellore Transmission Limited - Incorporated on 04.12.2012

Baira Siul Sarna Transmission Limited - Incorporated on 24.01.2013

NRSS XXIX Transmission Limited- Incorporated on 29.07.2013

NRSS XXXI (A) Transmission Limited- Incorporated on 29.07.2013 and transferred to Power Grid Corporation of India Limited (PGCIL) on 12.05.2014, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, NRSS XXXI (A) Transmission Limited and PGCIL.

NRSS XXXI (B) Transmission Limited- Incorporated on 29.07.2013 and transferred to M/s Essel Infraprojects Limited (EIL) on 12.05.2014, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, NRSS XXXI (B) Transmission Limited and EIL.

### 3. Joint Ventures

Energy Efficiency Services Limited (EESL)

Details of amount due from/ to the related parties :

Particulars	(₹ in Crores)	
	As at 31.03.2014	As at 31.03.2013
<b>Long-term Debt</b>		
RECTPCL	60.00	35.00
RECPDCL	7.00	-
Key Managerial Personnel	0.08	0.04
<b>Loans &amp; Advances</b>		
RECTPCL	3.32	1.76
RECPDCL	0.31	1.59
Key Managerial Personnel	0.09	0.11
<b>Other Current Liabilities</b>		
RECPDCL	2.57	-

## NOTES TO ACCOUNTS

Details of Transactions with the related parties :

		(₹ in Crores)	
Particulars	For the year ended 31.03.2014	For the year ended 31.03.2013	
<b>Long Term Debt - Amount Invested</b>			
RECTPCL	25.00	35.00	
RECPDCL	7.00	-	
Key Managerial Personnel	0.04	0.04	
<b>Loans &amp; Advances</b>			
Key Managerial Personnel	0.09	0.08	
<b>Refund of Share Application Money</b>			
EESL	-	2.50	
<b>Sale of Fixed Assets</b>			
RECTPCL	0.05	-	
<b>Dividend from Subsidiaries</b>			
RECTPCL	0.10	0.10	
RECPDCL	0.05	0.05	
<b>Interest Income - Loans &amp; Advances</b>			
RECTPCL	0.34	0.13	
RECPDCL	0.01	-	
<b>Apportionment of Employee Benefit and Other Expenses</b>			
RECTPCL	4.96	1.94	
RECPDCL	3.04	2.74	
<b>Finance Cost</b>			
Interest Paid to RECTPCL	2.95	0.04	
Interest Paid to RECPDCL	0.10	-	
<b>Employee Benefits Expense - Managerial Remuneration</b>	1.56	1.65	
<b>Other Expenses</b>			
RECPDCL	6.47	1.04	
EESL	3.98	-	

**32. The Company has adopted AS 15 (revised 2005) 'Employee Benefits'. Defined employee benefit schemes are as follows:**

**A. Provident Fund**

Company pays fixed contribution of Provident Fund at pre-determined rates to a separate trust which invests the funds in permitted securities. The trust fixes the rate of interest on contribution to the members of the trust. As per the management estimates, the fair value of the assets of the Provident fund including the returns of the assets thereof, as at 31.03.2014 is greater than the obligation under the defined contribution plan.

**B. Defined Contribution Superannuation Scheme**

The Company pays fixed contribution towards superannuation scheme at pre-determined rates to a separate trust which invests the funds with the Insurers. The Insurers fix the rate of interest on the balance standing to the credit of the accounts of the members of the trust. When the pension becomes payable to the member, the Insurers shall appropriate the member's accumulation towards various annuities, as opted for by the member. The expenditure is recognized in the Statement of Profit & Loss on the basis of defined contribution payable by the Company.

**C. Gratuity**

The Company has a defined benefit gratuity plan. Every employee is entitled to gratuity as per the provisions of the Payment of Gratuity Act. The scheme is funded by the Company and is managed by separate trust. The liability of Gratuity is recognized on the basis of actuarial valuation.

## NOTES TO ACCOUNTS

### D. Post Retirement Medical Facility (PRMF)

The Company has Post Retirement Medical Facility under which the entitled retired employees (including his/her spouse) are covered as per Company Rules. The expenditure is recognized in the Statement of Profit & Loss on the basis of actuarial valuation.

### E. Employees Family Economic Rehabilitation Scheme

The Company has a scheme to provide monetary benefit and support to the family of an employee in case of his/her permanent total disablement/ death if the same takes place while the employee is in service of the Company. The expenditure is recognized in the Statement of Profit & Loss on the basis of actuarial valuation.

### F. Scheme for Long Service Award to the Employees

The Company has a scheme for Long service Award to the employees on completion of milestones of continuous service of 10 years, 20 years and 30 years in the Company. The expenditure is recognized in the Statement of Profit & Loss on the basis of actuarial valuation.

### G. Other Defined Retirement Benefit (ODRB)

The Company has a scheme for settlement of the employee and their dependents at the time of superannuation at home town. The expenditure is recognized in the Statement of Profit & Loss on the basis of actuarial valuation.

The summarized position of various defined benefits recognized in the Statement of Profit & Loss, Balance Sheet and the funded status is as under:

#### Expense recognised in Statement of Profit & Loss:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Current Service Cost	1.85	1.78	1.20	1.02	0.05	0.05
Interest Cost	3.03	2.92	4.46	3.75	0.09	0.09
Expected Return on Plan Assets	3.69	3.44	-	-	-	-
Actuarial (Gain)/ Loss	(0.37)	0.09	9.39	6.98	(0.04)	(0.07)
Expense recognized	0.82	1.35	15.05	11.75	0.10	0.07

#### Amounts recognised in Balance Sheet:

(Amounts below in 'Gratuity' columns denotes respective amounts in the Balance Sheet of gratuity trust)

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Present value of obligation as at the end of the year	38.07	37.85	66.64	55.80	1.16	1.16
Fair value of Plan Assets as at the end of the year	35.94	35.14	-	-	-	-
Net Assets/ (Liability) recognized	(2.13)	(2.71)	(66.64)	(55.80)	(1.16)	(1.16)

#### Changes in the Present value of defined benefit/ Obligation:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Present value of obligation as at the beginning of the period	37.85	36.47	55.80	46.82	1.16	1.12
Interest Cost	3.03	2.92	4.46	3.75	0.09	0.09
Current Service Cost	1.85	1.78	1.20	1.02	0.05	0.05
Benefit Paid	3.99	3.49	4.21	2.77	0.10	0.03
Actuarial (Gain)/ Loss on obligation	(0.67)	0.17	9.39	6.98	(0.04)	(0.07)
Present Value of defined benefit obligation at the end of the year	38.07	37.85	66.64	55.80	1.16	1.16

## NOTES TO ACCOUNTS

### Changes in the Fair Value of Plan Assets:

(Amounts below in 'Gratuity' columns denotes respective amounts for the gratuity trust)

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Fair value of Plan Assets as at the beginning of the year	35.14	31.24	-	-	-	-
Return on Plan Assets	3.69	3.52	-	-	-	-
Contributions	1.40	2.38	-	-	-	-
Benefit Paid	3.99	3.49	-	-	-	-
Actuarial Gain/ (Loss) on Plan Assets	(0.30)	1.49	-	-	-	-
Fair value of Plan Assets as at the end of the year	35.94	35.14	-	-	-	-

During the year, the Company has provided liability towards contribution to the Gratuity Trust of ₹ 0.82 Crores (Previous year ₹ 1.35 Crores), PRMF of ₹ 15.05 Crores (Previous year ₹ 11.75 Crores) and ODRB of ₹ 0.10 Crores (Previous year ₹ 0.07 Crores).

### Other Employee Benefits

During the year, provision for earned leave liability amounting to ₹ 6.17 Crores (Previous year ₹ 5.66 Crores), provision for medical leave amounting to ₹ 2.64 Crores (Previous year ₹ 2.23 Crores), provision for economic rehabilitation scheme amounting to ₹ 0.89 Crores (Previous year ₹ 0.25 Crores) and provision for long service award amounting to ₹ 0.94 Crores (Previous year ₹ 0.45 Crores) have been made on the basis of actuarial valuation and charged to Statement of Profit & Loss.

### The effect of an increase/ decrease of one percent point in inflation rate on PRMF:

(₹ in Crores)

Particulars	1% (+)		1% (-)	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Service & Interest Cost	1.17	0.85	(0.46)	(0.70)
PBO (Closing)	8.56	7.58	(7.21)	(6.35)

### Actuarial Assumptions:

Particulars	Gratuity		PRMF		ODRB	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Method Used	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)
Discount Rate	8.50%	8.00 %	8.50%	8.00 %	8.50%	8.00 %
Expected Rate of Return on Plan Assets	10.50%	10.50 %	-	-	-	-
Future Salary Increase	6.50%	6.00 %	6.50%	6.00 %	6.50%	6.00 %

- The Expected Rate of Return on Assets over the accounting year is assumed rate of return (annualised).
- The Principle assumptions are the discount rate and salary growth rate. The discount rate is generally based on the market yields available on govt. bonds at the accounting date with a term that matches the liabilities and the salary Growth rate takes account of inflation, seniority, promotions and other relevant factors as long term basis. The above information is certified by the Actuary.

- Some of the erstwhile State Electricity Boards (SEBs) against whom loans were outstanding or on whose behalf guarantees were given, were restructured by the respective State Governments and new entities were formed in the past. Consequently, the liabilities of the erstwhile SEBs stand transferred to new entities and transfer agreements in the case of Punjab State Electricity Board (PSEB), Himachal Pradesh State Electricity Board (HPSEB) and Chhattisgarh State Electricity Board (CSEB) are to be executed amongst the Company, new entities and the State Governments.

## NOTES TO ACCOUNTS

34. The Company's main business is to provide finance to power sector. Accordingly, the Company does not have more than one segment eligible for reporting in terms of Accounting Standard-17.
35. The Capital Adequacy Ratio of the Company as on 31.03.2014 is 19.35 % (Previous year 17.71 %).
36. The Company has no exposure to real estate sector as on 31.03.2014 (Previous year Nil).
37. Maturity Profile of Loan Assets and Borrowings as on 31.03.2014:

(₹ in Crores)

Financial Year	Recovery of Loan Assets	Repayment of Borrowings
2014-15	12,666	16,078
2015-16	14,861	18,954
2016-17	16,295	16,554
2017-18	15,690	8,839
2018-19	15,185	13,395
2019-20	14,117	9,341
2020-21	12,840	7,191
2021-22	11,531	9,441
2022-23	10,009	6,091
2023-24	8,136	9,303
2024-25	6,183	-
Beyond 2024-25	11,128	11,053
<b>Total</b>	<b>148,641</b>	<b>126,240</b>

38. The Classification of Loan Assets of the Company (classified in Note No. 11 and 14) as per REC Prudential Norms is as under:

(₹ in Crores)

SI. No.	Asset Classification	As at 31.03.2014		As at 31.03.2013	
		Loan Balance	Allowance created against Loan Assets	Loan Balance	Allowance created against Loan Assets
1	Standard Assets	148,150.70	370.38	126,865.14	105.68
2	Sub-standard Assets	-	-	223.18	22.32
3	Doubtful Assets	473.18	119.64	250.00	50.00
4	Loss Assets	17.22	17.22	17.22	17.22
	<b>Total</b>	<b>148,641.10</b>	<b>507.24</b>	<b>127,355.54</b>	<b>195.22</b>

39. Previous year figures have been reclassified/ regrouped to conform to the current classification.
40. Figures in Rupees have been rounded off to the nearest crores with two decimals, unless expressly stated.

The Significant Accounting Policies and Notes to Accounts 1 to 40 are an integral part of Balance Sheet and Statement of Profit & Loss.

For and on behalf of the Board

**J. S. Amitabh**  
GM & Company Secretary

**Ajeet Kumar Agarwal**  
Director (Finance)

**Rajeev Sharma**  
Chairman and Managing Director

In terms of our Report of even date

**For Raj Har Gopal & Co.**  
Chartered Accountants  
Firm Reg. No.: 002074N

**For P.K. Chopra & Co.**  
Chartered Accountants  
Firm Reg. No.: 006747N

**Gopal Krishan**  
Partner  
M.No. : 081085

**K. S. Ponnuswami**  
Partner  
M.No. : 070276

Place : New Delhi  
Date : 26<sup>th</sup> May, 2014

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014

(₹ in crores)

Particulars	YEAR ENDED 31.03.2014		YEAR ENDED 31.03.2013	
<b>A. Cash Flow from Operating Activities :</b>				
Net Profit before Tax	6,531.12		5,163.95	
Adjustments for:				
1. Profit (-) / Loss on Sale of Fixed Assets	0.69		0.33	
2. Depreciation	4.21		3.75	
3. Allowance for bad & doubtful debts	47.32		25.00	
4. Contingent Allowance against Standard Loan Assets	264.70		105.68	
5. Allowance for Staff Advances	0.07		-	
6. Interest on Commercial Paper	230.88		86.49	
7. Excess Provision written back	-3.18		-0.04	
8. Profit on sale/redemption of investments	-		-0.34	
9. Loss/ Gain(-) on Exchange Rate fluctuation	304.27		77.51	
10. Dividend from Subsidiary Co.	-0.15		-0.15	
11. Dividend from Investments	-0.38		-0.25	
12. Interest on 8% Government of Madhya Pradesh Power Bonds-II	-47.16		-54.71	
13. Provision made for Interest on Advance Income Tax	2.96		2.06	
14. Discount on Bonds written off	4.83		4.83	
15. Interest Accrued on Zero Coupon Bonds	64.97		59.88	
16. Dividend & Dividend Tax paid in excess of provision	0.01		0.01	
<b>Operating profit before Changes in Operating Assets &amp; Liabilities:</b>	<b>7,405.16</b>		<b>5,474.00</b>	
Increase / Decrease :				
1. Loan Assets	-22,427.06		-25,929.26	
2. Other Operating Assets	-355.16		89.29	
3. Operating Liabilities	-273.94		1,676.09	
<b>Cash flow from Operations</b>	<b>-15,651.00</b>		<b>-18,689.88</b>	
1. Income Tax Paid (including TDS)	-1,640.06		-1,375.84	
2. Income Tax refund	8.27		-	
<b>Net Cash Flow from Operating Activities</b>		<b>-17,282.79</b>		<b>-20,065.72</b>
<b>B. Cash Flow from Investing Activities</b>				
1. Sale of Fixed Assets	0.31		0.05	
2. Purchase of Fixed Assets (incl. CWIP & Intangible Assets under development)	-3.46		-4.95	
3. Redemption of 8% Government of Madhya Pradesh Power Bonds-II	94.32		94.32	
4. Redemption of units of "Small is Beautiful" Fund	-		0.15	
5. Profit on sale/redemption of investments	-		0.34	
6. Refund of Share Application Money in Energy Efficiency Services Ltd.	-		2.50	
7. Dividend from Subsidiary Co.	0.15		0.15	
8. Interest on 8% Government of Madhya Pradesh Power Bonds-II	47.16		54.71	
9. Dividend from Investments	0.38		0.25	
<b>Net Cash Flow from Investing Activities</b>		<b>138.86</b>		<b>147.52</b>
<b>C. Cash Flow from Financing Activities</b>				
1. Issue of Bonds (Net of redemptions)	17,492.70		13,816.96	
2. Raising of Term Loans/ STL from Banks/ FIs (Net of repayments)	-3,044.40		-1,652.74	
3. Raising of Foreign Currency Loan (Net of redemptions)	1,706.32		4,484.19	

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2014

(₹ in crores)

Particulars	YEAR ENDED 31.03.2014		YEAR ENDED 31.03.2013	
4. Grants received from GOI including interest (Net of refund)	2,920.69		606.77	
5. Disbursement of grants	-2,429.28		-940.37	
6. Repayment of Govt. Loan	-7.21		-9.50	
7. Payment of Final Dividend	-148.13		-246.86	
8. Payment of Interim Dividend	-765.28		-666.54	
9. Payment of Corporate Dividend Tax	-155.20		-148.16	
10. Premium on issue of securities	1.24		0.05	
11. Issue of Commercial Paper (Net of repayments)	1,281.16		847.18	
<b>Net Cash flow from Financing Activities</b>		<b>16,852.61</b>		<b>16,090.98</b>
<b>Net Increase/Decrease in Cash &amp; Cash Equivalents</b>		<b>-291.32</b>		<b>-3,827.22</b>
Cash & Cash Equivalents as at the beginning of the year		<b>1,484.26</b>		<b>5,311.48</b>
Cash & Cash Equivalents as at the end of the year		<b>1,192.94</b>		<b>1,484.26</b>

Components of Cash & Cash Equivalents as at end of the year are:

(₹ in Crores)

PARTICULARS	YEAR ENDED 31.03.2014		YEAR ENDED 31.03.2013	
- Balances with Banks in:				
- Current Account with RBI and other banks		<b>103.75</b>		<b>352.59</b>
- Undisbursed RGGVY Grant #		<b>0.20</b>		<b>2.81</b>
- Undisbursed AG&SP Grant #		<b>3.97</b>		<b>6.11</b>
- Other undisbursed Subsidies/ Grants #		<b>1.75</b>		<b>2.35</b>
- Tax Free Bonds Public Issue Accounts #		<b>5.96</b>		<b>0.63</b>
- Unpaid Dividend Accounts #		<b>2.31</b>		<b>1.84</b>
- Short-term Deposits with Scheduled Banks		<b>1,075.00</b>		<b>1,117.93</b>
<b>Total Cash &amp; Cash Equivalents</b>		<b>1,192.94</b>		<b>1,484.26</b>

# These balances are not available for free use by the Company as they represent earmarked balances held in respective grant accounts, balances in public issue account and unpaid dividends. Further, Balances with Banks include ₹ 2.38 Crores (Previous year Nil) set aside for grants disbursement and Short-term Deposits with Scheduled Banks include ₹ 503.50 Crores (Previous year ₹ 10.00 Crores) earmarked towards RGGVY grant and not available for free use by the Company.

Note : Previous year figures have been rearranged and regrouped wherever necessary.

For and on behalf of the Board

**J. S. Amitabh**  
GM & Company Secretary

**Ajeet Kumar Agarwal**  
Director (Finance)

**Rajeev Sharma**  
Chairman and Managing Director

In terms of our Report of even date

**For Raj Har Gopal & Co.**  
Chartered Accountants  
Firm Reg. No.: 002074N

**For P.K. Chopra & Co.**  
Chartered Accountants  
Firm Reg. No.: 006747N

**Gopal Krishan**  
Partner  
M.No.: 081085

**K. S. Ponnuswami**  
Partner  
M.No.: 070276

Place : New Delhi  
Date : 26<sup>th</sup> May, 2014

## ANNEXURE TO BE ENCLOSED WITH BALANCE SHEET AS AT 31<sup>st</sup> MARCH, 2014

(AS PRESCRIBED BY RBI)

(Particulars as required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, in so far as they are applicable to Rural Electrification Corporation Limited)

(₹ in Crores)

Particulars	Amount Outstanding	Amount Overdue
<b>LIABILITY SIDE:</b>		
Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:		
(a) Debentures/ Bonds :		
(i) Secured	55,042.41	-
(ii) Unsecured	47,765.40	-
(b) Foreign Currency Loan	17,621.15	-
(c) Term Loan from Govt. of India	7.93	-
(d) Term Loan from Financial Institution	2,995.00	-
(e) Term Loan from Banks	269.40	-
(f) Overdrafts from Bank	-	-
(g) Loans Repayable on Demand from Banks & Fis	-	-
(g) Commercial Paper	2,540.00	-
<b>ASSET SIDE :</b>		
Break-up of Loans and Advances including bills receivables		
(a) Secured	113,998.15	
(b) Unsecured	34,559.85	
<b>INVESTMENTS :</b>		
Long Term Investments:		
Unquoted:		
(i) Shares : (a) Equity	39.85	
(b) Preference	-	
(ii) Debentures and Bonds	1,141.50	
(iii) Units of mutual funds	7.68	
(iv) Government Securities	518.76	
(v) Others	-	

**Borrower Group-wise classification of all leased assets, stock-on-hire and loans and advances :**

Category	AMOUNT NET OF PROVISIONS		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	-	3.63	3.63
(b) Companies in the same Group	-	-	-
(c) Other related Parties	0.01	0.08	0.09
2. Other than Related Parties	113,998.14	34,556.14	148,554.28
<b>Total</b>	<b>113,998.15</b>	<b>34,559.85</b>	<b>148,558.00</b>

Investor group-wise classification of investments (current and long term) in shares and securities (both quoted and unquoted) :

(₹ in Crores)

Category	AMOUNT NET OF PROVISIONS	
	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
<b>1. Related Parties</b>		
(a) Subsidiaries	0.10	0.10
(b) Companies in the same Group	-	-
(c) Other related Parties	22.50	22.50
<b>2. Other than Related Parties</b>	1,684.96	1,685.19
<b>Total</b>	<b>1,707.56</b>	<b>1,707.79</b>

Other Information

Particulars	(₹ in Crores)
(i) Gross Non-Performing Assets	
(a) Related Parties	
(b) Other than related Parties	490.40
(ii) Net Non-Performing Assets	
(a) Related Parties	-
(b) Other than related Parties	353.54
(iii) Asset acquired in satisfaction of debts	-

For and on behalf of the Board

**J. S. Amitabh**  
GM & Company Secretary

**Ajeet Kumar Agarwal**  
Director (Finance)

**Rajeev Sharma**  
Chairman and Managing Director

In terms of our Report of even date

**For Raj Har Gopal & Co.**  
Chartered Accountants  
Firm Reg. No.: 002074N

**For P.K. Chopra & Co.**  
Chartered Accountants  
Firm Reg. No.: 006747N

**Gopal Krishan**  
Partner  
M.No.: 081085

**K. S. Ponnuswami**  
Partner  
M.No.: 070276

Place : New Delhi  
Date : 26<sup>th</sup> May, 2014

## INDEPENDENT AUDITORS' REPORT

To,  
The Members,  
Rural Electrification Corporation Limited  
New Delhi

### Report on the Financial Statements

1. We have audited the accompanying financial statements of **Rural Electrification Corporation Limited** ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### 2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

### 3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principals generally accepted in India:

- (a) in the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March, 2014;
- (b) in the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### 5. Report on Other Legal and Regulatory Requirements

- (i) As required by the Companies (Auditors' Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- (ii) As required by section 227(3) of the Act, we report that:
  - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e. vide Notification No. 2/5/2001-CLV dated 22.03.2002 of the Department of Company Affairs, Government of India, Government Companies have been exempted from applicability of the provisions of Section 274(1) (g) of the Companies Act, 1956.
  - f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

**For Raj Har Gopal & Co.**

Chartered Accountants  
Firm Regn No. 002074N

**(Gopal Krishan)**

Partner  
M. No. 081085

Place : New Delhi

Date : 26<sup>th</sup> May, 2014

**For P. K. Chopra & Co.**

Chartered Accountants  
Firm Regn No. 006747N

**(K. S. Ponnuswami)**

Partner  
M. No. 070276

**ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT REFERRED TO IN PARAGRAPH 5(i) OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF RURAL ELECTRIFICATION CORPORATION LIMITED FOR THE YEAR ENDED ON 31<sup>ST</sup> MARCH, 2014**

- (i) (a) The Company has maintained fixed assets records to show full particulars including quantitative details and situation of its fixed assets.
- (b) The Company has a phased manner of physical verification of its fixed assets, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, substantial assets were physically verified by the management during the year. Discrepancies noticed on such verification have been properly dealt with in the books of account.
- (c) In our opinion and according to the explanations given to us, during the year, the Company has not disposed off substantial part of fixed assets; therefore going concern is not affected. Hence, this clause of the order is not applicable.
- (ii) The company being Non Banking Financial Company, does not have any inventory; as such this clause is not applicable.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans secured or unsecured to any Corporation, firm or other parties covered in register maintained under section 301 of Companies Act, 1956. Accordingly, clause 4(iii)(a), 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the order are not applicable.
- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from any Corporation, firm, or other parties covered in the register maintained under section 301 of the Companies Act 1956. Accordingly clause 4(iii)(e), the clause 4(iii)(f) and 4(iii)(g) of the order are not applicable.
- (iv) In our opinion and according to information & explanations given to us, internal controls for purchase of fixed assets and for the financial services are generally commensurate with the size of the Company and the nature of its business. However, in certain areas internal control needs further strengthening like monitoring and supervision of loans given to various SEBs/ DISCOMS/ TRANSCOS/ GENCOS including obtaining search reports for charges created against the loans given and physical verification of assets charged to REC as security after Commercial Operations Date.
- (v) According to information and explanations given to us, the Company has not entered into any contract with the Companies or Entities covered u/s 301 of the Companies Act, 1956. Accordingly, this clause of the order is not applicable.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposit from public to which the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules framed there under, apply.
- (vii) In our opinion, the Company has an internal audit system generally commensurate with its size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub section (1) of section 209 of the Companies Act, 1956, for the products/services of the Company. Accordingly, this clause of the order is not applicable to the Company.
- (ix) (a) The Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investor's education protection fund, employees state insurance, income tax, wealth tax, service tax, custom duty and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, service tax, wealth tax were in arrears as at 31<sup>st</sup> March, 2014 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, wealth tax, service tax, sales tax, custom duty and cess which has not been deposited on account of dispute.
- (x) The Company does not have any accumulated losses as at 31<sup>st</sup> March, 2014. The Company has also not incurred cash losses during the year covered by our audit and in the immediate preceding financial year. Accordingly, this clause of the order is not applicable.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank and bond holders as at the Balance Sheet date.
- (xii) In our opinion and according to the information and explanations given to us, the Company has maintained records and documents in respect of loan granted by it to various State Electricity Boards, Transmission, Distribution and Generation Companies including independent power producers on the basis of security including collateral security by way of pledge of share and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi or mutual benefit fund or society, therefore, this clause of the order is not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debenture and other investment, therefore this clause of the order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, this clause of the order is not applicable to the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans were applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on the overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, during the year the Company has not made any preferential

allotment of shares to companies, firms or other parties needs to be listed in the register maintained u/s 301 of the Companies Act.

(xix) According to the information and explanations given to us, the Company has created security in respect of Institutional Bonds, Tax Free Secured Bonds, and 54EC Capital Gain Tax Exemption Bonds in the form of charge on receivables and Registered Mortgage on the immovable properties of the Company at Maharashtra, Delhi, Tamil Nadu & Gujarat.

(xx) The Company had made public issue of Tax Free Bonds of face value of ₹ 1,000.00 each aggregating to ₹ 2,148.41 Crores in two tranches during the financial year 2012-13 in addition to a private placement issue of the Tax Free Bonds of ₹ 500.00 Crores. The issue proceeds of ₹ 0.63 Crores remaining unutilized as on 31<sup>st</sup> March, 2013 have since been utilized for the purposes as mentioned in the Offer document.

The Company has made a public issue of Tax Free Bonds of face value of ₹ 1,000 each aggregating to ₹ 4,500 Crores during the financial year 2013-14 in addition to a private placement of the Tax Free Bonds of ₹ 1,500 Crores. The bonds under public issue had been allotted in line with the prescribed guidelines and within the financial year 2013-14. The issue proceeds have been utilised for the purposes as mentioned in the Offer

document except for ₹ 5.96 Crores which is kept in designated public issue account pending its utilisation.

(xxi) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

Referred in paragraph 5 (i) of report of even date, clauses (ii) (b) & (c), (iii) (c) & (d), (v) (b), (viii) (a) (b) (c) (d) of Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

**For Raj Har Gopal & Co.**

Chartered Accountants  
Firm Regn No. 002074N

**(Gopal Krishan)**

Partner  
M. No. 081085

Place : New Delhi

Date : 26<sup>th</sup> May, 2014

**For P. K. Chopra & Co.**

Chartered Accountants  
Firm Regn No. 006747N

**(K. S. Ponnuswami)**

Partner  
M. No. 070276

## ERRATA TO INDEPENDENT AUDITORS' REPORT DATED 26<sup>th</sup> MAY, 2014

- In sub-paragraph 2 of Paragraph 3 "Auditor's Responsibility", first line should be read as "An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements."
- Point (ii)(f) of Paragraph 5- "Report on Other Legal and Regulatory Requirements" may be considered as deleted.
- Point (i)(b) of "Annexure to the Independent Auditor's Report" should be read as "All the assets have not been physically verified by the Management during the year, but there is a regular programme of verification to cover all assets, which is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification."
- Point (ix)(c) of "Annexure to the Independent Auditor's Report" should be read as below:

The disputed Statutory dues aggregating to ₹ 50.92 crores that have not been deposited on account of matters pending before appropriate authorities are detailed below:

Name of Statute	Nature of dues	Forum where dispute is pending	₹ Crores
Income Tax Act, 1961	Income Tax	CIT (Appeals)	17.75
		ITAT	13.21
		Delhi High Court	3.79
		Supreme Court of India	16.17
		<b>Total</b>	<b>50.92</b>

- Last Paragraph to "Annexure to the Independent Auditor's Report" should be read as "Referred in paragraph 5 (i) of report of even date, clauses (ii) (a), (b) & (c), (iii) (a), (b), (c), (d), (e), (f) & (g), (v) (a) & (b), (viii), (xiii) (a) (b) (c) & (d) and (xiv) of Companies (Auditor's Report) Order, 2003 are not applicable to the Company."

**For Raj Har Gopal & Co.**

Chartered Accountants  
Firm Regn No. 002074N

**(Gopal Krishan)**

Partner  
M. No. 081085

Place : New Delhi

Date : 24.06.2014

**For P. K. Chopra & Co.**

Chartered Accountants  
Firm Regn No. 006747N

**(K. S. Ponnuswami)**

Partner  
M. No. 070276

## NON-BANKING FINANCIAL COMPANIES AUDITORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2014

The Board of Directors,  
Rural Electrification Corporation Limited,  
Core-4, SCOPE Complex,  
7, Lodhi Road  
New Delhi – 110003

As required by the Non-Banking Financial Companies Auditors' Report (Reserve Bank) Directions, 2008 issued by Reserve Bank of India (RBI) on the matters specified in Para 3 and 4 of the said Directions to the extent applicable to the Rural Electrification Corporation Limited (REC) and according to the information and explanations given to us for the purpose of audit, we report that:

1. The Company had applied for registration as provided in section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) and has been granted certificate of registration by Reserve Bank of India on February 10, 1998 having Registration No. 14.000011. RBI issued Certificate dated September 17, 2010 in lieu of earlier certificate having categorized REC as an Infrastructure Finance Company in terms of instructions contained in RBI Circular CC No. 168 dated February 12, 2010. Further, that company is entitled to continue to hold such Registration in terms of its asset/income pattern as on 31<sup>st</sup> March, 2014.
2. As per Para 2 (v) of RBI Circular No. RBI/ 2012-13/ 29 DNBS.PD.CC.No.282/ 03.02.004/ 2012-13 dated July 2, 2012, Sections 45-IB and 45-IC of the Reserve Bank of India Act, 1934 on Maintenance of Percentage of Assets and Reserve Fund; paragraphs 4 to 7 of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 and Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, except paragraph 13A of the said directions relating to submission of information to Reserve Bank in regard to change of address, directors, auditors, etc. shall not apply to any non-banking financial company as defined in section 45-1(f) of the Reserve Bank of India Act, 1934 being a Government Company as defined in section 617 of the Companies Act, 1956.
3. According to information and explanation given to us, the RBI Directions as to deposits are not applicable to the Company. Therefore, the Board of Directors of the Company has not passed a resolution for non acceptance of any public deposits.
4. The Company has not accepted any public deposits during the year 2013-14.
5. As per RBI's Master Circular dated 1<sup>st</sup> July, 2013, REC, being a Government Company, continues to be exempt from the applicability of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. Further, RBI, vide letters dated 25<sup>th</sup> July, 2013 and 4<sup>th</sup> April, 2014, has conveyed to REC to comply with the prudential norms of RBI by 31<sup>st</sup> March, 2016. Regarding restructuring of assets, RBI vide its letter dated 04<sup>th</sup> April, 2014 has advised REC to follow the instructions contained in RBI Circular dated January 23, 2014 issued vide Notification No. DNBS (PD) No. 271/ CGM (NSV)-2014 of the same date. Necessary steps would be taken by 31<sup>st</sup> March, 2016 in terms of RBI letters dated 25<sup>th</sup> July, 2013 and 04<sup>th</sup> April, 2014. However, REC has taken up the matter with RBI and also through the Ministry of Power, for suitable directions in this regard. For the financial year ended 31<sup>st</sup> March, 2014, the Company has complied with the prudential norms relating to Accounting Standards, Income recognition, Asset Classification and Provisioning for Bad and Doubtful debts, Capital Adequacy & Exposure Norms as per the prudential norms formulated by the company and referred to/ as stated in the Significant Accounting Policies forming integral part of financial statements for the year ended on 31<sup>st</sup> March, 2014.
6. In terms of RBI Circular No. DNBS.PD/ CC.No. 93/03.05.002 /2006-07 dated 27<sup>th</sup> April, 2007, REC being a Government Company, is exempt from submitting NBS-7 to the Reserve Bank of India.

**For Raj Har Gopal & Co.**  
Chartered Accountants  
Firm Regn No. 002074N

**(Gopal Krishan)**  
Partner  
M. No. 081085

**For P. K. Chopra & Co.**  
Chartered Accountants  
Firm Regn No. 006747N

**(K. S. Ponnuswami)**  
Partner  
M. No. 070276

Place : New Delhi  
Date : 26<sup>th</sup> May, 2014

## COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF RURAL ELECTRIFICATION CORPORATION LIMITED FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2014.

The preparation of financial statements of Rural Electrification Corporation Limited, New Delhi for the year ended 31 March 2014 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standards on Auditing prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 26 May, 2014 and Errata dated 24 June, 2014 to the Audit Report.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of Rural Electrification Corporation Limited, New Delhi for the year ended 31 March 2014. This supplementary audit has been carried out independently without access to the working papers of the Statutory Auditors and is limited primarily to inquiries of the Statutory Auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit, nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors report under Section 619(4) of the Companies Act, 1956.

For and on the behalf of the  
Comptroller and Auditor General of India

(Tanuja S. Mittal)

Principal Director of Commercial Audit &  
Ex-officio Member, Audit Board-III, New Delhi

Place: New Delhi

Dated: 05 July, 2014.

## CONSOLIDATED BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2014

(₹ in crores)

Particulars	Note No.	As at 31.03.2014	As at 31.03.2013
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	2	987.46	987.46
(b) Reserves and Surplus	3	19,815.59	16,543.02
<b>Sub-total (1)</b>		<b>20,803.05</b>	<b>17,530.48</b>
<b>(2) Non-current Liabilities</b>			
(a) Long-term Borrowings	4	110,095.30	90,925.38
(b) Deferred Tax Liabilities (Net)	5	172.92	-
(c) Other Long-term Liabilities	6	23.54	80.25
(d) Long-term Provisions	7	442.32	188.47
<b>Sub-total (2)</b>		<b>110,734.08</b>	<b>91,194.10</b>
<b>(3) Current Liabilities</b>			
(a) Short-term Borrowings	8	2,540.00	2,485.55
(b) Trade Payables	9	6.07	5.48
(c) Other current liabilities	10	18,601.87	19,126.52
(d) Short-term Provisions	7	259.25	227.46
<b>Sub-total (3)</b>		<b>21,407.19</b>	<b>21,845.01</b>
<b>Total (1+2+3)</b>		<b>152,944.32</b>	<b>130,569.59</b>
<b>II. ASSETS</b>			
<b>(1) Non-current Assets</b>			
(a) Fixed assets	11		
(i) Tangible Assets		70.65	68.09
(ii) Intangible Assets		2.45	3.78
(iii) Capital work-in-progress		10.37	8.75
		<b>83.47</b>	<b>80.62</b>
(b) Non-current Investments	12	1,643.03	590.85
(c) Deferred Tax Assets (Net)	5	-	9.65
(d) Long-term Loans & Advances	13	135,899.78	114,574.76
(e) Other Non-current Assets	14	33.71	191.02
<b>Sub-total (1)</b>		<b>137,659.99</b>	<b>115,446.90</b>
<b>(2) Current Assets</b>			
(a) Current Investments	12	47.41	47.41
(b) Trade Receivables	15	60.54	29.16
(c) Cash & Bank Balances	16	1,234.29	1,529.54
(d) Short-term Loans & Advances	17	382.84	1,916.23
(e) Other Current Assets	18	13,559.25	11,600.35
<b>Sub-total (2)</b>		<b>15,284.33</b>	<b>15,122.69</b>
<b>Total (1+2)</b>		<b>152,944.32</b>	<b>130,569.59</b>

The Significant Accounting Policies and Notes to Accounts 1 to 44 are an integral part of these financial statements.

For and on behalf of the Board of Directors

**J. S. Amitabh**  
GM & Company Secretary

**Ajeet Kumar Agarwal**  
Director (Finance)

**Rajeev Sharma**  
Chairman and Managing Director

In terms of our Report of even date

**For Raj Har Gopal & Co.**  
Chartered Accountants  
Firm Reg. No.: 002074N

**For P.K. Chopra & Co.**  
Chartered Accountants  
Firm Reg. No.: 006747N

**Gopal Krishan**  
Partner  
M.No. : 081085

**K. S. Ponnuswami**  
Partner  
M.No. : 070276

Place : New Delhi  
Date : 26<sup>th</sup> May, 2014

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2014**

(₹ in crores)

Particulars	Note No.	Year ended 31.03.2014	Year ended 31.03.2013
I. Revenue from Operations	19	17,122.21	13,570.06
II. Other Income	20	106.73	68.64
III. Total Revenue (I+II)		17,228.94	13,638.70
IV. Expenses			
(i) Finance Costs	21	10,034.74	8,083.39
(ii) Employee Benefits Expense	22	134.54	155.58
(iii) Depreciation & Amortization	11	4.51	3.90
(iv) Other Expenses	23	125.89	78.27
(v) Allowance for Bad & Doubtful Debts		47.89	25.56
(vi) Contingent Allowance against Standard Loan Assets		264.70	105.68
Total Expenses (IV)		10,612.27	8,452.38
V. Profit before Prior Period Items & Tax (III-IV)		6,616.67	5,186.32
VI. Prior Period Items	24	(0.04)	0.11
VII. Profit before Tax (V-VI)		6,616.71	5,186.21
VIII. Tax Expense :			
(i) Current Year		1,733.26	1,353.07
(ii) Earlier Years/ (Refunds)		14.12	(0.01)
(iii) Deferred Tax		128.08	0.37
Total Tax Expense (i+ii+iii)		1,875.46	1,353.43
IX. Profit for the period from Continuing Operations (VII-VIII)		4,741.25	3,832.78
X. Profit from Discontinuing Operations (after tax)		-	-
XI. Profit for the period (IX+X)		4,741.25	3,832.78
XII. Earnings per Equity Share (in ₹ for an equity share of ₹ 10 each)			
(1) Basic	25	48.01	38.81
(2) Diluted	25	48.01	38.81

The Significant Accounting Policies and Notes to Accounts 1 to 44 are an integral part of these financial statements.

For and on behalf of the Board of Directors

**J. S. Amitabh**  
GM & Company Secretary

**Ajeet Kumar Agarwal**  
Director (Finance)

**Rajeev Sharma**  
Chairman and Managing Director

In terms of our Report of even date

**For Raj Har Gopal & Co.**  
Chartered Accountants  
Firm Reg. No.: 002074N

**For P.K. Chopra & Co.**  
Chartered Accountants  
Firm Reg. No.: 006747N

Place : New Delhi  
Date : 26<sup>th</sup> May, 2014

**Gopal Krishan**  
Partner  
M.No. : 081085

**K. S. Ponnuswami**  
Partner  
M.No. : 070276

## CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES

### 1. Principles of Consolidation

The Consolidated Financial Statements relate to Rural Electrification Corporation Limited ('the Company'), its subsidiary companies and joint venture. The consolidated financial statements have been prepared on the following basis:

The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements."

The Financial Statements of Joint Venture entity has been combined by applying proportionate consolidation method on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating proportionate share of unrealized profits or losses in accordance with Accounting Standard (AS) 27 - "Financial Reporting of Interests in Joint Ventures".

As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.

### 2. Other Significant Accounting Policies

These are set out under "Significant Accounting Policies" as given in the standalone Financial Statements of Rural Electrification Corporation Ltd., its subsidiaries and its joint venture.

## CONSOLIDATED NOTES TO ACCOUNTS

1. The consolidated financial statements represent consolidation of accounts of the company (Rural Electrification Corporation Limited), its subsidiary companies and joint venture entity as detailed below:

Name of the Subsidiary Company/ Joint Venture	Country of Incorporation	Proportion of ownership Interest	Status of Accounts
<b>Name of the Subsidiaries</b>			
- REC Transmission Projects Company Limited	India	100 %	Audited
- REC Power Distribution Company Limited	India	100 %	Audited
<b>Name of the Joint Ventures</b>			
- Energy Efficiency Services Limited	India	25 %	Un-audited

REC Transmission Projects Company Limited (REC TPCL) forms wholly owned subsidiaries to act as SPVs for transmission projects with an intention that these SPVs will be handed over to the successful bidder on completion of the bidding process. As per Para 11 of AS-21, a subsidiary should be excluded from consolidation when control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future. Therefore, the financial statements of the subsidiaries of REC Transmission Projects Company Limited (namely Nellore Transmission Limited, Baira Siul Sarna Transmission Limited, NRSS XXIX Transmission Limited, NRSS XXXI (A) Transmission Limited and NRSS XXXI (B) Transmission Limited) have not been consolidated with the financial statements of the Company.

## 2. SHARE CAPITAL

Particulars	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	Amount	No. of Shares	Amount
<b>Authorised :</b>				
Equity shares of ₹ 10 each	1,200,000,000	1,200.00	1,200,000,000	1,200.00
<b>Issued, Subscribed and Paid up :</b>				
Fully paid up Equity shares of ₹ 10 each	987,459,000	987.46	987,459,000	987.46
<b>Total</b>	<b>987,459,000</b>	<b>987.46</b>	<b>987,459,000</b>	<b>987.46</b>

- 2.1 The shareholders of the equity shares of the company are entitled to receive dividends as and when declared by the company and enjoy proportionate voting rights in case any resolution is put to vote. Further, the shareholders have all such rights, as may be available to a shareholder of a listed public company, under the Companies Act, 1956 (to the extent applicable), Companies Act, 2013 (to the extent notified), the terms of the listing agreements executed with the Stock Exchanges (NSE Ltd. and BSE Ltd.), and our Memorandum of Association and Articles of Association.

### 2.2 Shareholders holding more than 5% of fully paid-up equity shares :

Name	As at 31.03.2014		As at 31.03.2013	
	No. of Shares	Percentage	No. of Shares	Percentage
The President of India	648,168,218	65.64%	659,607,000	66.80 %
Life Insurance Corporation of India	59,352,864	6.01%	36,853,654	3.73 %

## CONSOLIDATED NOTES TO ACCOUNTS

### 3. RESERVES AND SURPLUS

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
<b>Capital Reserve</b>	<b>105.00</b>	<b>105.00</b>	
<b>Securities Premium Account (Refer Note 3.1)</b>			
Balance as at the beginning of the year	3,222.48	3,222.43	
Add: Additions during the year	1.24	0.05	
<b>Balance as at the end of the year</b>	<b>3,223.72</b>	<b>3,222.48</b>	
<b>Debenture Redemption Reserve (Refer Note 3.2)</b>			
Balance as at the beginning of the year	160.19	113.99	
Add: Amount transferred from Surplus Account	185.79	46.20	
<b>Balance as at the end of the year</b>	<b>345.98</b>	<b>160.19</b>	
<b>Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961</b>			
Balance as at the beginning of the year	5,529.64	4,587.64	
Add: Amount transferred from Surplus Account	1,291.00	942.00	
<b>Balance as at the end of the year</b>	<b>6,820.64</b>	<b>5,529.64</b>	
<b>Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961</b>			
Balance as at the beginning of the year	980.97	754.97	
Add: Amount transferred from Surplus Account	288.00	226.00	
<b>Balance as at the end of the year</b>	<b>1,268.97</b>	<b>980.97</b>	
<b>Foreign Currency Monetary Item Translation Difference Account (Refer Note 3.3)</b>			
Balance as at the beginning of the year	-160.28	-181.88	
Add: Foreign Currency Translation Gain/ Loss (-) on long term monetary items during the year	-676.64	-56.97	
Amortisation during the year	304.27	78.57	
<b>Balance as at the end of the year</b>	<b>-532.65</b>	<b>-160.28</b>	
<b>General Reserve</b>			
Balance as at the beginning of the year	3,133.09	2,742.79	
Add: Amount transferred from Surplus Account	490.30	390.30	
<b>Balance as at the end of the year</b>	<b>3,623.39</b>	<b>3,133.09</b>	
<b>Surplus Account</b>			
Balance as at the beginning of the year	3,571.93	2,291.61	
Add: Profit during the year	4,741.25	3,832.78	
<b>Less : Appropriations</b>			
- Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	1,291.00	942.00	
- Transfer to Reserve u/s for Bad & Doubtful Debts u/s 36(1)(viia) of the Income Tax Act, 1961	288.00	226.00	
- Dividend			
- Interim Dividend	765.28	666.53	
- Proposed Dividend (Final)	172.81	148.12	
- Dividend Distribution Tax			
- Interim Dividend	130.06	108.11	
- Proposed Dividend (Final)	29.40	25.20	
- Transfer to Debenture Redemption Reserve	185.79	46.20	
- Transfer to Provision for doubtful debts	-	-	
- Transfer to General Reserve	490.30	390.30	
<b>Balance as at the end of the year</b>	<b>4,960.54</b>	<b>3,571.93</b>	
<b>Total Reserves and Surplus</b>	<b>19,815.59</b>	<b>16,543.02</b>	

- 3.1 Additions in Securities Premium Account for the year ended 31<sup>st</sup> March, 2014 represent the premium of ₹ 1.24 Crores (Previous year ₹ 0.05 Crores) received on issue of Tax Free Bonds through private placement.

## CONSOLIDATED NOTES TO ACCOUNTS

**3.2** In accordance with provisions of Section 117C of the Companies Act, 1956 as further clarified by Circular No. 4/2013 dated 11.02.2013 issued by Ministry of Corporate Affairs, Govt. of India, the company creates Debenture Redemption Reserve (DRR) upto 25 % of the value of debentures issued through public issue as per present SEBI (Issue and Listing of Debt Securities) Regulations, 2008 during the maturity period of such debentures, and no DRR is required in the case of privately placed debentures. Accordingly, during the year, the company has created DRR amounting to ₹ 185.79 Crores (Previous year ₹ 46.20 Crores).

### 3.3 Foreign Currency Monetary Item Translation Difference Account

The company has opted towards an irrevocable option for amortising the foreign exchange fluctuation loss/gain on the long term foreign currency monetary items over the balance period of such items in accordance with Para 46A of Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates'. Amount remaining to be amortised in 'Foreign Currency Monetary Item Translation Difference Account' is ₹ 532.65 Crores (Previous year ₹ 160.28 Crores).

### 3.4 Proposed Dividend

The final dividend proposed for the year is as follows :

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
On Equity Shares of ₹ 10 each		
- Amount of Dividend proposed (₹ in Crores)	172.81	148.12
- Rate of Dividend	17.50%	15.00%
- Dividend per equity share (₹)	1.75	1.50

## 4. LONG-TERM DEBT

Non-current portion of the long term debt has been classified as 'Long-term borrowings' and the current portion of the long term debt has been classified as "Current Maturities of Long-term debt" in Note-10 'Other Current Liabilities'.

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>(A) Secured Long-Term Debt</b>				
<b>(a) Bonds</b>				
- Institutional Bonds	24,974.50	2,925.88	17,297.38	3,826.32
- 54EC Capital Gain Tax Exemption Bonds	10,253.16	5,239.36	10,142.61	5,043.89
- Tax Free Bonds	11,581.41	-	5,613.41	-
<b>(b) Term Loans</b>				
- from Banks	-	19.40	19.40	19.40
- from Financial Institutions	2,645.00	350.00	1,800.00	2,220.00
<b>Total Secured Long-Term Debt (a+b)</b>	49,454.07	8,534.64	34,872.80	11,109.61
<b>(B) Unsecured Long-Term Debt</b>				
<b>(a) Bonds</b>				
- Institutional Bonds	41,979.20	4,565.80	39,695.00	2,440.00
- Infrastructure Bonds	376.32	-	376.32	-
- Zero Coupon Bonds	844.08	-	779.11	-
<b>(b) Term Loans</b>				
- from Banks	125.00	125.00	250.00	500.00
- from Govt. of India	3.07	4.86	7.93	7.21
<b>(c) Other Loans &amp; Advances</b>				
- Foreign Currency Borrowings	17,313.56	307.59	14,944.22	293.97
<b>Total Unsecured Long-Term Debt (a+b+c)</b>	60,641.23	5,003.25	56,052.58	3,241.18
<b>Total Long-Term Debt (A+B)</b>	110,095.30	13,537.89	90,925.38	14,350.79
<b>Total Long-Term Debt (Non-Current + Current)</b>	123,633.19		105,276.17	

## CONSOLIDATED NOTES TO ACCOUNTS

### Details of Long-term Debt :

#### 4.1 Details of secured long-term debt :

(Refer Note 4.3 for details of the security)

##### 4.1.1 Bonds

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>4.1.1.1 Institutional Bonds</b>				
<b>92-II Series</b>	945.30	-	945.30	-
8.65 % Redeemable at par on 22.01.2020				
<b>91-II Series</b>	995.90	-	995.90	-
8.80 % Redeemable at par on 17.11.2019				
<b>90-C-II Series</b>	1,040.00	-	1,040.00	-
8.80 % Redeemable at par on 06.10.2019				
<b>90-B-II Series</b>	868.20	-	868.20	-
8.72 % Redeemable at par on 04.09.2019				
<b>90<sup>th</sup> Series</b>	2,000.00	-	2,000.00	-
8.80 % Redeemable at par on 03.08.2019				
<b>119<sup>th</sup> Series</b>	2,090.00	-	-	-
9.63 % Redeemable at par on 05.02.2019				
<b>88<sup>th</sup> Series</b>	1,495.00	-	1,495.00	-
8.65 % Redeemable at par on 15.01.2019				
<b>118<sup>th</sup> Series</b>	1,655.00	-	-	-
9.61 % Redeemable at par on 03.01.2019				
<b>117<sup>th</sup> Series</b>	2,878.00	-	-	-
9.38 % Redeemable at par on 06.11.2018				
<b>87-A-III Series</b>	61.80	-	61.80	-
11.15 % Redeemable at par on 24.10.2018				
<b>116-II Series</b>	850.00	-	-	-
9.24 % Redeemable at par on 17.10.2018				
<b>87-II Series</b>	657.40	-	657.40	-
10.85 % Redeemable at par on 30.09.2018				
<b>86-B-III Series</b>	432.00	-	432.00	-
10.85 % Redeemable at par on 14.08.2018				
<b>86-A Series</b>	500.00	-	500.00	-
10.70 % Redeemable at par on 29.07.2018				
<b>85<sup>th</sup> Series</b>	500.00	-	500.00	-
9.68 % Redeemable at par on 13.06.2018				
<b>83<sup>rd</sup> Series</b>	685.20	-	685.20	-
9.07 % Redeemable at par on 28.02.2018				
<b>82<sup>nd</sup> Series</b>	883.10	-	883.10	-
9.85 % Redeemable at par on 28.09.2017				
<b>121<sup>st</sup> Series</b>	1,600.00	-	-	-
9.52 % Redeemable at par on 25.03.2017				

## CONSOLIDATED NOTES TO ACCOUNTS

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>120<sup>th</sup> Series</b>	<b>1,100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.67 % Redeemable at par on 10.03.2017				
<b>81<sup>st</sup> Series</b>	<b>314.80</b>	<b>-</b>	<b>314.80</b>	<b>-</b>
8.85 % Redeemable at par on 20.01.2017				
<b>116-I Series</b>	<b>430.00</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.05 % Redeemable at par on 17.10.2016				
<b>80<sup>th</sup> Series</b>	<b>500.00</b>	<b>-</b>	<b>500.00</b>	<b>-</b>
8.20 % Redeemable at par on 20.03.2016				
<b>79<sup>th</sup> Series</b>	<b>500.00</b>	<b>-</b>	<b>500.00</b>	<b>-</b>
7.85 % Redeemable at par on 14.03.2016				
<b>78<sup>th</sup> Series</b>	<b>1,795.70</b>	<b>-</b>	<b>1,795.70</b>	<b>-</b>
7.65 % Redeemable at par on 31.01.2016				
<b>93-II Series</b>	<b>-</b>	<b>443.10</b>	<b>443.10</b>	<b>-</b>
8.45 % Redeemable at par on 19.02.2015				
<b>73<sup>rd</sup> Series</b>	<b>-</b>	<b>46.78</b>	<b>46.78</b>	<b>46.78</b>
6.90 % Redeemable at par in equal annual instalments of ₹46.78 Crores, next instalment due on 08.10.2014				
<b>75<sup>th</sup> Series</b>	<b>-</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
7.20 % Redeemable at par in equal half-yearly instalments of ₹50.00 Crores, next instalment due on 17.09.2014				
<b>90-B-I Series</b>	<b>-</b>	<b>883.90</b>	<b>883.90</b>	<b>-</b>
8.35 % Redeemable at par on 04.09.2014				
<b>90-A-II Series</b>	<b>-</b>	<b>1,000.00</b>	<b>1,000.00</b>	<b>-</b>
8.00 % Redeemable at par on 05.08.2014				
<b>77<sup>th</sup> Series</b>	<b>197.10</b>	<b>197.10</b>	<b>394.20</b>	<b>197.10</b>
7.30 % Redeemable at par in equal annual instalments of ₹197.10 Crores, next instalment due on 30.06.2014				
<b>89-II Series</b>	<b>-</b>	<b>255.00</b>	<b>255.00</b>	<b>-</b>
7.70 % Redeemable at par on 02.06.2014				
<b>69<sup>th</sup> Series</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>133.84</b>
6.05 % Redeemed at par on 23.01.2014.				
<b>87-C-III Series</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>860.00</b>
11.50 % Redeemed at par on 26.11.2013				
<b>87-A-II Series</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36.40</b>
11.20 % Redeemed at par on 24.10.2013				
<b>87-I Series</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>370.20</b>
10.90 % Redeemed at par on 30.09.2013				
<b>86-B-II Series</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>354.10</b>
10.90 % Redeemed at par on 14.08.2013				
<b>86<sup>th</sup> Series</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>727.90</b>
10.75 % Redeemed at par on 24.07.2013				
<b>84<sup>th</sup> Series</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000.00</b>
9.45 % Redeemed at par on 04.04.2013				
<b>Total - Institutional Bonds</b>	<b>24,974.50</b>	<b>2,925.88</b>	<b>17,297.38</b>	<b>3,826.32</b>

**CONSOLIDATED NOTES TO ACCOUNTS**

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>4.1.1.2 54EC Capital Gain Tax Exemption Bonds</b>				
<b>Series IX (2013-14)</b>	<b>5,349.91</b>	<b>-</b>	<b>-</b>	<b>-</b>
6.00 % Redeemable at par during financial year 2016-17				
<b>Series VIII (2012-13)</b>	<b>4,903.25</b>	<b>-</b>	<b>4,903.25</b>	<b>-</b>
6.00 % Redeemable at par during financial year 2015-16				
<b>Series VIII (2011-12)</b>	<b>-</b>	<b>5,239.36</b>	<b>5,239.36</b>	<b>-</b>
6.00 % Redeemable at par during financial year 2014-15				
<b>Series VIII (2010-11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,043.89</b>
6.00 % Redeemed at par during financial year 2013-14				
<b>Total - 54EC Capital Gain Tax Exemption Bonds</b>	<b>10,253.16</b>	<b>5,239.36</b>	<b>10,142.61</b>	<b>5,043.89</b>
<b>4.1.1.3 Tax Free Bonds</b>				
<b>Series 2013-14 Tranche 2</b>	<b>1,057.40</b>	<b>-</b>	<b>-</b>	<b>-</b>
Redeemable at par. Bonds amounting to ₹ 419.32 Crores are redeemable on 24.03.2024, ₹ 528.42 Crores are redeemable on 24.03.2029 and ₹ 109.66 Crores are redeemable on 24.03.2034 with interest rates varying from 8.19 % to 8.88 % payable annually				
<b>Series 2013-14 Series 4A &amp; 4B</b>	<b>150.00</b>	<b>-</b>	<b>-</b>	<b>-</b>
Redeemable at par. Bonds amounting to ₹ 105.00 Crores are redeemable on 11.10.2023 and ₹ 45.00 Crores are redeemable on 11.10.2028 with interest rates varying from 8.18 % to 8.54 % payable annually				
<b>Series 2013-14 Tranche 1</b>	<b>3,410.60</b>	<b>-</b>	<b>-</b>	<b>-</b>
Redeemable at par. Bonds amounting to ₹ 575.06 Crores are redeemable on 24.09.2023, ₹ 2,780.26 Crores are redeemable on 24.09.2028 and ₹ 55.28 Crores are redeemable on 24.09.2033 with interest rates varying from 8.01 % to 8.77 % payable annually				
<b>Series 2013-14 Series 3A &amp; 3B</b>	<b>1,350.00</b>	<b>-</b>	<b>-</b>	<b>-</b>
Redeemable at par. Bonds amounting to ₹ 209.00 Crores are redeemable on 29.08.2023 and ₹ 1,141.00 Crores are redeemable on 29.08.2028 with interest rates varying from 8.01 % to 8.46 % payable annually				
<b>Series 2012-13 Tranche 2</b>	<b>131.06</b>	<b>-</b>	<b>131.06</b>	<b>-</b>
Redeemable at par. Bonds amounting to ₹ 81.35 Crores are redeemable on 25.03.2023 and bonds amounting to ₹ 49.71 Crores are redeemable on 25.03.2028 with interest rates varying from 6.88 % to 7.54 % payable annually				
<b>Series 2012-13 Tranche 1</b>	<b>1,982.35</b>	<b>-</b>	<b>1,982.35</b>	<b>-</b>
Redeemable at par. Bonds amounting to ₹ 1,165.31 Crores are redeemable on 19.12.2022 and bonds amounting to ₹ 817.04 Crores are redeemable on 19.12.2027 with interest rates varying from 7.22 % to 7.88 % payable annually				
<b>Series 2012-13 Series 2A &amp; 2B</b>	<b>500.00</b>	<b>-</b>	<b>500.00</b>	<b>-</b>
Redeemable at par. Bonds amounting to ₹ 255.00 Crores are redeemable on 21.11.2022 and bonds amounting to ₹ 245.00 Crores are redeemable on 21.11.2027 with interest rates of 7.21 % and 7.38 % respectively payable annually				
<b>Series 2011-12</b>	<b>3,000.00</b>	<b>-</b>	<b>3,000.00</b>	<b>-</b>
Redeemable at par. Bonds amounting to ₹ 839.67 Crores are redeemable on 27.03.2022 and bonds amounting to ₹ 2,160.33 Crores are redeemable on 27.03.2027 with interest rates varying from 7.93 % to 8.32 % payable annually				
<b>Total - Tax Free Bonds</b>	<b>11,581.41</b>	<b>-</b>	<b>5,613.41</b>	<b>-</b>

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>4.1.2 Term Loans</b>				
<b>Term Loan from Banks</b>				
- State Bank of Saurashtra	-	19.40	19.40	19.40
7.25 % Loan repayable in equal half-yearly instalments of ₹ 9.70 Crores, next instalment due on 24.09.2014				
<b>Term Loan from Financial Institutions</b>				
- Life Insurance Corporation of India (LIC)	1,450.00	350.00	1,800.00	350.00
The Loan of ₹1500 Crores (present outstanding ₹ 400 Crores @ 6.242 % and ₹ 200 Crores @ 6.231 %) & ₹ 2,000 Crores (present outstanding ₹ 1,200 Crores @ 7.35 %) repayable in 10 equal annual installments commencing from 01.10.2008 and 01.10.2010 respectively .				
- India Infrastructure Finance Company Ltd. (IIFCL)	1,195.00	-	-	1,870.00
10.00 % Loan repayable on 10.09.2023				
<b>Total - Term Loans</b>	<b>2,645.00</b>	<b>369.40</b>	<b>1,819.40</b>	<b>2,239.40</b>

### 4.2 Details of Unsecured long-term debt :

#### 4.2.1 Bonds

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>4.2.1.1 Institutional Bonds</b>				
<b>95-II Series</b>	1,800.00	-	1,800.00	-
8.75 % Redeemable at par on 12.07.2025				
<b>94<sup>th</sup> Series</b>	1,250.00	-	1,250.00	-
8.75 % Redeemable at par on 08.06.2025				
<b>115<sup>th</sup> Series - Subordinate Tier-II Bonds</b>	2,500.00	-	-	-
8.06 % Redeemable at par on 31.05.2023				
<b>114<sup>th</sup> Series</b>	4,300.00	-	-	-
8.82 % Redeemable at par on 12.04.2023				
<b>111-II Series</b>	2,211.20	-	2,211.20	-
9.02 % Redeemable at par on 19.11.2022				
<b>107<sup>th</sup> Series</b>	2,378.20	-	2,378.20	-
9.35 % Redeemable at par on 15.06.2022				
<b>105<sup>th</sup> Series</b>	3,922.20	-	3,922.20	-
9.75 % Redeemable at par on 11.11.2021				
<b>101-III Series</b>	3,171.80	-	3,171.80	-
9.48 % Redeemable at par on 10.08.2021				
<b>100<sup>th</sup> Series</b>	1,500.00	-	1,500.00	-
9.63 % Redeemable at par on 15.07.2021				
<b>98<sup>th</sup> Series</b>	3,000.00	-	3,000.00	-
9.18 % Redeemable at par on 15.03.2021				
<b>97<sup>th</sup> Series</b>	2,120.50	-	2,120.50	-
8.80 % Redeemable at par on 29.11.2020				

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>96<sup>th</sup> Series</b>	1,150.00	-	1,150.00	-
8.80 % Redeemable at par on 25.10.2020				
<b>113<sup>th</sup> Series</b>	1,542.00	-	1,542.00	-
8.87 % Redeemable at par on 08.03.2020				
<b>111-I Series</b>	452.80	-	452.80	-
9.02 % Redeemable at par on 19.11.2019				
<b>108-II Series</b>	960.00	-	960.00	-
9.39 % Redeemable at par on 20.07.2019				
<b>95-I Series</b>	200.00	-	200.00	-
8.70 % Redeemable at par on 12.07.2019				
<b>112<sup>th</sup> Series</b>	1,500.00	-	1,500.00	-
8.70 % Redeemable at par on 01.02.2018				
<b>109<sup>th</sup> Series</b>	1,734.70	-	1,734.70	-
9.25 % Redeemable at par on 27.08.2017				
<b>108-I Series</b>	2,125.00	-	2,125.00	-
9.40 % Redeemable at par on 20.07.2017				
<b>106<sup>th</sup> Series</b>	1,500.00	-	1,500.00	-
9.28 % Redeemable at par on 15.02.2017				
<b>103-I Series</b>	50.00	-	-	915.00
9.35 % Redeemable at par on 19.10.2016				
<b>102<sup>nd</sup> Series</b>	2,216.20	-	2,216.20	-
9.38 % Redeemable at par on 06.09.2016				
<b>101-II Series</b>	394.60	-	394.60	-
9.45 % Redeemable at par on 10.08.2016				
<b>74<sup>th</sup> Series</b>	-	250.00	250.00	-
7.22 % Redeemable at par on 31.12.2014				
<b>110<sup>th</sup> Series</b>	-	3,475.00	3,475.00	-
8.84 % Redeemable at par on 16.10.2014				
<b>101-I Series</b>	-	395.60	395.60	-
9.43 % Redeemable at par on 10.08.2014				
<b>99-II Series</b>	-	445.20	445.20	-
9.75 % Redeemable at par on 07.06.2014				
<b>103-II Series</b>	-	-	-	500.00
9.35 % Redeemed on 19.10.2013				
<b>104<sup>th</sup> Series</b>	-	-	-	1,025.00
9.30 % Redeemed on 03.05.2013		₹		
<b>Total - Institutional Bonds</b>	<b>41,979.20</b>	<b>4,565.80</b>	<b>39,695.00</b>	<b>2,440.00</b>
<b>4.2.1.2 Infrastructure Bonds</b>				
<b>Series-II (2011-12)</b>	157.59	-	157.59	-
Redeemable at par. Refer Note 4.5				
<b>Series-I (2010-11)</b>	218.73	-	218.73	-
Redeemable at par. Refer Note 4.5				
<b>Total - Infrastructure Bonds</b>	<b>376.32</b>	<b>-</b>	<b>376.32</b>	<b>-</b>

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>4.2.1.3 Zero Coupon Bonds</b>				
<b>ZCB - Series II - Redeemable on 03.02.2021</b>	151.35	-	139.18	-
(Net of unamortised discount, 89,510 bonds with face value of ₹ 30,000 each redeemable at par on 03.02.2021)				
<b>ZCB - Series I - Redeemable on 15.12.2020</b>	692.73	-	639.93	-
(Net of unamortised discount, 3,92,700 bonds with face value of ₹ 30,000 each redeemable at par on 15.12.2020)				
<b>Total - Zero Coupon Bonds</b>	<b>844.08</b>	<b>-</b>	<b>779.11</b>	<b>-</b>

### 4.2.2 Term Loans

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>4.2.2.1 Term Loans from Banks</b>				
- Bank of Maharashtra	125.00	125.00	250.00	-
8.00 % Loan repayable in equal annual instalments on 30.06.2014 and 30.06.2015				
- Central Bank of India	-	-	-	500.00
<b>4.2.2.2 Loan from Govt. of India</b>	<b>3.07</b>	<b>4.86</b>	<b>7.93</b>	<b>7.21</b>
Loans in various tranches with original tenor of 30 years with a moratorium of five years for the principal amount and repayable in 25 equal annual installments commencing from the sixth anniversary of the drawdown with interest rates varying from 6.75 % to 7.75 %				
<b>Total - Term Loans</b>	<b>128.07</b>	<b>129.86</b>	<b>257.93</b>	<b>507.21</b>

### 4.2.3 Other Loans & Advances

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>4.2.3.1 Foreign Currency Borrowings</b>				
<b>CHF Bonds - CHF 200 Mn</b>	1,350.32	-	1,139.38	-
3.50 % Redeemable at par on 07.03.2017				
<b>Reg S Bonds - US \$500 Mn</b>	2,641.31	-	2,498.55	-
4.25 % Redeemable at par on 25.01.2016				
<b>JICA Loan - Guaranteed by Govt. of India</b>	<b>735.25</b>	<b>203.81</b>	<b>921.89</b>	<b>192.61</b>
0.75 % JICA-I loan repayable in equal half-yearly instalments of ₹982.33 Mn till 20.03.2021, next instalment falling due on 20.09.2014 and 0.65 % JICA-II loan repayable in equal half-yearly instalments of ₹995.33 Mn till 20.03.2023, next instalment falling due on 20.09.2014				
<b>KfW Loan - Guaranteed by Govt. of India</b>	<b>195.83</b>	<b>50.34</b>	<b>246.17</b>	<b>47.92</b>
3.73 % Loan repayable in equal half-yearly instalments of €3.68 Mn, next instalment due on 30.06.2014				
<b>ECB - Syndicated Loans from Banks - II - US \$400 Mn</b>	<b>1,788.96</b>	<b>-</b>	<b>1,788.96</b>	<b>-</b>
Repayable on 22.09.2015				

## CONSOLIDATED NOTES TO ACCOUNTS

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>Bilateral Term Loan - Mauritius - US \$70 Mn</b>	311.36	-	311.36	-
Repayable on 28.10.2015				
<b>Bilateral Term Loan - Mizuho - US \$100 Mn</b>	446.50	-	446.50	-
Repayable on 30.03.2016				
<b>Bilateral Term Loan - BTMU - US \$100 Mn</b>	446.50	-	446.50	-
Repayable on 30.03.2016				
<b>Syndicated Loan- US \$300 Mn</b>	1,367.24	-	1,367.24	-
Repayable on 19.08.2016				
<b>KfW-II Loan - Guaranteed by Govt. of India</b>	320.66	53.44	374.10	53.44
2.89 % Loan repayable in equal half-yearly instalments of €3.88 Mn, next instalment falling due on 30.06.2014				
<b>Syndicated Loan- ¥12.525 Bn</b>	1,184.43	-	1,143.76	-
Repayable on 27.03.2017				
<b>Syndicated Loan- US \$250 Mn</b>	1,366.49	-	1,366.49	-
Loan of \$150 Mn & \$100 Mn repayable on 17.09.2015 and 19.11.2015 respectively				
<b>KfW-III Loan - Guaranteed by Govt. of India</b>	416.99	-	173.86	-
1.86 % Loan repayable in equal half-yearly instalments of €5.26 Mn, first instalment falling due on 30.06.2015				
<b>Syndicated Loan- US \$250 Mn</b>	1,488.37	-	1,359.73	-
Repayable on 05.02.2016				
<b>Syndicated Loan- US \$250 Mn</b>	1,473.07	-	1,359.73	-
Repayable on 21.03.2016				
<b>Syndicated Loan- US \$285 Mn</b>	1,780.28	-	-	-
Repayable on 02.12.2018				
<b>Total - Foreign Currency Borrowings</b>	<b>17,313.56</b>	<b>307.59</b>	<b>14,944.22</b>	<b>293.97</b>

### 4.3 Security Details of the Secured Borrowings

The Bond Series 73, 75 of Institutional Bonds are secured by a (a) mortgage of premises at 51 and 52/58-B, 5<sup>th</sup> floor, Mittal Tower, Block II, Backbay Scheme, Nariman Point, Colaba, Mumbai 400 005, Maharashtra, India and (b) pari passu charge on the receivables, both present and future, save and except receivables hypothecated to IL&FS Trust Company Limited on the basis of joint hypothecation agreement dated September 24, 2010 in favour of IDBI Trusteeship Services Ltd.

The Bond Series 77, 78, 79, 80, 81, 82, 83, 85, 86A, 86 B-III, 87-II, 87 A-II, 87 A-III, 88, 89-II, 90, 90 A-II, 90 B-I, 90 B-II, 90 C-II, 91-II, 92-II, 93-II of Institutional Bonds and Series VIII of 54EC Capital Gain Tax Exemption Bonds are secured by a charge on a (a) mortgage of Flat no. 640, Asiad Games Village, New Delhi 110 049, India and (b) pari passu charge on the receivables of our Company, both present and future, save and except receivables hypothecated to IL&FS Trust Company Limited on the basis of joint hypothecation agreement dated September 24, 2010 in favour of IDBI Trusteeship Services Ltd.

The Bond Series 116-I, 116-II, 117, 118, 119, 120, 121 of Institutional Bonds are secured by a charge on first paripassu charge on the book debts of the issuer both present & future which are charged to other lenders / trustees and as may be agreed between the issuer and the trustee, pursuant to the terms of the Debenture /Bond Trust cum Hypothecation Deed with a minimum security cover of one time of the aggregate face value amount of the bonds outstanding at all times in favor of IDBI Trusteeship Services Ltd.

The Bond Series IX of 54EC Capital Gain Tax Exemption Bonds is secured by first pari passu charge on (a) mortgage of premises at Sub Plot No. 8, TPS No 2, FP No. 584P, situated at Village Subhanpura, Distt Vadodara and (b) hypothecation of receivables in favour of IDBI Trusteeship Services Ltd.

Tax Free Bonds issued during FY 2011-12 are secured by first pari passu charge on premises at Shop No. 12, Ground Floor, Block No. 35, Church Road, Mylapore, Chennai and hypothecation of receivables of ₹4,998.66 Crores of MSEDCL in favour of IL&FS Trust Company Ltd.

## CONSOLIDATED NOTES TO ACCOUNTS

Tax Free Bonds issued during FY 2012-13 are secured by first pari passu charge on (a) mortgage of premises at Sub Plot No. 8, TPS No 2, FP No. 584P, situated at Village Subhanpura, Distt Vadodara and (b) hypothecation of receivables in favour of SBICap Trustee Company Ltd.

Tax Free Bonds issued during FY 2013-14 are secured by first pari passu charge on the book debts (other than those that are exclusively charged/earmarked to lenders / other Trustees) of the Company in favour of SBICap Trustee Company Ltd.

The term loans are secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to IL&FS Trust Company Limited.

4.4 Foreign Currency Borrowings have been raised at interest rates ranging from a spread of 129 bps to 220 bps over 6 Months' USD/JPY LIBOR (London Inter Bank Offered Rate) except where rates have been stated above in Note No. 4.2.3.1.

4.5 Details of Infrastructure Bonds Issued are as under :

Series I (2010-11) allotted on 31.03.2011

(₹ in Crores)

Rate of Interest	Amount	Redemption Details
8.00 %	61.60	Redeemable on the date falling 10 years from the date of allotment with buyback option by bondholders after 5 years
8.20 %	151.74	
8.10 %	1.61	Redeemable on the date falling 10 years from the date of allotment
8.20 %	3.78	
<b>Total</b>	<b>218.73</b>	

Series II (2011-12) allotted on 15.02.2012

(₹ in Crores)

Rate of Interest	Amount	Redemption Details
8.95 % Cumulative	95.23	Redeemable on the date falling 10 years from the date of allotment with buyback option by bondholders after 5 years
8.95 % Annual	32.85	
9.15 % Cumulative	13.43	Redeemable on the date falling 15 years from the date of allotment with buyback option by bondholders after 7 years
9.15 % Annual	5.01	
8.95 % Cumulative	5.73	Redeemable on the date falling 10 years from the date of allotment
8.95 % Annual	1.38	
9.15 % Cumulative	2.83	Redeemable on the date falling 15 years from the date of allotment
9.15 % Annual	1.13	
<b>Total</b>	<b>157.59</b>	

## 5. DEFERRED TAX ASSET (NET)

(₹ in Crores)

Particulars	As at 31.03.2014	As at 31.03.2013
<b>Deferred Tax Liabilities</b>		
Depreciation	5.04	5.22
Foreign Currency Exchange Fluctuation Loss	181.04	-
<b>Total</b>	<b>186.08</b>	<b>5.22</b>
<b>Deferred Tax Assets</b>		
Provision for Earned Leave Liability	7.81	7.94
Provision for Medical Leave	4.58	4.12
Provision for Post Retirement Medical Benefits	-	2.63
Provision for Doubtful Debts	0.38	0.18
Provision for Contingencies of Project Cost Revisions	0.39	-
<b>Total</b>	<b>13.16</b>	<b>14.87</b>
<b>Deferred Tax Liabilities/ Assets (-) (Net)</b>	<b>172.92</b>	<b>-9.65</b>

## CONSOLIDATED NOTES TO ACCOUNTS

- 5.1 The Company has no intention to make withdrawal from the special reserve created and maintained under section 36(1)(viii) of the Income Tax Act 1961. Hence, the special reserve created and maintained is not capable of being reversed and thus, it becomes a permanent difference as per AS-22 as notified under Section 211(3C) of the Companies Act, 1956. Accordingly, the Company is not creating any deferred tax liability on the said reserve.

### 6. Other Long-term Liabilities

Particulars	(₹ in Crores)	
	As at 31.03.2014	As at 31.03.2013
- Non-Current Portion of Interest accrued but not due on borrowings	23.52	80.25
- Others	0.02	-
<b>Total</b>	<b>23.54</b>	<b>80.25</b>

### 7. Long-term and Short-term Provisions

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
<b>(A) - Provisions for</b>				
<b>Employee Benefits</b>				
Earned Leave Liability	20.27	2.73	19.56	3.78
Post Retirement Medical Benefits	63.43	3.21	54.26	1.54
Medical Leave Liability	12.83	1.91	11.03	2.37
Settlement Allowance	1.02	0.14	1.03	0.13
Economic Rehabilitation Scheme	2.58	0.07	1.95	0.28
Long Service Award	3.02	0.36	2.44	0.62
<b>Sub-total (A)</b>	<b>103.15</b>	<b>8.42</b>	<b>90.27</b>	<b>8.72</b>
<b>(B) Others</b>				
Standard Loan Assets	339.17	31.21	95.16	10.52
Rescheduled Loan Assets	-	-	3.04	0.14
Incentive	-	15.42	-	34.03
Interest on Income-Tax	-	0.08	-	-
Wealth Tax	-	0.37	-	0.37
Fringe Benefit Tax	-	0.36	-	0.36
Proposed Dividend	-	172.81	-	148.12
Corporate Dividend Tax	-	29.43	-	25.20
Contingencies of project cost revisions	-	1.15	-	-
<b>Sub-total (B)</b>	<b>339.17</b>	<b>250.83</b>	<b>98.20</b>	<b>218.74</b>
<b>Total (A+B)</b>	<b>442.32</b>	<b>259.25</b>	<b>188.47</b>	<b>227.46</b>

- 7.1 Reserve Bank of India had permitted the Company to create provision of 0.25 % on 'Standard Assets' in a phased manner upto 31<sup>st</sup> March, 2015. During the previous year, the company had provided ₹ 105.68 Crores and balance amount of ₹ 264.70 Crores is provided in full so as to make it equal to 0.25 % of the outstanding Standard Assets in the current year 2013-14 itself.

## CONSOLIDATED NOTES TO ACCOUNTS

### 7.2 Details of Provisions as required under AS-29 are as under :

(₹ in Crores)

Provisions for	Opening Balance	Additions During the Year	Paid/ Adjusted during the Year	Closing Balance
Earned Leave Liability	23.34	6.23	6.57	23.00
Previous year	23.45	5.68	5.79	23.34
Post Retirement Medical Benefits	55.80	15.05	4.21	66.64
Previous year	46.82	11.75	2.77	55.80
Medical Leave Liability	13.40	2.64	1.30	14.74
Previous year	11.99	2.23	0.82	13.40
Settlement Allowance	1.16	0.10	0.10	1.16
Previous year	1.12	0.07	0.03	1.16
Economic Rehabilitation Scheme	2.23	0.89	0.47	2.65
Previous year	2.19	0.25	0.21	2.23
Long Service Award	3.06	0.94	0.62	3.38
Previous year	3.01	0.45	0.40	3.06
Standard Loan Assets	105.68	264.70	-	370.38
Previous year	-	105.68	-	105.68
Rescheduled Loan Assets	3.18	-	3.18	-
Previous year	3.18	-	-	3.18
Incentive	34.03	10.95	29.56	15.42
Previous year	25.10	41.47	32.54	34.03
Ex-gratia	-	-	-	-
Previous year	0.10	-	0.10	-
Wealth Tax	0.37	0.37	0.37	0.37
Previous year	0.38	0.36	0.37	0.37
Fringe Benefit Tax	0.36	-	-	0.36
Previous year	0.36	-	-	0.36
Interim Dividend	-	765.28	765.28	-
Previous year	-	666.53	666.53	-
Proposed Dividend	148.12	172.82	148.13	172.81
Previous year	246.86	148.12	246.86	148.12
Corporate Dividend Tax	25.20	159.46	155.23	29.43
Previous year	40.08	133.31	148.19	25.20
Income Tax	2,329.06	1,736.52	46.86	4,018.72
Previous year	1,914.63	1,355.13	940.70	2,329.06
Interest on Income Tax	-	0.08	-	0.08
Previous year	-	-	-	-
Contingencies of project cost revisions	-	1.48	0.33	1.15
Previous year	-	0.65	0.65	-

### 8. SHORT-TERM BORROWINGS

(₹ in Crores)

Particulars	As at 31.03.2014	As at 31.03.2013
(A) Loans Repayable on Demand from Banks, Secured (Secured against term deposits)	-	5.55
(B) Loans Repayable on Demand, unsecured		
- from Banks	-	500.00
- from Financial Institutions	-	1,000.00
(C) Commercial Paper, unsecured	2,540.00	980.00
<b>Total (A+B+C)</b>	<b>2,540.00</b>	<b>2,485.55</b>

## CONSOLIDATED NOTES TO ACCOUNTS

### 9. TRADE PAYABLES

		(₹ in Crores)
Particulars	As at 31.03.2014	As at 31.03.2013
Trade Payables	6.07	5.48
<b>Total</b>	<b>6.07</b>	<b>5.48</b>

### 10. OTHER CURRENT LIABILITIES

		(₹ in Crores)
Particulars	As at 31.03.2014	As at 31.03.2013
(A) Current maturities of long-term debt (Refer Note 4)	13,537.89	14,350.79
(B) Interest accrued but not due on borrowings	4,399.25	3,735.97
(C) Interest accrued and due on borrowings	1.10	1.05
(D) Income Received in Advance	9.51	5.68
(E) Unpaid Dividends	2.31	1.84
(F) Unpaid Interest & Principal on Bonds		
- Matured Bonds & Interest Accrued thereon	61.05	72.77
- Interest on Bonds	11.38	19.82
(G) Other payables		
- Subsidy/ Grant Received from Govt. of India	30,260.46	27,347.67
Add: Interest on Subsidy/ Grant (Refer Note 10.3)	11.55	3.65
Less: Disbursed to Beneficiaries	-29,760.21	-27,330.93
<b>Undisbursed Subsidy/Grant</b>	<b>511.80</b>	<b>20.39</b>
- Statutory Dues payable including PF and TDS	26.28	22.47
- Payable towards funded staff benefits	0.84	1.35
- Other Liabilities	40.46	894.39
<b>Sub-total (G)</b>	<b>579.38</b>	<b>938.60</b>
<b>Total (A to G)</b>	<b>18,601.87</b>	<b>19,126.52</b>

#### 10.1 Subsidy Under Accelerated Generation & Supply Programme (AG&SP):

The Company is maintaining an Interest Subsidy Fund Account and was given AG&SP subsidy (for disbursement to the eligible borrowers) by Govt. of India at net present value calculated at indicative rates and year in accordance with GOI's letter vide D.O.No. 32024/17/97-PFC dated 23.09.1997 and O.M.No.32024/23/2001-PFC dated 07.03.2003 irrespective of the actual repayment schedule, moratorium year and duration of repayment of the eligible schemes. The impact of difference between the indicative rate and year considered at the time of drawl and the actual can be ascertained only after the end of the respective schemes.

Net amount of ₹ 3.53 Crores as on 31<sup>st</sup> March, 2014 (Previous year ₹ 5.20 Crores) represents the balance amount of interest subsidy fund, which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following :-

		(₹ in Crores)
Particulars	Year ended 31.03.2014	Year ended 31.03.2013
Opening Balance of Interest Subsidy Fund	5.20	7.76
Add: Interest earned during the year	0.22	0.26
Less: Interest subsidy passed on to the borrower	1.89	2.82
<b>Closing Balance of Interest Subsidy Fund</b>	<b>3.53</b>	<b>5.20</b>

Further, an amount of ₹ 0.44 crores is included in 'Other Liabilities' in respect of the grant disbursed on 2<sup>nd</sup> April, 2014.

## CONSOLIDATED NOTES TO ACCOUNTS

- 10.2** Government of India has appointed Rural Electrification Corporation Ltd. as a nodal agency for implementation of Rajiv Gandhi Gramin Vidyutikaran Yojna (RGGVY). The funds received for disbursement to various agencies under the scheme are kept in a separate bank account. The undisbursed funds for the scheme including interest earned thereto are classified under “Undisbursed Subsidy/ grant” under the head “Other Current Liabilities.”

During the year, interest earned of ₹38.00 Crores (Previous year ₹ 20.02 Crores) has been taken to RGGVY Subsidy account. Further, during the year, an amount of ₹ 29.51 crores (Previous year ₹ 98.92 Crores) has been refunded back to MoP out of the total interest on subsidy.

- 10.3** The movement in Interest on Subsidy/ Grant is explained as under:

		(₹ in Crores)
Particulars	As at 31.03.2014	As at 31.03.2013
Opening Balance	3.65	83.14
Add: Interest earned during the year	38.32	20.45
Less: Amount refunded to Govt. during the year	29.51	98.92
Less: Disbursement out of Interest earned on account of AG&SP Grant	0.91	1.02
Closing Balance	11.55	3.65

## CONSOLIDATED NOTES TO ACCOUNTS

### NOTES TO ACCOUNTS

#### 11. FIXED ASSETS AS AT 31<sup>st</sup> MARCH, 2014

FIXED ASSETS	GROSS BLOCK			DEPRECIATION/ AMORTISATION			NET BLOCK		
	As at 01.04.2013	Additions during the year	Sales/ adjustment during the year	Closing as on 31.03.2014	Upto 31.03.2013	During the year	Adjustment during the year	As at 31.03.2014	As at 31.03.2013
<b>Tangible Assets</b>									
Freehold Land	34.75	-	-	34.75	-	-	-	34.75	34.75
Leasehold Land	1.45	-	-	1.45	0.20	0.01	-	1.24	1.25
Buildings	24.51	3.98	-	28.49	6.41	0.43	-	21.65	18.10
Furniture & Fixtures	7.51	0.29	1.03	6.77	4.28	0.29	0.48	2.68	3.23
Vehicles	0.51	-	0.06	0.45	0.41	0.02	0.06	0.08	0.10
EDP Equipments	15.51	1.31	0.42	16.40	8.45	1.96	0.24	6.23	7.06
Office Equipments	6.21	1.07	0.35	6.93	2.61	0.43	0.13	4.02	3.60
<b>Total</b>	90.45	6.65	1.86	95.24	22.36	3.14	0.91	70.65	68.09
Previous year	88.50	2.73	0.78	90.45	19.90	2.86	0.40	68.09	
<b>Intangible Assets</b>									
Computer Software	6.95	0.12	0.08	6.99	3.17	1.37	-	2.45	3.78
<b>Total</b>	6.95	0.12	0.08	6.99	3.17	1.37	-	2.45	3.78
Previous year	4.37	2.58	-	6.95	2.13	1.04	-	3.78	
<b>Capital Work-in-progress</b>	8.75	1.62	-	10.37	-	-	-	10.37	8.75
Previous year	7.92	0.83	-	8.75	-	-	-	8.75	
<b>Intangible Assets under Development</b>	-	-	-	-	-	-	-	-	-
Previous year	0.10	0.10	0.20	-	-	-	-	-	-

**11.1** The formalities regarding registration of one conveyance deed in respect of the Land & Building acquired by the Company amounting to ₹4.59 Crores (Previous year ₹4.59 Crores) are yet to be executed.

**11.2** In the opinion of management, there is no impairment of the assets of the Company in terms of AS-28. Accordingly, no provision for impairment loss as required under Accounting Standard-28 'Impairment of Assets' has been made.

#### 11.3 Disclosure in respect of Intangible Assets as required in AS-26 "Intangible Assets":

Useful Life	5 years
Amortisation Rate	20 %, 100 % in case the total cost of the asset is ₹ 5,000 or less
Amortisation Method	Straight Line

## CONSOLIDATED NOTES TO ACCOUNTS

### 12. INVESTMENTS

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Number	Amount	Number	Amount
Valued at Cost				
(1) Non-Current Investments				
(A) Other Investments (Unquoted)				
(i) Investment in Equity Instruments				
- Others				
- India Energy Exchange Limited	1,250,000	1.25	1,250,000	1.25
Equity shares of ₹10 each, fully paid up				
- Universal Commodity Exchange Limited	16,000,000	16.00	16,000,000	16.00
Equity shares of ₹10 each, fully paid up				
(ii) Investment in Government Securities				
- 8% Government of Madhya Pradesh Power Bonds-II	10	471.60	12	565.92
Maturing in equal half yearly Instalments of one bond each, next instalment due on 01.10.2014				
(Bonds of Face Value of ₹ 47.16 Crores each)*				
(iii) Investment in Venture Capital Funds				
- KSK Energy Ventures Limited				
Units of "Small is Beautiful" Fund at face value of ₹ 10.00 per unit	7,682,816	7.68	7,682,816	7.68
NAV of ₹ 9.70 per unit (Previous year ₹ 9.77)				
(iv) Investment in Debentures	114,150	1,141.50	-	-
9.68 % Bonds of UP Power Corporation Ltd.				
Bonds of Face Value of ₹ 0.01 Crores each				
(v) Investment in Tax Free Bonds	50,000	5.00	-	-
8.76 % Bonds of HUDCO Ltd.				
Bonds of Face Value of ₹ 1,000 each				
<b>Total - Non-Current Investments (1)</b>		<b>1,643.03</b>		<b>590.85</b>
(2) Current Investments				
(A) Investment in Equity Instruments (Unquoted)				
- Subsidiaries				
- Nellore Transmission Limited	50,000	0.05	50,000	0.05
Equity shares of ₹10 each, fully paid up				
- Baira Siul Sarna Transmission Limited	50,000	0.05	50,000	0.05
Equity shares of ₹10 each, fully paid up				
- NRSS XXIX Transmission Limited	50,000	0.05	-	-
Equity shares of ₹10 each, fully paid up				
- NRSS XXXI (A) Transmission Limited	50,000	0.05	-	-
Equity shares of ₹10 each, fully paid up				
- NRSS XXXI (B) Transmission Limited	50,000	0.05	-	-
Equity shares of ₹10 each, fully paid up				
- Vizag Transmission Limited	-	-	50,000	0.05
Equity shares of ₹10 each, fully paid up				

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Number	Amount	Number	Amount
- Kudgi Transmission Limited	-	-	50,000	0.05
Equity shares of ₹10 each, fully paid up				
- Unchahar Transmission Limited	-	-	50,000	0.05
Equity shares of ₹10 each, fully paid up				
<b>(B) Investment in Government Securities (Unquoted)</b>				
- 8% Government of Madhya Pradesh Power Bonds-II				
Maturing in equal half yearly Instalments of one bond each, next instalment due on 01.10.2014	1	47.16	1	47.16
(Bonds of Face Value of ₹ 47.16 Crores each)*				
<b>Total - Current Investments (2)</b>		<b>47.41</b>		<b>47.41</b>
<b>Total (1+2)</b>		<b>1,690.44</b>		<b>638.26</b>

\* The number of bonds and the amount of the investment in current portion represents the investments maturing within the next 12 months and the balance is the non-current portion.

### - Additional disclosures required in respect of the investments

(₹ in Crores)

Particulars	As at 31.03.2014	As at 31.03.2013
(i) Aggregate amount of Quoted Investments	-	-
(ii) Aggregate amount of Unquoted Investments		
- Non-Current investments	1,643.03	590.85
- Current investments	47.41	47.41
(iii) Aggregate provision for diminution in value of investments	-	-

- 12.1** Investments include ₹ 7.68 Crores (Previous year ₹ 7.68 Crores) representing company's contribution in the units of 'Small is Beautiful (SIB) Venture Capital fund' promoted by KSK Energy Ventures Limited. During the year, Nil units (Previous year 1,42,311 units) were redeemed.

Name of the Company	Contribution towards Fund	Country of Residence	Percentage of Share
SIB Fund of KSK Energy Ventures Ltd	₹ 7.68 Crores	India	9.74 %

- 12.2** Information in relation to the interest of the Company in Joint Ventures as required under Accounting Standard - 27:

#### 1. Energy Efficiency Services Limited

Proportion of Interest in Equity	25 %
Country of Incorporation	India

The Company's share of assets, liabilities, contingent liabilities and capital commitments as at 31.03.2014 and income and expenses for the year in respect of joint venture based on its unaudited accounts are given below :

(₹ in Crores)

Total Assets	31.62
Total Liabilities	4.90
Total Reserves & Surplus	4.22
Contingent Liabilities	Nil
Capital Commitments	5.52
Total Income	8.39
Total Expenses	7.13

## CONSOLIDATED NOTES TO ACCOUNTS

### 13. LONG-TERM LOANS & ADVANCES

(₹ in Crores)

Particulars		As at 31.03.2014	As at 31.03.2013
(A)	Capital Advances (Unsecured, considered good)	20.20	23.79
(B)	Security Deposits (Unsecured, considered good)	7.54	7.68
(C)	Loans & Advances to Related Parties		
-	To Directors	0.07	0.07
		0.07	0.07
(D)	Other Loans & Advances		
-	Staff Loans & Advances (except to Directors)	15.85	13.73
-	Loan Assets	135,855.41	114,529.34
-	Others	0.71	0.15
		135,871.97	114,543.22
Total (A to D)		135,899.78	114,574.76

#### Details of Staff Loans & Advances and Loan Assets :

#### 13.1 Staff Loans & Advances

Non-current portion of the staff loans & advances has been classified under 'Long-term Loans & Advances' above and the current portion of the staff loans & advances has been classified under Note-18 'Other Current Assets'.

(₹ in Crores)

Particulars		As at 31.03.2014		As at 31.03.2013	
		Non-Current	Current	Non-Current	Current
(A)	Secured Staff Loans & Advances				
(A1)	To Directors				
(a)	Considered Good	0.02	-	0.02	-
(A2)	To Others				
(a)	Considered Good	4.13	0.69	3.78	1.01
(b)	Classified Doubtful	0.02	0.05	-	-
	Less: Allowance for bad & doubtful debts	0.02	0.05	-	-
		-	-	-	-
	Sub-total (A1+ A2)	4.15	0.69	3.80	1.01
(B)	Unsecured Staff Loans & Advances				
(B1)	To Directors				
(a)	Considered Good	0.05	0.03	0.06	0.04
(B2)	To Others				
(a)	Considered Good	11.72	4.51	9.95	5.94
	Sub-total (B1+ B2)	11.77	4.54	10.01	5.98
	Grand Total (A+B)	15.92	5.23	13.81	6.99

## CONSOLIDATED NOTES TO ACCOUNTS

### 13.2 Loan Assets

Non-current portion of the long-term loan assets has been classified under 'Long-term Loans & Advances' above and the current portion of the long-term loan assets has been classified under Note-18 'Other Current Assets'.

(₹ in Crores)

Particulars	As at 31.03.2014		As at 31.03.2013	
	Non-Current	Current	Non-Current	Current
(A) Secured Loans				
(A1) Loans to State Power Utilities/ State Electricity Boards/Corpn. (Secured by hypothecation and/or mortgage of materials/ tangible assets)				
(a) Considered Good	82,521.17	7,670.75	66,215.52	6,781.75
(A2) Loans to Others (Secured by hypothecation and/or mortgage of tangible assets)				
(a) Considered Good	22,027.26	1,160.66	17,716.40	734.32
(b) Classified Doubtful	308.02	182.38	353.48	136.92
Less: Allowance for Bad & doubtful debts	119.64	17.22	57.02	32.52
	188.38	165.16	296.46	104.40
<b>Sub-total (A1+ A2)</b>	<b>104,736.81</b>	<b>8,996.57</b>	<b>84,228.38</b>	<b>7,620.47</b>
(B) Unsecured Loans				
(B1) Loans Guaranteed by respective State Governments				
(a) Considered good	27,201.58	2,363.27	27,278.56	2,975.03
(B2) Loans to State Governments				
(a) Considered good	2,860.78	340.09	2,919.40	230.83
(B3) Loans - Others				
(a) Considered Good	1,056.24	572.29	103.00	1.33
<b>Sub-total (B1+ B2+B3)</b>	<b>31,118.60</b>	<b>3,275.65</b>	<b>30,300.96</b>	<b>3,207.19</b>
<b>Grand Total (A+B)</b>	<b>135,855.41</b>	<b>12,272.22</b>	<b>114,529.34</b>	<b>10,827.66</b>

13.2.1 Loan balance confirmations for around 85 % of total loan assets as on 31<sup>st</sup> March, 2014 have been received from the borrowers.

13.2.2 Loan Assets also include amount financed by the Company as per the the Scheme for Financial Restructuring of State Distribution Companies (Discoms).

### 14. OTHER NON-CURRENT ASSETS

(₹ in Crores)

Particulars	As at 31.03.2014	As at 31.03.2013
(A) Non-Current Portion of Interest Accrued on Staff Advances	4.03	3.00
(B) Interest Accrued on Rescheduled Loans	2.11	118.79
(C) Advance Income-tax & TDS	4,041.99	2,389.32
Less : Provision for Income Tax	4,018.72	2,329.06
Advance Income-tax & TDS (Net)	23.27	60.26
(D) Non-current Portion of Unamortized Expenses :		
- Discount on Issue of Bonds	4.13	8.97
(E) Project under Construction	0.17	-
<b>Total (A to E)</b>	<b>33.71</b>	<b>191.02</b>

## CONSOLIDATED NOTES TO ACCOUNTS

### 15. TRADE RECEIVABLES

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
<b>Outstanding for a period more than 6 months</b>			
(a) Unsecured			
- considered good	9.83	15.37	
- considered doubtful	1.12	0.56	
Less: Allowance for doubtful debts	1.12	0.56	
	-	-	
<b>Less than 6 months</b>			
- considered good	50.71	13.79	
<b>Total</b>	<b>60.54</b>	<b>29.16</b>	

### 16. CASH AND BANK BALANCES

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
(A) <b>Cash &amp; Cash Equivalents</b>			
- Balances with Banks	124.75	368.64	
- Others			
- Short Term Deposits with Scheduled Banks	1,083.48	1,132.69	
<b>Sub-total (A)</b>	<b>1,208.23</b>	<b>1,501.33</b>	
(B) <b>Others</b>			
- Term Deposits with Scheduled Banks	26.06	28.21	
<b>Total (A+B)</b>	<b>1,234.29</b>	<b>1,529.54</b>	
<b>Balances with Banks include:</b>			
- Earmarked Balances with Banks in separate accounts			
- For unpaid dividends	2.31	1.84	
- For RGGVY grant	0.20	2.81	
- For AG & SP grant	3.97	6.11	
- For other grants	1.75	2.35	
- Tax Free Bonds Public Issue Account	5.96	0.63	
- PAT A/c, 3L A/c & S&L A/c	-	0.18	
- Amount set aside for grants disbursement	2.38	-	
- Term deposits held as security/margin money	0.19	11.52	
Further, Short-term Deposits with Scheduled Banks include ₹ 503.50 Crores (Previous year ₹ 10.00 Crores) earmarked towards RGGVY grant.			
Term Deposits with Scheduled Banks with more than twelve months maturity	1.30	1.65	

- 16.1** The Company had made public issue of Tax Free Bonds of face value of ₹1,000.00 each aggregating to ₹ 2,148.41 Crores (including investment of ₹ 35 Crores by REC Transmission Projects Company Limited) in two tranches during the financial year 2012-13 in addition to a private placement issue of the Tax Free Bonds of ₹ 500 Crores. The issue proceeds of ₹ 0.63 Crores remaining unutilised as on 31<sup>st</sup> March, 2013 have since been utilised for the purposes as mentioned in the Offer document.

The Company has made a public issue of Tax Free Bonds of face value of ₹1,000.00 each aggregating to ₹ 4,500 Crores (including investment of ₹ 25 Crores by REC Transmission Projects Company Limited and ₹ 7 Crores by REC Power Distribution Company Limited) during the financial year 2013-14 in addition to a private placement of the Tax Free Bonds of ₹ 1,500 Crores. The bonds under public issue had been allotted in line with the prescribed guidelines and within the financial year 2013-14. The issue proceeds have been utilised for the purposes as mentioned in the Offer document except for ₹ 5.96 Crores which is kept in designated public issue account pending its utilisation.

## CONSOLIDATED NOTES TO ACCOUNTS

### 17. SHORT-TERM LOANS & ADVANCES

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
- Loans & Advances to Related Parties, Unsecured, considered good)	3.77	3.14	
- Others			
- Advances recoverable in cash or in kind or value to be received (Unsecured, considered good)	2.46	4.09	
- Loan Assets			
(A) Secured Loans			
- Loans to State Power Utilities/ State Electricity Boards/Corpn. (Secured by hypothecation and/or mortgage of materials/ tangible assets)			
(a) Considered Good	259.94	1,759.00	
Sub-total (A)	259.94	1,759.00	
(B) Unsecured Loans			
- Loans Guaranteed by respective State Governments			
- Considered Good	116.67	150.00	
Sub-total (B)	116.67	150.00	
Total Loan Assets (A+B)	376.61	1,909.00	
Grand Total	382.84	1,916.23	

### 18. OTHER CURRENT ASSETS

		(₹ in Crores)	
Particulars	As at 31.03.2014	As at 31.03.2013	
(A) Current Recoverables of Long-term Loan Assets (Refer Note 13.2)	12,272.22	10,827.66	
(B) Current Recoverables of Staff Advances (Refer Note 13.1)	5.23	6.99	
(C) Interest Accrued & Not Due on:			
- Long Term Investments	43.16	-	
- Term Deposits	4.66	4.64	
Sub-total	47.82	4.64	
(D) Interest Accrued & Due on Loan Assets	547.49	120.26	
(E) Interest Accrued & Not Due on Loan Assets	561.70	560.89	
(F) Current Portion of Interest Accrued on Staff Advances	0.08	0.33	
(G) Recoverable from GOI			
- RGGVY Expenses	8.49	8.99	
- RGGVY/UNDP Agency Charges	3.30	-	
Sub-total	11.79	8.99	
(H) Recoverable from Govt. Deptt/Others	4.46	17.78	
(I) Income Tax Recoverable	9.33	0.12	
(J) Prepaid Financial Charges on Commercial Paper	94.29	46.33	
(K) Current Portion of Unamortized Expenses			
- Discount on Issue of Bonds	4.83	4.83	
(L) Others	0.01	1.53	
Total (A to L)	13,559.25	11,600.35	

## CONSOLIDATED NOTES TO ACCOUNTS

### 19. REVENUE FROM OPERATIONS

(₹ in Crores)

Particulars	Year ended 31.03.2014		Year ended 31.03.2013	
(A) Interest on Loan Assets				
(i) Long term financing	16,413.47		12,479.02	
Less: Rebate for timely payments/ completion etc.	3.18	16,410.29	4.25	12,474.77
(ii) Short term financing		396.10		816.18
<b>Sub-total (A)</b>		<b>16,806.39</b>		<b>13,290.95</b>
(B) Revenue from Other Financial Services				
(i) Processing, Upfront, Lead fees, LC Commission etc.		52.90		108.62
(ii) Prepayment Premium		17.19		12.50
(iii) Agency/ handling charges for RGGVY Implementation/ others		28.76		9.97
<b>Sub-total (B)</b>		<b>98.85</b>		<b>131.09</b>
(C) Income from Short-term Investment of Surplus Funds				
(i) Interest from Deposits		98.07		96.82
(ii) Gain on Sale of Mutual Funds		14.67		18.51
<b>Sub-total (C)</b>		<b>112.74</b>		<b>115.33</b>
(D) Income from Consulting Engineer Services		104.23		32.69
<b>Total (A to D)</b>		<b>17,122.21</b>		<b>13,570.06</b>

### 20. OTHER INCOME

(₹ in Crores)

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
(A) Interest Income (Other than Operating Income)		
- Interest from Govt. Securities	47.16	54.71
- Interest from Long Term Investments/Term Deposits/Others	46.72	6.84
- Interest from Income Tax Refund	4.56	0.67
- Interest from Staff Advances	1.25	1.35
- Interest from Subsidiary Companies	0.51	0.18
<b>Sub-Total (A)</b>	<b>100.20</b>	<b>63.75</b>
(B) Dividend Income		
- Dividend from Long-Term Investments	0.38	0.25
<b>Sub-Total (B)</b>	<b>0.38</b>	<b>0.25</b>
(C) Net Gain on Sale of Long Term Investments	-	0.34
(D) Other Non-Operating Income		
- Provision Written Back	3.18	1.69
- Miscellaneous Income	2.97	2.61
<b>Sub-Total (D)</b>	<b>6.15</b>	<b>4.30</b>
<b>Total (A to D)</b>	<b>106.73</b>	<b>68.64</b>

## CONSOLIDATED NOTES TO ACCOUNTS

### 21. FINANCE COSTS

		(₹ in Crores)	
	Particulars	Year ended 31.03.2014	Year ended 31.03.2013
(A)	<b>Interest Expense</b>		
-	On Govt. Loans	0.90	1.53
-	On REC Bonds	7,877.43	6,554.00
-	On Loans from Banks/ Financial Institutions	415.94	414.70
-	On External Commercial Borrowings	1,064.92	790.52
-	On Commercial Paper	230.88	86.49
-	On AREP Subsidy	0.22	0.24
-	Interest on Advance Income Tax	3.10	2.06
	<b>Sub-Total (A)</b>	<b>9,593.39</b>	<b>7,849.54</b>
(B)	<b>Other Borrowing Costs</b>		
-	Guarantee Fee	18.66	27.32
-	Public Issue Expenses	30.37	10.37
-	Bonds Handling Charges	1.11	1.67
-	Bonds Brokerage	16.35	14.69
-	Stamp Duty on Bonds	3.73	0.84
-	Debt Issue and Other Finance Charges	59.10	101.45
	<b>Sub-Total (B)</b>	<b>129.32</b>	<b>156.34</b>
(C)	<b>Net Translation/ Transaction Exchange Loss</b>	<b>312.03</b>	<b>77.51</b>
	<b>Total (A to C)</b>	<b>10,034.74</b>	<b>8,083.39</b>

### 22. EMPLOYEE BENEFITS EXPENSE

		(₹ in Crores)	
	Particulars	Year ended 31.03.2014	Year ended 31.03.2013
-	Salaries and Allowances	93.32	119.80
-	Contribution to Provident Fund and Other Funds	11.00	9.96
-	Gratuity	0.82	1.35
-	Expenses towards Post Retirement Medical Facility	15.05	11.75
-	Staff Welfare Expenses	14.35	12.72
	<b>Total</b>	<b>134.54</b>	<b>155.58</b>

## CONSOLIDATED NOTES TO ACCOUNTS

### 23. OTHER EXPENSES

(₹ in Crores)

Particulars	Year ended 31.03.2014		Year ended 31.03.2013	
- Expenses towards CSR & Sustainable Development		38.73		17.59
- Travelling and Conveyance		10.80		9.31
- Publicity & Promotion Expenses		6.62		5.21
- Repairs and Maintenance				
- Building	1.75		1.78	
- ERP & Data Centre	3.96		3.05	
- Others	0.66	6.37	0.48	5.31
- Rent & Hiring Charges		4.53		3.13
- Rates and Taxes		1.04		1.46
- Power & Fuel		1.23		1.15
- Insurance Charges		0.04		0.04
- Postage and Telephone		1.92		1.18
- Auditors' Remuneration		0.68		0.60
- Consultancy Charges		23.45		13.51
- Donations & Charity		-		0.01
- Loss on Sale of Assets		0.69		0.33
- Allowance on Staff Advances		0.07		-
- Allowance for contingencies of project cost revision		1.48		0.65
- Miscellaneous Expenses		28.24		18.79
<b>Total</b>		<b>125.89</b>		<b>78.27</b>

#### 23.1 Auditors' Remuneration includes :

(₹ in Crores)

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
- Audit Fees	0.34	0.29
- Tax Audit Fees	0.06	0.05
- Limited Review Fees	0.06	0.06
- Payment for Other Certifications #	0.22	0.19
- Reimbursement of Expenses	-	0.01
<b>Total</b>	<b>0.68</b>	<b>0.60</b>

The figure above also includes service tax credit reversal of ₹ 0.04 crores (Previous year ₹ 0.03 crores) done as per Service Tax Rules.

# Inclusive of Certification Fee of ₹ 0.18 Crores (Previous year ₹ 0.15 Crores) for Certification of Prospectus for Tax Free Bonds Public Issue during the year

#### 23.2 Earnings and Expenditure in Foreign Currency :

(₹ in Crores)

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
<b>Earnings</b>	<b>0.07</b>	<b>-</b>
<b>Expenditure</b>		
- Royalty, Know-how, Professional, Consultation Fees	0.21	0.39
- Interest	388.23	289.56
- Finance Charges	47.67	86.72
- Other Expenses	1.70	0.72
<b>Total</b>	<b>437.81</b>	<b>377.39</b>

## CONSOLIDATED NOTES TO ACCOUNTS

- 23.3** The Company has taken office space, accommodations for staff and space for ERP Data Centre on lease. These are classified as operating lease. Lease payments in respect of office space and data centre amounting to ₹ 4.43 Crores (Previous year ₹ 2.39 Crores) is shown under the head 'Other Expenses'. Lease payments in respect of accommodations for staff amounting to ₹ 2.23 Crores (Previous year ₹ 1.57 Crores) form part of 'Employees Benefit Expense.' Future lease payments in respect of these lease agreements are as under:

Future minimum lease rent payments	Year ended 31.03.2014		Year ended 31.03.2013	
	Data Centre	Office & Accomodations	Data Centre	Office & Accomodations
Not later than one year	0.39	4.38	0.39	2.92
Later than one year and not later than 5 years	0.18	9.60	0.38	7.94
Later than 5 years	-	0.69	-	0.01
<b>Total</b>	<b>0.57</b>	<b>14.67</b>	<b>0.77</b>	<b>10.87</b>

### 24. PRIOR PERIOD ITEMS

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
- Interest and Finance Exp	(0.39)	-
- Others	0.35	0.11
<b>Total</b>	<b>(0.04)</b>	<b>0.11</b>

### 25. EARNINGS PER SHARE

Particulars	Year ended 31.03.2014	Year ended 31.03.2013
<b>Numerator</b>		
Profit after Tax as per Statement of Profit and Loss (₹ in Crores)	4,741.25	3,832.78
<b>Denominator</b>		
Weighted average Number of equity shares	987,459,000	987,459,000
<b>Basic &amp; Diluted Earnings per share of ₹10 each (in ₹)</b>	<b>48.01</b>	<b>38.81</b>

### 26. CONTINGENT LIABILITIES AND COMMITMENTS :

#### 26.1 Contingent Liabilities not provided for in respect of:

Particulars	As at 31.03.2014	As at 31.03.2013
A - Claims against the Company not acknowledged as debts	57.01	52.11
B - Others		
- Letters of Comfort/Bank Guarantees	1,278.36	1,904.69

The amount referred to in 'A' above includes ₹ 5.24 Crores (Previous year ₹ 5.17 Crores) is in respect of cases pending in various courts including arbitration cases and is dependent upon the outcome of settlement of court/arbitration cases and also includes ₹ 51.77 Crores (Previous year ₹ 46.94 Crores) against various demands raised by the Income Tax Department including the cases pending in Delhi High Court.

#### 26.2 Commitments not provided for in respect of:

Particulars	As at 31.03.2014	As at 31.03.2013
- <b>Contracts remaining to be executed on capital account</b>		
- Towards Tangible Assets	17.21	5.82
- Towards Intangible Assets	4.75	0.33
- <b>Other Commitments</b>		
- Undisbursed CSR Commitments	34.42	7.41

## CONSOLIDATED NOTES TO ACCOUNTS

27. The Company is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company (NBFC) since 1997-98. As per notification No.DNBS(PD).CC No.12/02.01/99-2000 dated 13.1.2000 of RBI, Govt. companies as defined under Section 617 of the Companies Act, 1956 have been exempted from applicability of the provisions of Reserve Bank of India Act, 1934 relating to maintenance of liquid assets and creation of Reserve Funds and the Directions relating to acceptance of public deposits and prudential norms. The said notification is also applicable to REC, being a Govt. company conforming to Section 617 of the Companies Act, 1956. Further, as per Para No. 1 (3) (iv) of RBI's Master Circular No. DNBS (PD) CC No. 333/03.02.001/2013-14 dated July 1, 2013, REC being a Government Company as defined under section 617 of the Companies Act 1956 continues to be exempted from the applicability of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. Moreover in view of the non- applicability of the provisions of Section 45 (I) C of the RBI Act 1934 regarding creation of Reserve Fund, the Reserve Fund is not created.

Further, RBI, vide its letter dated September 17, 2010 had categorized REC as an Infrastructure Finance Company (IFC) in terms of instructions contained in RBI Circular CC No.168 dated February 12, 2010. As an IFC, the total permissible exposure for lending in the private sector is 25 % of owned funds in case of single borrower and 40 % in case of a single group of borrowers and exposure for lending and investing taken together can be upto 30 % and 50 % of owned funds, respectively. REC is also required to maintain a Capital to Risk Weighted Assets Ratio (CRAR) of 15 % (with a minimum Tier I Capital of 10 %). Accordingly, the Prudential Norms were modified with the approval of our Board on September 25, 2010. In view of the exemption granted by RBI, our maximum credit exposure limits to Central and State power Utilities vary from 50 % to 250 % of our net worth, depending upon entity appraisal.

28. On December 13, 2006, our Board of Directors approved Company's Prudential Norms and amendments thereto were approved on February 21, 2009, September 25, 2010, May 28, 2013 and May 26, 2014. Some important features of these are given in the Significant Accounting Policies also. However, in order to bring all "Systemically important" government-owned NBFCs within the framework of their prudential norms, RBI had advised our Company on December 12, 2006 to submit a 'road map'.

The Company submitted the road map to RBI through the Ministry of Power and RBI, vide its letter dated June 29, 2010 had granted exemption to REC from its Prudential exposure Norms in respect of Central and State entities in the power sector, till March 31, 2012. In response to the Company's submission for further extending the exemption period till at least the end of XII plan, forwarded to RBI by Ministry of Power vide letter dated January 16, 2012, RBI, vide its letter dated April 4, 2012 had agreed to extend the exemption from adhering to RBI Prudential Norms till March 31, 2013, subject to furnishing a Roadmap upto June 30, 2012 for compliance with the RBI Prudential Norms as laid down in Non Banking Financial Companies (Non Deposit Accepting or Holding) Prudential Norms (Reserve Bank) Directions, 2007 as amended from time to time, within three years beginning April 1, 2013.

Accordingly, REC submitted the roadmap for compliance of the RBI Prudential Norms in phased manner w.e.f. 2012-13, vide letter dated 22<sup>nd</sup> June, 2012 to Ministry of Power which was forwarded to RBI on 6<sup>th</sup> July, 2012. RBI, vide letter dated 25<sup>th</sup> July, 2013 has conveyed to REC that matters relating to restructuring/reschedulement/ renegotiation of assets and credit concentration norms are under consideration of the Bank and advised REC to take steps to comply with the prudential norms of RBI by 31<sup>st</sup> March, 2016. Subsequently, RBI vide letter dated April 4 2014, has exempted REC from credit concentration norms in respect of exposure to Central/ State Government entities till March 31 2016 and with regard to Restructuring of assets, REC has been advised that it may follow the instructions contained in RBI Circular DNBS.CO.PD.367/03.10.01/2013-14 dated January 23, 2014 issued vide Notification No. DNBS (PD) No. 271/ CGM (NSV)-2014 of the same date. Necessary steps would be taken by 31<sup>st</sup> March, 2016 in terms of RBI letters dated 04<sup>th</sup> April, 2012, 25<sup>th</sup> July, 2013 and 04<sup>th</sup> April, 2014. However, REC has taken up the matter with RBI and also through the Ministry of Power, for suitable directions in this regard and necessary action shall be taken in subsequent years in the manner so advised by RBI.

29. The National Electricity Fund (NEF), an interest subsidy scheme, has become operational during the year 2012-13. The scheme has been introduced by Govt. of India to promote the capital investment in the distribution sector. The scheme shall provide interest subsidy linked with reform measures, on the loans taken by public and private distribution power utilities for various capital works under Distribution sector. NEF would provide interest subsidy aggregating to ₹ 8,466 Crores (including interest subsidy to the borrowers, service charges to the nodal agency, payments to independent evaluators and other incidental expenses) spread over 14 years for loan disbursement against projects approved during 2012-13 and 2013-14. REC has been nominated as Nodal Agency for operationalisation of the NEF scheme in entire country.
30. There has been shortfall (gross) in creation of Special Fund by some of the RE Cooperative Societies amounting to ₹ 5.86 Crores (Previous year ₹ 5.86 Crores).

### 31. CHANGES IN ACCOUNTING POLICY

Modifications have been made in Significant Accounting Policy No. 1(a), 2.1a, 2.1e(1), 2.2 (i), 2.2(iv), 5, 6, 7 of Rural Electrification Corporation Ltd. to make it more clarificatory/ explicit. However, there is no financial impact of such modifications.

Further, the Company has changed its Significant Accounting Policy 2.3 (iv) regarding provision on Standard Assets which is now created at 0.25 % of the outstanding standard assets as against creating it in a phased manner upto 31<sup>st</sup> March, 2015. If the company had followed the earlier policy, the profit after tax for the year ended March 31, 2014 would have been higher by ₹ 105.74 crore.

32. In the opinion of the management, the current assets, loans and advances appearing in the balance sheet have a value equivalent to the amount stated therein if realized during the ordinary course of business and all known liabilities have been provided.
33. The Corporation has no outstanding liability towards Micro, Small and Medium undertakings.

## CONSOLIDATED NOTES TO ACCOUNTS

34. As part of hedging strategy, the company has executed, in some cases, interest rate swaps from fixed rate of interest to floating rate of interest. The INR value of outstanding borrowing on which such swap has been exercised is ₹ 7,427.80 Crores (Previous year ₹ 7,211.80 Crores).

In respect of foreign currency borrowings, the company has also executed cross currency swaps to hedge the Foreign Currency Exposure. The outstanding position of Foreign Currency Exposure on 31.03.2014 is as under:

(Foreign Currency amounts in Millions, INR amounts in Crores)

Currency	Total		Hedged Portion (Currency & Interest rate)		Unhedged	
	Foreign Currency	INR Equivalent	Foreign Currency	INR Equivalent *	Foreign Currency	INR Equivalent *
JPY ¥	36,483.43	2,123.49	35,851.15	2,086.30	632.28	37.19
Previous year	40,173.98	2,258.26	26,688.37	1,479.34	13,485.61	778.92
EURO €	141.28	1,037.26	113.63	808.90	27.65	228.36
Previous year	131.43	895.49	106.43	721.63	25.00	173.86
USD \$	2,505.00	13,110.08	1,830.00	9,053.34	675.00	4,056.74
Previous year	2,220.00	10,945.06	1,470.00	6,865.87	750.00	4,079.19
CHF (Swiss Franc)	200.00	1,350.32	-	-	200.00	1,350.32
Previous year	200.00	1,139.38	-	-	200.00	1,139.38
<b>Total</b>		<b>17,621.15</b>		<b>11,948.54</b>		<b>5,672.61</b>
Previous year		15,238.19		9,066.84		6,171.35

\* The portion of the foreign currency borrowings swapped into Indian Rupee is stated at the rate fixed in the swap transactions, and not translated at the year end rate. The unhedged portion of the foreign currency borrowings has been translated at the year end rate.

- 34.1 In terms of Accounting Policy 14.1, the foreign currency monetary items as at the year end have been translated at the following rates:

SI. No.	Exchange Rates	As at 31.03.2014	As at 31.03.2013
1	USD/INR	60.0998	54.3893
2	JPY/INR	0.5883	0.5776
3	Euro/INR	82.5765	69.5438
4	CHF/INR	67.5159	56.9689

### 35. RELATED PARTY DISCLOSURES :

#### (1) Key Management Personnel

Sh. Rajeev Sharma	Chairman & Managing Director (from 29.11.2011 A/N)
Sh. Ajeet Kumar Agarwal	Director (Finance) (from 01.08.2012 F/N)
Sh. P.J. Thakkar	Director (Technical) (from 02.05.2011 A/N)

#### (2) Wholly owned Subsidiaries of REC Transmission Projects Company Limited

**Vizag Transmission Limited (VTL)** - Incorporated on 30.11.2011 and transferred to Power Grid Corporation of India Limited (PGCIL) on 30.08.2013, substantially upon the terms and conditions as detailed in the Share Purchase Agreement between RECTPCL, VTL and PGCIL

**Kudgi Transmission Limited (KTL)** - Incorporated on 27.11.2012 and transferred to L&T Infrastructure Development Projects Limited (LTIDPL) on 30.08.2013, substantially upon the terms and conditions as detailed in the Share Purchase Agreement between RECTPCL, KTL and LTIDPL.

**Unchahar Transmission Limited (UTL)** - Incorporated on 17.12.2012 and transferred to Power Grid Corporation of India Limited (PGCIL) on 24.03.2014, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, UTL and PGCIL.

**Nellore Transmission Limited** - Incorporated on 04.12.2012

**Baira Siul Sarna Transmission Limited** - Incorporated on 24.01.2013

**NRSS XXIX Transmission Limited** - Incorporated on 29.07.2013

**NRSS XXXI (A) Transmission Limited** - Incorporated on 29.07.2013 and transferred to Power Grid Corporation of India Limited (PGCIL) on 12.05.2014, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, NRSS XXXI (A) Transmission Limited and PGCIL.

## CONSOLIDATED NOTES TO ACCOUNTS

**NRSS XXXI (B) Transmission Limited** - Incorporated on 29.07.2013 and transferred to M/s Essel Infraprojects Limited (EIL) on 12.05.2014, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, NRSS XXXI (B) Transmission Limited and EIL.

Details of amount due from/ to the related parties :

Particulars	(₹ in Crores)	
	As at 31.03.2014	As at 31.03.2013
<b>Long-term Debt</b>		
Key Managerial Personnel	0.08	0.04
<b>Loans &amp; Advances</b>		
Key Managerial Personnel	0.01	0.01

Details of Transactions with the related parties :

Particulars	(₹ in Crores)	
	For the year ended 31.03.2014	For the year ended 31.03.2013
<b>Long Term Debt - Amount Invested</b>		
Key Managerial Personnel	0.04	0.04
<b>Loans &amp; Advances</b>		
Key Managerial Personnel	0.09	0.08
<b>Employee Benefits Expense - Managerial Remuneration</b>	1.56	1.65

**36. The Company has adopted AS 15 (revised 2005) 'Employee Benefit'. Defined employee benefit schemes are as follows:**

**A. Provident Fund**

Company pays fixed contribution of Provident Fund at pre-determined rates to a separate trust which invests the funds in permitted securities. The trust fixes the rate of interest on contribution to the members of the trust. As per the management estimates, the fair value of the assets of the Provident fund including the returns of the assets thereof, as at 31.03.2014 is greater than the obligation under the defined contribution plan.

**B. Defined Contribution Superannuation Scheme**

The Company pays fixed contribution towards superannuation scheme at pre-determined rates to a separate trust which invests the funds with the Insurers. The Insurers fix the rate of interest on the balance standing to the credit of the accounts of the members of the trust. When the pension becomes payable to the member, the Insurers shall appropriate the member's accumulation towards various annuities, as opted for by the member. The expenditure is recognized in the Statement of Profit & Loss on the basis of defined contribution payable by the Company.

**C. Gratuity**

The Company has a defined benefit gratuity plan. Every employee is entitled to gratuity as per the provisions of the Payment of Gratuity Act. The scheme is funded by the Company and is managed by separate trust. The liability of Gratuity is recognized on the basis of actuarial valuation.

**D. Post Retirement Medical Facility (PRMF)**

The Company has Post Retirement Medical Facility under which the entitled retired employees (including his/her spouse) are covered as per Company's rule. The expenditure is recognized in the Statement of Profit & Loss on the basis of actuarial valuation.

**E. Employees Family Economic Rehabilitation Scheme**

The Company has a scheme to provide monetary benefit and support to the family of an employee in case of his/her permanent total disablement/ death if the same takes place while the employee is in service of the Company. The expenditure is recognized in the Statement of Profit & Loss on the basis of actuarial valuation.

**F. Scheme for Long Service Award to the Employees**

The Company has a scheme for Long service Award to the employees on completion of milestones of continuous service of 10 years, 20 years and 30 years in the Company. The expenditure is recognized in the Statement of Profit & Loss on the basis of actuarial valuation.

## CONSOLIDATED NOTES TO ACCOUNTS

### G. Other Defined Retirement Benefit (ODRB)

The Company has a scheme for settlement of the employee and their dependents at the time of superannuation at home town. The expenditure is recognized in the Statement of Profit & Loss on the basis of actuarial valuation.

The summarized position of various defined benefits recognized in the Statement of Profit & Loss, Balance Sheet and the funded status is as under:

#### Expense recognised in Statement of Profit & Loss:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Current Service Cost	1.85	1.78	1.20	1.02	0.05	0.05
Interest Cost	3.03	2.92	4.46	3.75	0.09	0.09
Expected Return on Plan Assets	3.69	3.44	-	-	-	-
Actuarial (Gain)/ Loss	(0.37)	0.09	9.39	6.98	(0.04)	(0.07)
Expense recognized	0.82	1.35	15.05	11.75	0.10	0.07

#### Amounts recognised in Balance Sheet:

(Amounts below in 'Gratuity' columns denotes respective amounts in the Balance Sheet of gratuity trust)

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Present value of obligation as at the end of the year	38.07	37.85	66.64	55.80	1.16	1.16
Fair value of Plan Assets as at the end of the year	35.94	35.14	-	-	-	-
Net Assets/ (Liability) recognized	(2.13)	(2.71)	(66.64)	(55.80)	(1.16)	(1.16)

#### Changes in the Present value of defined benefit/ Obligation:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Present value of obligation as at the beginning of the period	37.85	36.47	55.80	46.82	1.16	1.12
Interest Cost	3.03	2.92	4.46	3.75	0.09	0.09
Current Service Cost	1.85	1.78	1.20	1.02	0.05	0.05
Benefit Paid	3.99	3.49	4.21	2.77	0.10	0.03
Actuarial (Gain)/ Loss on obligation	(0.67)	0.17	9.39	6.98	(0.04)	(0.07)
Present Value of defined benefit obligation at the end of the year	38.07	37.85	66.64	55.80	1.16	1.16

## CONSOLIDATED NOTES TO ACCOUNTS

### Changes in the Fair Value of Plan Assets:

(Amounts below in 'Gratuity' columns denotes respective amounts for the gratuity trust)

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Fair value of Plan Assets as at the beginning of the year	35.14	31.24	-	-	-	-
Return on Plan Assets	3.69	3.52	-	-	-	-
Contributions	1.40	2.38	-	-	-	-
Benefit Paid	3.99	3.49	-	-	-	-
Actuarial Gain/ (Loss) on Plan Assets	(0.30)	1.49	-	-	-	-
Fair value of Plan Assets as at the end of the year	35.94	35.14	-	-	-	-

During the year, the Company has provided liability towards contribution to the Gratuity Trust of ₹ 0.82 Crores (Previous year ₹ 1.35 Crores), PRMF of ₹ 15.05 Crores (Previous year ₹ 11.75 Crores) and ODRB of ₹ 0.10 Crores (Previous year ₹ 0.07 Crores).

### Other Employee Benefits

During the year, provision for earned leave liability amounting to ₹ 6.17 Crores (Previous year ₹ 5.66 Crores), provision for medical leave amounting to ₹ 2.64 Crores (Previous year ₹ 2.23 Crores), provision for economic rehabilitation scheme amounting to ₹ 0.89 Crores (Previous year ₹ 0.25 Crores) and provision for long service award amounting to ₹ 0.94 Crores (Previous year ₹ 0.45 Crores) have been made on the basis of actuarial valuation and charged to Statement of Profit & Loss.

### The effect of an increase/ decrease of one percent point in inflation rate on PRMF:

(₹ in Crores)

Particulars	1% (+)		1% (-)	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Service & Interest Cost	1.17	0.85	(0.46)	(0.70)
PBO (Closing)	8.56	7.58	(7.21)	(6.35)

### Actuarial Assumptions:

Particulars	Gratuity		PRMF		ODRB	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
Method Used	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)
Discount Rate	8.50%	8.00 %	8.50%	8.00 %	8.50%	8.00 %
Expected Rate of Return on Plan Assets	10.50%	10.50 %	-	-	-	-
Future Salary Increase	6.50%	6.00 %	6.50%	6.00 %	6.50%	6.00 %

- The Expected Rate of Return on Assets over the accounting year is assumed rate of return (annualised).
- The Principle assumptions are the discount rate and salary growth rate. The discount rate is generally based on the market yields available on govt. bonds at the accounting date with a term that matches the liabilities and the salary Growth rate takes account of inflation, seniority, promotions and other relevant factors as long term basis. The above information is certified by the Actuary.

37. Some of the erstwhile State Electricity Boards (SEBs) against whom loans were outstanding or on whose behalf guarantees were given, were restructured by the respective State Governments and new entities were formed in the past. Consequently, the liabilities of the erstwhile SEBs stand transferred to new entities and transfer agreements in the case of Punjab State Electricity Board (PSEB), Himachal Pradesh State Electricity Board (HPSEB) and Chhattisgarh State Electricity Board (CSEB) are to be executed amongst the Company, new entities and the State Governments.
38. The Company's main business is to provide finance to power sector. Accordingly, the Company does not have more than one segment eligible for reporting in terms of Accounting Standard-17.

## CONSOLIDATED NOTES TO ACCOUNTS

39. The Capital Adequacy Ratio of the Company as on 31.03.2014 is 19.35 % (Previous year 17.71 %).
40. The Company has no exposure to real estate sector as on 31.03.2014 (Previous year Nil).
41. Maturity Profile of Loan Assets and Borrowings as on 31.03.2014:

(₹ in Crores)

Financial Year	Recovery of Loan Assets	Repayment of Borrowings
2014-15	12,666	16,078
2015-16	14,861	18,954
2016-17	16,295	16,554
2017-18	15,690	8,839
2018-19	15,185	13,395
2019-20	14,117	9,341
2020-21	12,840	7,191
2021-22	11,531	9,441
2022-23	10,009	6,091
2023-24	8,136	9,303
2024-25	6,183	-
Beyond 2024-25	11,128	11,053
<b>Total</b>	<b>148,641</b>	<b>126,240</b>

42. The Classification of Loan Assets of the Company (classified in Note No. 13 and 17) as per REC Prudential Norms is as under:

(₹ in Crores)

SI. No.	Asset Classification	As at 31.03.2014		As at 31.03.2013	
		Loan Balance	Allowance created against Loan Assets	Loan Balance	Allowance created against Loan Assets
1	Standard Assets	148,150.70	-	126,865.14	-
2	Sub-standard Assets	-	-	223.18	22.32
3	Doubtful Assets	473.18	119.64	250.00	50.00
4	Loss Assets	17.22	17.22	17.22	17.22
	<b>Total</b>	<b>148,641.10</b>	<b>136.86</b>	<b>127,355.54</b>	<b>89.54</b>

43. Previous year figures have been reclassified/ regrouped to conform to the current classification.
44. Figures in Rupees have been rounded off to the nearest crores with two decimals, unless expressly stated.

For and on behalf of the Board

**J. S. Amitabh**  
GM & Company Secretary

**Ajeet Kumar Agarwal**  
Director (Finance)

**Rajeev Sharma**  
Chairman and Managing Director

In terms of our Report of even date

**For Raj Har Gopal & Co.**  
Chartered Accountants  
Firm Reg. No.: 002074N

**For P.K. Chopra & Co.**  
Chartered Accountants  
Firm Reg. No.: 006747N

**Gopal Krishan**  
Partner  
M.No. : 081085

**K. S. Ponnuswami**  
Partner  
M.No. : 070276

Place : New Delhi  
Date : 26<sup>th</sup> May, 2014

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2014

(₹ in crores)

Particulars	YEAR ENDED 31.03.2014		YEAR ENDED 31.03.2013	
<b>A. Cash Flow from Operating Activities :</b>				
Net Profit before Tax	6,616.71		5,186.21	
Adjustments for:				
1. Profit / Loss on Sale of Fixed Assets	0.69		0.33	
2. Depreciation	4.52		3.90	
3. Allowance for bad & doubtful debts	47.89		25.56	
4. Contingent Allowance against Standard Loan Assets	264.70		105.68	
5. Allowance for Staff Advances	0.07		-	
6. Interest on Commercial Paper	230.88		86.49	
7. Interest Expense of Misc. Borrowings	0.16		0.37	
8. Excess Provision written back	-3.18		-0.04	
9. Profit on sale/redemption of investments	-		-0.34	
10. Loss/ Gain(-) on Exchange Rate fluctuation	304.27		77.51	
11. Dividend from Investments	-0.38		-0.25	
12. Interest on 8 % Government of Madhya Pradesh Power Bonds-II	-47.16		-54.71	
13. Interest Income from Tax Free/ other Investments	-3.83		-6.84	
14. Provision made for Interest on Advance Income Tax	2.96		2.06	
15. Discount on Bonds written off	4.83		4.83	
16. Interest Accrued on Zero Coupon Bonds	64.97		59.88	
17. Dividend & Dividend Tax paid in excess of provision	0.01		0.01	
18. Other Finance Expenses	0.16		0.02	
19. Provision for contingencies of Project Cost revisions	1.15		-	
<b>Operating profit before Changes in Operating Assets &amp; Liabilities:</b>	<b>7,489.42</b>		<b>5,490.67</b>	
Increase / Decrease :				
1. Loan Assets	-22,427.06		-25,929.26	
2. Other Operating Assets	-381.69		93.23	
3. Operating Liabilities	-265.28		1,670.57	
<b>Cash flow from Operations</b>	<b>-15,584.61</b>		<b>-18,674.79</b>	
1. Income Tax Paid (including TDS)	-1,667.44		-1,384.09	
2. Income Tax refund	8.27		-	
<b>Net Cash Flow from Operating Activities</b>		<b>-17,243.78</b>		<b>-20,058.88</b>
<b>B. Cash Flow from Investing Activities</b>				
1. Sale of Fixed Assets	0.26		0.05	
2. Purchase of Fixed Assets (incl. CWIP & Intangible Assets under development)	-4.79		-5.30	
3. Redemption of 8 % Government of Madhya Pradesh Power Bonds-II	94.32		94.32	
4. Redemption of units of "Small is Beautiful" Fund	-		0.15	
5. Profit on sale/redemption of investments	-		0.34	
6. Interest on 8 % Government of Madhya Pradesh Power Bonds-II	47.16		54.71	
7. Interest Income from Tax Free/ Other Investments	3.83		7.69	
8. Dividend from Investments	0.38		0.25	
9. Investment in Shares of Fellow Subsidiary Companies	-		-0.20	
10. Investment in Tax Free Bonds/Others	-5.19		-	
11. Sale of Shares of Fellow Subsidiary companies	-		0.05	
<b>Net Cash Flow from Investing Activities</b>		<b>135.97</b>		<b>152.06</b>

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2014

(₹ in crores)

Particulars	YEAR ENDED 31.03.2014		YEAR ENDED 31.03.2013	
<b>C. Cash Flow from Financing Activities</b>				
1. Issue of Bonds (Net of redemptions)	17,460.70		13,781.96	
2. Raising of Term Loans/ STL from Banks/ FIs (Net of repayments)	-3,049.95		-1,648.90	
3. Raising of Foreign Currency Loan (Net of redemptions)	1,706.32		4,484.19	
4. Grants received from GOI including interest ( Net of refund)	2,920.69		606.77	
5. Disbursement of grants	-2,429.28		-940.37	
6. Repayment of Govt. Loan	-7.21		-9.50	
7. Payment of Final Dividend	-148.13		-246.86	
8. Payment of Interim Dividend	-765.28		-666.54	
9. Payment of Corporate Dividend Tax	-155.23		-148.19	
10. Interest Paid on Misc. Borrowings	-0.16		-0.37	
11. Premium on issue of securities	1.24		0.05	
12. Issue of Commercial Paper (Net of repayments)	1,281.16		847.18	
13. Other Finance Expenses	-0.16		-0.02	
<b>Net Cash flow from Financing Activities</b>		<b>16,814.71</b>		<b>16,059.40</b>
<b>Net Increase/Decrease in Cash &amp; Cash Equivalents</b>		<b>-293.10</b>		<b>-3,847.42</b>
Cash & Cash Equivalents as at the beginning of the year		<b>1,501.33</b>		<b>5,348.75</b>
Cash & Cash Equivalents as at the end of the year		<b>1,208.23</b>		<b>1,501.33</b>

Components of Cash & Cash Equivalents as at end of the year are:

(₹ in crores)

Particulars	YEAR ENDED 31.03.2014		YEAR ENDED 31.03.2013	
- Balances with Banks in:				
- Current Account with RBI and other banks		<b>110.56</b>		<b>354.90</b>
- Undisbursed RGGVY Grant #		<b>0.20</b>		<b>2.81</b>
- Undisbursed AG&SP Grant #		<b>3.97</b>		<b>6.11</b>
- Other undisbursed Subsidies/ Grants #		<b>1.75</b>		<b>2.35</b>
- Tax Free Bonds Public Issue Accounts #		<b>5.96</b>		<b>0.63</b>
- Unpaid Dividend Accounts #		<b>2.31</b>		<b>1.84</b>
- Short Term Deposits with Scheduled Banks		<b>1,083.48</b>		<b>1,132.69</b>
<b>Total Cash &amp; Cash Equivalents</b>		<b>1,208.23</b>		<b>1,501.33</b>

# These balances are not available for free use by the Company as they represent earmarked balances held in respective grant accounts, balances in public issue account and unpaid dividends. Further, Balances with Banks include ₹ 2.38 Crores (Previous year Nil) set aside for grants disbursement and Short-term Deposits with Scheduled Banks include ₹ 503.50 Crores (Previous year ₹ 10.00 Crores) earmarked towards RGGVY grant and not available for free use by the Company.

Note : Previous period figures have been rearranged and regrouped wherever necessary.

For and on behalf of the Board of Directors

**J. S. Amitabh**  
GM & Company Secretary

**Ajeet Kumar Agarwal**  
Director (Finance)

**Rajeev Sharma**  
Chairman and Managing Director

In terms of our Report of even date

**For Raj Har Gopal & Co.**  
Chartered Accountants  
Firm Reg. No.: 002074N

**For P.K. Chopra & Co.**  
Chartered Accountants  
Firm Reg. No.: 006747N

**Gopal Krishan**  
Partner

**K. S. Ponnuswami**  
Partner

Place : New Delhi  
Date : 26<sup>th</sup> May, 2014

M.No. : 081085

M.No. : 070276

## INDEPENDENT AUDITORS' REPORT

To  
**The Board of Directors,**  
**Rural Electrification Corporation Limited**  
**New Delhi**

1. We have audited the accompanying consolidated financial statements of Rural Electrification Corporation Limited ("the Company") and its subsidiaries and joint venture, which comprise the consolidated Balance Sheet as at 31<sup>st</sup> March, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information which we have signed under reference to this report.

2. **Management's Responsibility for the Consolidated Financial Statements**

The Company's management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company and its subsidiaries and joint venture in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We did not audit the financial statements of two subsidiaries and the joint venture included in the consolidated financial statements, which constitute total assets of ₹ 191.39 Crores (Previous year ₹ 124.78 Crores) as at 31<sup>st</sup> March, 2014 and total revenue of ₹ 118.73 Crores (Previous year ₹ 41.77 Crores), for the year then ended. The financial statements of the subsidiaries have been audited by other auditors whose reports have been furnished to us and financial statements of the joint venture are un-audited, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors and certification of the management of the joint venture.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. **Opinion**

We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21- Consolidated Financial Statements, Accounting Standard (AS) 23 - Accounting for Investments in Associates in Consolidated Financial Statements, and Accounting Standard (AS) 27 - Financial Reporting of Interests in Joint Ventures notified under Section 211(3C) of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries and joint venture as at 31<sup>st</sup> March, 2014;
- in the case of Consolidated Statement of Profit and Loss, of the profit of the Company and its subsidiaries and joint venture for the year ended on that date; and
- in the case of the Consolidated Cash Flow Statement, of the cash flows of the Company and its subsidiaries and joint venture for the year ended on that date.

**For Raj Har Gopal & Co.**  
 Chartered Accountants  
 Firm Regn No. 002074N

**(Gopal Krishan)**  
 Partner  
 M. No. 081085

**For P. K. Chopra & Co.**  
 Chartered Accountants  
 Firm Regn No. 006747N

**(K. S. Ponnuswami)**  
 Partner  
 M. No. 070276

Place : New Delhi  
 Date : 26<sup>th</sup> May, 2014

## STATEMENT IN RESPECT OF EACH SUBSIDIARY COMPANY OF RURAL ELECTRIFICATION CORPORATION LIMITED

PURSUANT TO SECTION 212 (8) OF THE COMPANIES ACT, 1956

(₹ in Crores)

Sl. No.	Particulars	REC Transmission Projects Company Limited	REC Power Distribution Company Limited	Nellore Transmission Limited	Baira Siul Sarna Transmission Limited	NRSS XXIX Transmission Limited	NRSS XXXI (A) Transmission Limited	NRSS XXXI (B) Transmission Limited
(a)	Capital	0.05	0.05	0.05	0.05	0.05	0.05	0.05
(b)	Reserves & Surplus	68.87	60.18	-	-	-	-	-
(c)	Total assets	79.82	79.95	0.92	0.95	1.05	1.00	5.30
(d)	Total liabilities	10.90	19.72	0.87	0.90	1.00	0.95	5.25
(e)	Details of investments (except in case of investment in subsidiaries)	60.00	12.00	-	-	-	-	-
(f)	Turnover	35.18	75.16	-	-	-	-	-
(g)	Profit before taxation	34.30	50.19	-	-	-	-	-
(h)	Provision for taxation	10.44	17.18	-	-	-	-	-
(i)	Profit after taxation	23.86	33.01	-	-	-	-	-
(j)	Proposed Dividend	0.10	0.25	-	-	-	-	-

## MANAGEMENT TEAM



Smt. Abha Anand Kishore  
Chief Vigilance Officer



Shri Vinod Behari  
Executive Director  
(HR/CC/Rajbhasha)



Shri D. S. Ahluwalia  
Executive Director  
(CIRE/Project Monitoring)



Shri Ashok Awasthi  
Executive Director  
(Admn./REN. & SD/Estate)



Dr. Dinesh Arora  
Executive Director  
(RGGVY-I/DDG) & CEO-RECPDCL



Shri Sanjiv Garg  
Executive Director  
(Loans & Recovery/ALM/Taxation)



Shri Sunil Kumar  
Executive Director  
(RGGVY-II/IT)



Shri S. K. Gupta  
Executive Director  
(T&D/NEF)



Shri Rakesh Kumar Arora  
Executive Director  
(Resources/CA/CP/CSR)



Shri S. N. Gaikwad  
General Manager  
& CEO-RECTPCL



Shri T. S. C. Bosh  
General Manager  
(RGGVY)



Shri Dinesh Kumar  
General Manager  
(Renewable Energy)



Shri G. S. Bhati  
General Manager  
(RGGVY/DDG)



Shri C. P. Bhatia  
General Manager  
(IA)



Shri L. M. Verma  
General Manager  
(Loans & Recovery)



Smt. Kalpana Kaul  
General Manager  
(HR/CC/Rajbhasha)



Shri J. S. Amitabh  
General Manager  
& Company Secretary



Shri S. L. Batta  
General Manager  
(Law) & PIO



Shri G. V. Mahendar  
General Manager  
(Entity Appraisal)



Shri Ajoy Choudhary  
General Manager  
(Finance) - Concurrence



Shri V. K. Singh  
General Manager  
(Generation)



Shri Fuzail Ahmed  
General Manager  
(PMG)



Shri R. P. Vaishnav  
Zonal Manager  
(Western Zone)



Shri Jaidev Banerjee  
Zonal Manager  
(Eastern Zone)



Shri Rakesh Sareen  
Zonal Manager  
(Northern Zone)



Shri P. S. Hariharan  
Zonal Manager  
(Southern Zone)



Shri N. K. Maurya  
Zonal Manager  
(Central Zone)

## ADDRESS OF REC OFFICES

Sl. No.	State / Union	Address	Telephone numbers	Fax / E-mail
	<b>Registered &amp; Corporate Office</b>	Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003	011-41020101 011-24365161	Fax : 011-24360644 E-Mail : reccorp@recl.nic.in
	<b>Zone/Location of Zonal Offices/ States &amp; UTs under the jurisdiction of Zonal Offices</b>			
1	<b>Central Zone Lucknow</b> Uttar Pradesh, Bihar, Uttarakhand & Jharkhand	19/8, Indira Nagar Extension, Ring Road, Lucknow-226016	0522-2716324 0522-2717376 0522-2716446	Fax : 0522-2716815 E-Mail : recuppo@yahoo.co.in zmlucknow@recl.nic.in
2	<b>Eastern Zone Kolkata</b> West Bengal, Odisha, Sikkim & North-Eastern States	ICMARD Building, 7 <sup>th</sup> Floor, Block 14/2, CIT Scheme-VIII(M), Ultadanga Kolkata-700067	033-23566989 033-23567017 033-23567018	Fax : 033-23566991 E-Mail : zmkolkata@recl.nic.in
3	<b>Northern Zone Panchkula</b> Haryana, Rajasthan, Jammu & Kashmir, Punjab, Himachal Pradesh	BAY No. 7-8, Sector-2, Panchkula-134112	0172-2563864 0172-2563863 0172-2563822	Fax : 0172-2567692 E-Mail : popanchkula@recl.nic.in
4	<b>Southern Zone Bangalore</b> Karnataka, Andhra Pradesh, Kerala, Tamil Nadu & Puducherry	No. 1/5, Ulsoor Road, Bangalore-560042	080-25598244 080-25598035 080-25550240	Fax : 080-25598243 E-Mail : pobangalore@recl.nic.in
5	<b>Western Zone Mumbai</b> Maharashtra, Gujarat, Madhya Pradesh, Chhattisgarh, Goa, Dadra & Nagar Haveli and Daman & Diu	51-B, Mittal Tower, 5 <sup>th</sup> Floor, Nariman Point, Mumbai-400021	022-22830985 022-22833068 022-22833055	Fax : 022-22831004 E-Mail : zmmumbai@recl.nic.in
	<b>Project Offices</b>			
1	Andhra Pradesh	Shivrapally Post NPA, Near Aramghar, National Highway No. 7, Hyderabad-500052	040-24014034 040-24014420 040-64583563 040-64583569	Fax : 040-24014235 E-Mail : zmhyderabad@recl.nic.in reclpohyd@yahoo.com
2	Assam, Nagaland & Arunachal Pradesh	"SRADDHA" M.G. Road-G.S. Road Crossing (SOHUM/HDFC Point) Christian Basti, Guwahati.	0361-2343712 0361-2343713 0361-2343714	Fax : 0361-2343712 E-Mail : poguwahati@recl.nic.in poguwahati@gmail.com
3	Bihar	Block C, 4 <sup>th</sup> Floor, Maurya Lok Complex, New Dak Bungalow Road, Patna-800001	0612-2221131 0612-2224596	Fax : 0612-2224596 E-Mail : popatna@recl.nic.in popatna@yahoo.com

Sl. No.	Project Offices	Address	Telephone numbers	Fax / E-mail
4	Gujarat, Dadra & Nagar Haveli	Plot No. 585, T.P. Scheme No. 2, Behind Pusti Complex, Opp. VMC Ward Office, Atma Jyoti Ashram Road, Subhanpura, Vadodara-390023	0265-2397487	Fax : 0265-2397652 E-Mail : recvadodara@gmail.com povadodara@recl.nic.in
5	Haryana, Chandigarh & Punjab	BAY No. 7-8, Sector-2, Panchkula-134112	0172-2563864 0172-2563863 0172-2563822	Fax : 0172-2567692 E-Mail : popanchkula@recl.nic.in
6	Himachal Pradesh	Pt. Padamdev Commercial Complex, Phase-II, First Floor, The Ridge, Shimla-171001	0177-2653411 0177-2804077	Fax : 0177-2804077 E-Mail : poshimla@recl.nic.in
7	Jammu & Kashmir	157-A, Gandhi Nagar, Behind Apsara Cinema, Jammu-180004	0191-2450868 0191-2450800	Fax : 0191-2450868 E-Mail : pojammu@recl.nic.in
8	Jharkhand	A-101 & D-104, Om Shree Enclave, Near Loyola School, Airport Road, HINOO, Ranchi-834002	0651-2253123	Fax : 0651-2251320 E-Mail : rec_ranchi@yahoo.com poranchi@recl.nic.in
9	Karnataka	No. 1/5, Ulsoor Road, Bangalore-560042	080-25598244 080-25598035 080-25550240	Fax : 080-25598243 E-Mail : pobangalore@recl.nic.in
10	Kerala & Lakshadweep	'O'-5, 4 <sup>th</sup> Floor, "Saphallyam" Commercial Complex, TRIDA Building Palayam, Thiruvananthapuram-695034	0471-2328662 0471-2327132	Fax : 0471-2328579 E-Mail : potrivandrum@recl.nic.in
11	Madhya Pradesh & Chhattisgarh	Metro Walk, II <sup>nd</sup> Floor, West Hall No. 3, Vitthal Market, Bhopal - 462016	0755-2460006	Fax : 0755-2460008 E-Mail : reccentralzone@yahoo.com
12	Maharashtra, Goa, Daman & Diu	51-B, Mittal Tower, 5 <sup>th</sup> Floor, Nariman Point, Mumbai-400021	022-22830985 022-22833068 022-22833055	Fax : 022-22831004 E-Mail : zmmumbai@recl.nic.in
13	Meghalaya, Manipur & Mizoram	'RINADEE' Old Jowai Road, Lachumier, Shillong-793001	0364-2210190 0364-2225687	Fax : 0364-2225687 E-Mail : poshillong@recl.nic.in
14	Odisha	Deen Dayal Bhawan, 5 <sup>th</sup> Floor, Ashok Nagar, Janpath, Bhubaneswar-751009	0674-2536649 0674-2393206	Fax : 0674-2536669 E-Mail : recpobbsr@yahoo.co.in pobhubaneswar@recl.nic.in
15	Rajasthan	J-4-A, Jhalana Dungari, Institutional Area, Jaipur-302004	0141-2706986 0141-2700161	Fax : 0141-2706986 E-Mail : pojaipur@recl.nic.in
16	Tamil Nadu & Puducherry	No. 12 & 13, T.N.H.B Complex, Luz Church Road, 180 (Luz Corner) Mylapore, Chennai-600004	044-24672376 044-24987960 044-24671196 044-24987841	Fax : 044-24670595 E-Mail : pochennai@recl.nic.in cpmchennai@yahoo.com

Sl. No.	Project Offices	Address	Telephone numbers	Fax / E-mail
17	Uttar Pradesh & Uttarakhand	19/8, Indira Nagar Extension, Ring Road, Lucknow-226016	0522-2716324 0522-2717376 0522-2716446	Fax : 0522-2716815 E-Mail : recuppo@yahoo.co.in zmlucknow@recl.nic.in
18	West Bengal, Tripura, Sikkim & A & N Islands	ICMARD Building, 7 <sup>th</sup> Floor, Block 14/2, CIT Scheme-VIII (M), Ultadanga Kolkata-700067	033-23566989 033-23567017 033-23567018	Fax : 033-23566991 E-Mail : zmkolkata@recl.nic.in
<b>Sub-Offices</b>				
1	Chhattisgarh	KH No. 185/17, Shanti Vihar Colony, (Opposite Viveka Nand School), Dauganiya Raipur-492013	0771-2241055	Fax : 0771-2241055 E-Mail : recraipur@yahoo.com
2	Dehradun	7, New Road, Opposite MKP College, Dehradun-248001	0135-2650766 0135-2650799	Fax : 0135-2650799
<b>Training Centre</b>				
	Central Institute for Rural Electrification	Shivarampally, Post : NPA Near Aramgarh, National Highway No.7 Hyderabad-500 052	040-24015897 040-24015901 040-64584526	Fax : 040-24015896 040-24018583 E-Mail : cire@recl.nic.in cire.rec@gmail.com

## NOTES

[illegible]



## Rural Electrification Corporation Limited

Regd. Office : Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003 CIN: L40101DL1969GOI005095

### ATTENDANCE SLIP

45<sup>th</sup> ANNUAL GENERAL MEETING TO BE HELD ON THURSDAY, SEPTEMBER 18, 2014 AT 11:00 A.M.

NAME OF THE ATTENDING MEMBER (IN BLOCK LETTERS)	
*Folio No.	
DP ID No.	
Client ID No.	
No. of Shares held	
NAME OF PROXY (IN BLOCK LETTERS, TO BE FILLED IN, IF THE PROXY ATTENDS INSTEAD OF THE MEMBER)	

I, hereby record my presence at the 45<sup>th</sup> Annual General Meeting of the Company held on Thursday, September 18, 2014 at 11:00 a.m. at Manekshaw Centre, Parade Road, Delhi Cantonment, New Delhi-110010

\*Applicable in case of shares held in Physical form.

#### NOTES:

1. The attendance slip should be signed as per the specimen signature registered with Karvy Computershare Private Limited, Registrar & Transfer Agent (RTA)/ Depository Participant (DP). Such duly completed and signed Attendance Slip(s) should be handed over at the RTA counter(s) at the venue against which RTA will provide admission card. Entry to the hall will be strictly on the basis of admission card as provided by RTA. Members in person and Proxy holders **may please carry photo-ID card for identification/ verification purposes.** 2. Shareholder(s) present in person or through registered proxy shall only be entertained. 3. **Due to strict security reasons mobile phones, brief cases, eatables and other belongings are not allowed inside the Auditorium. Shareholder(s)/proxy holder(s) will be required to take care of their belonging(s).** 4. **No gifts/ coupons will be distributed at the Annual General Meeting.**

Signature of Member/ Proxy

## Rural Electrification Corporation Limited

Regd. Office : Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003 CIN: L40101DL1969GOI005095

### PROXY FORM (Form no. MGT-11)

[Pursuant to section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member (s):	Folio No/ DP ID- Client Id:
Registered Address:	
No. of Shares held:	Email ID

I/We, being the member (s) of ..... shares of the above named company, hereby appoint:

1.	Name:		Signature:
	Address:		
	E-mail Id:		
or failing him			
2.	Name:		Signature:
	Address:		
	E-mail Id:		
or failing him			
3.	Name:		Signature:
	Address:		
	E-mail Id:		

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 45<sup>th</sup> Annual General Meeting of the Company, to be held on Thursday, September 18, 2014 at 11:00 a.m. at Manekshaw Centre, Parade Road, Delhi Cantonment, New Delhi-110010 and at any adjournment thereof in respect of such resolutions as are indicated below:

Sr. No.	Resolution
<b>Ordinary Business</b>	
1.	To receive, consider, approve and adopt the audited Balance Sheet as at March 31, 2014 and Statement of Profit and Loss for the Financial Year ended on that date along with the Reports of the Board of Directors and Auditors thereon.
2.	To confirm the payment of Interim Dividend and declare Final Dividend on equity shares for the Financial Year 2013-14
3.	To appoint a Director in place of Shri Ajeet Kumar Agarwal (DIN 02231613), who retires by rotation and being eligible, offers himself for re-appointment.
4.	To fix the remuneration of Auditors for the Financial Year 2014-15.
<b>Special Business</b>	
5.	Issue of Unsecured/Secured Non-Convertible Bonds/ Debentures through Private Placement as per the provisions of the Companies Act, 2013 and Rules made there under.
6.	Entering into transactions with Wholly Owned Subsidiaries and associate companies of Rural Electrification Corporation Limited in pursuance of the provisions of the Companies Act, 2013 and Rules made there under.

Signed this..... day of..... 2014

Signature of Shareholder..... Signature of Proxy holder(s).....

Affix  
Revenue  
Stamp of ₹1/-

EVEN (E-Voting Event Number)	USER ID	PASSWORD / PIN

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**Notes:**

- (1) This form of proxy, in order to be effective, should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
- (2) A Proxy need not be a member of the Company.
- (3) A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.





## **Rural Electrification Corporation Limited**

(A Government of India Enterprise)

Core-4, SCOPE Complex, 7 Lodhi Road, New Delhi-110 003, Tel.: 91 11 24365161  
Fax: 91 11 24360644, E-mail: [reccorp@recl.nic.in](mailto:reccorp@recl.nic.in). Website: [www.recindia.gov.in](http://www.recindia.gov.in)