

# Funding for Growth

RURAL ELECTRIFICATION CORPORATION LIMITED

42<sup>ND</sup> ANNUAL REPORT 2010-11



आर ई सी  
**REC**

असीमित ऊर्जा, अनन्त संभावनाएं  
Endless energy. Infinite possibilities.

# Company Information

## CORPORATE OFFICE

### FUNCTIONAL DIRECTORS

<b>Shri H. D. Khunteta</b> Chairman & Managing Director	<b>Shri H. D. Khunteta</b> Director (Finance)	<b>Shri Prakash Thakkar</b> Director (Technical)
--	--	---

### CHIEF VIGILANCE OFFICER

<b>Shri B. P. Pandey</b> (From 10.01.2011)	<b>Shri Rajesh Verma</b> (Upto 10.01.2011)
---	---

### EXECUTIVE DIRECTORS

<b>Shri Vinod Behari</b> Executive Director (CC/Training/CSR)	<b>Shri B.P. Yadav</b> Executive Director (IT/Estate)	<b>Shri Puneet Kumar Goel</b> Executive Director (RGGVY/CP/GEN.)	<b>Shri Kamal Dayani</b> Executive Director	<b>Shri V. K. Arora</b> Executive Director (Finance)
---	---	--	--	--

### GENERAL MANAGERS

<b>Shri D. S. Ahluwalia</b> General Manager (Finance)	<b>Shri Ajeet Kumar Agarwal</b> General Manager (Finance)	<b>Shri Ashok Awasthi</b> General Manager (IC & D/Admn./RE)	<b>Shri Sanjiv Garg</b> General Manager (Generation)
<b>Shri Sunil Kumar</b> General Manager (RGGVY)	<b>Shri S. N. Gaikwad</b> General Manager (Generation)	<b>Shri R. K. Mittal</b> General Manager (Law)	<b>Shri S. K. Gupta</b> General Manager (T&D)
<b>Shri Rakesh Kumar Arora</b> General Manager (F&A) & Company Secretary		<b>Shri T. S. C. Bosh</b> General Manager (RGGVY/STD/QC)	

### ZONAL MANAGERS

Western Zone, Mumbai <b>Shri M. K. Mittal</b> Zonal Manager	Eastern Zone, Kolkata <b>Shri S. Ghosh Dastidar</b> Zonal Manager	Northern Zone, Panchkula <b>Shri G. S. Bhati</b> Zonal Manager
Southern Zone, Hyderabad <b>Shri P. S. Hariharan</b> Zonal Manager	East Central Zone, Patna <b>Shri N. K. Maurya</b> Zonal Manager (In-charge)	

### 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, Website: www.recindia.nic.in

### COMPANY SECRETARY

Shri Rakesh Kumar Arora

### REGISTRAR & SHARE TRANSFER AGENT

Karvy Computershare Private Limited  
Plot 17 to 24, Vittalrao Nagar, Madhapur, Hyderabad - 500081, India, Tel: 91 40 23420815-824  
Fax: 91 40 23420814, E-mail: einward.ris@karvy.com, Website: www.karvy.com

### SHARES LISTED AT

National Stock Exchange of India Limited	Bombay Stock Exchange Limited
--	-------------------------------

### DEPOSITORIES

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

### JOINT STATUTORY AUDITORS

K. G. Somani & Co. Chartered Accountants	Bansal & Co. Chartered Accountants
---	---------------------------------------

### SECRETARIAL AUDITOR

Chandrasekhran Associates, Company Secretaries

### BANKERS

Reserve Bank of India State Bank of India State Bank of Hyderabad Vijaya Bank	Dena Bank Corporation Bank HDFC Bank ICICI Bank	IDBI Bank IndusInd Bank Bank of India Axis Bank	Yes Bank Union Bank of India
--	--	--	---------------------------------

### SUBSIDIARY COMPANIES OF REC

REC Transmission Projects Company Limited  
REC Power Distribution Company Limited  
Vemagiri Transmission Systems Limited  
(A wholly owned subsidiary of REC Transmission Projects Company Limited)

# Contents

1. Chairman's Letter to Shareholders .....	5
2. Notice of AGM.....	10
3. Directors' Profile .....	26
4. Directors' Report .....	29
5. Management Discussion and Analysis Report.....	51
6. Report on Corporate Governance .....	57
7. Auditors' Certificate on Corporate Governance.....	68
8. Balance Sheet.....	70
9. Profit & Loss Account.....	71
10. Schedules .....	72
11. Cash Flow Statement.....	93
12. Auditors' Report.....	95
13. Non-Banking Financial Companies Auditors' Report.....	98
14. Comment of C & AG of India.....	99
15. Secretarial Audit Report .....	100
16. Statement Pursuant to Section 212 (1) (e) of Companies Act, 1956 .....	101
17. Consolidated Financial Statements.....	102
18. Statement Pursuant to Section 212 (8) of Companies Act, 1956.....	125
19. Addresses of REC Offices.....	126

# Performance Highlights

## CONSISTENT GROWTH OVER 10 YEARS

Particulars	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02
<b>RESOURCES</b>										
(at the end of the year)										
Equity Capital (₹ Lacs)	<b>98746</b>	98746	85866	85866	78060	78060	78060	78060	78060	78060
<b>BORROWINGS</b> (₹ Lacs)										
From Govt. of India	<b>3613</b>	4942	6474	8192	10048	11997	14017	118336	220341	480947
By issue of bonds	<b>5119525</b>	4086101	3263148	2408962	2248372	1675724	1360591	1197511	1049404	671927
From LIC	<b>285000</b>	320000	335000	350000	350000	350000	350000	150000	----	----
Foreign currency borrowings	<b>758332</b>	207637	149368	104845	87209	----	----	----	----	----
Commercial Papers	<b>Nil</b>	245000	129500	----	----	----	----	----	----	----
Other Banks	<b>646914</b>	644143	610105	556280	332471	366200	213200	44000	20000	21000
Reserves & Surplus (Net)	<b>1180116</b>	1009288	533142	450904	323211	341773	299830	248377	208105	168570
From IIFCL	<b>187000</b>	87000	----	----	----	----	----	----	----	----
<b>FINANCING OPERATIONS</b>										
(During the year) (₹ Lacs)										
Number of projects approved	<b>658</b>	492	506	881	748	661	1523	1322	1060	979
Financial assistance sanctioned	<b>*6641998</b>	*4535736	*4074584	*4676976	*2862985	*1659689	1631636	1597791	1212534	676394
Disbursements	<b>2851711</b>	2712714	2227786	1630370	1373299	800658	788509	601704	660664	472193
Repayments by borrowers	<b>877258</b>	580654	511936	560024	403444	350646	468324	358732	471594	266998
Outstanding at the end of the year	<b>8172545</b>	6597875	5065281	3861483	3126218	2456368	2106218	1830470	1593565	1418534
<b>ACHIEVEMENTS</b>										
<b>Villages electrified</b>										
During the year	<b>**95293</b>	^53370	^^48533	#38262	*40233	181	765	122	----	207
Upto the end of the year	<b>581701</b>	486408	433038	384505	*346243	306010	305829	305064	304942	304942
<b>Pumpsets energised</b>										
During the year	<b>318176</b>	240020	188743	181244	174750	182239	175772	132914	134583	139917
Upto the end of the year	<b>9668426</b>	9350250	9110230	8921487	8740243	8565493	8383254	8207482	8074568	7939985
<b>Working Results</b>										
(For the year) (₹ Lacs)										
Total income	<b>849527</b>	670760	493128	353766	285399	224506	230209	199671	205389	166466
Personnel & Admn. Expenses	<b>16436</b>	14467	10924	11110	6416	5770	4434	4659	5866	4972
Interest on borrowings	<b>478092</b>	389120	288735	206365	174089	133913	120475	114220	120274	109879
Depreciation	<b>304</b>	216	136	139	113	110	115	103	104	151
Profit Before Tax	<b>347663</b>	264919	192011	131242	100619	82983	103665	80154	76663	50120
Provision for Tax	<b>90670</b>	64778	64803	45228	34593	19232	23590	18915	18811	11355
Profit After Tax	<b>256993</b>	200142	127208	86014	66026	63751	80075	61239	57852	38765
Dividend on Equity	<b>74059</b>	60321	38640	25760	17700	19126	23450	18300	17400	12000
<b>Net Worth</b>	<b>1278862</b>	1108033	619008	536771	401271	419833	377890	326437	286165	246630

\* Excluding subsidy under RGGVY.

\*\* The number of villages where electrification works completed during the year 2010-11 under RGGVY. This includes intensive electrification of 76987 villages.

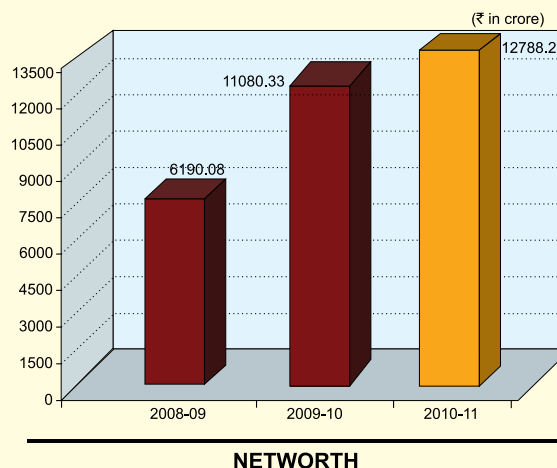
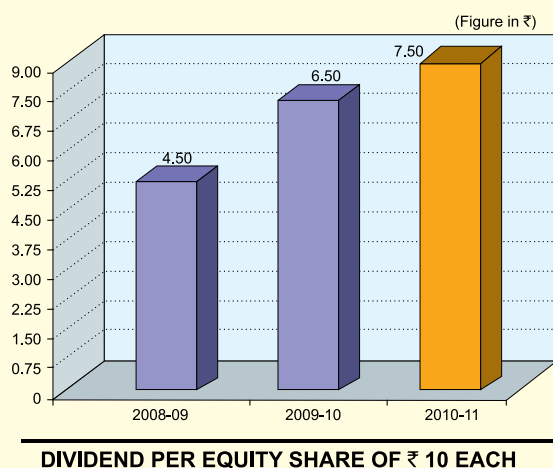
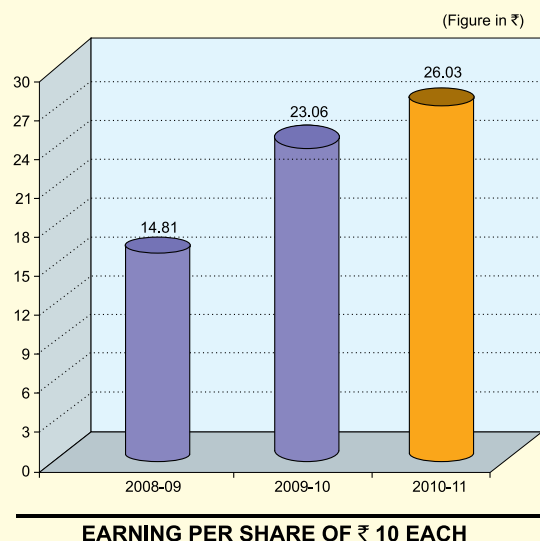
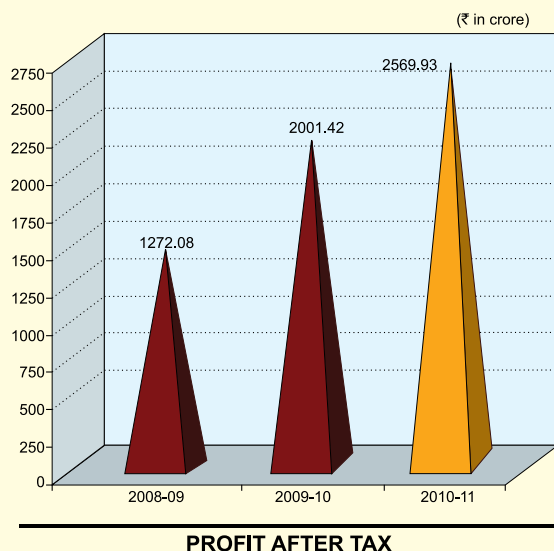
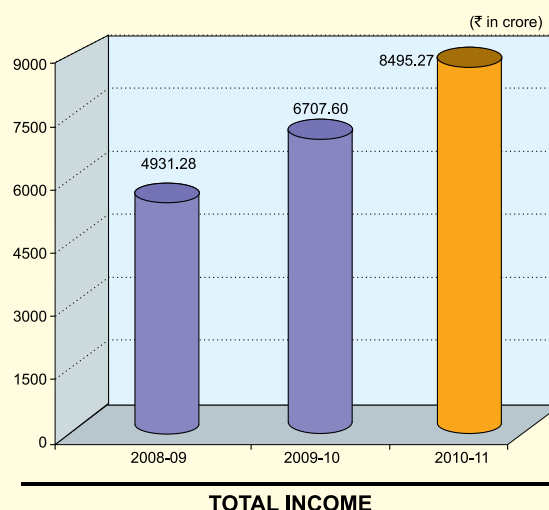
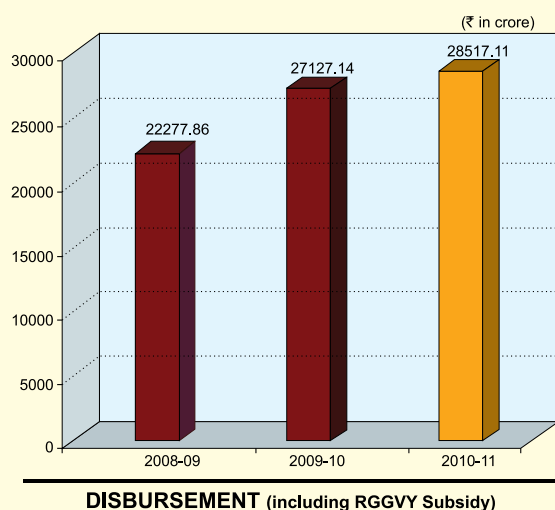
^ The number of villages where electrification works completed during the year 2009-10 under RGGVY. This includes intensive electrification of 34996 villages.

^^ The number of villages where electrification works completed during the year 2008-09 under RGGVY. This includes intensive electrification of 36477 villages.

# The number of villages where electrification works completed during the year 2007-08 under RGGVY. This includes intensive electrification of 28961 villages.

\* The no. of villages where electrification works completed during the year 2006-07 under RGGVY. This includes intensive electrification of 11,527 villages.

^ During 2005-06, works in 10,169 villages (including intensive electrification in 350 electrified villages) completed under RGGVY, are also included.



## Mission & Objectives

### MISSION

- To facilitate availability of electricity for accelerated growth and for enrichment of quality of life of rural and urban population.
- 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 listed below :

- 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.
- 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.
- 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 Government, Rural Electric Cooperatives, Non-Government Organizations (NGOs) and private power developers.
- 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.
- 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.
- To assist State Electricity Boards/Power Utilities/State Governments, Rural Electric Cooperatives and other loanees 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.

## Chairman's Letter to Shareholders



**H. D. Khunteta**  
Chairman & Managing Director

“This is the 17th 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 2010-11 also, the performance of the Company is poised to receive “Excellent” rating.”

*Ladies and Gentlemen,*

It gives me immense pleasure to welcome you on the occasion of the 42nd Annual General Meeting of your Company.

I am privileged to be heading a “Navratna” Company which has established a record of excellent all-round performance, consistent growth and profitability, especially over the last five years. From a humble beginning in 1969, when the company financed mainly pumpset energisation and village electrification schemes, your Company today has become one of the leading public financial institutions in the country, catering to financing needs of almost the entire power infrastructure space in India.

The company's annual report and audited accounts for the year ended 31st March, 2011 have been with you for some time now and with your permission, I shall take these as read. I take this opportunity to share my views on the economic scenario and to present the performance highlights of your Company.

### OUTLOOK ON ECONOMY

The year gone by has seen several developments in the economic landscape in India and abroad. At the same time, continuing efforts for consolidation of fiscal position of countries in Europe, events in the Middle East and North Africa, rising oil prices and emerging inflation trends in many countries have emerged as challenges impacting the global growth outlook. The coordinated efforts of respective governments and central banks across the nations in fiscal and monetary policy calling for vigilant financial discipline have shown gradual improvement in the state of world economy. However, the latest data from IMF indicates that global economic growth is likely to moderate from 5% in 2010 to 4.4% in 2011. Growth is projected to decelerate in advanced economies due to the waning impact of fiscal stimuli, high oil and commodities prices.

During 2010-11 Indian economy registered growth of 8.5% compared to a growth of 8% achieved in the financial year 2009-10. The growth for the current financial year 2011-12 is expected to moderate due to higher inflationary pressures and high level of interest rates, which may further get augmented due to slow down in the capital expansion plans of corporates due to higher borrowing costs. Reserve Bank of India (RBI), in its policy announcement in July 2011, has raised the repo and reverse repo rates by a further 50 basis points to 8% and 7% respectively, making for an increase of 325 basis points in key policy rates over the last 17 months. While the impact of these changes may create periodic volatility in the short term, we expect Indian economy to sustain high growth rates over the medium and long term on the back of its strong fundamentals.



## OUTLOOK ON POWER SECTOR

The Power Sector, being the key infrastructure area, will be at the centre stage driving India on a higher economic growth path. The power generation capacity has increased substantially in recent years.

The installed generation capacity of the country at the end of fiscal 2011 stands at 173.6 GW. During the first four years of the XI Plan, 34,462 MW of capacity was added against the Eleventh Plan Mid Term Appraisal target of 62,374 MW. Delays/slippages of long term coal linkages to the projects identified and failure to achieve planned targets from captive coal mine blocks has to some extent affected the generation capacity addition plan. These bottlenecks have resulted in slippage of planned capacity addition targets and increased dependence of generating companies on imported coal, thereby having a cascading effect on cost of production.

According to the report of the Working Group on Power for XI Plan of the Government of India, the overall requirement of funds for the power sector has been estimated at ₹10,31,600 crore. For the XII Plan period, CEA estimates that in order to meet the projected demand requirement by 2017, capacity addition of 100,000 MW would be required and including additions required in commensurate transmission and distribution network expansion, the total fund requirement for the plan period would be about ₹11,00,000 crore.

Further, the distribution system, which happens to be the weakest link in the entire power value chain and mostly falling in the ambit of State Discoms, needs to be augmented, upgraded and strengthened to match with the anticipated growth in generation and transmission capacities on one hand, and the need to bring down high AT&C losses on the other. The total fund requirement for sub-transmission and distribution system development for urban and rural areas, during the XI Plan period is estimated at ₹2,87,000 crore inclusive of APDRP and RGGVY schemes. Further, CEA estimates that for the XII Plan period, the total fund requirement for the distribution sector would be about ₹3,71,000 crore. The Restructured APDRP (R-APDRP) scheme of Government of India seeks to address the twin issues of the SEBs /Discoms, namely limited resource availability and conventional technology. Implementation of HVDS, feeder separation, smart grid technologies, IT intervention and use of energy efficient equipments are being taken up vigorously for better and efficient management of the distribution system. The performance orientation built into the R-APDRP is expected to bring investments as well as improvement in this sector. Ongoing implementation of RGGVY on the other hand has led to creation of massive Rural

Electricity Distribution Backbone infrastructure for enabling access of power for one and all and immensely contributing to inclusive development of the country. Government of India has also set up India Smart Grid Task Force to evolve a road map for modernizing the existing electricity T&D grid of the country with information, communication and automation technology to provide quality and reliable power to meet the need of 21st century new age society.

During the recent Power Ministers' conference, the Hon'ble Union Power Minister, Shri Sushilkumar Shinde, called upon the states to take effective steps to ameliorate the poor financial condition of power distribution utilities and also urged the State Power Ministers to take stock of the situation in their states, devise a utility-wise turnaround plan and monitor its implementation at the highest level before the situation becomes "unsustainable". Besides the fuel including transport supply constraints, environment issues may also impact the growth of power sector if concurrent policy related steps are not taken in time. Further, the Shunglu Committee, which is reviewing the financial position of the country's power distribution utilities, is also expected to submit its report by September, 2011.

## PERFORMANCE HIGHLIGHTS OF FISCAL 2011

Your Company continued to register higher growth and record performance for the year 2010-11, in key areas of Disbursements of Loans, Recoveries, Operating Income and Profits. A total sum of ₹24,519 crore (excluding subsidy under RGGVY) was disbursed during the year 2010-11, up by 16%, as against ₹21,132 crore disbursed in the previous year. A sum of ₹16,951.31 crore was recovered towards principal and interest, during the year as against ₹12,496.12 crore in the previous year. The Gross Non-Performing Assets (NPAs) were negligible and stood at ₹19.54 crore (i.e. 0.02% of Gross Loan Assets) at the end of the year. The Operating Income went up to ₹8,256.91 crore, up by 26%, from ₹6,549.76 crore in the previous year. The Profit after Tax increased to ₹2,569.93 crore, up by 28%, from ₹2,001.42 crore for the previous year. The earning per share (EPS) increased to ₹26.30, up by 14% from ₹23.06 in the previous year.

Your Company mobilized ₹25,855.35 crore from the market during the year 2010-11. This includes loans from Commercial Banks, issue of Capital Gain Tax Exemption Bonds, Infrastructure Bonds, Non-Priority Sector Bonds and Commercial Paper, External Commercial Borrowings, Official Development Assistance (ODA), Loans from KfW Germany and Japan International Cooperation Agency (JICA). During FY 2010-11, Company mobilized USD 1170 million



(₹5308.87 crore) from International market at very competitive rates. Out of this, USD 500 million was raised through Reg S Bond and USD 670 million through syndicated Term Loan facilities. These bonds are listed on the Singapore Stock Exchange (SGX).

Your Company constantly reviews and revises its lending and operation policies/ procedures to suitably align with market requirements as also with its corporate objectives. In spite of growing competition in the market as well as concerns on account of factors like high government borrowings, increase in RBI policy rates and rise in inflation, your Company has been able to maintain healthy spreads, with the help of judicious mix of diverse sources of borrowing including the External Commercial Borrowings (ECB), helping in balancing its objectives of business growth and profitability during the year.

Your Company has been funding power generation, transmission and distribution projects besides electrification of villages and pumpset energisation.

During the year 2010-11, the Company sanctioned 34 nos. of generation loans including additional loan assistance with total financial outlay of ₹40,101 crore, including consortium financing with other financial institutions. Since 2002-03 and up to 31.03.2011, REC has sanctioned cumulative financial assistance of ₹1,43,904.76 crore for generation 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. During the year 2010 - 11, the company sanctioned a total sum of ₹22,207.68 crore and disbursed a total sum of ₹9,235.70 crore for transmission and distribution projects.

The Government of India is according topmost priority to rural electrification to realise the objectives of "Power to all villages" and "Power for all" through its flagship programme Rajiv Gandhi Gramin Vidyutikaran Yojna (RGGVY). Under the scheme 90% capital subsidy is being provided by Govt. of India for overall cost of the projects. Under this RGGVY programme, cumulatively up to 31.03.2011, works in 96,562 un-electrified villages have been completed and connections to 159.80 lacs BPL households have been released. During the year 2010-11, your Company disbursed a total sum of ₹4,415.49 crore (including Government Subsidy of ₹3,997.83 crore).

#### INFRASTRUCTURE FINANCE COMPANY (IFC) STATUS

In a significant development, RBI, vide its letter dated 17th September, 2010 has categorized your Company as an Infrastructure

Finance Company (IFC). As an IFC, your Company is inter alia allowed to have additional exposure for lending purposes. In addition, your Company is now eligible for issuance of Infrastructure Bonds and raising funds up to US \$ 500 million through External Commercial Borrowing (ECB) in a year under automatic route.

#### OTHER INITIATIVES

Your Company has an outstanding team of power professionals. In order to sustain the strong work ethics and professionalism, your Company is taking a number of initiatives to further improve the entry level talent quality to establish a strong talent pool. Your Company has also implemented pay scale revision for its employees, which include provision for performance related pay linked to performance of individual employee. During the year, many CSR initiatives were undertaken. One of such initiative was through the Homi Bhabha Centre for Science education, TIFR, Mumbai, wherein all the Olympiad winner students were awarded scholarships to promote education and excellence in these fields. Further, your Company for the Financial Year 2011-12 has allocated an amount equivalent to 0.5% of Profit after Tax for implementation of programmes as per the CSR Policy. Another important initiative taken this year was voluntarily getting the Secretarial Audit conducted by Practicing Company Secretaries for the year 2010-11.

#### MoU RATINGS, ACCOLADES AND AWARDS

This is the 17th 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 2010-11 also, the performance of the Company is poised to receive "Excellent" rating.

Your Company's performance has also been well recognised and the same is reflected in various awards and accolades received during the year. REC received **India Pride Award 2010 for being adjudged "The Best NBFC"** and also **Third DSIJ Award 2010-11- "Speed King" for fastest growing PSUs across Maharatnas, Navratnas & Miniratnas. Your Company also featured in Dun & Bradstreet's India's Top PSUs 2011.** One more feather in the cap was added when the Company was included in the Morgan Stanley Capital International (MSCI) Emerging Market Index.

#### RATINGS

Excellence in performance of your Company is also reflected in consistently obtaining the highest MoU rating i.e Excellent from

the Government of India since 1993-94. REC's International Credit rating has been pegged at that of "Sovereign" by leading overseas credit rating agencies such as Moody's and Fitch. On the domestic front, your Company got the highest rating AAA from reputed agencies like CRISIL, CARE, Fitch & ICRA for its specific resource mobilization programme. Consistently high ratings bear testimony to REC's stature as an institution with strong fundamentals and inherent financial strength.

### CORPORATE GOVERNANCE

As a listed entity, your Company has been complying with the requirements of Corporate Governance as stipulated in the Listing Agreement and also the provisions notified by the Department of Public Enterprises, Government of India in this regard. As a part of Green Initiative in Corporate Governance, the Ministry of Corporate Affairs has also allowed Companies to send official notices/ documents to their shareholders electronically. Your Company, as a responsible corporate citizen, has also taken initiative by seeking consent of its shareholders for electronic delivery of documents such as Notice of AGM, Annual Report by e-mail. The response has been overwhelming. Accordingly, Annual Report 2010-11 is being sent to these shareholders by e-mail. I compliment and thank all shareholders, and hope that many more will join in our Green endeavour in the coming years.

REC 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.

Further, REC Data Centre along with support functions comprising of IT, HR, Legal, Administration and Finance has been certified the global ISO/IEC 27001:2005 security standard, by BSI Management Systems India Private Limited.

### SUBSIDIARY COMPANIES & JOINT VENTURE

As on date, your Company has three Subsidiary Companies (1) REC Transmission Projects Company Limited (RECTPCL); (2) REC Power Distribution Company Limited (RECPDCL); (3) Vemagiri Transmission System Limited (VTSL) (a wholly owned subsidiary of RECTPCL).

RECTPCL, in its role as Bid Process Coordinator entrusted by Ministry of Power, Government of India, successfully completed the Bid Process for Raichur-Sholapur 765 kV single circuit Line - I. During the year, the SPV of the above project namely Raichur Sholapur Transmission Company Limited (RSTCL) (a wholly owned subsidiary of RECTPCL) was successfully transferred to a Consortium of M/s Patel Engineering Limited, M/s Simplex Infrastructures Limited and M/s BS TransComm Limited on 07.01.2011. After successful

completion of three projects by RECTPCL, Government of India has further entrusted it three more transmission projects for selection of developer on Competitive Bidding route. Vemagiri Transmission System Limited (a wholly owned subsidiary of RECTPCL) has been incorporated on 21st April, 2011 in respect of Transmission System associated with IPPs of Vemagiri Area: Package A. In response to global notification for Request for Qualification (RFQ) for said project, RECTPCL has received responses from 28 bidders which include foreign bidders also. With the Government notification providing for procurement of all transmission services through competitive bidding route after 05.01.2011, RECTPCL is poised to see huge emerging business in terms of fee based professional consultancy services.

Further, your Company along with three other PSUs namely NTPC, Powergrid and PFC as equal partners, **had formed a Joint Venture Company by the name of Energy Efficiency Services Limited (EESL)** on December 10, 2009. The total equity requirement for EESL is ₹190 crore to be shared equally by the four PSUs. EESL shall take a lead in implementing energy efficiency projects, play a market creation role in promoting usage of energy efficient appliances, promote the concept of Energy Service Companies (ESCOs) and performance contracting, manage a partial risk guarantee fund to provide risk mitigation to ESCOs etc, besides taking over the current commercial roles being discharged by the Bureau of Energy Efficiency (BEE).

### FUTURE STRATEGY

To accelerate growth of your Company, we are focussing on expanding the business of financing power sector projects to include projects having backward and forward linkages to power projects. Besides, we are also developing new opportunities to have fee based income from other allied business eg. consultancy. The thrust of the Government of India on the renewable energy sector, and several policy initiatives on this front including the mandatory renewable energy purchase obligations imposed on the distribution companies are creating a favourable climate for this sector. Currently, the untapped potential in these technologies including hydro and biomass/ cogeneration is huge and a gradual shift to renewable energy source is imminent. Your Company would like to build up capabilities of financing such projects and steps have been taken in this regard.

Your company is also **exploring the possibilities of financing equipment manufacturers, power purchase/sale through the India Energy Exchange and taking up the work of underwriting/ syndication of Terms Loans for generation projects of private sectors borrowers.**

Your Company shall strive to sustain and maintain consistent growth rate and surge ahead to attain still greater heights of performance, to match the expectations of all its stakeholders.

While your Company is committed to accelerate growth in the past, your company will continue to achieve the best standards of Corporate Governance with emphasis on transparency, accountability and professionalism in working with the aim of enhancing long term economic value of all the stakeholders and society at large.

#### 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 for Power, the Hon'ble Minister of State for Power, the 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 Statutory Auditors of the Company,

and the Secretarial Auditors 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 and to all the other stakeholders 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,



(Hari Das Khunteta)

Chairman & Managing Director

# Notice

Notice is hereby given that the Forty Second Annual General Meeting of the Rural Electrification Corporation Limited will be held on Saturday, the 17th day of September, 2011 at 11.00 A.M. at Air Force Auditorium, Subroto Park, Dhaura Kuan, New Delhi-110010 to transact the following businesses:-

## ORDINARY BUSINESS

- 1) To receive, consider, approve and adopt the audited Balance Sheet as at 31st March, 2011 and Profit and Loss Account for the Financial Year ended on that date along with the Reports of the Board of Directors and Auditors thereon.
- 2) To note the payment of interim dividend and declare final dividend for the Financial Year 2010-11.
- 3) To appoint a Director in place of Shri Devender Singh, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To fix the remuneration of Auditors to be appointed by the Comptroller Auditor-General of India in terms of Section 619 read with Section 224 of the Companies Act, 1956.

## SPECIAL BUSINESS

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

**"RESOLVED THAT** Shri Prakash Thakkar be and is hereby appointed as Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation."

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

**"RESOLVED THAT** Dr. Devi Singh be and is hereby appointed as Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation."

- 7) To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution:-**

**"RESOLVED THAT** Dr. Govinda Marapalli Rao be and is hereby appointed as Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation."

- 8) To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution:-**

**"RESOLVED THAT** Shri Venkataraman Subramanian be and is hereby appointed as Director of the Company, whose period of office shall be liable to determination by retirement of Directors by rotation."

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

**"RESOLVED THAT** in terms of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the amendments/ alterations/insertions/deletions in the Articles of Association of Rural Electrification Corporation Limited (REC) as detailed in the Explanatory Statement annexed to the Notice of 42nd Annual General Meeting of the Company be and are hereby approved.

**By order of the Board of Directors**



**(Rakesh Kumar Arora)**

**GM (F&A) & Company Secretary**

## Registered Office:

Core-4, SCOPE Complex,  
7, Lodi Road,  
New Delhi-110003

**Dated: 4th August, 2011**

## 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. Proxies, in order to be effective, must be deposited at the Registered Office of the Company, not less than forty-eight hours before the commencement of the Annual General Meeting. Blank proxy form is enclosed.**
2. **An Explanatory Statement** pursuant to Section 173 of the Companies Act, 1956, relating to the Special Businesses to be transacted at the meeting **is annexed hereto.**
3. As required by Clause 49 of the Listing Agreement entered into with the Stock Exchanges, the **relevant details** of Shri Devender Singh, Shri Prakash Thakkar, Dr. Devi Singh, Dr. Govinda Marapalli Rao and Shri Venkataraman Subramanian, Directors of the Company seeking re-appointment/appointment is **annexed.**
4. **The Register of Members and Share Transfer Books of the Company will remain closed from September 3, 2011 to September 17, 2011 (both days inclusive). The final dividend on equity shares, as recommended by the Board of Directors, subject to the provisions of Section 206A of the Companies Act, 1956, if approved by the Members at**

**the Annual General Meeting, will be paid on September 28, 2011 to the Members or their mandates whose names appear on the Company's Register of Members on September 17, 2011 in respect of physical shares. In respect of Dematerialised shares, the dividend will be payable to the "beneficial owners" of the shares whose name 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 September 2, 2011.**

5. Corporate Members are requested to send a duly certified copy of the Board Resolution / Power of Attorney authorizing their representative to attend and vote on their behalf at the Annual General Meeting.
6. 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. **deliver duly completed and signed Attendance Slip at the entrance of the meeting venue as entry to the Auditorium will be strictly on the basis of the Entry Slip available at the counters at the venue to be exchanged with the Attendance Slip;**
  - c. **quote their Folio/Client ID & DP ID Nos. in all correspondence;**
  - d. **note that due to security reasons brief cases, eatables and other belongings are not allowed inside the Auditorium; and**
  - e. **note that no gifts / coupons will be distributed at the Annual General Meeting.**
7. Members are advised to submit their Electronic Clearing System (ECS) mandates, to enable the Company to make dividend payment by means of ECS. Those holding shares in physical form may obtain and send the ECS mandate form to Registrar and Share Transfer Agent (R & TA) of the Company i.e. M/s Karvy Computershare Private Limited, at Plot No. 17- 24, Vittalrao Nagar, Madhapur, Hyderabad - 500 081, India. Those holding shares in Electronic Form may obtain and send the ECS Mandate Form directly to their Depository Participant (DP). Those who have already furnished the ECS Mandate Form to the Company /Registrar and Share Transfer Agent / DP with complete details need not to send it again.

The Members who do not wish to opt for ECS facility may please mail their bankers' name, branch address and bank account number to M/s Karvy Computershare Private Limited, Registrar and Transfer Agent of the Company to enable them to print these details on the dividend warrant.

8. Members who have not registered their e-mail address, 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.
9. Members who hold shares in physical form are requested to send all correspondence concerning registration of transfers, transmissions, subdivision, consolidation of shares or any other shares related matter and / or change in address and bank

account, to M/s Karvy Computershare Private Limited, Registrar and Share Transfer Agent of the Company and in case of shares are held in electronic mode, to their respective Depository Participants.

10. Pursuant to Section 205A read with Section 205C of the Companies Act, 1956, the dividend amounts which remain unpaid/unclaimed for a period of seven years, are required to be transferred to the Investors Education & Protection Fund of the Central Government. After such transfer, there remains no claim of the Members whatsoever on the said amount. Therefore, Members are advised to encash their Dividend Warrants immediately on receipt.
11. Pursuant to Section 619(2) of Companies Act, 1956, the Auditors of a Government Company are to be appointed or 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 general meeting or in such manner as the company in general meeting may determine. In pursuance of the same, C & AG of India had appointed M/s Bansal & Co. and M/s K.G.Somani & Co., Chartered Accountants, as Joint Statutory Auditors of the Company for the Financial Year 2010-11.

In the 41st Annual General Meeting (AGM) held on 8th September, 2010 the Board of Directors was 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 2010-11, on the recommendation of the Audit Committee. Accordingly, the Board of Directors in their 368th Meeting held on 25th September, 2010 approved the payment of remuneration of ₹6,25,000/- (Rupees Six Lakh Twenty Five Thousand Only) plus service tax as applicable for each of the Joint Statutory Auditors, for the Financial Year 2010-11. Further, 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).

The Auditors for the Financial Year 2011-12 are yet to be appointed by the C&AG of India. As a better Corporate Governance practice, it is proposed to obtain approval of the Company in general meeting to fix the remuneration of Auditors for the financial year 2011-12 also as done in the last year. **Therefore 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, as and when the Auditors are appointed by the C&AG of India for Financial Year 2011-12.**

12. Annual Listing fee for the year 2011-12 has been paid to the Stock Exchanges where the Equity Shares of the Company are listed.
13. Members desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to write to M/s Karvy Computershare Private Limited, Registrar and Share Transfer Agent of the Company in Form- 2B as prescribed in the Companies (Central Government's) General Rules and

Forms, 1956. In case of shares held in dematerialized form, the nomination form has to be lodged directly with the respective Depository Participant (DP).

14. **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 meeting, so that the information required can be made available at the time of the meeting.**
15. The Statutory Registers of the Company and the documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days

(except Saturdays, Sundays and other holidays) between 11.00 A.M. and 1.00 P.M. prior to the date of Annual General Meeting.

16. Ministry of Corporate Affairs, Government of India vide its General Circular dated 8th February, 2011 granted general exemption under Section 212(8) of the 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.nic.in](http://www.recindia.nic.in).



## Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business set out in the Notice.

### Item No. 5

Ministry of Power, Government of India, vide its Order No. 46/9/2010-RE dated 2nd May, 2011, in pursuance of Article 82(2) of the Articles of Association of REC, has appointed Shri Prakash Thakkar, Executive Director, REC as Director (Technical), REC for a period of Five years with effect from the date of assumption of charge of the post or till the date of superannuation or until further orders, whichever event occurs the earliest. In pursuance of the above order, Shri Prakash Thakkar assumed charge as Director (Technical) w.e.f. 2nd May, 2011.

The above appointment of Shri Prakash Thakkar, as Director (Technical) being liable to retire by rotation in terms of Section 255 of the Companies Act, 1956 read with Article 82 (3) of the Articles of Association of the Company requires approval of the Members in the General Meeting. Brief resume of Shri Prakash Thakkar **is annexed**.

No other Directors except Shri Prakash Thakkar is interested or concerned in the proposed Ordinary Resolution.

### Item Nos. 6, 7 & 8

Ministry of Power vide its Order No. 46/2/2010-RE dated 10th June, 2011 has appointed Dr. Devi Singh, Dr. Govinda Marapalli Rao and Shri Venkataraman Subramanian as Part-time Non-official Independent Directors on the Board of the Company for a period of three years with effect from the date of their appointment (i.e. 10.06.2011) or until further orders, whichever is earlier.

The above appointment of Dr. Devi Singh, Dr. Govinda Marapalli Rao and Shri Venkataraman Subramanian as Part-time Non-official Independent Directors on the Board of the Company, being liable to retire by rotation in terms of Section 255 of the Companies Act, 1956 read with Article 82 (3) of the Articles of Association of the Company requires approval of the Members in the General Meeting. Brief resume of Dr. Devi Singh, Dr. Govinda Marapalli Rao and Shri Venkataraman Subramanian **are annexed**.

No other Directors except Dr. Devi Singh, Dr. Govinda Marapalli Rao and Shri Venkataraman Subramanian are individually interested or concerned in the proposed Ordinary Resolutions at Item Nos.6, 7 and 8 respectively.

### Item No. 9

The Article of Association (AoA) is one of the most important documents for a Company and the Company is required to do all action/decisions to achieve its Object, within the framework of AoA. The provisions of AoA are binding on Company and any action/decision beyond AoA is null and void. Last major amendments/modifications in AoA of the Company were carried out in the year 2007 to incorporate provisions as required by Stock Exchanges prior to a public issue of Equity Shares of the Company.

The proposed modifications/alterations/insertions/deletions in Articles of Association (AoA) is mainly relating to incorporate new provisions in respect of mode of service of documents to shareholders and participation of Directors /Shareholders in Meetings of Board/Committees/General Body Meeting through Electronic Mode i.e. Video Conference facility subject to compliance of the procedure prescribed in recent Circulars issued by the Ministry of Corporate Affairs. The proposed amendments are only to enable the Company to carry out its operation more efficiently and to make the AoA more meaningful by removing some of the earlier typographical errors, and to ensure compliance with the Corporate Governance norms.

Such an amendment to AoA requires approval of the Members in the General Meeting by passing a Special Resolution as per Section 31 of the Companies Act, 1956. The Board of Directors of the Company at the 377th Meeting held on 24th May, 2011 has approved the above proposal and recommend the passing of the proposed Special Resolution by Members of the Company as contained in the Notice.

None of the Directors is interested or concerned in the proposed Special Resolution.

The proposed amendments/alterations/insertions/deletions in the Articles of Association of Rural Electrification Corporation Limited are reproduced hereunder:

Article No.	Heading	Change	Existing Provisions	Provisions Proposed
1	<b>Definitions</b>	The definition "The Act" is modified.	'The Act' means the Companies Act, 1956 (1 of 1956) or any statutory modification(s) or re-enactment thereof for the time being in force.	' <b>Act</b> ' means the Companies Act, 1956 (1 of 1956) or any statutory modification(s) or re-enactment thereof for the time being in force.
		The definition "Board" is modified.	'Board' means meeting of the Directors duly called and constituted or duly constituted committee thereof.	'Board' or ' <b>Board of Directors</b> ' means meeting of the Directors duly called and constituted or duly constituted committee thereof.
		The definition of "Capital" is modified.	'Capital' means the capital for the time being raised or authorised to be raised for the purpose of the Company.	'Capital' means the <b>share</b> capital for the time being raised or authorised to be raised for the purpose of the Company.
		The definition of "Depositories Act" is modified.	*"Depositories Act" means the Depositories Act, 1996 or any statutory modification or re enactment thereof.	'Depositories Act' means the Depositories Act, 1996 <b>and</b> any statutory modification or re enactment thereof.
		The definition of "Depository" is modified.	'Depository' means a company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992.	'Depository' means a company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration <b>under Sub-section (1A) of Section 12 of the Securities and Exchange Board of India Act, 1992.</b>
		The definition "The Directors" is modified.	'The Directors' mean the Directors for the time being of the Company	'Directors' means the Directors for the time being of the Company
		The definition of "Month" is modified.	'Month' means a calendar month.	'Month' means <b>calendar</b> month.
		The definition "The Office" is modified.	'The Office' means the Registered Office for the time being of the Company.	' <b>Office</b> ' means the Registered Office for the time being of the Company.
		The definition of "Person" is substituted.	#'Person' includes any individual, company, firm, association trust or any other organization or entity, including any governmental or political subdivision, ministry, department or agency thereof.	'Person' includes an individual, a Hindu undivided family, a company, a firm, an association of persons or a body of individuals, whether incorporated or not, a local authority, and every artificial juridical person, not falling within any of the preceding sub-clauses, ministry, department or agency thereof.
		The definition of "Postal Ballot" is modified.	*"Postal Ballot" includes voting by shareholders by postal or electronic mode instead of voting by being present personally or through a proxy in a general meeting of the Company.	'Postal Ballot' includes voting by share holders by postal or electronic mode instead of voting personally by presenting for transacting businesses in a general meeting of the company.
		The definition "The Registrar" now to be known as "Registrar".	The Registrar' means the Registrar of Companies as defined under Subsection (40) of Section 2 of the Act.	' <b>Registrar</b> ' means the Registrar of Companies as defined under Subsection (40) of Section 2 of the Act.
		The words of 'Rematerialisation' and 'Debenture' is replaced by "Rematerialisation" and "Debenture".	'Rematerialisation' is the process of conversion of electronic holdings back into the physical form and issue of fresh Share / Debenture certificate(s) in favour of the share/debenture holder(s).	' <b>Rematerialisation</b> ' is the process of conversion of electronic holdings back into the physical form and issue of fresh Share / <b>Debenture</b> certificate(s) in favour of the <b>Share/Debenture</b> holder(s).
		The small letters 's' and 'd' of "share/debenture" be change with "S" and "D" respectively.		
6	<b>Buy-back of shares</b>	The definition of "Securities" is substituted.	*"Securities" means shares in or debentures of the Company, American/Global Depository Receipts, euro bonds and other foreign currency instruments and such other securities as may be specified by SEBI from time to time.	' <b>Securities</b> ' means <b>securities as defined in clause (h) of Section 2 of the Securities Contracts (Regulation) Act, 1956 and includes hybrids.</b>
		The definition of "Share" is substituted.	'Shares' means the shares or stock into which the capital is divided and the interest corresponding with such share or stock.	' <b>Share</b> ' means <b>share in the share capital of a company, and includes stock except where a distinction between stock and shares is expressed or implied.</b>
6	<b>Buy-back of shares</b>	The word "security" to be substituted with "securities"	Notwithstanding any of the provisions of these Articles, the Company shall have the power, subject to and in accordance with the relevant provisions of the Act and other applicable provisions of law, and subject to such approvals, permissions and sanctions, if any, as may be necessary, to purchase, acquire or hold its own Shares or other specified securities as defined in the Act, on such terms and conditions and in such manner, and upto such limits as may be prescribed by law from time to time, and make payment out of its free reserves or security premium account of the Company or out of the proceeds of an issue other than fresh issue of Shares made specifically for buy back purpose provided	Notwithstanding any of the provisions of these Articles, the Company shall have the power, subject to and in accordance with the relevant provisions of the Act and other applicable provisions of law, and subject to such approvals, permissions and sanctions, if any, as may be necessary, to purchase, acquire or hold its own Shares or other specified securities as defined in the Act, on such terms and conditions and in such manner, and up to such limits as may be prescribed by law from time to time, and make payment out of its free reserves or <b>securities</b> premium account of the Company or out of the proceeds of an issue other than fresh issue of Shares made specifically for buy back purpose provided that,

Article No.	Heading	Change	Existing Provisions	Provisions Proposed
			that, nothing herein contained shall be deemed to affect the provisions of Section 100 to 104 of the Act in so far as and to the extent they are applicable.	nothing herein contained shall be deemed to affect the provisions of Section 100 to 104 of the Act in so far as and to the extent they are applicable.
8(2)	<b>Rights of members or debentures holders to certificates.</b>	The word “a” is added after the word “and be in”.	All securities held by a Depository shall be dematerialised and be in fungible form and shall not be progressively numbered and the provisions relating to the progressive numbering shall not apply to the Shares or other securities of the Company which are dematerialised and no certificate shall be issued in respect of the shares of other securities issued/held in dematerialised form with the Depository.	All securities held by a Depository shall be dematerialised and be in a fungible form and shall not be progressively numbered and the provisions relating to the progressive numbering shall not apply to the Shares or other securities of the Company which are dematerialised and no certificate shall be issued in respect of the shares of other securities issued/held in dematerialised form with the Depository.
8A (a)	<b>Dematerialization of Securities</b>	The words “securities”, “dematerialized” and “thereunder” to be substituted with “Securities”, dematerialised” and “there under” respectively.  The small letters ‘r’ and ‘s’ of ‘rematerialize’ and “share” be change with “R” and “S” respectively.	Notwithstanding anything contained in these Articles, the Company shall be entitled to Dematerialize or rematerialize its shares, Debentures and other securities (both present and future) held by it with the depository and to offer its shares, debentures, and other securities for subscription in a dematerialized form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any.	Notwithstanding anything contained in these Articles, the Company shall be entitled to Dematerialize or Rematerialize its Shares, Debentures and other <b>Securities</b> (both present and future) held by it with the depository and to offer its shares, debentures, and other securities for subscription in a <b>dematerialised</b> form pursuant to the Depositories Act, 1996 and the rules framed <b>there under</b> , if any.
9	<b>Issue of new certificate of Shares or Debenture.</b>	The words “and Companies (Issue of Shares Certificate) Rules 1960” is added after the word “(Regulation) Act, 1956”.  The words “mutatis mutandis” be in italics & bold.	If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding ₹2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.  Provided that notwithstanding what is stated above the directors shall comply with such rules or regulations or requirements of any stock exchange or the rules made under the Act or the rules made under the Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.  The provision of this Article shall mutatis mutandis apply to the debentures of the Company.	If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding ₹2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.  Provided that notwithstanding what is stated above the directors shall comply with such rules or regulations or requirements of any stock exchange or the rules made under the Act or the rules made under the Securities Contracts (Regulation) Act, 1956 <b>and Companies (Issue of Shares Certificate) Rules, 1960</b> or any other Act and rules applicable in this behalf.  The provision of this Article shall <b><i>mutatis mutandis</i></b> apply to the debentures of the Company.
10(1)	<b>Calls on shares.</b>	The word “person(s)” at two places in this article to be substituted with “person”.	The Board may, from time to time, subject to the terms on which any Shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of Board make such call as it thinks fit upon the members in respect of all moneys unpaid on the Shares held by them and each member shall pay the amount of every call so made on him to the person(s) and at the times and places appointed by the Board. A call may be made payable by installments. Thirty days notice in writing of any call shall be given by the Company specifying the time and place of payment, and the person(s) to whom such call shall be paid. A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board. A call may be revoked or postponed at the	The Board may, from time to time, subject to the terms on which any Shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of Board make such call as it thinks fit upon the members in respect of all moneys unpaid on the Shares held by them and each member shall pay the amount of every call so made on him to the <b>person</b> and at the times and places appointed by the Board. A call may be made payable by installments. Thirty days notice in writing of any call shall be given by the Company specifying the time and place of payment, and the <b>person</b> to whom such call shall be paid. A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board. A call may be revoked or postponed at the

Article No.	Heading	Change	Existing Provisions	Provisions Proposed
			discretion of the Board. The Board may from time to time at its discretion, extend the time fixed for the payment of any call, but no member shall be entitled to such extension save as a matter of grace and favour.	discretion of the Board. The Board may from time to time at its discretion, extend the time fixed for the payment of any call, but no member shall be entitled to such extension save as a matter of grace and favour.
10(3)	<b>-do-</b>	The words “mutatis mutandis” be in italics & bold.	The provisions of these Articles shall mutatis mutandis apply to the calls on Debentures.	The provisions of these Articles shall <b><i>mutatis mutandis</i></b> apply to the calls on Debentures
12	<b>Payment in anticipation of calls may carry interest.</b>	The words “mutatis mutandis” be in italics & bold.	The provisions of these Articles shall mutatis mutandis apply to the calls on Debentures.	The provisions of these Articles shall <b><i>mutatis mutandis</i></b> apply to the calls on Debentures
16	<b>Application of Proceeds of sale</b>	The words “mutatis mutandis” be in italics & bold.	The provisions of these Articles shall mutatis mutandis apply to the calls on Debentures.	The provisions of these Articles shall <b><i>mutatis mutandis</i></b> apply to the calls on Debentures
20A	<b>Board may issue new certificate</b>	The words “mutatis mutandis” be in italics & bold.	The provisions of these Articles shall mutatis mutandis apply to the calls on Debentures.	The provisions of these Articles shall <b><i>mutatis mutandis</i></b> apply to the calls on Debentures
21	<b>Transfer and transmission of Shares or Debentures or other Securities</b>	The word “one month” after “Company shall within” to be substituted with “two months”.  The small letters ‘s’ and ‘d’ of “shares/ debentures” be change with ‘S’ and ‘D’ respectively.  The words “in the prescribed form under Section 108 of the Act” are added after the word “of shares or debentures”.	Subject to the provisions of Section 111, 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the Company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. A common form of transfer of shares or debentures as the case may be, shall be used by the Company.	Subject to the provisions of Section 111, 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the Company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall within <b>two months</b> from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. A common form of transfer of <b>Shares or Debentures in the prescribed form under Section 108 of the Act</b> as the case may be, shall be used by the Company.
27A (v)	<b>Nomination/ Transmission of Shares/ Debentures/ Other Securities</b>	The word “Securities” is added after the word “Shares/Debentures”.  The small letter ‘d’ of “deposits” be change with ‘D’.	Where the nominee is a minor, it shall be lawful for the holder of the Shares/Debentures/ Security or deposits, to make the nomination to appoint, in the prescribed manner, any person to become entitled to Shares/Debentures/ Securities or deposits in the Company, in the event of his death, during the minority.	Where the nominee is a minor, it shall be lawful for the holder of the Shares/Debentures/ <b>Securities</b> or <b>Deposits</b> , to make the nomination to appoint, in the prescribed manner, any person to become entitled to Shares/Debentures/ Securities or <b>Deposits</b> in the Company, in the event of his death, during the minority.
Provisions just below 27A (v) bearing No. (iv)	<b>Transmission of Shares/ Debentures/ Other Securities</b>	The word “Securities” is added after the words “Shares/ Debentures” at four places.	A nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the Shares/ Debentures or Deposits except that he shall not, before being registered as a member in respect of his Share/Debenture or Deposits be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company. Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the Shares/Debentures or Deposits, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other money(s) payable or right(s) accruing in respect of the Shares/Debentures or deposits, until the requirements of the notice have been complied with.	A nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the Shares/ Debentures/ <b>Securities</b> or Deposits except that he shall not, before being registered as a member in respect of his Share/Debenture/ <b>Securities</b> or Deposits be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company. Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the Shares/ Debentures/ <b>Securities</b> or Deposits, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other money(s) payable or right(s) accruing in respect of the Shares/Debentures/ <b>Securities</b> or deposits, until the requirements of the notice have been complied with.
#28	<b>No fees to be charged</b>	The words “mutatis mutandis” be in italics & bold.	The provisions of these Articles shall mutatis mutandis apply to the calls on Debentures.	The provisions of these Articles shall <b><i>mutatis mutandis</i></b> apply to the calls on Debentures

Article No.	Heading	Change	Existing Provisions	Provisions Proposed
#29	<b>Closing of Registers of Members and Debentures/ other securities holders</b>	Numeric number "45" and "7" be expressed "45 (forty-five)" and "7 (seven)" respectively.  The small letters 'r', 'o', 's' and 'd' of "registered office", "shares" and debentures" be change 'R' 'O', 'S' and 'D' respectively.	The Register of Members / Debenture / Securities holders may be closed for any period or periods not exceeding 45 days in each year but not exceeding 30 (thirty) days at any one time after giving not less than 7 days previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated.  The Company shall cause to be kept at its Registered Office or at such other place as may be decided by the Board of Directors, the Register and Index of Members/ Debenture holders in accordance with Section 150 and 151 and other applicable provisions of the Companies Act, 1956 and the Depositories Act, 1996 with the details of shares / debentures held in physical and dematerialized form in any medium as may be permitted by law including any form of electronic medium.	The Register of Members / Debenture / Securities holders may be closed for any period or periods not exceeding 45 ( <b>forty-five</b> ) days in each year but not exceeding 30 (thirty) days at any one time after giving not less than 7 ( <b>seven</b> ) days previous notice by advertisement in some newspaper circulating in the district in which the <b>Registered Office</b> of the Company is situated.  The Company shall cause to be kept at its Registered Office or at such other place as may be decided by the Board of Directors, the Register and Index of Members/ Debenture holders in accordance with Section 150 and 151 and other applicable provisions of the Companies Act, 1956 and the Depositories Act, 1996 with the details of <b>Shares / Debentures</b> held in physical and dematerialized form in any medium as may be permitted by law including any form of electronic medium.
32A. 1 (b)	<b>Further of Issue of Shares.</b>	The words "thirty days" be substituted with "15 (fifteen) days".	Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.	Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than <b>15 (fifteen) days</b> from the date of the offer and the offer if not accepted, will be deemed to have been declined.
37	<b>Power to modify</b>	The word "contact" to be substituted with "contract".  The words "nominal value of the" be deleted.  The small letters 'g' and 'm' of words "general meeting" be change 'G' and 'M' respectively.  The words "mutatis mutandis" be in italics & bold.	If at any time, the capital, by the reason of the issue of preference shares or otherwise is divided into different classes of shares all or any of the rights and privileges attached to each class may subject to the provisions of Section 106 and 107 of the Act be modified abrogated or dealt with by agreement between the company and by any person purporting to contact on behalf of that class provided such agreement is (a) rectified in writing by the holder of at least three-fourths of the nominal value of the issued shares of that class or (b) confirmed by a special resolution passed at separate general meeting of the holder of share of that class and all the provisions hereinafter contained as to general meeting shall mutatis mutandis apply to every such meeting, except that the quorum thereof shall be members holding or representing by proxy one-fifth of the nominal amount of the issued shares of that class. This article is not by implication to curtail the power of modification which the company would have if the article was omitted.	If at any time, the capital, by the reason of the issue of preference shares or otherwise is divided into different classes of shares all or any of the rights and privileges attached to each class may subject to the provisions of Section 106 and 107 of the Act be modified abrogated or dealt with by agreement between the company and by any person purporting to <b>contract</b> on behalf of that class provided such agreement is (a) rectified in writing by the holder of at least three-fourths of the issued shares of that class or (b) confirmed by a special resolution passed at separate <b>General Meeting</b> of the holder of share of that class and all the provisions hereinafter contained as to <b>General Meeting</b> shall <b><i>mutatis mutandis</i></b> apply to every such meeting, except that the quorum thereof shall be members holding or representing by proxy one-fifth of the nominal amount of the issued shares of that class. This article is not by implication to curtail the power of modification which the company would have if the article was omitted.
41	<b>Issue of debenture etc. at discount or with special privilege.</b>	The existing Article 41 may be deleted.	Subject to Section 79 and Section 117 of the Act, any debentures, debenture stock, bond or other securities may be issued -at a discount, premium or otherwise, and with any special privileged as to redemption, surrender, drawings, and allotment of shares attending (but not voting) at the General Meeting, appointment of directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.	NIL
44	<b>General Meeting</b>	The small letters 'g', 'm', 'a', 'e' and 'o' of "general meeting", "annual" and "extra-ordinary" be change 'G', 'M', 'A', 'E' and 'O' respectively.  Numeric number '15', '18' and '6' be expressed "15 (fifteen)", "18 (eighteen)" and "6 (six)" respectively.	The Company shall in each year hold, in addition to any other meetings, a general meeting as its annual general meeting and not more than fifteen months shall elapse between the date of one annual general meeting and that of the next. The first annual general meeting of the Company will be held within eighteen months from the date of its incorporation and thereafter, subject to the provisions of Section 166 of the Act as amended, the annual general meeting of the Company shall be held within six months after the expiry of each financial year. It shall be held during business hours on a day that is	The Company shall in each year hold, in addition to any other meetings, a <b>General Meeting</b> as its <b>Annual General Meeting</b> and not more than <b>15 (fifteen)</b> months shall elapse between the date of one <b>Annual General Meeting</b> and that of the next. The first <b>Annual General Meeting</b> of the Company will be held within <b>18 (eighteen)</b> months from the date of its incorporation and thereafter, subject to the provisions of Section 166 of the Act as amended, the <b>Annual General Meeting</b> of the Company shall be held within <b>6 (six)</b> months after the expiry of each financial year <b>or such extended period as may be allowed by the Registrar of</b>



Article No.	Heading	Change	Existing Provisions	Provisions Proposed
		The words "or such extended period as may be allowed by the Registrar of Companies pursuant to the provisions of Section 166 read with Section 210 of the Act" added after "expiry of each financial year".	not a public holiday. The notice calling the general meeting shall specify it as annual general meeting. The other general meetings which may be called at such time and place as may be determined by the Directors shall be called extra-ordinary general meeting.	<b>Companies pursuant to the provisions of Section 166 read with Section 210 of the Act.</b> It shall be held during business hours on a day that is not a public holiday. The notice calling the <b>General Meeting</b> shall specify it as <b>Annual General meeting</b> . The other <b>General Meetings</b> which may be called at such time and place as may be determined by the Directors shall be called <b>Extra-Ordinary General Meeting</b> .
45(2)	<b>When extra ordinary meeting to be called.</b>	Numeric number '21' and '45' be expressed "21 (twenty-one)" and "45 (forty-five)" respectively. The small letters 'd','e','o','g','m','m' and 'c' of "director", "extra-ordinary general meeting", "manager" and "company" be change 'D','E','O','G','M','M' and 'C' respectively.	If the board does not proceed within 21 days from the date of deposit of valid requisition to call a meeting on a day not later than 45 days from such date the meeting may be called by such of the requisitionists as represent either majority in value of the paid-up share capital held by all of them or not less than one-tenth of such of the paid up capital of the company as is referred to in clause (a) of Sub-section (4) of Section 169 of the Act whichever is less.  Any meeting convened under this article by the requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by the directors.  If, after a requisition has been received it is not possible for a sufficient number of directors to meet in time so as to form a quorum, any director may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the directors.  *Where any items of business to be transacted at the meeting are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each business, including in particular the nature of the concern or interest, if any, therein of every director and the manager, if any.  *Provided that where any item of special business as aforesaid to be transacted at a meeting of the company relates to, or affects any other company, the extent of shareholding interest in that company of every director and manager if any of the company shall be set out in the statement if the extent of such shareholding interest is not less than twenty percent of the paid up capital of the other company.	If the board does not proceed within 21 ( <b>twenty-one</b> ) days from the date of deposit of valid requisition to call a meeting on a day not later than 45 ( <b>forty-five</b> ) days from such date the meeting may be called by such of the requisitionists as represent either majority in value of the paid-up share capital held by all of them or not less than one-tenth of such of the paid up capital of the company as is referred to in clause (a) of Sub-section (4) of Section 169 of the Act whichever is less.  Any meeting convened under this article by the requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by the <b>Directors</b> .  If, after a requisition has been received it is not possible for a sufficient number of <b>Directors</b> to meet in time so as to form a quorum, any <b>Director</b> may convene an <b>Extra-Ordinary General Meeting</b> in the same manner as nearly as possible as that in which meetings may be convened by the <b>Directors</b> .  *Where any items of business to be transacted at the meeting are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each business, including in particular the nature of the concern or interest, if any, therein of every <b>Director</b> and the <b>Manager</b> , if any.  *Provided that where any item of special business as aforesaid to be transacted at a meeting of the company relates to, or affects any other company, the extent of shareholding interest in that company of every <b>Director</b> and <b>Manager</b> if any of the <b>Company</b> shall be set out in the statement if the extent of such shareholding interest is not less than twenty percent of the paid up capital of the other company.
51	<b>How notices to be served on members.</b>	The word "given" be substituted with "served". The words "by electronic mode" be added after "personally" The words "in India" be added after "address". The words "or any other mode as specified by the Act from time to time be added after "notices to him".	A notice may be given by the company to any member either personally or by sending it by post to him to his registered address, or (if he has no registered address) to the address if any, supplied by him to the company for the giving of notice to him.	A notice may be <b>served</b> by the company to any member either personally/ <b>by electronic mode</b> / by sending it by post to him to his registered address, or (if he has no registered address <b>in India</b> ) to the address, if any, supplied by him to the company for the giving of notices to him <b>or any other mode as specified by the Act from time to time</b> .
53	<b>When notice may be given by advertisement.</b>	The words "in India" be added after the word "registered address". The word "and" after supplied to the company" be substituted by "an". The words "within India" be added after the word "to the company an address".	If a member has no registered address and has not supplied to the company an address for giving of notices to him a notice addressed to him and advertised in a newspaper circulating in the neighbourhood of the registered office of the company, shall be deemed to be duly given to him on the day on which the advertisement appears.	If a member has no registered address <b>in India</b> and has not supplied to the company <b>an address within India</b> for giving of notices to him, a notice addressed to him and advertised in a newspaper circulating in the neighbourhood of the registered office of the company, shall be deemed to be duly given to him on the day on which the advertisement appears.



Article No.	Heading	Change	Existing Provisions	Provisions Proposed
55	<b>How notice to be given to representatives of a deceased or bankrupt members.</b>	The words "in India" be added after the word "at the address (if any)".	A notice may be given by the company to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title of the representatives of the deceased, or assignee of the insolvent or by any like description, at the address (if any) supplied for the purpose by the persons claiming to be so entitled or (until such an address has been so supplied) by giving notice in any manner in which the same might have been given if the death or insolvency had not occurred.	A notice may be given by the company to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title of representatives of the deceased, or assignees of the insolvent, or by any like description, at the address (if any) <b>in India</b> supplied for the purpose by the persons claiming to be so entitled or (until such an address has been so supplied) by giving notice in any manner in which the same might have been given if the death or insolvency had not occurred.
56	<b>Omission to give notice</b>	The words "or other person to whom it should be given" be added after "notice by any member".	An accidental omission to give any such notice to or the non-receipt of any such notice by any member shall not invalidate the proceedings at any meeting.	An accidental omission to give any such notice to or the non-receipt of any such notice by any member <b>or other person to whom it should be given</b> shall not invalidate the proceedings at any meeting.
82(4)	<b>Appointment of Vice Chairman/ Managing Director/ other Directors.</b>	<p>The word "date" be substituted with "day".</p> <p>The words "till the next succeeding day which is not a public holiday" be added after the word "day is a public holiday".</p> <p>The word "and" be deleted after the word "time and place".</p> <p>The small letter 'd' of "director" be change with "D".</p> <p>The words "or re-appointment" be added after the word appointment under sub-clause (iv)".</p> <p>The number and word "(2) and (3)" and "of the Act" is added under sub-clause (v)".</p>	<p>If the place of retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same date in the next week, at the same time and place, or if that day is a public holiday, at the same time and place, and if at the adjourned meeting also, the place of retiring director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring director shall be deemed to have been re- appointed at the adjourned meeting, unless:</p> <p>(i) at that meeting or at the previous meeting, a resolution for the reappointment of such director has been put to the meeting and lost;</p> <p>(ii) the retiring director has, by a notice in writing addressed to the company or its Board of Directors, expressed his un willingness to be so reappointed;</p> <p>(iii) he is not qualified or disqualified for appointment;</p> <p>(iv) a resolution, whether, Special or Ordinary, is required for his appointment by virtue of any provisions of the Act;</p> <p>(v) the proviso to sub – section (20 of Section 263 is applicable to the case).</p>	<p>If the place of retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same <b>day</b> in the next week, at the same time and place, or if that day is a public holiday <b>till the next succeeding day which is not a public holiday</b> at the same time and place. If at the adjourned meeting also, the place of retiring director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring <b>Director</b> shall be deemed to have been re-appointed at the adjourned meeting, unless:</p> <p>(i) at that meeting or at the previous meeting, a resolution for the reappointment of such <b>Director</b> has been put to the meeting and lost;</p> <p>(ii) the retiring <b>Director</b> has, by a notice in writing addressed to the company or its Board of Directors, expressed his un willingness to be so reappointed;</p> <p>(iii) he is not qualified or disqualified for appointment;</p> <p>(iv) a resolution, whether, Special or Ordinary, is required for his appointment <b>or re-appointment</b> by virtue of any provisions of the Act;</p> <p>(v) the proviso to sub – section <b>(2) and (3)</b> of Section 263 <b>of the Act</b>, is applicable to the case.</p>
83(3)	<b>General Power of company vested in Directors.</b>	The existing Article 83(3) be deleted.	President will have the right to give directions to the company as to the exercise and performance of its functions in matters involving national security or substantial public interest and to ensure that the company gives effect to such directions.	NIL
84(5)	<b>Specific powers to Directors</b>	<p>The word "for" after discretion remove have been substituted with "or".</p> <p>The Numeric Value "58" be substituted with "60 (sixty)".</p> <p>The word of ₹5700 be substituted with ₹10500-23000 (or as revised from time to time).</p>	<b>To appoint officers etc.</b> - to appoint and at their discretion remove for suspend such managers, secretaries, officers, clerks, agents, and servants for permanent, temporary or special services as they may from time to time, think fit, and to determine their powers and duties and fix their salaries or emoluments, and to require security in such instances and to such amounts as they think fit, provided that no appointment of any person who has already attained the age to 58 years of any posts carrying salary scale of ₹5700 or more shall be made without the prior approval of the President.	<b>To appoint officers etc.</b> - to appoint and at their discretion remove <b>or</b> suspend such managers, secretaries, officers, clerks, agents, and servants for permanent, temporary or special services as they may from time to time, think fit, and to determine their powers and duties and fix their salaries or emoluments, and to require security in such instances and to such amounts as they think fit, provided that no appointment of any person who has already attained the age to <b>60 (Sixty)</b> years of any posts carrying salary scale of <b>₹10500-23000 (or as revised from time to time)</b> or more shall be made without the prior approval of the President.
84(12)	<b>Specific powers to Directors</b>	<p>The words "may be approved by the President" be deleted.</p> <p>The small letters 'c', 'm' and 'a' of words "company" and "memorandum of association" be changed with "C", "M" and "A" respectively.</p>	<b>To invest moneys</b> - subject to the provisions of Section 292 of the Act, to invest in the Reserve Bank of India or in such securities as may be approved by the President and deal with any of the moneys of the company upon such investment authorised by the memorandum of association of the company (not being shares in this company) and in such manner as they think fit and from time to time to vary or realise such investments.	<b>To invest moneys</b> - subject to the provisions of Section 292 of the Act, to invest in the Reserve Bank of India or in such securities and deal with any of the moneys of the <b>Company</b> upon such investment authorised by the <b>Memorandum of Association</b> of the <b>Company</b> (not being shares in this <b>Company</b> ) and in such manner as they think fit and from time to time to vary or realise such investments.

Article No.	Heading	Change	Existing Provisions	Provisions Proposed
84(13)	<b>Specific powers to Directors</b>	The small letters 'c' and 'd' of words "company" and "director" be changed with "C" and "D" respectively. The word "convenient" substituted with "covenants".	<b>To give security by way of indemnity</b> - to execute in the name and on behalf of the company in favour of any director or other person who may incur or be about to incur any liability for the benefit of the company such mortgage of the company's property (present and future) as they think fit and such mortgage may contain a power of sale and other powers, convenient and provisions as shall be agreed on.	<b>To give security by way of indemnity</b> - to execute in the name and on behalf of the Company in favour of any Director or other person who may incur or be about to incur any liability for the benefit of the Company such mortgage of the Company's property (present and future) as they think fit and such mortgage may contain a power of sale and other powers, <b>covenants</b> and provisions as shall be agreed on.
84(18)	<b>Specific powers to Directors</b>	The small letter 'c' and 'd' of words "company" and "director" be changed with "C" and "D" respectively. The word 'members' after "any person to be" be substituted with "member". The word 'vacancies' at two places be substituted with "vacancy" and 'vacancy(ies)' respectively. The word "annual" be substituted with "annul".	<b>To establish local board</b> - from time to time and at any time to establish any local board for managing any of the affairs of the company in the specified locality in India, or out of India, and to appoint any person to be members of such local board and to fix their remuneration and from time to time and any time to delegate to any person so appointed any of the powers, authorities and discretion for the time being vested in the directors other than their power to make calls, and to authorise the members for the time being of any such local board or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms, and subject to such conditions as the directors may think fit, and the directors may at any time remove any person so appointed and annual or vary any such delegation.	<b>To establish local board</b> - from time to time and at any time to establish any local board for managing any of the affairs of the Company in the specified locality in India, or out of India, and to appoint any person to be member of such local board and to fix their remuneration and from time to time and any time to delegate to any person so appointed any of the powers, authorities and discretion for the time being vested in the Directors other than their power to make calls, and to authorise the members for the time being of any such local board or any of them to fill up any <b>vacancy</b> therein and to act notwithstanding <b>vacancy(ies)</b> and any such appointment or delegation may be made on such terms, and subject to such conditions as the directors may think fit, and the directors may at any time remove any person so appointed and <b>annul</b> or vary any such delegation.
84(20)	<b>Specific powers to Directors</b>	The word "sub-delegate" be substituted with "delegate" at two places. A new para is added as second para in this article "Any such delegate may be authorized by the Board to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him".	<b>To sub-delegate power</b> - subject to the provisions of Section 292 of the Act to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them, subject however to the ultimate control and authority being retained by them.	<b>To delegate power</b> - subject to the provisions of Section 292 of the Act to delegate all or any of the powers, authorities and discretion for the time being vested in them, subject however to the ultimate control and authority being retained by them. <b>Any such delegate may be authorized by the Board to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him.</b>
84(21)	<b>Specific powers to Directors</b>	The second para of article is deleted as there is no relevance of the same.	<b>To borrow moneys</b> - Subject to the provisions of the Act, to borrow or raise or secure the payment of money on behalf of the Company in such manner as the Directors may think fit and in particular by way of acceptance of deposit, issue of Debentures, or Debenture stock, or bonds, perpetual or otherwise, or in any other manner, and create a charge upon all or any of the Company's property (both present and future) including its uncalled capital and to purchase, redeem, or payoff any such securities. Any such delegate may be authorized by the Board to sub-delegate all or any of the powers, authorities and discretions for the time being vested in him.	<b>To borrow moneys</b> - Subject to the provisions of the Act, to borrow or raise or secure the payment of money on behalf of the Company in such manner as the Directors may think fit and in particular by way of acceptance of deposit, issue of Debentures, or Debenture stock, or bonds, perpetual or otherwise, or in any other manner, and create a charge upon all or any of the Company's property (both present and future) including its uncalled capital and to purchase, redeem, or payoff any such securities.
86(2)	<b>Seal</b>	The words "to" shall not be affixed' be substituted with "on". The words "or of a Committee of the Board" be added after the word "Board of Directors". The word "perons" be substituted with "persons".	The seal of the Company shall not be affixed to any instrument (other than share certificate) except by the authority of a resolution of the Board of Directors and in the presence of one Director at the least. In the case of share certificates the seal shall be affixed in the presence of : a) two directors or persons acting on behalf of the Directors under a duly registered power of attorney; and b) the Secretary or some other perons appointed by the Board for the purpose.	The seal of the Company shall not be affixed <b>on</b> any instrument (other than share certificate) except by the authority of a resolution of the Board of Directors <b>or of a Committee of the Board</b> and in the presence of one Director at the least. In the case of share certificates the seal shall be affixed in the presence of : a) two directors or persons acting on behalf of the Directors under a duly registered power of attorney; and b) the Secretary or some other <b>persons</b> appointed by the Board for the purpose.

Article No.	Heading	Change	Existing Provisions	Provisions Proposed
88	<b>Meeting of directors and quorum</b>	The small letter 'd' of words "directors" be changed with "D".  The words "either in person or through such other means as per the Act" be added after the words "may meet together".	The directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit and may determine the quorum in accordance with Section 287 of the Act, for the transaction of business.	The Directors may meet together <b>either in person or through such other means as per the Act</b> for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit and may determine the quorum in accordance with Section 287 of the Act, for the transaction of business.
89(1)	<b>Director may summon meeting. How to questions to be decided.</b>	The small letter 'd' of words "directors" be changed with "D".  The words "and is case of an equality of votes" be added after the words "majority of votes".	A director may at any time summon a meeting of directors, Questions arising at any meeting shall be decided by majority of votes. The Chairman shall have a second or casting vote.	A director may at any time summon a meeting of Directors, Questions arising at any meeting shall be decided by majority of votes <b>and in case of an equality of votes</b> , the Chairman shall have a second or casting vote.
89(2)	<b>Director may summon meeting. How to questions to be decided.</b>	The word "calendar" be deleted.	A meeting of the board shall be held at least once in every 3 calendar months and at least four such meetings shall be held every year.	A meeting of the board shall be held at least once in every 3 months and at least four such meetings shall be held every year.
92	<b>Power of Chairman</b>	The small letters 'd', 'c' and 'w' of words "directors", "company" and "winding up" be changed with "D", "C" and "W" respectively.  The words "generally", "above" and "Directors" in second para, be substituted with "generality", "other" and "Board" respectively.  The word be added "contained in the articles" after the word "provisions".  The words "any matter relating to" is added after "decision of the President".	The Chairman shall reserve for the decision of the President any proposals or decisions of the directors in any matter which in the opinion of the Chairman is of such importance as to be reserved for the approval of the President. No action shall be taken by the company in respect of any proposal or decision of the directors reserved for the approval of the President as aforesaid until his approval to the same has been obtained.  Without prejudice to the generality of the above provision, the directors shall reserve for the decision of the President:  (i) Sale, lease or disposal otherwise of the whole, or substantially the whole of the undertaking of the company; (ii) Deleted (iii) Winding up of the company; (iv) Division of capital into different classes of shares.	The Chairman shall reserve for the decision of the President any proposals or decisions of the Directors in any matter which in the opinion of the Chairman is of such importance as to be reserved for the approval of the President. No action shall be taken by the Company in respect of any proposal or decision of the directors reserved for the approval of the President as aforesaid until his approval to the same has been obtained.  Without prejudice to the <b>generality</b> of the <b>other</b> provisions <b>contained in the articles</b> , the <b>Board</b> shall reserve for the decision of the President <b>any matter relating to</b> :  (i) Sale, lease or disposal otherwise of the whole, or substantially the whole of the undertaking of the Company; (ii) Deleted (iii) Winding up of the Company; (iv) Division of capital into different classes of shares.
94	<b>Chairman of meeting of committees.</b>	The small letter 'c' of word "chairman" be changed with "C".  Numeric Value "5" be expressed as "5 (five)".  The word "number" be substituted with "member".	A committee may elect a chairman of their meetings but if no such chairman is elected, or if at any meeting the Chairman is not present within 5 minutes after the time appointed for holding the same, the members present may choose one of their number to be chairman of the meeting.	A committee may elect a Chairman of their meetings but if no such Chairman is elected, or if at any meeting the Chairman is not present within 5 <b>(five)</b> minutes after the time appointed for holding the same, the members present may choose one of their <b>member</b> to be Chairman of the meeting.
102	<b>Dividend out of profits only and not to carry interest.</b>	The Article 102 be deleted	No dividend shall be payable, otherwise than out of the profits of the year or other period of any other undistributed profits of the company and no dividend shall carry interest as against the company.	NIL
108	<b>Retention in certain cases</b>	The Article "27" be substituted with "Article 27A" as Article 27 is deleted by Special Resolution passed at EGM held on 15.05.2007.	The directors may retain the dividends payable upon shares in respect of which any person is under the transmission clause (Article 27) entitled to become a member or which any person under that clause is entitled to transfer, until such person shall become a member in respect of such shares or shall duly transfer the same.	The directors may retain the dividends payable upon shares in respect of which any person is under the transmission clause <b>(Article 27A)</b> entitled to become a member or which any person under that clause is entitled to transfer, until such person shall become a member in respect of such shares or shall duly transfer the same.
110	<b>Notice of Dividend</b>	The words "the registered address of the Member or the person entitled" be added after "through the post to".	Unless otherwise directed any dividend may be paid by cheque or warrant sent through the post to	Unless otherwise directed any dividend may be paid by cheque or warrant sent through the post to <b>the registered address of the Member or the person entitled</b> .

Article No.	Heading	Change	Existing Provisions	Provisions Proposed
119	<b>Balance sheet &amp; profit and loss account to be sent to members.</b>	The words "given under" substituted with "served".	The company shall send a copy of such Balance sheet (including profit and loss account, the auditor's report and every other document required by law to be annexed or appended to the balance sheet) to the registered address of every member of the company in the manner in which notices are to be given hereunder at least 21 days before the meeting at which it is to be laid before the members of the company, and shall deposit a copy at the registered office of the company for inspection of members of the company during a period of at least twenty one days before that meeting.	The company shall send a copy of such Balance sheet (including profit and loss account, the auditor's report and every other document required by law to be annexed or appended to the balance sheet) to the registered address of every member of the company in the manner in which notices are to be <b>served</b> at least 21 days before the meeting at which it is to be laid before the members of the company, and shall deposit a copy at the registered office of the company for inspection of members of the company during a period of at least twenty one days before that meeting.
121	<b>Accounts to be audited annually</b>	The word "financial" be added after "every" and before "year"	Once at least in every year the accounts of the company shall be examined and the correctness of the profit and loss account and balance sheet ascertained by one or more auditors.	Once at least in every <b>financial</b> year the accounts of the company shall be examined and the correctness of the profit and loss account and balance sheet ascertained by one or more auditors.
126(i)	<b>Rights of the President</b>	The words "or instructions" be added after "directives" at four places in this article.  The words "business or" be added after the words "the conduct of".  The small letter 'p' of "provided" be changed with "P" and thereafter this article be divided in two paras.	The President, may from time to time, issue such directives as he may consider necessary in regard to the conduct of affairs of the Company or Directors thereof and in like manner may vary and annul any such directives. The Directors shall give immediate effect to the directives so issued provided that all directives issued by the President shall be in writing addressed to the Chairman. The Board shall, except where the President considers that the interest of National Security requires otherwise incorporate the contents of directives issued by the President in the Annual Report of the Company.	The President, may from time to time, issue such directives <b>or instructions</b> as he may consider necessary in regard to the conduct of <b>business or</b> affairs of the Company or Directors thereof and in like manner may vary and annul any such directives. The Directors shall give immediate effect to the directives <b>or instructions</b> so issued.  <b>Provided</b> that all directives <b>or instructions</b> issued by the President shall be in writing addressed to the Chairman. The Board shall, except where the President considers that the interest of National Security requires otherwise incorporate the contents of directives <b>or instructions</b> issued by the President in the Annual Report of the Company.
126(ii)	<b>Rights of the President</b>	The words "return" substituted with "returns"  The word "accounts" be added after the word "returns"	The President will have right to call for such return or other information with respect to the property or activity of the company as may be required from time to time.	The President will have right to call for such returns, <b>accounts</b> or other information with respect to the property or activity of the company as may be required from time to time.
130	<b>Individual responsibility of directors.</b>	The word "or deficiency" after "through the insufficiency" be added.  The small letter 'd' and 'c' of word "director(s)" and "chairman" be changed with "D" and "C" respectively.  The words "with whom any moneys, securities or effects shall be deposited or for any loss occasioned by any error of judgment or oversight on his part or for any other loss" be added after the "tortuous act of any person".	Subject to the provisions of the Act no director, or other officer of the company shall be liable for the acts, receipts, defaults or negligence of any other director or officer or for joining in any receipt or other act for conformity, or for any loss or expenses happening to the company through the insufficiency of title to any property acquired by the order directors for or on behalf of the company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of company shall be invested, or for any loss of damage arising from the bankruptcy, insolvency or tortuous act of any person damage or misfortune whatever, which shall happen in the execution of the duties of his office or in relation thereto unless the same happens through his own negligence default, breach of duty or breach of trust.	Subject to the provisions of the Act, no <b>Director</b> , or other officer of the Company shall be liable for the acts, receipts, defaults or negligence of any other director or officer or for joining in any receipt or other act for conformity, or for any loss or expenses happening to the company through the insufficiency <b>or deficiency</b> of title to any property acquired by the order <b>Directors</b> for or on behalf of the <b>Company</b> , or for the insufficiency or deficiency of any security in or upon which any of the moneys of company shall be invested, or for any loss of damage arising from the bankruptcy, insolvency or tortuous act of any person <b>with whom any moneys, securities or effects shall be deposited or for any loss occasioned by any error of judgment or oversight on his part or for any other loss</b> , damage or misfortune whatever, which shall happen in the execution of the duties of his office or in relation thereto unless the same happens through his own negligence default, breach of duty or breach of trust.

By order of the Board of Directors



(Rakesh Kumar Arora)

GM (F&amp;A) &amp; Company Secretary

**Registered Office:**

Core-4, SCOPE Complex,  
7, Lodi Road,  
New Delhi-110003.

**Dated: 4th August, 2011**

## Brief Resume of the Director seeking re-appointment at the 42nd Annual General Meeting

Name	Date of Birth	Date of Appointment	Qualifications	Expertise in specific Functional area	Directorship held in other Companies	Membership/ Chairmanship of Committees across all Public Companies other than REC
Shri Devender Singh	31st July, 1962	29th August, 2007	<ul style="list-style-type: none"> <li>Bachelors Degree in Electronics and Communications, Delhi College of Engineering.</li> <li>Masters Degree in Business Administration, Indian Institute of Management (IIM), Ahmedabad.</li> </ul>	Shri Devender Singh is currently the Joint Secretary in the Ministry of Power, where he is incharge of Rural Electrification, Energy Conservation, Demand Side Management and Distribution. He has been a part of the IAS since 1987 in the Haryana cadre and has been in the Civil Services for about 23 years. Prior to joining Ministry of Power, Government of India, he has also served as Deputy Commissioner, Gurgaon, Haryana, Deputy Commissioner Karnal, Director Industries and Managing Director, Haryana Supply and Marketing Federation. He was Managing Director, Haryana Dairy Development Cooperative Federation Limited.	1. Power Finance Corporation Limited	Nil
Number of shares held in the Company			Nil			

## Brief Resume of the Directors appointed since last Annual General Meeting held on 8th September, 2010

Name	Date of Birth	Date of Appointment	Qualifications	Expertise in specific Functional area	Directorship held in other Companies	Membership/ Chairmanship of Committees across all Public Companies other than REC
Shri Prakash Thakkar	20th October, 1955	2nd May, 2011	<ul style="list-style-type: none"> <li>Bachelors Degree in Electrical Engineering, Maharaja, Sayajirao University, Baroda</li> </ul>	Shri Thakkar has over 32 years of rich and diversified experience of power sector including hydroelectric projects and installation of hydro generators and operation & maintenance of power stations. He has also served as Advisor to Government of Nepal for operation & maintenance of Devghat Hydro Electric Project during the year 1985-86. He is a member of CIGRE and AIMA and also serves as nominee Director on the Boards of various companies. He has authored/ co-authored various technical papers in National and International seminars.	1. REC Power Distribution Company Limited 2. REC Transmission Projects Company Limited 3. Energy Efficiency Services Limited	Nil

Name	Date of Birth	Date of Appointment	Qualifications	Expertise in specific Functional area	Directorship held in other Companies	Membership/ Chairmanship of Committees across all Public Companies other than REC
Dr. Devi Singh	2nd September, 1952	10th June, 2011	<ul style="list-style-type: none"> <li>• Bachelors and Masters Degree in Economics, Rajasthan University</li> <li>• Ph.d (Fellow) from the Indian Institute of Management, Ahmedabad</li> </ul>	Dr. Devi Singh is a well known professor of International Finance and Business and has a total work experience of more than 33 years in teaching, training, research and academic administration and recognized as a leading institution builder. He has been Director of the Indian Institute of Management, Lucknow for last seven years. He has also served as Director of the Management Development Institute, Gurgaon. He was a Visiting Professor at the Faculty of Management, McGill University, Montreal during 1990-1996. He has taught at the International Centre for Public Enterprises in Developing Countries, Ljubljana, Slovenia, ESCP Europe, Paris, SKK Graduate Business School, Seoul, and at many other leading Business Schools. He has received many prestigious awards i.e. "Best B-School Director 1999", "UP Ratan 2008", "ISTE Fellow 2007" among others. He was also honored by the American Biographical Institute, USA with the "Man of the Millennium Award" in 2000.	1. Munjal Showa Limited 2. Energy Infratech Limited 3. Future Generali India Insurance Company Limited 4. Future Generali Life Insurance Company Limited 5. Hindustan Shipyard Limited	1. Hindustan Shipyard Limited- Chairman, Audit Committee
Number of shares held in the Company			Nil			
Dr. Govinda Marapalli Rao	7th April, 1947	10th June, 2011	<ul style="list-style-type: none"> <li>• Doctoral Degree in Economics</li> </ul>	Dr. Rao is a Member of the Economic Advisory Council to the Prime Minister of India. He is presently the Director, National Institute of Public Finance and Policy (NIPFP). Prior to this, Dr. Rao was Director, Institute for Social and Economic Change, Bangalore (1998-2002), Fellow, Research School of Pacific and Asian Studies, Australian National University (1995-1998), Professor at NIPFP (1985-1995) and Economic Adviser to the Finance Commission, Government of India (1987-1990). He is a Member of Board of Governors of Institute of Economic Growth, New Delhi, Institute for Social and Economic Change, Bangalore and Madras School of Economics, Chennai. He has been a Consultant to the World Bank, International Monetary Fund, Asian Development Bank and UNDP and worked in several developing countries on various development issues. Dr. Rao is also a Member of the Local Board of Reserve Bank of India for the Southern Region. He has authored 14 Books and Monographs and a number of research papers in national and international journals on various economic policy issues.	1. NTPC Limited	Nil
Number of shares held in the Company			Nil			



Name	Date of Birth	Date of Appointment	Qualifications	Expertise in specific Functional area	Directorship held in other Companies	Membership/ Chairmanship of Committees across all Public Companies other than REC
Shri Venkataraman Subramanian	17th June, 1948	10th June, 2011	<ul style="list-style-type: none"> <li>• Commerce Graduate, University of Madras</li> <li>• Qualified Banker</li> </ul>	<p>Shri Subramanian joined the Indian Administrative Service, premier service of the Government of India in 1971. Till his retirement in June 2008 as the Secretary to the Government in the Ministry of New and Renewable Energy, he occupied various important positions in the Government of West Bengal and the Government of India. His rich experience both at the implementation level and policy making level cuts across various sectors like Finance, Aviation, Energy, Labour etc. Mr. Subramanian was instrumental in the creation of the External Commercial Borrowings Division in the Ministry of Finance in the eighties and structured many innovative deals for Indian Public Sector Enterprises. He was also the Adviser to the Government of Mozambique for three years in 1990-1993. He was also the Secretary to the State Government in the Departments of Power and Labour. As Additional Secretary and Financial Adviser in the Ministry of Civil Aviation and Tourism (2000-2005). He was closely involved in policy formulation on Aviation and Tourism. He was on the Boards of Air India, Indian Airlines, Airports Authority of India, Helicopters Corporation of India, Indian Tourism Development Corporation and a host of other PSEs. He was also the Member-Secretary of the High level Committee to recommend a roadmap for the growth of aviation in India. Most of the recommendations are being acted upon now. As Secretary in the Ministry of New and Renewable Energy, he undertook path breaking initiatives that resulted in more than doubling the grid connected Renewable power generation capacity in less than three years. Presently, he is the Secretary General of the Indian Wind Energy Association. He was also the Business Development Adviser to the Council for Scientific and Industrial Research, till recently. He is also a freelance consultant and well known speaker on "Renewable Energy" in various international conferences.</p>	1. TVS Energy Limited 2. Mount Everest Mineral Water Limited 3. Sundaram Clayton Limited 4. Titan Energy Systems Limited 5. Wind Force Management Services Private Limited 6. Lanco Solar Energy Private Limited 7. PTC Energy Limited	1. TVS Energy Limited- Member, Audit Committee 2. Mount Everest Mineral Water Limited- Member, Audit Committee and Shareholders/ Investors Grievance Committee 3. Sundaram Clayton Limited- Member, Audit Committee 4. PTC Energy Limited - Member, Audit Committee
Number of shares held in the Company			Nil			

## Directors' Profile



**SHRI HARI DAS KHUNTETA, Chairman and Managing Director & Director (Finance)**

**Shri Hari Das Khunteta, 59 years, is our Chairman & Managing Director.** He holds a Bachelor's Degree in Commerce from the University of Rajasthan. He is also a Associate Member of the Institute of Chartered Accountants of India (ICAI). Shri Khunteta has 34 years of professional experience in the area of financial management including resource mobilization from domestic and international markets, investor servicing and corporate governance.

Shri Khunteta has joined the Board of REC on 05.05.2004 as Director (Finance). 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.

Prior to his appointment as Director (Finance) in our Company, he held the position of Executive Director (Finance and Accounts) in National Hydroelectric Power Corporation Limited (NHPC). He was also Non Executive Director on the Board of the Narmada Hydroelectric Development Corporation, a joint venture of NHPC and Government of Madhya Pradesh.

He has taken over the charge of Chairman & Managing Director of REC Limited on 16.04.2011.

Shri Hari Das Khunteta was holding 5000 equity Shares in the Company as on 31st March, 2011 and also at the time of his taking over charge as CMD on 16th April, 2011.



**SHRI PRAKASH THAKKAR, Director (Technical)**

**Shri Prakash Thakkar, 55 years, is our Director (Technical) since 2nd May, 2011.** He holds a Bachelor's Degree in Electrical Engineering from Maharaja Sayajirao University, Baroda. 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). Shri Thakkar has over 32 years of rich and diversified experience of power sector including hydroelectric projects and installation of hydro generators and operation & maintenance of power stations.

Prior to his taking over charge as Director (Technical) of the Company, 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 18th September, 2007. Prior to joining our Company, he has worked for

11 years in NHPC at various projects, about 15 years on different posts in Power Grid Corporation of India Limited (Powergrid). 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 CIGRE and AIMA and also serves as nominee Director on the Boards of various companies. He has authored/co-authored various technical papers in National and International seminars.

Shri Prakash Thakkar was holding 4030 equity Shares in the Company at the time of joining on 2nd May, 2011.



**SHRI DEVENDER SINGH, Government Nominee Director**

**Shri Devender Singh**, 49 years, currently the Joint Secretary in the Ministry of Power, where he is incharge of Rural Electrification, Energy Conservation, Demand Side Management and Distribution. He holds a Bachelor's Degree in Electronics and Communication from the Delhi College of Engineering, Delhi and Master's Degree in Business Administration from the Indian Institute of Management (IIM), Ahmedabad. He has been a part of the IAS since 1987 in the Haryana cadre and has been in the Civil Services for about 23 years. Prior to joining Ministry of Power, Government of India, he has also served as Deputy Commissioner, Gurgaon, Haryana, Deputy Commissioner Karnal, Director Industries and Managing Director, Haryana Supply and Marketing Federation. He was Managing Director, Haryana Dairy Development Cooperative Federation Limited. He is also a Government Nominee Director on the Board of Power Finance Corporation Limited (PFC). He joined the Board of REC on August 29, 2007.

Shri Devender Singh was holding NIL equity shares in the Company as on 31st March, 2011.



**DR. DEVI SINGH, Part-time Non-official Independent Director**

**Dr. Devi Singh**, 59 years, is a Part-time Non-official Independent Director on the Board of REC from 10th June, 2011. He was earlier appointed as Part-time Non-official Independent Director on the Board of REC on January 7, 2008 and completed tenure of three years on January 6, 2011. He holds a Bachelor's Degree and a Master's Degree in Economics from Rajasthan University. He holds a Ph.d (Fellow) from the Indian Institute of Management at Ahmedabad and is a well known professor of International Finance and Business. He has a total work experience of more than 33 years in teaching, training, research and academic administration and recognized as a leading institution builder. He has been Director of the Indian Institute of Management, Lucknow for more than seven years. He has also served as Director of the Management Development Institute, Gurgaon during 1999-2003. He was a Visiting Professor at the Faculty of Management, McGill University, Montreal during 1990 -1996. He has taught at the International Centre for Public Enterprises in Developing Countries, Ljubljana, Slovenia,

ESCP Europe, Paris, SKK Graduate Business School, Seoul, and at many other leading Business Schools. He has received many prestigious awards i.e. "Best B-School Director 1999", "UP Ratan 2008", "ISTE Fellow 2007" among others. He was also honored by the American Biographical Institute, USA with the "Man of the Millennium Award" in 2000.

Dr. Devi Singh was holding NIL equity shares in the Company at the time of his appointment on 10th June, 2011.



**DR. GOVINDA MARPALLI RAO, *Part-time Non-official Independent Director***

**Dr. Govinda Marapalli Rao**, aged 64 years, is Part-time Non-official Independent Director on the Board of REC from 10th June, 2011. He was earlier appointed as Part-time Non-official Independent Director on the Board of REC on December 20, 2007 and completed tenure of three years on December 19, 2010. He has a Doctoral Degree in Economics. He is a Member of the Economic Advisory Council to the Prime Minister of India. He is presently the Director, National Institute of Public Finance and Policy (NIPFP). Prior to this, Dr. Rao was Director, Institute for Social and Economic Change, Bangalore (1998-2002), Fellow, Research School of Pacific and Asian Studies, Australian National University (1995-1998), Professor at NIPFP (1985-1995) and Economic Adviser to the Finance Commission, Government of India (1987-1990). He is a Member of Board of Governors of Institute of Economic Growth, New Delhi, Institute for Social and Economic Change, Bangalore and Madras School of Economics, Chennai. He has been a Consultant to the World Bank, International Monetary Fund, Asian Development Bank and UNDP

and worked in several developing countries on various development issues. He is also a Part-time Non-official Director on the Board of National Thermal Power Corporation (NTPC) as well. Dr. Rao is also a Member of the Local Board of Reserve Bank of India for the Southern Region. He has authored 14 Books and Monographs and a number of research papers in national and international journals on various economic policy issues.

Dr. Govinda Marapalli Rao was holding NIL equity shares in the Company at the time of his appointment on 10th June, 2011.



**SHRI V. SUBRAMANIAN, *Part-time Non-official Independent Director***

**Shri Venkataraman Subramanian**, 63 years, is Part-time Non-official Independent Director on the Board of REC since June 10, 2011. He joined the Indian Administrative Service, premier service of the Government of India in 1971. Till his retirement in June 2008 as the Secretary to the Government in the Ministry of New and Renewable Energy, he occupied various important positions in the Government of West Bengal and the Government of India. His rich experience both at the implementation level and policy making level cuts across various sectors like Finance, Aviation, Energy, Labour etc. Mr. Subramanian was instrumental in the creation of the External Commercial Borrowings Division in the Ministry of Finance in the eighties and structured many innovative deals for Indian Public Sector Enterprises. He was also the Adviser to the Government of Mozambique for three years in 1990-1993. He was also the Secretary to the State Government in the Departments of Power and Labour. As Additional Secretary and Financial Adviser in the Ministry of Civil Aviation and Tourism (2000-2005) he was closely

involved in policy formulation on Aviation and Tourism. He was on the Boards of Air India, Indian Airlines, Airports Authority of India, Helicopters Corporation of India, Indian Tourism Development Corporation and a host of other PSEs. He was also the Member-Secretary of the High level Committee to recommend a roadmap for the growth of aviation in India. Most of the recommendations are being acted upon now. As Secretary in the Ministry of New and Renewable Energy, he undertook path breaking initiatives that resulted in more than doubling the grid connected renewable power generation capacity in less than three years. Presently, he is the Secretary General of the Indian Wind Energy Association. He was also the Business Development Adviser to the Council for Scientific and Industrial Research, till recently. He is on the Board of M/s TVS Energy Limited as Chairman and on the Boards of M/s Mount Everest Mineral Water Limited, Sundaram Clayton Limited, Titan Energy Systems Limited, Wind Force Management Services Private Limited, Lanco Solar Energy Private Limited and PTC Energy Limited as a Director. He is also a freelance consultant and well known speaker on "Renewable Energy" in various international conferences.

Shri Venkataraman Subramanian was holding NIL equity shares in the Company at the time of his appointment on 10th June, 2011.

# Directors' Report

To

The Shareholders,

Your Directors have pleasure in presenting the Forty Second Annual Report together with the Audited Accounts of the Company for the financial year ended 31st March, 2011.

## 1. PERFORMANCE HIGHLIGHTS

1.1 The highlights of performance of the Company for the financial year 2010-11 were as under with comparison of previous year's performance:-

Parameter	2010-11 (₹ in crore)	2009-10 (₹ in crore)
Loans sanctioned (excluding subsidy under RGGVY)	<b>66419.98</b>	45357.36
Disbursements (including subsidy under RGGVY)	<b>28517.11</b>	27127.14
Recoveries (including interest)	<b>16951.31</b>	12496.12
Total Operating Income	<b>8256.91</b>	6549.76
Profit before tax	<b>3476.63</b>	2649.19
Profit after tax	<b>2569.93</b>	2001.42

## 1.2 Financial Performance

The total operating income of the Company for the year increased by 26.06% to ₹8256.91 crore from ₹6549.76 crore during the previous year. The profit before tax increased by 31.23% to ₹3476.63 crore from ₹2649.19 crore for the previous year and the profit after tax increased by 28.40% to ₹2569.93 crore from ₹2001.42 crore for the previous year.

## 1.3 Dividend

In addition to interim dividend of ₹3.50 per share paid in February, 2011, your Directors are happy to recommend a final dividend of ₹4.00 per share for the year 2010-11, which is subject to approval



Dr. J.M. Phatak, CMD, REC, presenting a cheque of ₹230.86 crore to Shri Sushilkumar Shinde, Hon'ble Union Minister of Power on 23rd September, 2010 in presence of Shri P. Uma Shankar, Secretary (Power), senior officials of Ministry of Power and REC.

of shareholders in the Annual General Meeting. The total dividend for the year will work out to ₹7.50 per share as against ₹6.50 per share paid last year. The total dividend pay-out for the year will amount to ₹740.59 crore (excluding dividend tax).

## 1.4 Share Capital

The Issued and Paid up Share Capital is ₹987.46 crore consisting of 98,74,59,000 equity shares of ₹10 each as on 31.03.2011 against the Authorized Capital of ₹1200 crore. The Government of India holds 66.80% of the equity share paid up capital.

## 2. LOANS SANCTIONED

The Company sanctioned loans worth ₹66419.98 crore during the year 2010-11, as against ₹45357.36 crore in the previous year excluding subsidy under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY). The state and category-wise break-up of loans sanctioned during the year are given in enclosed **Table-1 and 2** respectively. The cumulative amount of sanctions made since inception upto 31.3.2011 was ₹345906.22 crore including subsidy under RGGVY. The cumulative state-wise position of sanctions upto the end of 2010-11 is given in enclosed **Table-3**.

## 3. DISBURSEMENTS

A total sum of ₹28517.11 crore was disbursed during the year 2010-11 as against ₹27127.14 crore in the previous year including subsidy under RGGVY. The cumulative amount disbursed since inception upto 31.3.2011 was ₹138052.41 crore excluding subsidy under RGGVY. The state-wise disbursements and repayment by borrowers during the year together with cumulative figures and outstandings as on 31.3.2011 are given in enclosed **Table-4**.

## 4. RECOVERIES

4.1 The amount due for recovery including interest during the year 2010-11 was ₹16979.84 crore as compared to ₹12461.02 crore during the previous year. The overdues from defaulting borrowers were ₹195.13 crore as on 31.3.2011. The Company recovered a total sum of ₹16951.31 crore during the year 2010-11 against ₹12496.12 crore during the previous year. The details are given below:

Particulars	Total (₹ in crore)
Overdues as on 1.4.2010	166.60
Dues receivable during the year	16979.84
Received during the year	16951.31
Overdues as on 31.03.2011	195.13

4.2 Out of the overdues of ₹195.13 crore as on 31.03.2011, a sum of ₹55.58 crore stands recovered till 31.05.2011.

4.3 The Company has been making continuous efforts to keep Non-Performing Assets (NPAs) to Zero level. As on 31.03.2011, the Gross NPAs of the Company stood at ₹19.54 crore (i.e. 0.02% of Gross Loan Assets), as compared to ₹19.54 crore (0.03% of Gross Loan Assets) as on 31.03.2010.



## 5. FINANCIAL REVIEW

### 5.1 A summary of Financial Results

The summary of financial results of the Company for the year ended 31st March, 2011 is given below:

(₹ in crore)

Particulars	Standalone		Consolidated	
	2010-11	2009-10	2010-11	2009-10
Gross Income	8495.27	6707.60	8532.20	6747.63
Profit before tax	3476.63	2649.19	3499.16	2680.76
Depreciation	3.04	2.16	3.07	2.18
Provision for Income Tax , Deferred Tax & FBT	906.70	647.77	914.26	658.51
Net Profit / Profit after Tax	2569.93	2001.42	2584.89	2022.25
Add: Reversal of Deferred Tax Liability for earlier years	-	325.77	-	325.77
<b>Total amount available for appropriations</b>	<b>2569.93</b>	<b>2327.19</b>	<b>2584.89</b>	<b>2348.02</b>
<b>Appropriations :</b>				
Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	610.11	458.03	610.11	458.03
Transfer to Reserve for Bad & Doubtful Debts u/s 36(1)(vii) of the Income Tax Act, 1961	144.09	107.60	144.09	107.60
Interim Dividend	345.61	257.60	345.61	257.60
Dividend Tax on Interim Dividend	57.39	43.77	57.39	43.77
Proposed Final Dividend	394.98	345.61	395.03	345.66
Dividend Tax on proposed Final Dividend	64.08	57.40	64.08	57.41
Transfer to Reserve for Doubtful Debts	-	-	0.20	-
Transfer to General Reserve	260.00	500.00	263.00	500.75
Balance carried forward	693.67	557.17	705.37	577.20

### 5.2 Resource Mobilization

The Company mobilized ₹25855.35 crore from the market during the year 2010-11. This includes ₹2750 crore by way of loan from commercial banks and FI, ₹5045.47 crore by way of capital gain tax exemption bonds, ₹217.16 crore from infrastructure bonds under Section 80CCF of Income Tax Act, 1961, ₹10169.78 crore by way of non-priority sector bonds, ₹1600 crore through Commercial Paper(CP), ₹375 crore by way of Short Term Loan from Commercial Banks, ₹5308.87 crore from external commercial borrowings and ₹389.07 crore by way of Official Development Assistance (ODA) loan from Kreditanstalt für Wiederaufbau (KfW), Germany & Japan International Cooperation Agency (JICA), Japan.

#### External Commercial Borrowings

The Company mobilized USD 1170 million (₹5308.87 crore) from International market during FY 2010-11. Out of the above, USD 500 million was raised through Reg S Bond and USD 670 million through syndicated Term Loan facilities.

### Cash Credit Facilities

For day to day operations, the Company has an approved limit of ₹1200 crore to arrange cash credit limits which has been tied up with various banks.

### 5.3 Domestic and International Credit Rating

#### Domestic

The domestic debt instruments of REC continued to enjoy "AAA" rating – the highest rating assigned by CRISIL, CARE, FITCH & ICRA-Credit Rating Agencies.

#### International

REC enjoys international credit rating equivalent to sovereign rating of India from International Credit Rating Agencies Moody's and FITCH which is "Baa3" and "BBB-" respectively. "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

As per the Finance Act 2006, only REC and National Highway Authority of India (NHAI) are eligible to raise money through bonds issued under Section 54 EC of the Income Tax Act, 1961, which helped in keeping the cost of borrowing at a low level. The overall annualized average cost of funds was 6.90 % during the year 2010-11. As a result REC is able to deliver debt financing at competitive rates.

### 5.5 Redemption and Pre-Payment

During the year, the Company repaid a sum of ₹11665.05 crore. This includes repayment amounting to ₹13.29 crore to the Government of India, ₹1200.22 crore to non-priority / priority sector bond holders, ₹3871.21 crore worth of Capital Gain Tax Exemption Bonds and ₹83.09 crore of Official Development Assistance (ODA) loan. The Company also redeemed long term and short term loans from Banks of ₹2447.24 crore and Commercial Paper of ₹4050 crore.

### 5.6 Financial status at the close of the financial year

At the close of the financial year 2010-11, the total resources of the Company stood at ₹82792.44 crore. Out of this sum, Equity Share Capital contributed ₹987.46 crore, Reserve and Surplus stood at ₹11801.16 crore, Loans from LIC, Commercial Banks and Market Borrowings accounted for ₹70003.82 crore. These funds were deployed as Long / Short Term Loans of ₹82132.06 crore and Fixed Assets of ₹88.06 crore (including Capital Work in progress), Investments of ₹812.43 crore, Deferred Tax Asset of ₹12.77 crore and balance of ₹252.88 crore in Net Current Assets.

### 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.

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



## 6. RECOGNITIONS, AWARDS AND ACHIEVEMENTS

### 6.1 REC gets 'Infrastructure Finance Company' (IFC) status

We have the pleasure to inform that on an application made by the Company, Reserve Bank of India (RBI) vide its letter dated September 17, 2010 categorized your Company as an Infrastructure Finance Company (IFC). With IFC Status, REC can now take an additional lending exposure of up to 5% of its owned funds in case of a single borrower as well as up to 10% of its owned funds in case of a single group of borrowers. The total permissible exposures would thus be 40% of owned funds in case of single group of borrowers. In addition, REC becomes eligible for issuance of Infrastructure Bonds and for raising funds up to USD 500 million through External Commercial Borrowing (ECB) in a year under automatic route.

### 6.2 Awards and Achievements

During the year under review, performance of your Company has been recognised by way of bestowing the following prestigious awards / accolades:

- Gold Trophy of SCOPE Meritorious Award for "The Best Managed Bank, Financial Institution or Insurance Company 2008-09". The award was given by Hon'ble President of India on 10th April, 2010. The award is instituted by SCOPE in recognition of the outstanding performance of PSUs in specific field.
- DSIJ PSU Award 2010 for "The Best Wealth Creator" by Dalal Street Investment Journal (DSIJ).
- India Pride Award 2010 for "The Best NBFC" instituted by Dainik Bhaskar DNA group. The award is given for excellent performance of PSUs.
- Asia Pacific HRM Congress Award 2010 for "Organisational Development & Leadership". The award is given under the aegis of Asia Pacific HRM Congress.
- DSIJ PSU Award 2011- "Speed King" for fastest growing PSUs across Maharatnas, Navratnas & Miniratnas.
- Featured in Dun & Bradstreet's India's Top PSUs 2011.



Hon'ble Union Minister of Finance Shri Pranab Mukherjee giving away the **India Pride Award 2010 - "The Best NBFC"** for excellent performance of PSUs instituted by Dainik Bhaskar DNA Group, to Shri Hari Das Khunteta, Director (Finance), REC



Hon'ble Union Minister for Power Shri Sushikumar Shinde giving away the **3rd DSIJ PSU Award 2011-"Speed King"** for fastest growing PSUs across Maharatnas, Navratnas & Miniratnas, to Shri Hari Das Khunteta, CMD on behalf of REC, on 21st April, 2011

### 7. MoU WITH MINISTRY OF POWER

The performance of REC in terms of Memorandum of Understanding (MoU) signed with Ministry of Power, Government of India for the financial year 2009-10 has been rated as "Excellent". This is the 17th 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 2010-11 also, based on the performance achieved, the Company is poised to receive "Excellent" rating.

## 8. FINANCING ACTIVITIES

REC has been funding power generation, transmission & distribution projects besides for electrification of villages. Various initiatives in this regard are enumerated below:

### 8.1 Generation

During the year 2010-11, the Company sanctioned 34 nos. of generation / R&M loans including 10 nos. additional loan assistance with total financial outlay of ₹40101 crore including consortium financing with other financial institutions. Since 2002-03 and upto 31.3.2011, REC has sanctioned financial assistance of ₹143904.76 crore for R&M, thermal, wind and hydro generation projects. REC has disbursed ₹11753.92 crore during 2010-11 against the ongoing generation projects.

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

Particulars	No. of Loans	Loan Amount (₹ in crore)
<b>STATE SECTOR</b>		
Fresh Loan	7	<b>19680.87</b>
Additional Loan	3	
<b>PRIVATE SECTOR</b>		
Fresh Loan	17	<b>20420.13</b>
Additional loan	7	
<b>Total : Fresh Loan + Additional Loan</b>	<b>24+10 = 34</b>	<b>40101.00</b>

## 8.2 Renewable Energy (RE)

During the year 2010-11, 11 nos. Renewable Energy projects including 6 nos. Solar projects were sanctioned with total project cost of ₹621.06 crore and loan assistance of ₹390.71 crore.

## 8.3 Transmission & Distribution

REC 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 country's objective to provide power for all by the year 2012 and also reduce the AT&C losses, REC has been financing schemes for expansion and strengthening of the transmission network and more importantly, modernizing of the distribution system.

During the year 2010-11, REC sanctioned 569 nos. of Transmission and Distribution schemes involving a total loan assistance of ₹22009.13 crore. This includes primary power evacuation schemes associated with generating plants, system improvement schemes including R-APDRP projects, bulk loan schemes, intensive electrification schemes and pumpset energisation schemes. The state-wise and category-wise details of the schemes are as per **Table 1 & 2** respectively.



Shri P. J. Thakkar, Executive Director, REC receiving “India Power Awards 2010” at a function organised by Council of Power Utilities on 11th November, 2010 for the availability of electricity for accelerated growth and enrichment of quality of life of rural & semi urban population.

## 8.4 System Improvement & Bulk Loan

During the year 2010-11, a total of 480 system improvement schemes and bulk loan schemes were sanctioned involving a loan outlay of ₹20298.36 crore. This included: (i) 62 schemes involving a loan assistance of ₹1554.26 crore for financing investment in the distribution system by way of installation of essential equipments like transformers, meters, capacitors etc. (ii) 30 schemes involving a loan assistance of ₹1940.09 crore for conversion of Low Voltage Distribution to High Voltage Distribution System (HVDS), (iii) 221 schemes for ₹6531.59 crore for improving the distribution system, and (iv) 72 schemes for ₹1017.26 crore towards counterpart funding of Part-B of R-APDRP projects and (v) 95 schemes for loan assistance of ₹9255.17 crore for improving the transmission network.

## 8.5 Pumpset energization

During the year 2010-11, 318176 electric irrigation pumpsets were reported energized under REC financed schemes. 76 new schemes for a loan assistance of ₹1562.55 crore were sanctioned during the year under this category. The state-wise details and cumulative position up to 31.3.2011 are given in the enclosed **Table-5**.

## 8.6 Activities in North Eastern (NE) States

A loan assistance of ₹17.78 crore was disbursed to the NE states under T&D programme during the year 2010-11.

Loan assistance of ₹7.14 crore was sanctioned to Department of Hydro Power Development, Govt. of Arunachal Pradesh for setting up of one micro hydel project.

## 9. RAJIV GANDHI GRAMEEN VIDYUTIKARAN YOJANA (RGGVY)

Government of India, launched the scheme “Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)–Scheme of Rural Electricity Infrastructure and Household Electrification” vide OM No.44/19/2004/D(RE) dated 18th March, 2005, for providing access to electricity to all rural households. The scheme is being implemented through REC. Under the scheme, 90% capital subsidy is being provided by Govt. of India for overall cost of the projects.

### 9.1 Electrification of villages and BPL Households

Initial approval was for implementation of Phase I of the scheme for capital subsidy of ₹5000 crore during X Plan period. Further sanction for continuation of the scheme in XI Plan was conveyed by Ministry of Power vide OM No.44/37/07-D(RE) dated 6th February, 2008 with an outlay of ₹28000 crore as capital subsidy.

573 projects covering electrification of 118499 un-electrified villages (Provisional revised coverage 111062) and 2.46 crore BPL households (Provisional revised coverage 2.33 crore) costing ₹26349.03 crore have been sanctioned by the Ministry of Power for implementation. The state-wise details are furnished in **Table-6**.

Cumulatively, under the scheme works in 96562 un-electrified villages have been completed and connections to 1.598 crore BPL households have been provided under the scheme up to 31.03.2011. The state-wise details are furnished in **Table-7**.

During 2010-11, it has been reported that works have been completed in 18306 un-electrified villages and connections to 0.588 crore BPL households have been provided. The state-wise details are furnished in **Table-7**. Further, during the year under review, RGGVY Subsidy of ₹5000 crore was disbursed by the Ministry of Power, Gol, to REC.

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

**10.1** RGGVY provides for DDG projects from conventional or renewable non-conventional sources such as biomass, biogas, mini hydro, wind and solar etc. for villages where grid connectivity is either not feasible or not cost effective.

- 10.2** DDG Systems are small power generation units near the load centres.
- 10.3** Ninety percent capital subsidy is provided under RGGVY towards overall cost of the DDG projects under the 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.
- 10.4** A provision of ₹540 crore has been kept as subsidy for DDG projects under XI Plan.
- 10.5** The Guidelines for DDG projects under RGGVY have been issued by Ministry of Power on 12.01.2009. Amendments to DDG Guidelines were issued by Ministry of Power on 05.01.2011, 17.03.2011 and 18.03.2011 for more coverage & faster implementation of DDG projects and also for facilitation of DDG in Left Wing Extremism (LWE) affected districts.
- 10.6** 29 nos. DDG projects were sanctioned during FY 2010-11 in the states of West Bengal, Chhattisgarh and Uttarakhand for a total project cost of ₹112.58 crore. Most of the States have appointed implementing agencies for DDG projects and are in the process of preparation of DPRs for DDG projects.

#### 11. CONTRIBUTION OF REC IN PROMOTION OF RENEWABLE/DDG PROJECTS

The Company till 31.3.2011 has financed various Renewable Projects as per details given below:

Sl. No.	Description	Projects under Implementation	Projects Commissioned	Total
(i)	Value of Loan sanctioned (₹ crore)	1895.29	132.96	2028.25
(ii)	Disbursement made so far (₹ crore)	397.67	126.10	523.77
(iii)	Value of Projects Sanctioned (₹ crore)	2717.11	378.61	3095.72
(iv)	MW of Projects	389.60	61.46	451.06
(v)	No. of Projects	23	11	34

#### 12. STANDARDISATION, QUALITY CONTROL & MONITORING

The 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 and has recently issued / updated technical specifications on Insulation Piercing Connectors for LT Aerial Bunched Cables of Voltage upto 1100 volts and Anchor (Dead end) and Suspension Assemblies for LT Aerial Bunched Cables of working voltage upto and including 1100 volts.

- 12.1** In line with the Three-Tier Quality Control Mechanism for ensuring proper quality of materials and works in implementation of RGGVY XI - Plan schemes, (i) REC Quality Monitors (RQM) have been appointed covering 338 projects in 25 states and (ii) National Quality Monitors (NQMs) have been appointed under Tier-III for the 332 projects covering 24 states of country. Further during the year under review, RQMs have undertaken 528 Nos.

of materials inspections and 5634 village inspections, and NQMs have undertaken 729 Nos. of village inspections for ensuring quality of works.

#### 13. ENERGY EFFICIENCY SERVICES LIMITED (EESL)

REC along with three other PSUs namely Powergrid, NTPC, and PFC as equal partners has formed a Joint Venture Company by the name Energy Efficiency Services Limited (EESL) on December 10, 2009. The total equity requirement for EESL is ₹190 crore to be shared equally by the four PSUs. EESL is expected to take a lead in implementing energy efficiency projects, play a market creation role in promoting usage of energy efficient appliances, promote the concept of Energy Service Companies (ESCOs) and performance contracting, manage a partial risk guarantee fund to provide risk mitigation to ESCOs etc, besides taking over the current commercial roles being discharged by the Bureau of Energy Efficiency (BEE). Thus EESL is expected to implement the recommendations under the National Mission for Enhanced Energy Efficiency (NMEEE) which is part of the National Action Plan for Climate Change (NAPCC). The business plan of EESL envisages taking up projects in Energy Conservation and Building Codes, Agriculture Demand Side Management (DSM), Municipal DSM, Bachat Lamp Yojana, besides taking up other functions.

##### 13.1 Indian Energy Exchange Limited (IEX)

Your Company has also contributed ₹1.25 crore (being 4.68 % of paid-up capital) towards equity contribution in Indian Energy Exchange Limited (IEX) up to 31st March, 2011. The IEX has a nationwide presence in the form of electronic exchange for trading in power.

#### 14. INTERNATIONAL COOPERATION & DEVELOPMENT

##### 14.1 Japan International Cooperation Agency (JICA)

REC has 2 Nos. of ongoing ODA loans from Japan International Cooperation Agency (JICA) – (JICA-I & II of JPY 20629 million and JPY 20902 million respectively) and 2 nos. ODA loans from KfW (KfW-I & II of EURO 70 million each). JICA-I loan is towards Rural Electricity Distribution Backbone (REDB) projects being implemented in the states of Andhra Pradesh, Madhya Pradesh and Maharashtra. JICA-II loan is towards "Transmission System" projects being implemented in the state of Haryana. KfW-I loan is towards "Energy Efficiency Programme" on HVDS projects being implemented in the state of Andhra Pradesh. KfW-II loan is towards "Energy Efficiency Programme" on HVDS projects being implemented in the state of Haryana. Under JICA-I&II ODA loans, a cumulative amount of JPY 15673.01 million and JPY 8142.81 million respectively has been drawn as on 31.03.2011. The drawal under KfW-I ODA loan was completed fully during the year under review and drawal under KfW-II ODA loan is yet to start.

#### 15. ERP BASED INTEGRATED INFORMATION SYSTEM

- 15.1** ERP in REC has been operational since 24th July 2009, and covers all important business areas of REC like Central Accounting, Project Appraisal and sanction, disbursement and management of Loan Accounts, Cash Management & Treasury functions, payroll and purchases etc. This enables capturing of data and information at the point of origin across all offices of REC and flow of the same upto the appropriate level depending on the



defined workflow hierarchy, resulting in improvement of internal efficiency and greater customer satisfaction.

- 15.2** REC Data Centre along with support functions comprising of IT, HR, Legal, Administration and Finance has been certified the global ISO/IEC 27001:2005 security standard, by BSI Management Systems India Private Limited. A Centralized helpdesk with state-of-the-art HelpDesk software system has also been established to streamline and improve the IT support across REC.
- 15.3** REC's bilingual website (www.recindia.gov.in) was adjudged as the best Hindi website by the 'NA.RA.KA.S' for the past consecutive three years.
- 15.4** Towards achieving greater e-governance and transparency, REC has implemented applications like 'e-procurement' and web-based online filling of 'Annual Property Return'. Presently, all tenders of above ₹10 lakh are procured through e-tendering system. The 'Annual Property Return' System is being used by all employees across REC for on-line submission of Annual Property Return and intimation as per statutory requirements.
- 15.5** With the implementation of ERP, more desks have been provided with Computer Systems. The present population of desktop systems against total employees stands around 90% (excluding class IV employees).

## **16. CENTRAL INSTITUTE FOR RURAL ELECTRIFICATION (CIRE)**

- 16.1** 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 organizations concerned with Power and Energy. CIRE conducts regular training programmes on various aspects of Generation, Transmission and Distribution for National and International Power Sector Executives.

### **16.2 National Training Programmes sponsored by MoP**

CIRE is designated as a nodal agency for implementation of National Franchisee and Training Programmes for employees of C&D category under the Human Resources Development component of RGGVY programme. 40000 Franchisees and 75000 employees of C&D category are to be trained under National Training Programme (NTP). This training activity will continue upto March, 2012. CIRE has entered into MoUs with 42 Power Utilities, so as to implement the training programme. During the year 2010-11, 472 Franchisee Programmes were conducted with 16770 participants and 1372 programmes for employees of C&D category were conducted with 32383 participants by various utilities across the country. The cumulative figure of personnel trained under Franchisee Training programme and C&D training stand at 26119 and 50256 respectively till March, 2011.

### **16.3 Regular National Programmes**

CIRE during the year under review, has organised 16 Regular Training Programmes with 251 participants for the personnel of various Power Utilities/Distribution Companies, on the topics such as, Distribution Automation & SCADA for Power utilities; Power & Distribution Transformers – Modern Trends and Practices; Earthing Practices in Electrical Installations and Safety Precautions; EHT Sub-stations – Design, Operation & Maintenance; EHV Transmission Lines – Design, Operation & Maintenance; Open Access, Power Trading and Tariffs – ABT

Scenario; Maintenance Management in Distribution; Reactive Power Management; Customer Management including procedures for ISO certification; Power Sector Accounting; Power Purchase Agreement; REC Standards for Construction, and Specifications for Materials; Operation & Maintenance of Generating Stations; Pilferage of Electricity – Technical & Legal Remedies; Appraisal and Financing of Power Projects; and 33/11 KV Sub-Station protection.

### **16.4 Sponsored National Programmes**

CIRE has also organised 3 customised programmes and trained 94 participants, with two programmes being on Pilferage of Electricity and Legal Remedies for the Vigilance / Police Officers / Executives of Karnataka Power Utilities and One on Reactive Power Management for the Officers of Narmada Hydro Power Development Corporation.

### **16.5 Regular International Programmes**

CIRE is empanelled by Ministry of External Affairs, Govt. of India to organise training programmes in the area of power sector under ITEC/SCAAP. During the year, CIRE has organised 7 International programmes with 117 participants, on the topics, viz., Modern Practices in Generation and Transmission Systems; Financial Management and Accounting System for Power Companies; Planning and Management of Power Transmission and Distribution Systems; Business Management of Power Utilities through IT/Automated Solutions; Modernization of Power Distribution Sector; Decentralized Distributed Generation and Rural Power Distribution Management and Planning and Financial Management of Power Projects. The participation was from countries, viz., Afghanistan, Angola, Belarus, Bhutan, Cambodia, Egypt, Ethiopia, Ghana, Guyana, Honduras, Indonesia, Iraq, Kenya, Laos, Lesotho, Madagascar, Mauritius, Malawi, Myanmar, Nepal, Nigeria, Oman, Philippines, Samoa, Sudan, Sri Lanka, Syria, Tanzania, Tajikistan, Thailand, Zambia and Zimbabwe.

### **16.6 Sponsored International Programmes**

Three programmes were sponsored by USAID/SARI(Energy) for the capacity building of power sector executives of Afghanistan on Skill Based Development Programme on Transformers; Distribution Loss Reduction and on Protection Systems and CIRE trained 35 participants with Industries tie-ups for hands-on experience. Further, a 3-week customised programme on Solar Power Generation with 10 participants was organised for Arab Organisation for Industrialisation (AOI) Cairo, Egypt.

### **16.7 Programmes organised in collaboration**

CIRE is also organising training programmes jointly with a premier Management Institute i.e. Institute of Public Enterprise and during the year conducted 4 programmes viz. Human Resources and Personnel Management in Power Sector; Strategic Financial Management for Power Sector; Finance for Non-Finance Executives and Appraisal and Financing of Power Projects with 51 participants drawn from various power utilities.

### **16.8 DRUM Programmes**

CIRE is empanelled as a partner training institute to organise DRUM training programmes, sponsored by Ministry of Power, Govt. of India under the financial support of USAID, through

Power Finance Corporation. CIRE has organised 31 programmes most of them are offsite programs (at Utilities premises) and trained 878 participants for various power utilities in the country on different themes, viz. Best Practices in Distribution Systems Operation and Maintenance; Distribution Efficiency and Demand Side Management; Best Practices in Distribution Loss Reduction; Communication Skills, Employee Motivation and Morale Development; Disaster Management, Electrical Safety Procedures and Accident Prevention, Financial Management in Distribution Business and TOT - Rural Distribution Franchising.

### 16.9 R-APDRP Programme

R-APDRP programme is sponsored by Ministry of Power, through PFC. CIRE conducted one R-APDRP programme for 63 Linemen of Haryana State Utility at Hisar during the year.

### 16.10 Conducting of NTP Programmes by CIRE as Empanelled Training Institute

During the year 2010-11, CIRE as Empanelled Training Institute of NTP Programmes has conducted 31 Franchisee Programmes with 1,260 participants and 16 C&D Programmes with 401 participants.

### 16.11 In-house programmes

Four programmes and two workshops with 104 participants were organised for the employees of REC to upgrade their knowledge and skills on various topics.

**16.12** In all, during the year 2010-11, in addition to coordinating and monitoring the National Training Programmes for Franchisees and employees of C&D category, CIRE conducted 119 programmes and trained 3264 executives as indicated below:

Sl. No.	Name of the Programme	No. of Programmes	No. of Participants
1	Regular - National Programmes	16	251
2	Sponsored - National Programmes	3	94
3	Regular - International Programmes	7	117
4	Sponsored - International Programmes	4	45
5	Programmes in collaboration with IPE	4	51
6	DRUM Programmes sponsored by USAID	31	878
7	R-APDRP programmes sponsored by MoP/PFC	1	63
8	National Training Programme for Franchisees conducted by CIRE	31	1260
9	National Training Programme for employees of C&D category conducted by CIRE	16	401
10	In-house Programmes	6	104
<b>Total</b>		<b>119</b>	<b>3264</b>

## 17. RISK MANAGEMENT

### 17.1 Asset Liability Management

The Company has a Risk Management Policy which covers inter alia Asset Liability Management and Derivative Instruments. An Asset Liability Management Committee (ALCO) is currently functioning under the chairmanship of CMD and it comprises of Director (Finance), Director (Technical), Executive Director (Finance), General Managers in Finance, Generation, T&D Division and also one Part-time Non-official Independent Director, nominated by Board of Directors of REC. ALCO monitors risk 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, like a forward looking resource raising program based on projected disbursement and maturity obligations. The interest rate risk is monitored through interest rate sensitivity analysis and managed through review of lending rates and cost of borrowings and the terms of lending and borrowing. Maturity pattern of certain items of Asset and Liabilities based on Balance Sheet as on 31st March, 2011, is as under:

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	Beyond 2015-16	Total
Rupee Loan Assets (including Interest accrued but not due)	8209	7962	8623	7774	7711	41853	82132
Investments	49	96	96	96	96	379	812
Foreign Currency Liabilities	990	174	241	254	5527	397	7583
Rupee Liabilities	7879	10087	12015	4574	5217	22648	62420

### 17.2 Foreign Currency Risk Management

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.

Out of total foreign currency liabilities outstanding as on 31st March 2011, 40% were fully hedged as detailed below:

Currency	Total		Hedged (Currency & Interest rate)		Unhedged	
	Foreign Currency (in millions)	INR Equivalent (in crore)	Foreign Currency (in millions)	INR Equivalent (in crore)	Foreign Currency (in millions)	INR Equivalent (in crore)
JPY	47697.36	1997.51	44316.43	1812.90	3380.92	184.61
EURO	58.95	384.84	58.95	384.84	-	-
USD	1170.00	5291.53	200.00	894.48	970.00	4397.05
<b>Total</b>		<b>7673.88</b>		<b>3092.22</b>		<b>4581.66</b>

### 17.3 Enterprise-wide Integrated Risk Management

The Company has constituted a Risk Management Committee (RMC) consisting of Director (Finance), Director (Technical) and one Part-time Non-official Independent Director for managing the integrated risks of the Company. The main function of RMC is to monitor various risks likely to arise and to examine 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. All the heads of operational divisions are required to list out various risks, pertaining to their functional areas and the controls/action plan formulated to mitigate the same and seek approval of the Risk Management Committee (RMC).

### 18. ISO 9001:2008 QUALITY ASSURANCE CERTIFICATION

REC 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.

### 19. HUMAN RESOURCES MANAGEMENT

In order to professionalize the Executive strength of REC and also to infuse fresh blood, 7 Executives were appointed through open advertisement and 27 Executives through campus recruitment drawn from premier Institutions empanelled for the purpose during the year under review.

The total manpower at the close of the financial year 2010-11 i.e. on 31.03.2011 was 688 which include 396 executives and 292 Non-executives.

#### 19.1 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 the total strength as on 31.03.2011 are given below:

Group	Total No. of employees	SC	ST
A	366(332)	32(30)	9(9)
B	137(153)	18(19)	3(3)
C	87(87)	17(17)	0(0)
D	98(101)	30(31)	2(3)
<b>Total</b>	<b>688(673)</b>	<b>97(97)</b>	<b>14(15)</b>

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

### 19.2 Training & Human Resource Development

As a means of equipping employees with a range of skills including their renewal and to enable them perform their responsibilities, training and HRD continued to receive priority during the year. REC Training and Human Resource Development policy aims at sharpening the managerial skills and competence needed for better employee performance and provides all possible opportunities to the employees to improve their performance and productivity. The training inputs are provided to promote better understanding of professional requirements as well as for sensitization to professional, socio-economic and political environment in which work is done and also for spiritual, health and attitudinal change processes. Significant focus area in training and HRD has been development of functional skills, soft skills as well as those related to areas such as IT, Rajbhasha etc.

Based on the assessed needs and as means to satisfy them, the Company sponsored 149 employees to various training programmes, workshop etc. within the country and abroad. In addition, 25 training programmes were conducted in house, which were attended by 448 employees. In order to enable them develop global exposure several officers were sent to attend various programmes abroad to countries viz. Germany, Malaysia, Singapore etc. Taken together, these initiatives enabled the Company to significant out-perform MoU targets. As against the target of 1500 mandays of training, REC achieved a figure of 2732 mandays for the year.

#### 19.3 Employee Welfare

REC has been providing a wide range of welfare amenities to employees; to take care of their diverse needs with a view to ensure their commitment to the organizational objectives. In order to provide better medical facilities to the employees / their dependent family members at Corporate Office and Zonal / Project Offices (including CIIE, Hyderabad), the Company during the year has expanded the list of empanelled Hospitals under the "Direct Payment" Scheme.

#### 19.4 Representation of Women Employees

Your Company provides equal growth opportunities to its women employees. REC's Women Cell celebrated the "International Women's Day" on Tuesday, the 08th March, 2011.

#### 19.5 Industrial Relations

The Industrial Relations continued to be healthy, cordial and harmonious. The process of consultation with the REC Employees and REC Officers' Association on important issues governing



employees' benefits and welfare etc. continued and on majority of the issues, consensus could be achieved which is a reflection of the atmosphere of mutual trust and harmonious relations that prevails in the Company. During the year 2010-11, a Bi-partite Wage Settlement was arrived at & implemented which comprehensively redefines the structure of salary, grade & pay scales and other elements of compensation including provision of a comprehensive structure of social security along with provisions of economic rehabilitation policy, pension, provision of the insurance cover for long term employees' liabilities etc. Hailed as a historic event in the organization, this has brought REC fully in sync with other Navratna PSUs in Power Sector and ensured high employee motivation. A committed REC employee fraternity ensured best ever collective performance excelling all past records during the year.



Dr. J. M. Phatak, CMD, REC receiving "Asia Pacific HRM Congress Award 2010" for "Organisational Development & Leadership" from Shri Bhaskar Chatterjee, Secretary to the Govt. of India, Department of Public Enterprises, on 3rd September, 2010.

## 19.6 Public Grievance Redressal Machinery

In accordance with the guidelines issued by the Govt. 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 Grievance also. One day during a week has been fixed as meeting day to attend the grievances by the Heads of Divisions at Corporate Office as well as Zonal / Project Offices and CIRE.

## 19.7 Sports Activities

In the year 2010-11, REC hosted Inter-CPSU Kabaddi Tournament as well as sponsored its Team to the Inter-CPSU Table Tennis and Chess Tournaments organized by various CPSUs of Power Sector under the aegis of Power Sports Control Board (P.S.C.B.).



REC Team receiving the Silver Trophy for winning the Inter-CPSU Chess and Bridge Tournament 2011 in April 2011 at Shillong.

## 20. CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

**20.1** During the year, the Corporate Social Responsibility initiatives were pursued actively with a view to integrate REC Business operations with social responsibilities to all stakeholders. Strategic focus was accorded by the REC CSR vision which was articulated during the year as follows:

*"REC, through its Corporate Social Responsibility (CSR) initiatives would strive to encourage excellence in young Indian champion achievers in all fields to shine at international levels and also to contribute towards modernization of society as its social responsibility to all stakeholders".*

**20.2** Accordingly the CSR activities have been pursued as "Sustainable Projects under Corporate Social Responsibility" as per policy of REC realigned with the DPE Guidelines issued in this regard in April 2010. For the fiscal 2011 CSR Budget @ 0.25% of previous year Profit after Tax was allocated amounting to ₹5.00 crore. Against this a number of projects were sanctioned during the year aggregating to ₹5.10 crore. Promotion of young talent in Education, Sciences and Sports was a key programme pursued during the year. Through the Homi Bhabha Centre for Science education, TIFR, Mumbai, all the Olympiad winner students were rewarded with awards to promote education and excellence in these fields. Similarly a program has been launched with the National Council for Education Research and Training (NCERT) to provide awards to selected scholars. Further, awards have also been instituted for young champions in various sports under which the identified sportspersons is provided awards for the purpose of defraying the cost of preparation / participation for international sports events so as to enable them win medals in International competitions for the country.

**20.3** Assistance was also provided to The Energy Resources Institute (TERI) for its ongoing initiative of "Lighting a Billion Lives" (LABL). For provision of solar lanterns for 'poorly electrified' 45 villages in the states of Assam, Madhya Pradesh and Maharashtra under which over 50 Solar LED Lanterns will be distributed in each village aggregating over 2250 Nos.

**20.4** Other projects include assistance for skill upgradation and employment assistance for Safai Karamcharis and BPL youth; assistance to IIT, Delhi for "Design and Development of Solar, Wind energy conversion system for Rural Electrification"; assistance to one agency which implements the midday meal program in Government schools for transportation of cooked food to school children in rural areas; assistance for a girls hostel in a remote village in South 24 Parganas of West Bengal along with provision of Solar lighting; provision of a "Community Mobile Clinic" to improve the overall health status in 10 villages surrounding Chandpur area in Faridabad district of Haryana; assistance to a project for free operative eye treatment; assistance for promotion of art and culture etc.

## 21. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

**21.1** The Company maintains 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. In order to ensure that all checks and balances are in place and all internal control system 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. Audit Committee periodically reviews the significant findings of different Audits as prescribed in the Companies Act and in the Listing Agreement.

**21.2** During the year, the Internal Audit Division has been further strengthened with induction of more professionals and implementation of updated REC Internal Audit Manual (2010). The Internal Audit Division covers all the major areas of operations including identified critical / risk areas as per the Annual Internal Audit Programme. The Division also helps in improving accuracy and efficiency of transactions and operations by undertaking periodical review of controls and examination of records of the Company.

## 22. VIGILANCE ACTIVITIES

**22.1** The major thrust of the Vigilance Division is on "Preventive Vigilance" with a view to bring about greater transparency in systems and procedures. Several measures/steps have been taken in this direction. E-procurement for procurements exceeding ₹10 lakhs has been implemented. The Procurement Guidelines have been improved upon incorporating latest CVC instructions and good practices of other Public Sector Enterprises. The final stage of computerization of Annual Property Returns (APR) where employees can submit their APRs details online was completed during the year. The returns for the calendar year ending 31.12.2010 were accordingly furnished on-line. Leveraging of Technology has also been done to provide online status of loan applications. As per instructions of CVC, REC (CDA) Rules have been reviewed and have been made more comprehensive.

**22.2** Inspections and field visits are being regularly conducted by the Vigilance Division. The Audit Reports are examined from vigilance point of view. Regular meetings are conducted with Functional Divisions to streamline the system and procedures. Training programmes are also being organized for vigilance and non-vigilance officers at Corporate Office as well as field offices on vigilance related matters.

**22.3** The Vigilance Awareness Period was organized from 25th October to 1st November, 2010. A Vigilance Handbook was released at the inaugural session of the Vigilance Awareness Period on 25th October, 2010. This Handbook, inter alia, covers vigilance related aspects like concept of vigilance, role of CVC/CBI, handling of complaints, whistle blower policy, investigation, disciplinary proceedings, vigilance clearance procedure, coordination with external agencies, organization and employee related issues. During this period, posters containing different messages discouraging corruption and encouraging preventive vigilance were displayed at Corporate Office as well as field offices. Debate and Essay Writing Competitions were organized for executives as well as non-executives. Eminent faculty was also invited for delivering lectures on various important topics.

**22.4** In compliance to the instructions of CVC, the sensitive posts in the Corporation were identified and HR Division has rotated many officers working on these posts for a long time. Agreed lists were finalized in respect of all Zonal Offices / Project Offices / Central Institute of Rural Electrification (CIRE) in addition to Corporate Office after constant pursuance with local branches of CBI. Prescribed periodical returns were sent to CVC, CBI, MoP on time.

**22.5** The performance of Vigilance Division was reviewed regularly by the CVC, Board of Directors and CMD, REC in addition to constant reviews undertaken by the CVO, REC in accordance with the prescribed norms. Two disciplinary cases are pending and only 3 complaints are pending as on date.

## 23. IMPLEMENTATION OF OFFICIAL LANGUAGE

**23.1** Strenuous efforts were made to achieve targets set out in the Annual Programme 2010-11 issued by Department of Official Language. During the year, Officers & Staff of the Company showed keen interest in Hindi with the result that its usage has increased in day to day working. In order to encourage employees, all Incentive Schemes introduced by the Government of India have been implemented in the Company.

**23.2** Inspections were carried out to assess the progressive use of Hindi in 15 divisions of Corporate Office and suggestions were given to them to improve the shortcomings. During the year, inspection of 10 Project Offices has been carried out. Ministry of Power's officers have also inspected four Project Offices during the year. A target of 25% inspection of Divisions of Corporate Office & Zonal / Project Offices was set out in the Annual Programme 2010-11 by Official Language Department and against this the Company has achieved the double target of inspections at Corporate Office as well as Zonal /Project Offices.

**23.3** The Company has been honoured with RAJBHASHA SHRI SAMMAN by Bharatiya Rajbhasha Vikas Sansthan, Dehradun during the year 2010-11.

**23.4** The Company organized nine Hindi competitions separately for General Managers / Executive Directors, Middle level Managers and Non-Executives as well as Sulekh Competition for Class IV employees during Hindi Pakhwara from 1.9.2010 to 14.9.2010 which witnessed participation of employees and officers in large scale.

**23.5** A Prize Distribution Function was organized on 27.12.2010. Dr. P. C. Tandon, Sr. Reader, Delhi University was Chief Guest. Winners of these competitions were awarded Certificates of Merits & cash prizes by CMD, REC. Famous Hindi Poet Mr. Arun Jamini, Mr. Deepak Gupta & Mr. Mahendra Ajnabi charmed with their satirical poetry in Hindi and motivated all present to work in Rajbhasha.



Hon'ble Union Minister of Power, Shri Sushilkumar Shinde addressing the Rajbhasha Sammelan organized by REC under the aegis of Ministry of Power, Government of India at India International Centre, New Delhi on May 16, 2011.

**23.6** Cash Prizes and Certificates were given to encourage employees for doing their Original Work in Hindi.

**23.7** Four quarterly review meetings of Official Language Implementation Committee were held during the year 2010-11 under the Chairmanship of CMD, in which detailed discussions were held to review the progress and suggest measures to overcome the difficulties in order to achieve the targets.

**23.8** In order to increase use of Hindi by all in official work, ten Hindi workshops were organized in Corporate Office and nine in Zonal/Project Offices, in which 136 officers and 104 employees participated.

**23.9** Maintaining of required ratio in purchase of Hindi & English books for Library was ensured and Company library has been equipped with a large number of Hindi literary books, magazines & reference publications.

**23.10** REC's website is available both in Hindi and English and is 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 REC intranet.

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

The Ministry of Corporate Affairs, Government of India, vide its Circular dated 8th February, 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, profit and loss account and reports of the board of directors and auditors of the subsidiaries have not been attached with the balance sheet of the Company. 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, the financial data of the subsidiaries has been furnished in the Notes on consolidated financial statements, which forms part of the Annual Report. The annual accounts of the Company including that of subsidiaries will be kept for inspection by any member. 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 subsidiaries.

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

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.

No foreign exchange was earned during the year under review. The particulars regarding foreign exchange outgo during the year are as under:

Particulars	As on 31.03.2011 (₹ in crore)
Royalty, Know-how, Professional Consultation Fees	Nil
Interest	31.27
Finance Charges	50.24
Other Expenses	0.77
<b>Total</b>	<b>82.28</b>

## 26. SUBSIDIARY COMPANIES

Your Company has formed six subsidiary companies for undertaking specific business activities. The names of these companies, dates of their formation and the percentage of ownership interest in these Companies are as follows:-

Sl. No.	Name of Subsidiary Company	Date of Formation	Percentage of ownership interest
1.	REC Transmission Projects Company Limited (RECTPCL) (a wholly owned subsidiary of REC)	08.01.2007	100%
2.	North Karanpura Transmission Company Limited (NKTCL)* (a wholly owned subsidiary of RECTPCL)	23.04.2007	100%
3.	Talcher II Transmission Company Limited (TTCL)* (a wholly owned subsidiary of RECTPCL)	01.05.2007	100%
4.	REC Power Distribution Company Limited (RECPDCL) (a wholly owned subsidiary of REC)	12.07.2007	100%
5.	Raichur Sholapur Transmission Company Limited (RSTCL)* (a wholly owned subsidiary of RECTPCL)	19.11.2009	100%
6.	Vemagiri Transmission System Limited (VTSL) (a wholly owned subsidiary of RECTPCL)	21.04.2011	100%

\*NKTCL and TTCL have been transferred to M/s Reliance Power Transmission Limited on 20.05.2010 and 27.04.2010 respectively. RSTCL has been transferred to a Consortium of M/s Patel Engineering Limited, M/s Simplex Infrastructures Limited and M/s BS TransComm Limited on 07.01.2011.

### 26.1 REC Transmission Projects Company Limited (RECTPCL)

RECTPCL has successfully concluded the process of selection of developer as Transmission Service Provider (TSP) for three inter-State Transmission Projects during the year 2010-11 allocated by Ministry of Power, Government of India namely (i) North Karanpura Transmission System; (ii) Talcher-II Augmentation System and (iii) Transmission System associated with Krishnapattanam UMPP – Synchronous interconnection between Southern Region and Western Region (Part-B). Three project specific Special Purpose Vehicle (SPVs) namely North Karanpura Transmission Company



Limited (NKTCL), Talcher II Transmission Company Limited (TTCL) & Raichur Sholapur Transmission Company Limited (RSTCL) were established as wholly owned subsidiary of RECTPCL for development of above three projects. Subsequent to successful conclusion of the selection process, North Karanpura Transmission Company Limited (NKTCL) & Talcher II Transmission Company Limited (TTCL) have been transferred to M/s Reliance Power Transmission Limited on 20.05.2010 & 27.04.2010 respectively. Similarly, Raichur Sholapur Transmission Company Limited (RSTCL) has also been transferred to Consortium of M/s Patel Engineering Limited, M/s Simplex Infrastructures Limited & M/s BS TransComm Limited on 07.01.2011. The selected bidders have acquired the project specific SPV after payment of Acquisition Price for the acquisition of one hundred percent (100%) of the equity shareholding of the SPV.

Ministry of Power, Government of India vide Gazette notification dated March 16, 2011 has appointed RECTPCL as Bid Process Coordinator (BPC) for selection of developer as Transmission Service Provider for three new projects viz. Transmission System associated with IPPs of Vemagiri Area: Packages A, B & C through tariff based competitive bidding process. These projects will be implemented on Build, Own, Operate and Maintain (BOOM) basis and two stage process featuring separate Request for Qualification (RFQ) and Request for Proposal (RFP) will be adopted for selection of developer in accordance with the guidelines notified by Ministry of Power, Government of India. The project specific Special Purpose Vehicle namely Vemagiri Transmission System Limited for Package-A has been incorporated on April 21, 2011.

The total length of transmission lines involved in Package A is about 400 KM. In response to global notification for Request for Qualification (RFQ) for said project, RECTPCL has received responses from 28 bidders which include foreign bidders also. The responses are presently under evaluation and short-listing of bidders shall be concluded shortly.

## 26.2 Financial Performance during 2010-11

During the year ended 31st March, 2011, REC Transmission Projects Company Limited (RECTPCL) has been able to generate an income of ₹16.49 crore. The profit before tax and profit after tax for the year is ₹16.34 crore and ₹10.92 crore respectively. The net worth of RECTPCL has reached to ₹30.77 crore against initial capital injected by REC of ₹0.05 crore.

## 26.3 REC Power Distribution Company Limited (RECPDCL)

**26.3.1** RECPDCL during the year completed milestone of Third Party Inspection (TPI) of 24,136 villages and 1,617 feeders under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and Feeder Renovation Programme (FRP) works respectively. The Company has carried out the material inspection of more than 17,500 distribution transformers in 13 DISCOMS under RGGVY and material inspection of High Voltage Distribution System (HVDS) projects of Uttar Haryana Bijli Vidyut Nigam Ltd. (UHBVN).

**26.3.2** RECPDCL prepared the Detailed Project Report (DPR) for the Restructured-Accelerated Power Development and Reform Program (R-APDRP-Part-B) Scheme for 31 towns (20 for Uttar Haryana Bijli Vidyut Nigam Ltd. (UHBVN) and 11 for Dakshin Haryana Bijli Vidyut Nigam Ltd.)

**26.3.3** The Company has widened its business horizon by taking up the new initiatives viz., TPI works of HVDS, Energy Audit, Carrying out Energy Accounting & Energy Audit in Distribution Network and Lender Engineer Assignment. During the year 2010-11, the Company has conducted Energy Audit at Indian Institute of Management (IIM) Lucknow, NOIDA campus and National Institute of Public Finance and Policy (NIPFP), New Delhi

**26.3.4** The Company has also entered into a MoU with M/s North Delhi Power Ltd. (NDPL) to undertake the business of distribution of electricity in the License area. This new initiative would help the Company in achieving its main objective to promote, develop, construct, operate, distribute and maintain 66 kV and below distribution network.

## 26.4 Financial Performance during 2010-11

**26.4.1** During the year ended 31st March, 2011, RECPDCL has been able to generate gross income of ₹20.44 crore and profit before tax and profit after tax of ₹6.16 crore and ₹4.04 crore respectively.

**26.4.2** The net worth of the Company has doubled this year and reached to ₹8.15 crore against initial capital injected by REC of ₹0.05 crore. For the year, the Board of Directors have proposed a dividend @100% on par value, which is subject to approval of shareholders of the Company in the Annual General Meeting.

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

The information required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particular of Employees) Rules, 1975, are given below:

Name	Nature of Duty	Qualification & Exp. of Employee	Details of Commencement of Employment	Age (years)	Remuneration (₹)	Last Employment held	Remarks
Shri Guljit Kapur	Director (Technical)	Bachelor's Degree in Electrical Engineering 39 years	14/09/2005	60	7506591.00	M/s Power Grid Corporation of India Limited	Retired on 31.03.2011 on attaining superannuation age.

## 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 period ended 31.03.2011, the applicable Accounting Standards had been followed and no material departures have been made from the same;
- (ii) such accounting policies have been selected and applied consistently and judgements 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

**29.1** As part of the Green Initiative in Corporate Governance, the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos. 17/2011 and 18/2011, dated April 21 and 29, 2011 respectively, has also allowed companies to send official Notices/documents to their shareholders electronically.

**29.2** As a responsible corporate citizen, your Company has also taken initiative by seeking consent/dissent of its shareholders for electronic delivery of documents such as Notice of Annual General Meeting, Annual Report (Audited Financial Statements, Directors' Report, Auditors' Report etc.) for the financial year ended March 31, 2011. Accordingly e-mails were sent to 113790 shareholders whose e-mail addresses were already registered with Karvy Computershare Private Limited, Registrar & Share Transfer Agent (R&TA) of REC/Depository Participant. Response to the Green Initiative was overwhelming and 84852 shareholders opted for electronic delivery of Annual Report for the year 2010-11. Accordingly, Annual Report 2010-11 is being sent to these shareholders by e-mail. Annual Report 2010-11 shall also be available on REC website [www.recindia.nic.in](http://www.recindia.nic.in).

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

## 30. BOARD OF DIRECTORS

**30.1** The current composition of the Board of Directors of your Company is under:-

Sl. No.	Name of Director	Designation	Date of present Appointment
1.	Shri Hari Das Khunteta	Chairman & Managing Director (Additional Charge)	16.04.2011
2.	Shri Hari Das Khunteta	Director (Finance)	05.05.2004
3.	Shri Prakash Thakkar	Director (Technical)	02.05.2011
4.	Shri Devender Singh	Government Nominee Director	29.08.2007
5.	Dr. Devi Singh	Part-Time Non-official Independent Director	10.06.2011
6.	Dr. Govinda Marapalli Rao	Part-Time Non-official Independent Director	10.06.2011
7.	Shri Venkataraman Subramanian	Part-Time Non-official Independent Director	10.06.2011

**30.2** There were following changes in the Board of Directors of your Company during the year:

**30.2.1** Dr. J.M. Phatak who took over the charge as CMD, REC on 15th June, 2010 relinquished charge on 16th April, 2011. Earlier Shri P. Uma Shankar relinquished the charge as CMD, REC on 15th June, 2010.

**30.2.2** As per terms of appointment, the tenure of Shri Guljit Kapur, Director (Technical) ended on 31st March, 2011 on attaining the age of superannuation (i.e. 60 years) on 31st March, 2011.

**30.2.3** Ministry of Power, Government of India, vide its order dated 10th June, 2011, appointed three Part-time Non-official Independent Directors namely Dr. Devi Singh, Dr. Govinda Marapalli Rao and Shri Venkataraman Subramanian, on the Board of REC for a period of three years, with effect from the date of their appointment, or until further orders, whichever is earlier.

**30.2.4** As per terms of appointment, the three-year tenure of Part-time Non-official Independent Directors namely Shri V.N. Dhoot, Dr. M. Govinda Rao, Shri P.R. Balasubramanian ended on 19th December, 2010 and of Dr. Devi Singh on 6th January, 2011.

**30.2.5** Shri Rakesh Jain, Joint Secretary & Financial Advisor, Ministry of Power (MoP), was appointed as Government Nominee Director on the Board of REC w.e.f. 20th January, 2011 and his services were withdrawn by the Ministry of Power w.e.f. 5th July, 2011, from the Board.

**30.3** In accordance with the provisions of Articles 82 (4) of the Articles of Association of the Company, Shri Devender Singh, Director shall retire by rotation at the ensuing Annual General Meeting of the Company and, being eligible, offer himself for re-appointment.

**30.4** The Board wishes to place on record its deep appreciation for the valuable services rendered by Shri P.Uma Shankar, Dr. J.M. Phatak, Shri Guljit Kapur, Shri V.N. Dhoot and Shri P.R. Balasubramanian.

### 31. RIGHT TO INFORMATION ACT, 2005

The Company has taken necessary steps for the Implementation of "Right To Information (RTI) Act, 2005" 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 for the year 2010-11 (upto 09.05.2011) is given below:

Sl. No.	Particulars	Nos.
1.	Applications received (upto 09.05.2011)	110
2.	Applications disposed off (upto 09.05.2011)	108
3.	Applications disposed off subsequently	2
4.	Appeals received by AA, REC	2
5.	Appeals disposed off by AA, REC	2
6.	Appeals received from CIC	1
7.	Appeals disposed off by CIC	1

### RTI MACHINERY IN REC

#### CORPORATE OFFICE:

**(A) Assistant Public Information Officer**

Shri A.K. Mathur,  
Chief Manager (Law)

**(B) Public Information Officer**

Shri R.K. Mittal,  
General Manager (Law)

**(C) Appellate Authority**

Shri B.P. Yadav,  
Executive Director

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

Comments of the Comptroller and Auditor General of India on the Accounts of the Company for the year ended 31st March, 2011 are being enclosed in the Annual Report.

### 33. STATUTORY AND OTHER INFORMATION REQUIREMENTS

Information required to be furnished as per the Companies Act, 1956, Listing Agreement 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 on Corporate Governance issued by the Joint Statutory Auditors of the Company	III
Secretarial Audit Report issued by the Secretarial Auditors of the Company	IV
Statement pursuant to Section 212 (1) (e) of the Companies Act, 1956 relating to subsidiary companies.	V

### 34. STATUTORY AUDITORS

M/s K.G. Somani & Co., Chartered Accountants, New Delhi and M/s. Bansal & Co. Chartered Accountants, New Delhi, were appointed as Joint Statutory Auditors of your Company for the financial year 2010-11 by the Comptroller and Auditor General (C&AG) of India. The Joint Statutory Auditors have audited the Annual Accounts of the Company for the financial year ended 31st March, 2011. Following documents are annexed to this Report:

- Auditors' Report on the Audited Accounts of the Company for the financial year ended 31st March, 2011;
- Auditors' Report on the Consolidated Financial Statements of the Company and its Subsidiaries;
- Non-Banking Financial Companies Auditors' Report;
- Audited Accounts and Cash Flow Statement of the Company for the financial year ended 31st March, 2011;
- Annexure to be enclosed with the audited Balance Sheet for NBFC Companies as prescribed by RBI; and
- Audited consolidated Financial Statements of the Company for the financial year ended 31st March, 2011.



### 34.1 Reply to the Observations/Comments of Joint Statutory Auditors

In terms of Section 217(3) of the Companies Act, 1956, the information / explanation to the observations of Joint Statutory Auditors in para (iv) of Annexure to the Auditors Report referred in Point No. 3 of Auditors Report are submitted as under:

Observation of Joint Statutory Auditors	Management Reply
<p>"In our opinion and according to information &amp; explanations given to us, internal controls for purchase of fixed assets and for the financial services are generally commensurate with the size of the Corporation and the nature of its business. However in certain areas internal control needs further strengthening like Utilization of grants/subsidies disbursed under various schemes; Monitoring and supervision of loans given to various SEBs/ DISCOMS/ TRANSCOS/ GENCOS including obtaining search reports for charges created against the loans given, ascertainment of viability of revised project at the time of re-schedulement of loan assets; Generation of various reports from loan module in ERP to have better control over loan assets. During the course of audit we have not come across any major failure in internal control system".</p>	<p>"Efforts are being made to further strengthen the internal control in the said areas".</p>

### 35. SECRETARIAL AUDITORS

M/s Chandrasekaran Associates, New Delhi was appointed as Secretarial Auditors of your Company for carrying out Secretarial Audit for the financial year 2010-11. A copy of the Secretarial Audit Report is annexed to this report.

### 36. ACKNOWLEDGEMENTS

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

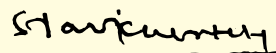
The Directors thank the State Governments, State Electricity Boards, State Power Utilities and other Borrowers for their continued interest and trust in the Company.

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

The Directors also thank the Secretarial Auditors M/s. Chandrasekaran Associates, Joint Statutory Auditors M/s. K.G. Somani & Co. and M/s. Bansal & Co., and the Comptroller & Auditor General of India for their valued cooperation.

The Directors also sincerely appreciate and thank the employees of the Company at all levels 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



(Hari Das Khunteta)

Chairman & Managing Director

New Delhi  
15th July, 2011

Table - 1: Projects sanctioned during 2010-11 under REC financed Schemes

(₹ in lacs)			
Sl. No.	State	No. of Projects	Loan Amount
<b>A.</b>	<b>T &amp; D Projects</b>		
1	Andhra Pradesh	67	128303.30
2	Chhattisgarh	16	90792.29
3	Haryana	54	126149.06
4	Himachal Pradesh	49	46589.62
5	Karnataka	57	62686.24
6	Madhya Pradesh	82	390420.66
7	Maharashtra	41	207668.08
8	Orissa	5	18371.30
9	Punjab	24	127951.26
10	Rajasthan	48	759686.79
11	Tamil Nadu	30	72081.37
12	Uttar Pradesh	94	159529.47
13	Uttrakhand	2	10683.09
	<b>Sub-Total-(A)</b>	<b>569</b>	<b>2200912.52</b>
<b>B</b>	<b>Generation Projects</b>		
1	Andhra Pradesh	5	624950.00
2	Arunachal Pradesh	0	70000.00*
3	Chhattisgarh	3	355163.00*
4	Gujarat	0	60000.00*
5	Himachal Pradesh	0	12500.00*
6	Karnataka	2	731200.00
7	Maharashtra	3	819890.00*
8	Orissa	3	270700.00*
9	Punjab	1	720.00
10	Rajasthan	3	531824.00
11	Tamil Nadu	3	354800.00
12	Uttrakhand	0	19400.00*
13	West Bengal	1	158953.00
	<b>Sub-Total-(B)</b>	<b>24</b>	<b>4010100.00</b>
<b>C</b>	<b>DDG - Renewable Energy Projects</b>		
1	Arunachal Pradesh	1	714.00
2	Gujarat	2	7020.00
3	Himachal Pradesh	1	8396.00*
	<b>Sub-Total-(C)</b>	<b>4</b>	<b>16130.00</b>
<b>D</b>	<b>DDG - Under RGGVY</b>		
1	Chhattisgarh	19	1052.67
2	Uttrakhand	1	270.56
3	West Bengal	9	9934.48
	<b>Sub-Total-(D)</b>	<b>29</b>	<b>11257.71</b>
<b>E</b>	<b>DDG - Solar Projects</b>		
1	Andhra Pradesh	1	1180
2	Maharashtra	1	5496
3	Orissa	1	1196
4	Rajasthan	3	15069
	<b>Sub-Total-(E)</b>	<b>6</b>	<b>22941.00</b>
<b>F</b>	<b>Short Term Loan</b>		
1	Chhattisgarh	1	15000.00
2	Punjab	2	50000.00
3	Rajasthan	1	30000.00
4	Tamil Nadu	6	150000.00
5	Uttar Pradesh	8	80000.00
6	Uttrakhand	2	35800.00
	<b>Sub-Total-(F)</b>	<b>20</b>	<b>360800.00</b>
<b>G</b>	<b>IC&amp;D Projects</b>		
1	Andhra Pradesh	6	13349.54
2	Haryana	0	6507.00*
	<b>Sub-Total-(G)</b>	<b>6</b>	<b>19856.54</b>
	<b>Grand Total (A+B+C+D+E+F+G)</b>	<b>658</b>	<b>6641997.77</b>

\* Includes additional loan assistance against already sanctioned projects.

**Table - 2: Category-wise Projects sanctioned during 2010-11  
under REC financed Schemes**

(₹ in lacs)

Sl. No.	Category	Category Code	No. of Projects	Loan Amount
A	T&D Projects			
1	Project: Intensive Electrification	P:IE	13	14821.10
2	Special Project Agriculture: Pumpset Energisation	SPA:PE	76	156255.36
3	Project: System Improvement	P:SI-Distribution	221	653158.61
4	Project: System Improvement	P:SI-Distribution(HVDS)	30	194009.36
5	APDRP	APDRP	72	101725.55
6	Project: System Improvement: Bulk Loan	P:SI:Bulk	62	155425.83
7	Project: System Improvement: Transmission	P:SI-Transmission	95	925516.72
	<b>Sub-Total (A)</b>		<b>569</b>	<b>2200912.52</b>
B	Project: Generation	P:Gen	24	4010100.00
C	Project: DDG - Renewable Energy	P:DDG - Renewable Energy	4	16130.00
D	Project: DDG - RGGVY	P:DDG - RGGVY	29	11257.71
E	Project: DDG - Solar	P:DDG - Solar	6	22941.00
F	Short Term Loan	STL	20	360800.00
G	Project: IC&D	P:IC&D	6	19856.54
	<b>Grand Total (A+B+C+D+E+F+G)</b>		<b>658</b>	<b>6641997.77</b>

**Table - 3: Cumulative State-wise Sanctions under REC Projects upto 2010-11**

(₹ in lacs)

Sl. No.	STATE	Upto 2001-02		X Plan		XI Plan (Upto 2010-11)		Cumulative upto 2010-11	
		No. of Projects	Loan Amount	No. of Projects	Loan Amount	No. of Projects	Loan Amount	No. of Projects	Loan Amount
1	Andhra Pradesh	4810	440263	1104	1209532	317	733306	6231	2383101
2	Arunachal Pradesh	159	29954	54	104020	16	73949	229	207923
3	Assam	393	32984	33	30404	20	150197	446	213585
4	Bihar	1664	55272	73	189857	21	571529	1758	816658
5	Chhattisgarh	0	0	22	516315	57	453764	79	970079
6	Delhi	2	817	6	47323	1	363707	9	411847
7	Goa	16	2007	0	0	0	0	16	2007
8	Gujarat	1784	253470	124	527966	40	716632	1948	1498068
9	Haryana	1209	116989	148	395304	204	802105	1561	1314398
10	Himachal Pradesh	419	52240	37	116177	96	148227	552	316644
11	Jammu & Kashmir	500	67243	34	93792	65	160965	599	321999
12	Jharkhand	0	0	27	147602	12	255581	39	403183
13	Karnataka	2384	307390	472	388445	132	1199540	2988	1895375
14	Kerala	1454	242741	297	241884	13	95914	1764	580539
15	Madhya Pradesh	5111	236175	133	235711	127	752154	5371	1224040
16	Maharashtra	4602	440595	833	1516910	256	2077304	5691	4034809
17	Manipur	146	20696	3	9463	2	9169	151	39328
18	Meghalaya	105	19351	4	31571	10	44645	119	95567
19	Mizoram	46	7879	24	20360	7	14343	77	42582
20	Nagaland	71	7791	23	5648	22	18474	116	31914
21	Orissa	1624	77691	21	120627	55	408199	1700	606517
22	Punjab	1303	259737	216	657148	109	935188	1628	1852073
23	Rajasthan	3012	382940	597	556042	324	2454396	3933	3393377
24	Sikkim	36	2910	4	5626	2	3101	42	11637
25	Tamil Nadu & Pondicherry	3003	175458	597	380610	224	2354781	3824	2910848
26	Tripura	172	15732	6	36374	3	11189	181	63295
27	Uttar Pradesh	3027	223840	102	670277	279	1410880	3408	2304997
28	Uttaranchal	0	0	84	306792	12	160112	96	466904
29	West Bengal	1256	59750	198	442875	43	912937	1497	1415562
30	Puducherry - UT	0	0	0	0	2	12507	2	12507
31	T&D Private	0	0	9	4955	10	107085	19	112040
32	Generation Private	6	3347	19	602003	52	4031868	77	4637218
	<b>Total</b>	<b>38314</b>	<b>3535262</b>	<b>5304</b>	<b>9611614</b>	<b>2533</b>	<b>21443746</b>	<b>46151</b>	<b>34590622</b>

Note: Loan amount includes RGGVY capital subsidy and Loan

**Table - 4: Statement showing State-wise and programme-wise disbursements and repayment by borrowers during the year 2010-11 and outstandings as on 31-03-2011**

(₹ in lacs)

Sl.No.	Name of State	Transmission & Distribution	Generation	RGGVY	STL/Debt Ref	Total disbursement for the year 2010-11	Disbursed upto the end of the year	Repayments		Outstanding at the end of the year 2010-11
								During the year	Upto the end of year	
1	Andhra Pradesh	81938	47899	1320	0	131157	1570507	81028	720415	850092
2	Arunachal Pradesh	792	0	0	0	792	23389	186	14029	9360
3	Assam	0	0	6976	0	6976	44846	0	26477	18369
4	Bihar	0	0	6033	0	6033	71087	2368	24716	46371
5	Chhattisgarh	2338	21135	0	0	23473	334288	27639	106915	227373
6	Goa	0	0	0	0	0	1479	0	1479	0
7	Gujarat	0	0	473	0	473	643152	150075	614159	28993
8	Haryana	112938	22462	287	0	135687	761027	65021	231515	529512
9	Himachal Pradesh	11065	28881	608	0	40554	250320	9202	104959	145361
10	Jammu & Kashmir	2851	0	675	0	3526	118557	6827	54261	64296
11	Jharkhand	5200	28990	1727	0	35917	170674	0	15334	155340
12	Karnataka	2599	0	707	0	3306	420563	12245	296401	124162
13	Kerala	0	0	301	0	301	371723	28694	335721	36002
14	Madhya Pradesh	50362	46246	3249	0	99857	363625	10976	157014	206611
15	Maharashtra	229990	281950	1478	0	513418	2049609	41235	661042	1388567
16	Manipur	0	0	998	0	998	17444	31	3126	14318
17	Meghalaya	0	0	904	0	904	43559	58	12279	31280
18	Mizoram	0	375	799	0	1174	26519	2911	18064	8455
19	Nagaland	986	0	649	0	1635	19328	584	7488	11840
20	Orissa	845	8282	6276	0	15403	154282	468	92472	61810
21	Punjab	132003	17544	0	50000	199547	1043882	77469	486781	557101
22	Rajasthan	157804	7000	927	0	165731	1477438	65392	580896	896542
23	Sikkim	0	72246	443	0	72689	196619	152	3131	193488
24	Tamil Nadu	58918	310382	47	150000	519347	1469995	129531	365795	1104200
25	Tripura	0	0	470	0	470	12341	0	11055	1286
26	Uttar Pradesh	64391	139372	413	80000	284176	1244327	115216	555663	688664
27	Uttaranchal	8243	40713	0	31200	80156	332161	36009	84419	247742
28	West Bengal	307	101915	6006	0	108228	569487	13941	45799	523688
29	Wind Energy	0	0	0	0	0	3013	0	1291	1722
<b>Total</b>		<b>923570</b>	<b>1175392</b>	<b>41766</b>	<b>311200</b>	<b>2451928</b>	<b>13805241</b>	<b>877258</b>	<b>5632696</b>	<b>8172545</b>
RGGVY Subsidy						399783				
<b>Grand Total</b>						<b>2851711</b>				

**Table - 5: Pumpsets energised under the projects financed by REC during 2010-11 and cumulative position upto 31.3.2011**

(Provisional)			
Sl. No.	State	Achievement during 2010-11 (Nos.)	Cumulative Achievement upto 31.3.2011 (Nos.)
1	Andhra Pradesh	73197	1896430
2	Arunachal Pradesh	-	-
3	Assam	-	1922
4	Bihar	-	113354
5	Delhi	-	-
6	Goa	-	-
7	Gujarat	-	420456
8	Haryana	940	231181
9	Himachal Pradesh	-	5935
10	Jammu & Kashmir	804	13513
11	Jharkhand	-	-
12	Karnataka	-	862387
13	Kerala	-	340882
14	Madhya Pradesh	-	1054106
15	Chhattisgarh	-	-
16	Maharashtra	214142	2104610
17	Manipur	-	29
18	Meghalaya	-	58
19	Mizoram	-	-
20	Nagaland	-	164
21	Orissa	-	63015
22	Punjab	66	501913
23	Rajasthan	3353	494428
24	Sikkim	-	-
25	Tamil Nadu	25674	1100767
26	Tripura	-	1530
27	Uttar Pradesh	-	379544
28	Uttarakhand	-	-
29	West Bengal	-	82202
<b>Total</b>		<b>318176</b>	<b>9668426</b>



## Table - 6: Details of Projects Sanctioned under RGGVY

						(₹ in crores)
Sl. No.	State	No. of Projects	No. of Districts	No. of un-electrified villages covered	No. of BPL households covered	Total Sanctioned Project Cost
1	2	3	4	5	6	7
1	Andhra Pradesh	26	22	0	2592140	840.09
2	Arunachal Pradesh	16	16	2129	40810	537.69
3	Assam	23	23	8525	991656	1659.99
4	Bihar	43	38	23211	2762455	2975.89
5	Chhatisgarh	14	14	1132	777165	1105.21
6	Gujarat	25	25	0	955150	360.43
7	Haryana	18	18	0	224073	197.40
8	Himachal Pradesh	12	12	93	12448	205.25
9	Jammu & Kashmir	14	14	283	136730	635.93
10	Jharkhand	22	22	19737	1691797	2662.61
11	Karnataka	25	25	132	891939	600.10
12	Kerala	7	7	0	56351	134.32
13	Madhya Pradesh	32	32	806	1376242	1528.88
14	Maharashtra	34	34	6	1876391	713.44
15	Manipur	9	9	882	107369	357.79
16	Meghalaya	7	7	1943	116447	290.41
17	Mizoram	8	8	137	27417	104.25
18	Nagaland	11	11	105	69900	111.17
19	Orissa	31	30	17895	3185863	3575.11
20	Punjab	17	17	0	148860	154.59
21	Rajasthan	40	33	4454	1750118	1254.49
22	Sikkim	4	4	25	11458	57.10
23	Tamil Nadu	26	26	0	545511	447.41
24	Tripura	4	4	160	194730	131.46
25	Uttar Pradesh	64	65	30802	1120648	2719.51
26	Uttaranchal	13	13	1469	281615	643.89
27	West Bengal	28	17	4573	2699734	2344.63
<b>Total</b>		<b>573</b>	<b>546</b>	<b>118499</b>	<b>24645017</b>	<b>26349.03</b>

Table - 7: State-wise detail of Cumulative Achievement under RGGVY

Sl. No.	State	Achievement up to 2009-10		Achievement in 2010-11		Cumulative Achievement	
		Un-electrified Villages	BPL HH	Un-electrified Villages	BPL HH	Un-electrified Villages	BPL HH
1	2	3	4	5	6	7	8
1	Andhra Pradesh	0	2345290	0	258751	0	2604041
2	Arunachal Pradesh	215	967	464	9205	679	10172
3	Assam	1933	222534	4086	352237	6019	574771
4	Bihar	19044	1103082	1937	641016	20981	1744098
5	Chhattisgarh	98	236884	77	196552	175	433436
6	Gujarat	0	280558	0	420126	0	700684
7	Haryana	0	93290	0	90535	0	183825
8	Himachal Pradesh	0	540	26	3637	26	4177
9	Jammu & Kashmir	68	22149	45	8452	113	30601
10	Jharkhand	13280	801945	3901	359213	17181	1161158
11	Karnataka	58	735731	1	48861	59	784592
12	Kerala	0	16121	0	1117	0	17238
13	Madhya Pradesh	89	152602	187	211816	276	364418
14	Maharashtra	0	631028	0	403387	0	1034415
15	Manipur	128	4996	143	4397	271	9393
16	Meghalaya	137	19096	13	12880	150	31976
17	Mizoram	0	378	36	8129	36	8507
18	Nagaland	14	4368	43	13434	57	17802
19	Orissa	7297	794806	5890	1435007	13187	2229813
20	Punjab	0	19507	0	28890	0	48397
21	Rajasthan	2559	701800	1258	255939	3817	957739
22	Sikkim	0	66	20	7121	20	7187
23	Tripura	13	22085	65	36886	78	58971
24	Tamil Nadu	0	383829	0	115044	0	498873
25	Uttar Pradesh	27736	856102	23	15818	27759	871920
26	Uttaranchal	1481	205674	28	19596	1509	225270
27	West Bengal	4106	441598	63	925309	4169	1366907
	<b>Total</b>	<b>78256</b>	<b>10097026</b>	<b>18306</b>	<b>5883355</b>	<b>96562</b>	<b>15980381</b>

# 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 year 2010-11.

## 1. INDUSTRY STRUCTURE

### Industry Overview

Electric energy generation during the fiscal 2011 grew by 5.55% which was marginally higher than the long term annual average growth rate. [CAGR of 5.17% during the period 2001-02 to 2010-11.] Actual electric energy generation during the fiscal 2011 was 811.1 BU against the generation of 768.4 BU in the previous fiscal. The total energy deficit during the fiscal 2011 was 8.5% whereas the peak power deficit stood at 10.3%. The Indian power sector has historically been beset by energy shortages. In fiscal 2010, total energy deficit was 10.1% compared to 11.1% in fiscal 2009 and 9.9% in fiscal 2008. Similarly peak energy deficit in fiscal 2010 was 12.7% compared to 12.0% in fiscal 2009 and 16.6% in fiscal 2008.

During the fiscal 2011 there has been an addition of 12160 MW of generation capacity with total installed power generation capacity reaching 173,626 MW as of March 31, 2011. As per the Planning Commission, in order to deliver a sustained economic growth rate of 8.0% through to fiscal 2032, 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.

The power generation capacity has increased substantially in recent years, however the level of achievement vis-à-vis targets has been low. During the 9th Five Year Plan (1997-2002), capacity addition achieved was 19,015 MW (47.5% of target) and during the 10th Five Year Plan (2002 to 2007) capacity addition achieved was 21,180 MW (51.6% of target). The mid-term appraisal target for capacity addition for the 11th Five Year Plan (2007-2012) is 62374 MW (earlier target being 78,700 MW) out of which 34,462 MW (55.2% of the current target i.e 62374 MW) has already been achieved as on March 31, 2011 with one more year remaining for completion of the plan.

As per the Working Group Report on Power for Eleventh Plan of the Government of India (fiscal 2008 to fiscal 2012), the overall requirement of funds for the power sector has been estimated at ₹10,31,600 crore. For the Twelfth Plan period, CEA estimates that in order to meet the projected demand requirement by 2017, capacity addition of 1,00,000 MW would be required; and including additions required in matching transmission and distribution systems, the total fund requirement for the plan period would be about ₹11,00,000 crore.

### Generation

The installed generation capacity in the country stood at 1,73,626 MW as on March 31, 2011 with 82,452 MW (47.49%) in the State sector, 54,413 MW (31.34%) in the Central Sector and 36,761 MW (21.17%) in the private sector.

Sector	Installed Capacity as on 31.03.2011 (MW)	Installed Capacity As on 31.03.2010 (MW)
State	82452	79391
Central	54413	50993
Private	36761	29014
<b>Total</b>	<b>173626</b>	<b>159398</b>

In addition to the above there is a captive generating capacity of 19,509 MW, connected to the grid. In terms of the generation capacity by type as on March 31, 2011, 1,12,824.5 MW (65%) was in Thermal, 4,780 MW (2.8%) was in Nuclear, 37,567 MW (21.6%) was in Hydro and 18,454.5 MW (10.6%) was in Renewable Energy Sources.

### Transmission and Distribution

#### Transmission

In India, the transmission and distribution system is a three-tier structure comprising 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. These regional grids are to be gradually integrated to form a national grid, whereby surplus power from a region could be redirected to another region facing power deficits, thereby allowing a more optimal utilization of the national generating capacity. At the end of fiscal 2011 the total length of transmission lines aggregated about 2.55 lakh cKm which was about 2.36 lakh cKm at the end of previous year.

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

Transmission Lines cKm	As on 31/03/2011 cKm	As on 31/03/2010 cKm	Increase
765 kV	4641	3563	1078
400 kV	106333	97353	8980
220 kV	134638	128099	6539
+/- 500 kV HVDC	8924	7452	1472
<b>Total</b>	<b>254536</b>	<b>236467</b>	<b>18069</b>

At the end of fiscal 2011, the aggregated substation transformation capacity at 765 kV, 400 kV and 220 kV level stood at 3.45 lakh MVA. This aggregated capacity was 3.11 lakh MVA at the end of fiscal 2010.

Sub-stations (MVA)	As on 31/03/2011	As on 31/03/2010	Increase
765 kV	4500	4500	0
400 kV	133862	116427	17435
220 kV	207151	189125	18026
+/- 500 kV HVDC Convertor	0	0	0
BTB Stn Convertor Terminal (MW)	11200	8700	2500

Investment for Transmission System development and related schemes during the Eleventh Plan period is estimated at ₹1,40,000 crore with Central Sector share of ₹75,000 crore and State Sector share of ₹65,000 crore. Further, as per CEA estimates for the 12th plan, the funds requirement for Transmission Sector would be about ₹2,40,000 crore with Central Sector share of ₹1,40,000 crore and State Sector share of ₹1,00,000 crore.

The focus of transmission system development is to provide adequate inter-regional and intra-regional transmission capacity so as to consolidate and strengthen the national grid network towards a strong all-India grid. Government of India's transmission perspective plans focus on the creation of a national grid in a phased manner by adding over 60,000 cKm of transmission network by 2012.

### Distribution

Struggling to cope up with high AT&C losses, and compelled by upstream growth in generation and transmission, Indian electricity distribution system is under aggressive metamorphosis, catalysed by twin schemes of the Central Government - APDRP and RGGVY- for the urban and rural distribution networks.

The total fund requirement for sub-transmission and distribution system development for urban and rural areas, during the eleventh Plan period is estimated at ₹2,87,000 crore inclusive of APDRP and RGGVY schemes. Further, as per CEA estimates for the twelfth five year plan period, the total fund requirement for the Distribution sector, would be about ₹3,71,000 crore.

The R-APDRP scheme (Restructured APDRP) seeks to address the issue of limited resources with the SEBs and State Public Utilities due to their poor financial health and resultant inability to upgrade the distribution network. R-APDRP focuses on actual, demonstrable performance in terms of sustained loss reduction and proposes to cover urban areas - towns and cities with population of more than 30,000 (10,000 in case of special category states). In addition, in certain high-load density rural areas with significant loads, works of separation of agricultural feeders from domestic and industrial ones, and of High Voltage Distribution System (11kV) will also be taken up. The Part-A of R-APDRP aims at preparation of Base-line data for the project area covering Consumer Indexing, GIS Mapping, Metering of Distribution Transformers and Feeders, and Automatic Data Logging for all Distribution Transformers and Feeders and SCADA / DMS system etc. Part-B aims at renovation, modernization and strengthening of 11 kV level substations, transformers, re-conductoring of lines at 11kV level and below and upgradation

of the entire last mile distribution infrastructure.

Government of India provides 100% Loan for Part-A of the R-APDRP schemes and up to 25% (90% for special category States) Loan for Part-B of the R-APDRP schemes for which funds would be channelized through PFC / REC. The entire amount of Government of India loan for Part-A of the project is converted into grant after establishment of the required base-line data system within a stipulated time frame and duly verified by third party inspection agencies. Part-B loans to the extent of 50% (90% for special category States) are converted into grant in five equal tranches on achieving 15% AT&C loss in the project area duly verified by third party inspection agencies, on a sustainable basis for a period of five years.

Various utilities having been fraught with high distribution and AT&C losses, have now started investing in innovative technologies and mechanisms to enhance the throughput of the distribution systems, thanks to the better governance by some States. Feeder separation scheme is being implemented by many states to improve urban as well as rural electricity accounting as well as enhance the power quality.

In order to reduce AT&C losses, utilities are using HVDS (high voltage distribution systems) in the distribution network with high HT/LT ratio. Smart energy meters such as AMRs (automatic meter reading) and pre-paid meters are being utilized to improve upon energy accounting and collection efficiency as well as to provide communication interface between consumer and the utility. The distribution sector is now making use of information technology in operation and maintenance, providing reliable and quality power. The IT platform helps in effective energy management and reducing cost of supply.

The distribution sector having largest concentration of transformers is now making use of amorphous and BEE certified transformers to reduce technical losses. With these technological interventions supported by respective State Governments, the sector is poised for big leap forward. Many discoms in private and government sector have shown way forward with implementation of best practices in efficient management of distribution system. These interventions are providing new opportunities in business growth in the distribution sector.

Smart-grid technologies are gradually changing the landscape of the power distribution system worldwide. Providing two way communications between the consumer and the utility, the intelligent smart-grid technologies will 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 eventually to be implemented by the utilities for efficient, reliable and delivery of quality power will also provide long term business opportunities to the corporation.

It is projected by CEA that about 100GW of generation capacity has to be added up by 2017 to support economic growth in the 12th Plan. According to Planning Commission, a sustained economic growth of 8% would entail an increase in power generation capacity to around 685GW by 2032.

It goes without saying that these additions in generation capacities over coming two decades would eventually need a robust distribution system of a size at least four times bigger,

complex and smarter from its present size and form. The enormous capital expenditure together with equally huge operational infrastructure in terms of skilled manpower, testing equipments, laboratories and maintenance of equipments create a very optimistic business outlook to the corporation in distribution sector.

The performance orientation built into the R-APDRP is expected to incentivise and accelerate investments in distribution infrastructure, and result in faster accomplishment of loss reduction goals.

### Policy Environment in the Power sector

In recent years, in light of persistent power shortages and given the estimated rate of increase in demand for electricity in India, the Government of India has taken significant action to restructure the power sector, increase capacity, improve transmission, sub-transmission and distribution, and attract investment to the sector. Some of the various strategies and reforms adopted by the Government of India and other initiatives in the power sector in India are as follows:

#### Electricity Act, 2003 (Electricity Act)

The most significant reform package was the introduction of the Electricity Act, which modified the legal framework governing the electricity sector and was designed to alleviate many of the problems facing India's power sector and to attract capital for large scale power projects. The Electricity Act replaced the multiple legislations that previously governed the Indian electricity sector. The most significant reform under the Electricity Act is the move towards a multi-buyer, multi-seller system, as opposed to the previous structure which permitted only a single buyer to purchase power from generators. Furthermore, under the Electricity Act, the regulatory regime is more flexible, has a multi-year approach and allows the Central and State Regulatory Commissions greater freedom in determining tariffs, without being constrained by rate-of-return regulations.

#### National Electricity Policy, 2005

The National Electricity Policy was notified in February 2005. This policy aims at accelerated development of the power sector, focusing on the supply of electricity to all areas and protecting interests of consumers and other stakeholders, keeping in view availability of energy resources technology available to exploit these resources, economics of generation using different resources and energy security issues.

#### National Tariff Policy, 2006

The National Tariff Policy (NTP) was notified by the Government of India on January 6, 2006, with key objectives to (i) ensure availability of electricity to consumers at reasonable and competitive rates (ii) ensure financial viability of the sector and attract investments (iii) promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimize perceptions of regulatory risks; and (iv) promote competition, efficiency in operations and improvement in quality of supply.

The NTP stipulates that all future power requirements should be procured competitively by distribution licensees except

in cases of expansion of pre-existing projects or where there is a public sector controlled or owned developer involved. In these cases, regulators must resort to tariffs set by reference to standards of the Central Electricity Regulatory Commission (CERC), provided that expansion of generating capacity by private developers for this purpose will be restricted to a one time addition of not more than 50% of the existing capacity. Under the NTP, even for public sector projects, tariffs for all new generation and transmission projects will be decided on the basis of competitive bidding in future.

### Accelerated Power Development & Reforms Programme (APDRP)

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

#### RGVY

The Rajiv Gandhi Grameen Vidyuthikaran Yojana (RGVY) which was launched by the Government of India in April 2005 aims to establish (i) Rural Electricity Distribution Backbone (REDB) with at least a 33/11 kV sub-station; (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 channelised 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 @ ₹2200/- per connection in all rural habitations for RGVY schemes sanctioned under the XI plan. The Management of Rural Distribution is undertaken through franchisees. A three-tier quality monitoring has been built into the scheme. RGVY has thus resulted in huge investments in providing electricity connections in rural India.

#### Ultra Mega Power Projects (UMPPs)

The Government of India has introduced the UMPP program with the objective of developing large capacity power projects in India, each with a contracted capacity of 3,500 MW or above. These UMPPs involve economies of scale based on large generation capacities based at a single location, utilize super critical technology to reduce emissions, and potentially have lower tariff costs for electricity generated as a result of these factors and a result of the tariff being based on international competitive bidding processes adopted for the selection of developers. As of March 31, 2011, 16 UMPPs have been identified. As of March 31, 2011 a total of 12 Special Purpose Vehicles (SPVs) have been created by the nodal agency. These SPVs will undertake preliminary site investigation activities and obtain appropriate regulatory and other approvals (including for land, water, the environment and for power selling) necessary to conduct the bidding process for these projects. Four of these SPVs have already been transferred to successful bidders. The successful bidders are then expected to develop



and implement these projects.

#### **Independent Power Transmission Companies (IPTCs)**

The MoP has also initiated a tariff based competitive bidding process for independent power transmission projects (IPTCs), which is a process similar to that followed for UMPPs, for the development of transmission systems through private sector participation. 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.

#### **Hydro Power Policy 2008**

The Hydro Power Policy, 2008, emphasizes increased private investment in the development of hydroelectric projects. The policy aims 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.

#### **Renewable Energy Sources**

CERC has notified Tariff Regulations for electricity generated from Renewable Energy sources, which are expected to promote new investments so that renewable electricity supply could expand. The normative Return on Equity has been specified at 19% (pre-tax) per annum for the first 10 years and 24% (pre-tax) per annum from 11th years onwards. Steps have also been taken to address the issue of mismatch between renewable resources availability in the local region and the renewable purchase obligations, as also to implement the Renewable Energy Certificate mechanism as an alternative route for fulfilling renewable purchase obligations.

#### **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 13th 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.

## **2. OPPORTUNITIES**

The 11th Plan period (fiscal 2008-2012) target investments in power infrastructure stand at ₹10,31,600 crore. CEA estimates addition of 1,00,000 MW generation capacity during the 12th Plan period (fiscal 2013-2017) which together with related transmission and distribution infrastructure is estimated to require funding of over ₹11,00,000 crore. Therefore the power sector is expected to remain vibrant and attract significant investments in the foreseeable future. REC also continues to take up the socio-economic responsibility of village electrification and contribute to the mission of "Power for all by 2012" as a nodal agency for monitoring and channelizing funds under the RGGVY program.

#### **IFC Status to REC**

On an application made by the Company, Reserve Bank of India (RBI) vide its letter dated September 17, 2010 categorized your Company as an Infrastructure Finance Company (IFC). With IFC Status, REC can now take an additional lending exposure of up to 5% of its owned funds in case of a single borrower as well as up to 10% of its owned funds in case of a single group of borrowers. The total permissible exposures would thus be 40% of owned funds in case of single group of borrowers. In addition, REC becomes eligible for issuance of Infrastructure Bonds and for raising funds up to US \$ 500 million through External Commercial Borrowing (ECB) in a year under automatic route.

#### **Development of Transmission Projects through tariff based competitive bidding process - Formation of new project specific SPV**

Ministry of Power, Government of India vide Gazette Notification dated 15th March, 2011 has appointed REC Transmission Projects Company Limited, a wholly owned subsidiary of Rural Electrification Corporation Limited (REC), as Bid Process Coordinator (BPC) for three Transmission Projects associated with IPPs of Vemagiri Area - Package A, Package B and Package C respectively.

A Project Specific Special Purpose Vehicle (SPV) for Transmission System Associated with IPPs of Vemagiri Area- Package A in the name of Vemagiri Transmission System Limited with Corporate Identity Number (CIN) U40300DL2011GOI217975 has been incorporated in the month of April 2011 and the Certificate for Commencement of Business has also been obtained on 8th June, 2011.

The total length of transmission lines involved in Package A is about 400 KMs. In response to global notification for Request for Qualification (RFQ) for said project, RECTPCL has received responses from 28 bidders which include foreign bidders also. The Responses are presently under evaluation and short-listing of bidders shall be concluded shortly.

## **3. THREATS, RISKS AND CONCERNS**

Our Company has a significant concentration of outstanding loans to State Electricity Boards and State Utilities and if our loans to these borrowers become non-performing, the quality of our asset portfolio may be adversely affected. Our ability to borrow from various banks may be restricted by changes in guidelines issued by the RBI imposing restrictions on banks in relation to their exposure on NBFCs, including us, that may adversely affect our growth and margins. The power sector financing industry is also becoming increasingly competitive and our profitability and growth will depend on our ability to compete effectively and maintain a low effective cost of funds.

Further, the non-availability/increasing cost of the fuel may affect construction and viability of the Generation projects, and consequently operations of the Company may get affected.

## **4. 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.

During the fiscal 2011, the Company sanctioned loan assistance of ₹66,420 crore (excluding subsidy under RGGVY). Loans to the Generation sector were a major component with sanctions of ₹40,604 crore. This included sanctions in Renewable Energy (RE) and Decentralised Distributed Generation (DDG) aggregating ₹161 crore, Solar Generation Projects of ₹229 crore and 29 projects of DDG under RGGVY worth ₹113 crore. Under the Transmission and Distribution Sector aggregate sanctions achieved were ₹22,208 crore including ₹199 crore sanctions under International Cooperation and Development (IC&D). Further, under the Short Term Loan product, ₹3,608 crore was sanctioned.

Aggregate disbursement of ₹28,517 crore (including subsidy of ₹3,998 crore under RGGVY) was achieved during the fiscal 2011. This included ₹11,754 crore under Generation, ₹9,236 crore under T & D schemes, ₹3,112 crore under Short Term Loan and ₹4,415 crore (including subsidy of ₹3,998 crore) under RGGVY.

## 5. OUTLOOK

Considering the continued shortages in electricity generation in the country, low levels of current per capita energy consumption and significant growth projections for the Indian economy over the long term, it is felt that the power infrastructure sector will be a significant beneficiary. Estimated, aggregate capacity addition of 1,77,800 MW during the 11th and 12th Plans put together (fiscal 2008-2017) along with other associated works with estimated investments of over ₹21,31,600 crore will continue to drive the prospects of power sector in the country. Thrust in rural electrification, renewable energy and decentralised distributed generation will inter-alia increase the penetration of electricity in the country thereby driving the demand further. As the Indian economy continues to grow, the outlook for the sector is quite optimistic with ample market opportunities available for financial products.

## 6. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company maintains 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. In order to ensure that all checks and balances are in place and all internal control system 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 periodically reviews the significant findings of different Audits as prescribed in the Companies Act and in the Listing Agreement.

## 7. DISCUSSION ON FINANCIAL PERFORMANCE IN RESPECT OF OPERATIONAL PERFORMANCE

The loan sanctioned during the year 2010-11 was ₹66,419.98 crore as compared to ₹45,357.36 crore during the year 2009-10 (excluding subsidy under RGGVY). The disbursement during the year also increased to ₹28,517.11 crore as compared to ₹27,127.24 crore during the year 2009-10 (including subsidy under RGGVY).

The amount due for recovery during the year 2010-11 was ₹16,979.84 crore as compared to ₹12,461.02 crore during the previous year. The overdues from defaulting Borrowers was ₹195.13 crore as on 31.3.2011. The Company recovered a total sum of ₹16,951.31 crore during the year 2010-11 as against ₹12,496.12 crore during the previous year.

During the financial year, the Company registered an increase of ₹1,707.15 crore in operational income which went up to ₹8,256.91 crore in 2010-11 from ₹6,549.76 crore during the year 2009-10. Profit before tax was at ₹3,476.63 crore in 2010-11 in comparison to ₹2,649.19 crore in 2009-10. Net profit of the Company in 2010-11 is ₹2,569.93 crore, an increase of ₹568.51 crore over the previous year. Net worth of the Company as on 31st March, 2011 is ₹12,788.62 crore.

## 8. MATERIAL DEVELOPMENT IN HUMAN RESOURCE / INDUSTRIAL RELATIONS FRONT INCLUDING NUMBER OF PEOPLE EMPLOYED.

In order to professionalize the Executive Strength of REC and also to infuse fresh blood, 7 Executives were appointed in REC through open advertisement and 27 Executives through campus recruitment drawn from premier Institutions empanelled for the purpose during the year under review.

The total manpower at the close of the financial year 2010-11 i.e. on 31.03.2011 was 688 which include 396 Executives and 292 Non-executives.

The Company sponsored 149 employees to various training programmes, workshop etc. within the country and abroad. In addition, 25 training programmes were conducted in-house which were attended by 448 employees. In order to enable them develop global exposure, several officers were sent to attend various programmes abroad to countries viz. Germany, Malaysia, Singapore etc. Taken together, these initiatives enabled the Company to significantly out-perform MoU targets. As against the target of 1500 mandays, REC achieved a figure of 2732 for the year.

## 9. CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

Corporate Social Responsibility initiatives were pursued actively. Strategic focus was accorded by the REC CSR vision which was articulated during the year as follows:

*"REC, through its Corporate Social Responsibility (CSR) initiatives would strive to encourage excellence in young Indian champion achievers in all fields to shine at international levels and also*

*to contribute towards modernization of society as its social responsibility to all stakeholders".*

Accordingly the CSR activities have been pursued as "Sustainable Projects under Corporate Social Responsibility" as per policy of REC as realigned with the DPE Guidelines issued in this regard in April 2010. For the fiscal 2011 CSR Budget @ 0.25% of previous year Profit after Tax was allocated amounting to ₹5.00 crore. Against this a number of projects were sanctioned during the year aggregating ₹5.10 crore. The REC CSR program was pursued with a view to integrate REC business operations with social responsibilities to all stakeholders.

#### **Disclosure of Environmental Protection and Conservation, Technological Conservation, Renewable Energy Developments and Foreign Exchange Conservation.**

##### **Green Initiative in Corporate Governance**

As a part of Green Initiative in Corporate Governance, the Ministry of Corporate Affairs (MCA) vide its Circular No. 17/2011 & 18/2011 dated 21.04.2011 & 29.04.2011 respectively also permitted service of notice/documents including Annual Report etc. through electronic mode i.e. e-mail. REC has implemented the 'Green Initiative' as per Circulars issued by MCA to enable electronic delivery of notices/documents including Annual Report for the financial year 2010-11 etc. to the shareholders.

##### **Technological Conservation**

There are no significant particulars, relating to conversation of energy, technology absorption as your Company does not own any manufacturing facility. However, the Company has made intensive use of technology in its operations during year under review.

##### **Foreign Exchange Conservation**

No foreign exchange was earned during the year under review. The particulars regarding foreign exchange outgo during the year are as under:

Particulars	As on 31.03.2011 (₹ in crore)
Royalty, Know-how, Professional Consultation Fees	Nil
Interest	31.27
Finance Charges	50.24
Other Expenses	0.77
<b>Total</b>	<b>82.28</b>

#### **Other Initiatives**

##### **Merchant Power Plants**

Merchant Power Plants (MPPs) generate electricity for sale at market-driven rates in the open wholesale market. Typically, the MPPs do not have long-term Power Purchase Agreements (PPAs) and are constructed and owned by private developers. Merchant sales, however, include the sale of power under short-term PPAs and on-spot basis. The MPPs can sell power to the power trading companies, state power utilities, distribution companies and industrial and bulk customers.

##### **Power Trading**

Historically, the main suppliers and consumers of bulk power in India have been the various government controlled generation and distribution companies, who usually contracted power on a long-term basis through PPAs with regulated tariffs. However, in order to encourage the entry of merchant power plants and private sector investment in the power sector, the Electricity Act recognized power trading as a separate activity from generation and has facilitated the development of a trading market for electricity in India by allowing open access to transmission networks for normative charges. Power trading involves the exchange of power from suppliers with surplus to those with deficit. Seasonal diversity in generation and demand as well as the concentration of power generation facilities in the resource-rich eastern region of India have created significant opportunities for the trading of power. Regulatory developments include the announcement of rules and provisions for open access and licensing related to inter-State trading in electricity. Several entities have started trading operations or made application for trading licenses. With the help of the reforms, the volume of power traded as well as its traded price has increased rapidly over the last few years.

The above policy initiatives have addressed multifarious issues concerning the power sector in India and will continue to guide it to higher levels.

# 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 Corporate Governance as per Listing Agreement, as a Government Company- Guidelines on Corporate Governance issued by Department of Public Enterprises (DPE), Ministry of Heavy Industries and Public Enterprises, Government of India, are also followed by the Company.

A brief report on Corporate Governance is given below and the Auditors' Certificate in compliance with the provisions of Corporate Governance is also enclosed separately:-

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

REC is committed to good Corporate Governance supported by appropriate transparent systems and practices to protect, promote and safeguard the interests of all its stakeholders.

REC is also committed to facilitate availability of electricity for accelerated growth and for enrichment of quality of life of rural and urban population.

REC is committed 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.

## 2. BOARD OF DIRECTORS

We are a Government Company within the meaning of section 617 of the Companies Act, 1956 as the President of India presently holds 66.80% of the total paid-up share capital. As per Articles of Association, the power to appoint Directors vests in the President of India.

### (A) Composition of Board

The Board of Directors of REC comprises of **Six** Members out of which **two** are Executive Directors including the Chairman and Managing Director and there are **four** Non Executive Directors out of which **one** is nominee of the Government of India and **three** are Part-time Non-official Independent Directors. The Directors bring to the Board wide range of experience, knowledge and skills. Brief profile of the Directors is set out elsewhere in the Annual Report.

The composition of the Board as on the date of the Report is as follows:

#### Executive Directors

Shri Hari Das Khunteta - Chairman and Managing Director (CMD) & Director (Finance)

Shri Prakash Thakkar - Director (Technical)

#### Non-Executive Directors

Shri Devender Singh - Government Nominee Director

Dr. Govinda Marapalli Rao - Part-time Non-official Independent Director

Dr. Devi Singh - Part-time Non-official Independent Director

Shri Venkataraman Subramanian - Part-time Non-official Independent Director

We are in compliant with the provisions of the Listing Agreement and Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 issued by the Department of Public Enterprises, regarding composition of the Board of Directors.

### (B) Non-Executive Directors compensation and disclosures

The Board of Directors in its Meeting held on 23.03.2009, decided to pay following as sitting fees to Part-time Non-official Independent Directors:-

Sl. No.	Meetings	Sitting fee per Meeting (in ₹)
1.	Board Meetings	15,000
2.	Committees Meetings	15,000

### (C) Other provisions as to Board and Committees

#### (i) Details of Board Meetings held during the Financial Year 2010-11.

The meetings are convened by giving appropriate advance notice after obtaining approval of the Chairman of the Board. To address specific urgent need, meetings are also being called at a shorter notice. In case of exigencies or urgency, resolutions are passed by circulation.

During the Financial Year 2010-11, fourteen Board Meetings were held i.e. on 29.04.2010, 19.05.2010, 07.07.2010, 21.07.2010, 08.09.2010, 25.09.2010, 25.10.2010, 29.11.2010, 16.12.2010, 30.12.2010, 05.01.2011, 09.02.2011, 24.02.2011 and 28.03.2011.

The maximum time gap between two Board Meetings was less than four months. The Board has complete access to all the relevant information within the Company including those prescribed in the Listing Agreement. The Company has defined procedures for meetings of the Board of Directors and Committees thereof so as to facilitate decision making in an informed and efficient manner.

#### (ii) Details of Number of Board Meetings attended by Directors, attendance at last AGM, number of other Directorships (in Public Limited Companies) /Committee Memberships (viz

**Audit Committee and Shareholders Grievance Committee) (other than REC), held by Directors during the year 2010-11 are tabled below:-**

Sl. No.	Name of the Director	Board Meetings		Attendance at Last AGM (held on 08.09.2010)	No. of other Directorships as on 31.03.2011	No. of other Committee Memberships as on 31.03.2011 <sup>§</sup>	
		Held during the tenure	Attended			As Chairman	As Member
1.	Shri P. Uma Shankar, Chairman & Managing Director	2	2	N.A.*	N.A.*	N.A.*	N.A.*
2.	Dr. J.M. Phatak Chairman & Managing Director	12	12	Yes	3	Nil	Nil
3.	Shri Hari Das Khunteta, CMD & Director (Finance)	14	14	Yes	Nil	Nil	Nil
4.	Shri Guljit Kapur, Director (Technical)	14	14	Yes	Nil	Nil	Nil
5.	Shri Devender Singh, Government Nominee Director	14	11	Yes	2	Nil	Nil
6.	Shri Rakesh Jain, Government Nominee Director	3	3	N.A.*	4	1	3
7.	Shri V.N. Dhoot, Part-time Non-official Independent Director	9	1	No	N.A.*	N.A.*	N.A.*
8.	Dr. Govinda Marapalli Rao, Part-time Non-official Independent Director	9	8	Yes	N.A.*	N.A.*	N.A.*
9.	Shri P.R. Balasubramanian, Part-time Non-official Independent Director	9	9	Yes	N.A.*	N.A.*	N.A.*
10.	Dr. Devi Singh, Part-time Non-official Independent Director	11	10	Yes	N.A.*	N.A.*	N.A.*

**Notes:**

- Shri P. Uma Shankar relinquished charge as CMD, REC w.e.f. 15th June, 2010 (F/N).
- Dr. J.M. Phatak took over the charge as CMD, REC on 15th June, 2010 and relinquished charge as CMD, REC on 16th April, 2011 (F/N).
- Shri Hari Das Khunteta, Director (Finance), REC assumed additional Charge as CMD, REC w.e.f. 16th April, 2011 (A/N).
- As per terms of appointment, the tenure of Shri Guljit Kapur, Director (Technical) ended on 31st March, 2011 on attaining the age of superannuation (i.e. 60 years) on 31st March, 2011.
- Shri Prakash Thakkar has been appointed as Director (Technical) on the Board of REC w.e.f. 2nd May, 2011 vide Ministry of Power Order No. 46/9/2010-RE dated 2nd May, 2011.
- Shri Rakesh Jain, Joint Secretary & Financial Advisor, Ministry of Power (MoP), was appointed as Government Nominee Director on the Board of REC w.e.f. 20th January, 2011 and his services were withdrawn by the Ministry of Power w.e.f. 5th July, 2011, from the Board of REC.
- As per terms of appointment, the three-year tenure of Part-time Non-official Independent Directors namely Shri V.N. Dhoot, Dr. M. Govinda Rao, Shri P.R. Balasubramanian ended on 19th December, 2010 and of Dr. Devi Singh on 6th January, 2011.
- Ministry of Power, Government of India, vide its order dated 10th June, 2011, has appointed three Part-time Non-official Independent Directors namely Dr. Devi Singh, Dr. Govinda Marapalli Rao and Shri Venkataraman Subramanian, on the Board of REC for a period of three years, with effect from the date of their appointment, or until further orders, whichever is earlier.

*\*N.A. indicates that concerned person was not a Director on REC's Board on the relevant date.*

*§In line with Clause 49 of Listing Agreement, only the Audit Committee and Shareholders/Investors Grievance Committee have been taken into consideration in reckoning the number of committee memberships of Directors as Chairman or as Member.*

None of the Directors on the Board is a member of more than 10 Committees and Chairman of more than 5 Committees (as specified in Clause 49 of the Listing Agreement), across all the companies in which he is a Director.

### (iii) Compliance with Applicable Laws:

The Board of Directors in their Meeting held on 29.03.2007 perused an indicative list of laws applicable to the Company and identified the Officers responsible for compliance with such applicable laws. Further, in the Board Meeting held on 21.02.2009, Board reviewed the format thereby including the factual details of nature of statutory compliance as applicable and the dates/details of the compliance of the same during the quarter. The Board had reviewed the compliance with the applicable laws based on quarterly report submitted to it and there have been no case of non-compliance as on 31.03.2011.

### (D) Code of Business Conduct and Ethics

The Board of Directors at its 367th Meeting held on 8th September, 2010, has approved Code of Business Conduct and Ethics for the Board Members and Senior Management in supersession of the existing Code of Conduct for Board Members and Senior Management at that time, after incorporating suggested list of items contained in DPE Guidelines and referring the Model Code of Business Conduct and Ethics for Board Members and Senior Management provided therein.

The Code of Business conduct and Ethics for the Board Members and Senior Management Personnel has 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.nic.in. Based on the affirmation received from the Board members and Senior Management Personnel, declaration regarding Compliance of Code of Conduct is as under:

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

All the members covered under the "Code of Business Conduct and Ethics for Board Members and Senior Management" have affirmed compliance with the said code for the Financial year 2010-11.

Sd/-  
**Hari Das Khunteta**  
**Chairman and Managing Director**

### (E) Code for Prevention of Insider Trading

In terms of Securities and Exchange Board of India (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 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'. A Copy of the Code has been posted on the Company's website i.e. www.recindia.nic.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.

### 3. COMMITTEES OF THE BOARD OF DIRECTORS

The Committees constituted by the Board as on the date of the Report are as follows:

- Audit Committee
- Sub-Committee for Borrowings other than Debentures
- Sub-Committee for review of lending rates for REC Loans
- Shareholders/Investors Grievance Committee
- Loan Committee
- Sub Committee of the Board for review and updation of HR Policies
- Remuneration Committee
- Risk Management Committee
- Executive Committee of the Board

#### 3.1 Audit Committee

- (i) The current composition of the Audit Committee is as under:

Sl. No.	Name of the Director	Designation	Position in Committee
1.	Dr. Devi Singh	Part-time Non-official Independent Director	Member
2.	Dr. Govinda Marapalli Rao	Part-time Non-official Independent Director	Member
3.	Shri Venkataraman Subramanian	Part-time Non-official Independent Director	Member

Quorum for the meeting is two members including the Chairman subject to minimum two Independent Directors. Director (Finance), GM (Internal Audit) and the Joint Statutory Auditors are standing invitees in the Audit Committee meetings. Senior functional executives are also invited as and when required to provide inputs 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 CPSEs 2010, as notified by the DPE; and



- d) to comply with any other applicable provisions relating to the Audit Committee.

During the year 2010-11, eight meetings of the Audit Committee were held on 18.05.2010, 06.07.2010, 20.07.2010, 25.09.2010, 25.10.2010, 29.11.2010, 09.02.2011 and 28.03.2011. Meetings attended by individual member during the year 2010-11 are detailed below:-

Name of the Director, Designation	Position in the Committee	No. of meetings held during his tenure	Meetings attended
Dr. Govinda Marapalli Rao, Part-time Non-official Independent Director	Chairman (upto 19.12.2010)	6	5
Shri P.R. Balasubramanian, Part-time Non-official Independent Director	Member (upto 19.12.2010)	6	6
Dr. Devi Singh, Part-time Non-official Independent Director	Member (upto 06.01.2011)	6	5
Shri Gulit Kapur, Director (Technical)	Member (from 21.01.2011 to 31.03.2011)	2	2
Shri Rakesh Jain, Government Nominee Director	Chairman (from 09.02.2011)	2	2
Shri Devender Singh, Government Nominee Director	Member (from 21.01.2011)	2	2

Dr. Govinda Marapalli Rao, the then Chairman of the Audit Committee, was present at the last AGM held on 08.09.2010 to answer Shareholders queries.

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

The Sub-Committee of Board of Directors for Borrowings other than Debentures was constituted by the Board of Directors in their Meeting held on 29.04.2005. The current composition of Sub-Committee of Board of Directors for Borrowings other than Debentures is as under:

Sl. No.	Name of the Director	Designation	Position in Committee
1.	Shri Hari Das Khunteta	CMD	Chairman
2.	Shri Hari Das Khunteta	Director (Finance)	Member
3.	Shri Prakash Thakkar	Director (Technical)	Member (from 02.05.2011)

Quorum for the meeting is minimum two Directors including CMD. During the year no Meeting was held.

### 3.3 Sub-Committee for review of lending rates for REC Loans

The Sub-Committee for review of lending rates was constituted

by the Board of Directors in their Meeting held on 21.07.2006 for reviewing the lending rates of short term loans. Further the scope of work of the Committee was enlarged by the Board of Directors in their meeting held on 26.10.2006 to review the lending rates on term loans also. The current composition of Sub-Committee for review of lending rates is as under:

Sl. No.	Name of the Director	Designation	Position in Committee
1.	Shri Hari Das Khunteta	CMD	Chairman
2.	Shri Hari Das Khunteta	Director (Finance)	Member
3.	Shri Prakash Thakkar	Director (Technical)	Member (from 02.05.2011)

Quorum for the meeting is two Directors including CMD. During the year six meetings of the Sub-Committee for review of lending rates for REC Loans were held on 15.07.2010, 11.08.2010, 25.09.2010, 27.12.2010, 06.01.2011 and 17.02.2011.

### 3.4 Shareholders/Investors Grievance Committee

#### (i) Constitution of 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, non receipt of declared dividend etc. The Committee is chaired by Shri Devender Singh, Government Nominee Director. The current composition of Shareholders/Investors Grievance Committee is as under:

Sl. No.	Name of the Director	Designation	Position in Committee
1.	Shri Devender Singh	Government Nominee Director	Chairman
2.	Shri Hari Das Khunteta	Director (Finance)	Member
3.	Shri Prakash Thakkar	Director (Technical)	Member (from 19.05.2011)

Quorum for the meeting is two members including the Chairman. Registrar & Share Transfer Agents (RTAs) appointed by the Company are standing invitees at the Meetings of Shareholders/Investors Grievance Committee. During the year 2010-11, four meetings of the Shareholders/Investors Grievance Committee were held on 17.05.2010, 21.07.2010, 21.10.2010 and 09.02.2011 to review the grievance procedure and status of pending Shareholders/Investors grievances. Shri Rakesh Kumar Arora, GM (F&A) & Company Secretary is the Compliance Officer of the Company in terms of Clause 47(a) of the Listing Agreement.

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

During the financial year ended 31st March 2011, Company has attended to investors grievances expeditiously and promptly. Status of Shareholders/Investors Grievances for the period from 01.04.2010 to 31.03.2011 related to Equity Shares/Listed Debt Securities is as follows:-



Pending at the beginning of the year	Nil
Received during the year	1011
Disposed off during the year	1011
Lying unresolved as on 31.03.2011	Nil

### 3.5 Loan Committee

The Loan Committee was constituted by the Board of Directors in its Meeting held on 26.05.2008. It has been constituted for sanction of loans:

- to Central/State Government Power utilities or Central/State PSUs in excess of ₹150 crore but upto ₹500 crore in each case, with an annual ceiling of upto ₹20,000 crore; and
- to Private Sector Power utilities in excess of ₹100 crore but upto ₹500 crore in each case, with an annual ceiling of upto ₹4000 crore.

The current composition of Loan Committee is as under:

Sl. No.	Name of the Director	Designation	Position in Committee
1.	Shri Hari Das Khunteta	CMD	Chairman
2.	Shri Hari Das Khunteta	Director (Finance)	Member
3.	Shri Prakash Thakkar	Director (Technical)	Member (from 02.05.2011)
4.	Shri Devender Singh	Government Nominee Director	Member

Quorum of the Committee is three Directors including CMD and Government Nominee Director. During the year, fifteen meetings of the Loan Committee were held on 19.04.2010, 17.06.2010, 29.06.2010, 07.07.2010, 22.07.2010, 12.08.2010, 31.08.2010, 08.09.2010, 21.09.2010, 21.10.2010, 12.11.2010, 29.11.2010, 06.01.2011, 23.02.2011 and 22.03.2011.

### 3.6 Sub Committee of the Board for review and updation of HR Policies

The Sub-Committee of the Board for review and updation of HR Policies was constituted by the Board of Directors in their Meeting held on 09.07.2008. It has been constituted for development, review and revision of Human Resources Policies and benefits / facilities of employees broadly in line with comparable Public Sector Enterprises such as Power Finance Corporation Limited, NTPC Limited etc. and to submit the policies for approval of the Board.

The current composition of Sub- Committee of the Board for review and updation of HR Policies is as under:

Sl. No.	Name of the Director	Designation	Position in Committee
1.	Shri Hari Das Khunteta	Director (Finance)	Member
2.	Dr. Devi Singh	Part-time Non-official Independent Director	Member
3.	Shri Venkataraman Subramanian	Part-time Non-official Independent Director	Member

During the year two meetings of the Sub Committee of the Board for review and updation of HR Policies were held on 25.09.2010 and 25.10.2010.

### 3.7 (i) Remuneration Committee as per Listing Agreement

REC, being a Central Public Sector Undertaking, the appointment, tenure and remuneration of Directors are decided by President of India. Hence the Board does not decide the remuneration of Directors. Therefore the Remuneration Committee as per Listing Agreement is not constituted in the Company. Part-time Non-official Independent Directors are paid only sitting fees at the rate fixed by the Board within the ceiling prescribed under the Companies Act, 1956 for attending the Board Meetings as well as Committee Meetings.

However, as required under the Corporate Governance Code, necessary disclosures with regard to remuneration of directors are made as follows:

- Details of remuneration of Executive Directors of the Company during the financial year 2010-11 are given below:

(Amount in ₹)

Sl. No	Name	Salary & Allowances	Other Benefits	Performance linked Incentive / Ex-gratia	Total
1.	Shri P. Uma Shankar CMD [upto 15.06.2010 (F/N)]	1,27,200	1,77,646	26,16,600	29,21,446
2.	Dr. J.M. Phatak, CMD [from 15.06.2010 (A/N)]	10,51,446	2,53,744	---	13,05,190
3.	Shri Hari Das Khunteta, Director (Finance)	30,92,295	3,41,477	23,30,911	57,64,683
4.	Shri Guljit Kapur, Director (Technical) [upto 31.03.2011 (A/N)]	39,01,716	4,86,685	31,18,190	75,06,591

- Details of Payments towards sitting fees to Part-time Non-official Independent Directors during the Financial Year 2010-11 are given below:

(Amount in ₹)

Sl. No.	Name of Part-time Non-official Independent Director s	Sitting Fees		Total
		Board Meeting	Committee Meeting	
1.	Shri Venugopal N. Dhoot*	2	--	2
2.	Dr. Govinda Marapalli Rao	1,20,000	75,000	1,95,000
3.	Shri P.R. Balasubramanian	1,35,000	1,50,000	2,85,000
4.	Dr. Devi Singh	1,50,000	1,65,000	3,15,000

\*Shri V.N. Dhoot is taking only Rupee One per meeting attended by him during the year as honorary payment.

- Shri Devender Singh being the Government Nominee Director on the Board of REC, is not entitled to get any remuneration and sitting fees from the Company.

### (ii) Remuneration Committee as per DPE

The Department of Public Enterprises (DPE) has vide Office Memorandum dated 26.11.2008, 9.2.2009 and 2.4.2009 notified

the revision of pay scales for Board level and below Board level executives and Non-Unionised Supervisors w.e.f. 01.01.2007. DPE vide the aforesaid Office Memorandums has also directed that each CPSE will constitute a Remuneration Committee headed by a Part-time Non-official Independent Director which will decide the annual bonus/variable pool and policy for its distribution across the executives and Non-Unionised Supervisors within the prescribed limits.

In accordance with the directions of DPE, the Board of REC has constituted a Remuneration Committee on 20.04.2009 to decide the Performance Related Payment for the year 2009-10 onwards.

The current composition of this Remuneration Committee is as under:

Sl. No.	Name of the Director	Designation	Position in Committee
1.	Dr. Devi Singh	Part-time Non-official Independent Director	Member
2.	Dr. Govinda Marapalli Rao	Part-time Non-official Independent Director	Member
3.	Shri Venkataraman Subramanian	Part-time Non-official Independent Director	Member

Quorum of the Committee is two members including the Chairman. Director (Finance), Director (Technical) and ED (HR)/ AGM (HR) are Standing Invitees. During the year one meeting of the Remuneration Committee was held on 25.10.2010.

### 3.8 Risk Management Committee

The Risk Management Committee was constituted by the Board of Directors in its 377th Meeting held on 24.05.2011. It 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 examine 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.

The current composition of the Risk Management Committee is as under:

Sl. No.	Name of the Director	Designation	Position in Committee
1.	Shri Hari Das Khunteta	Director (Finance)	Member
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Dr. Devi Singh	Part-time Non-official Independent Director	Member

### 3.9 Executive Committee of the Board

The Executive Committee of the Board has been constituted for sanction of loans upto ₹150 crore in each case for Central / State Government Power Utilities or Central / State PSUs with Annual

Financial Ceiling of upto ₹16,000 crore and for sanction of loans to Private Sector Power Utilities, the power delegated is upto ₹100 crore in each case with Annual Financial Ceiling being upto ₹4,000 crore. These powers for sanction of loans are subject to recommendation of the Screening Committee constituted for the purpose. The Board of Directors at its meeting held on 4th July, 2011 approved the re-constitution of the Executive Committee of the Board with Functional Directors only.

The Current Composition of the Executive Committee of the Board is as under:

- |    |                                |          |
|----|--------------------------------|----------|
| 1. | Chairman and Managing Director | - Member |
| 2. | Director (Finance)             | - Member |
| 3. | Director (Technical)           | - Member |

Quorum of the Executive Committee of the Board is two members including CMD.

### 4. SHARE TRANSFER COMMITTEE

In addition to the Committees of the Board as detailed from 3.1 to 3.9 above there is a Share Transfer Committee comprising of Senior Officers. The Share Transfer Committee was reconstituted by Board of Directors in their Meeting held on 28.07.2008. The Committee has been 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.

The current composition of Share Transfer Committee is as under:

Sl. No.	Name of the Officer	Designation
1.	Shri Ajeet Kumar Agarwal	GM (Fin) - Resources
2.	Shri Rakesh Kumar Arora	GM (F&A) & Company Secretary

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. The Minutes of the Board Meetings of Unlisted Subsidiary Companies were placed before the Board of REC for information. The Financial Results of Subsidiary Companies were reviewed by the Audit Committee of Board of Directors of REC. Further all significant transactions and arrangements entered into by the Subsidiary Companies were brought to the attention of Board of Directors of the Company.

## 6. ANNUAL GENERAL MEETINGS

No.	Year	Location	Date & Time	Whether any Special Resolution passed
39 <sup>th</sup>	2007-08	Air Force Auditorium Subroto Park, Dhaula Kuan, New Delhi-110010	24.09.2008 10.00 A.M.	No
40 <sup>th</sup>	2008-09	Air Force Auditorium Subroto Park, Dhaula Kuan, New Delhi-110010	19.09.2009 11.00 A.M.	Yes
41 <sup>st</sup>	2009-10	Air Force Auditorium Subroto Park, Dhaula Kuan, New Delhi-110010	08.09.2010 11.00 A.M.	Yes

## 7. INITIATIVES IN CORPORATE GOVERNANCE

### (i) Green Initiative in Corporate Governance

As a part of Green Initiative in Corporate Governance, the Ministry of Corporate Affairs (MCA) vide its Circular No. 17/2011 & 18/2011 dated 21.04.2011 & 29.04.2011 respectively also permitted service of notice/documents including Annual Report etc. through electronic mode i.e. e-mail. REC has implemented the 'Green Initiative' as per Circulars issued by MCA to enable electronic delivery of notices/documents including Annual Report for the financial year 2010-11 etc. to the shareholders.

### (ii) Secretarial Audit

The Secretarial Audit for the Financial Year 2010-11 has been conducted by M/s. Chandrasekaran Associates, Practicing Company Secretaries, Delhi and they have submitted their Secretarial Audit Report to the Company on 28th June, 2011. A copy of Secretarial Audit Report is set out elsewhere in the Annual Report for information of the shareholders.

## 8. DISCLOSURES

- (i) There are no materially significant transactions with related parties i.e. Promoters, Directors or the management, conflicting with the Company's interest. 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 passed against the Company by the statutory authorities in this regard.
- (ii) **Whistle Blower Policy/GOI Resolution on Public Interest Disclosure and Protection of Informer (PIDPI) Resolution:-**  
 REC has adopted Whistle Blower Policy (PIDPI Resolution) as issued by Central Vigilance Commission vide Office Order No.33/5/2004 dated 17th May, 2004 and the same has also been incorporated in "Vigilance Hand Book" issued by Vigilance Division in October, 2010.
- (iii) The Company affirms that no personnel have been denied access to the Audit Committee.

- (iv) The Company has adopted all suggested items to be included in the Report on Corporate Governance.
- (v) 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).
- (vi) There is no inter-se relationship between Directors of the Company, as per declarations received.

### **Additional Disclosures as required under the Guidelines on Corporate Governance for CPSEs, 2010 issued by the Department of Public Enterprises:**

- (i) During the year, no Presidential Directives were issued by the Central Government. Presidential Directive issued on 30.04.2009 directing CMD, REC to implement revision of pay & allowances of Board Level & below Board Level Executives in REC strictly in accordance with DPE Guidelines has been duly complied with and the pay scales & allowances of Board Level & below Board Level Executives have been provisionally revised w.e.f. 01.01.2007.
- (ii) Items of expenditure debited in books of accounts, which are not for the purpose of the business: NIL
- (iii) Expenses incurred which are personal in nature and incurred for the Board of Directors and Top Management: NIL
- (iv) Administrative and office expenses as a percentage of total expenses for the year 2010-11 is 0.67% (Previous year 0.68%) and as a percentage of financial expenses for the year 2010-11 is 0.70% (Previous year 0.71%).

### **Non-Mandatory Requirements**

The status of non-mandatory requirements of Clause 49 of the Listing Agreement is as follows:-

- i. **The Board:** The Company is headed by an Executive Chairman. Four Part-time Non-official Independent Directors on the Board of the Company were appointed for the first time in December 2007/ January 2008 for a period of three years or until further orders, whichever is earlier and accordingly, the tenure of these four Part-time Non-official Independent Directors ended in December 2010/January 2011. Out of these four Part-time Non-official Independent Directors, Ministry of Power in June, 2011, re-appointed two Directors namely Dr. Govinda Marapalli Rao and Dr. Devi Singh, as Part-time Non-official Independent Directors on the Board of the Company for another period of three years or until further orders, whichever is earlier. Therefore, the question of their tenure exceeding, in aggregate, a period of nine years does not arise.
- ii. **Remuneration Committee:** The appointment of Directors on the Board of Company and payment of their remuneration are decided by the President of India as per the Articles of Association of the Company. Accordingly, there was no Remuneration Committee of the Company as per Listing Agreement in the

Financial Year 2010-11. However in accordance with the directions of DPE vide O.M. dated 26.11.2008, 09.02.2009 and 02.04.2009, the Board of REC has constituted a Remuneration Committee on 20.04.2009 to decide the annual bonus/variable pool and policy for its distribution across the executives and Non-Unionised Supervisors within the prescribed limits.

iii. **Shareholders Rights:** The quarterly financial results of the Company are published in leading newspapers as mentioned under the heading 'Means of Communication' of the Report on Corporate Governance and also posted on the website of the Company. These results are not separately circulated to the shareholders.

iv. **Audit Qualification:** The audit observations/comments and reply of the management for the financial year 2010-11 has been given in para 34.1 of Directors' Report.

v. **Training to Board Members:** It is need based.

vi. **Mechanism for evaluating non-executive Board Members:** Not yet adopted by the Company.

vii. **Whistle Blower Policy/GOI Resolution on Public Interest Disclosure and Protection of Informer (PIDPI) Resolution:-**

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

## 9. MEANS OF COMMUNICATION

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 Accounts, 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.

The Company also communicates with its institutional shareholders through investor conferences.

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, The Times of India, Hindustan Times, Hindustan (Hindi), Navbharat Times, Business Standard (Hindi), Mint, Financial Chronicle, Indian Express, Dainik Bhaskar, Business Bhaskar etc. These results are also made available on Company's Website at [www.recindia.nic.in](http://www.recindia.nic.in).

## 10. CEO/CFO CERTIFICATION

As required by Clause 49 of the Listing Agreement, a Certificate duly signed by Shri Hari Das Khunteta, Chairman and Managing Director and Director (Finance) and Shri V.K. Arora, Executive Director (Finance) was placed before the Board of Directors in its Meeting held on 24th May, 2011 while consideration of the Audited Annual Accounts of the Company for the period ended 31.03.2011.

## 11. GENERAL SHAREHOLDER INFORMATION

### (i) Annual General Meeting for 2010-11

Date	Time	Venue
17 <sup>th</sup> September, 2011	11.00 A.M.	Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi- 110010

### (ii) Financial Calendar for Year 2011-12

Particulars	Date
Accounting Period	April 1, 2011 to March 31, 2012.
Unaudited Financial Results for the first three Quarters	Announcement within 45 days from the end of the each quarter.
Fourth Quarter Results	Announcement of Audited Annual Accounts within 60 days from the end of financial year.
AGM (next year)	September 2012 (Tentative).

### (iii) Payment of Dividend

#### A. Dividend for the financial year 2010-11

##### (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 paid an Interim Dividend of ₹3.50/- per Equity Share (on the face value of ₹10/- each) in the month of February 2011 for the financial year 2010-11.

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

The Board of Directors in its meeting held on 24th May, 2011 has recommended a final dividend of ₹4/- per Equity Share (on the face value of ₹10/-each) for the year 2010-11 for approval of the shareholders in the ensuing Annual General Meeting to be held on 17.09.2011. The total dividend (including interim dividend) for the financial year 2010-11 will be ₹7.50/- per share (on the face value of ₹10/- each).

#### B. Dividend History for the last five years

Year	Total Paid-up Capital (₹ in crore)	Total Amount of Dividend Paid (₹ in crore)	Rate of Dividend (%)	Date of Payment (Interim & Final)
2005-06	780.60	191.26	24.50	2 <sup>nd</sup> March, 2006 (Interim) & 25 <sup>th</sup> September, 2006 (Final)
2006-07	780.60	177.00	22.67	5 <sup>th</sup> October, 2007 (Final)
2007-08	858.66	257.60	30.00	1 <sup>st</sup> October, 2008 (Final)
2008-09	858.66	386.40	45.00	5 <sup>th</sup> March, 2009 (Interim) & 25 <sup>th</sup> September, 2009 (Final)
2009-10	987.46	603.21	65.00	12 <sup>th</sup> January, 2010 (Interim) & 15 <sup>th</sup> September, 2010 (Final)

### (iv) Date of Book Closure

The Register of Members and Share Transfer Books of the Company will remain closed from September 3, 2011 to September 17, 2011 (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 Section 206A of the Companies Act, 1956, if approved by the members at the Annual General Meeting, will be paid on September 28, 2011 to the Members or their mandates whose names appear on the Company's Register of Members on September 17, 2011 in respect of physical shares. In respect of Dematerialised shares, the dividend will be payable to the "beneficial owners" of the shares whose name 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 September 2, 2011.

#### (vi) Listing on Stock Exchanges

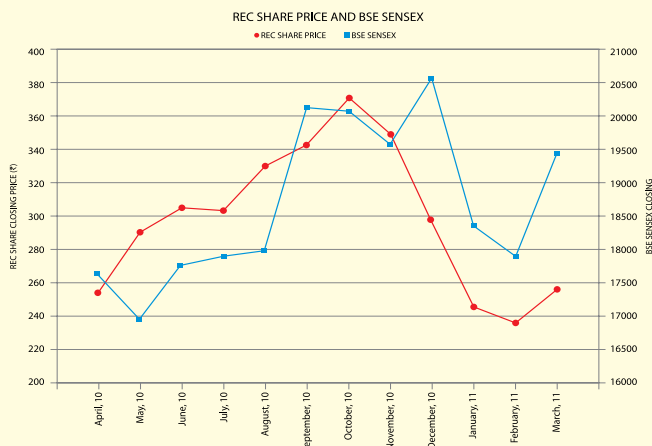
REC shares are listed on the following Stock Exchanges:

Sl. No.	Name of the Stock Exchange	Scrip Code
1.	National Stock Exchange of India Limited (NSE)	RECLTD
2.	Bombay Stock Exchange Limited (BSE)	532955

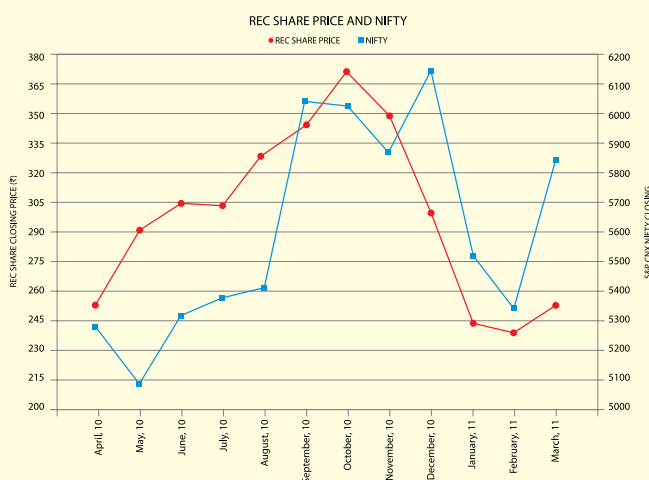
#### (vii) Stock Code: INE020B01018

#### (viii) Market Price Data

BSE			
Month	High (₹)	Low (₹)	Closing Price (₹)
April, 10	267.90	243.00	253.45
May, 10	294.70	250.00	289.85
June, 10	309.15	265.10	304.15
July, 10	308.55	288.55	303.35
August, 10	340.90	303.60	328.25
September, 10	361.00	325.30	342.40
October, 10	409.50	348.80	369.60
November, 10	383.00	299.20	349.70
December, 10	364.90	276.75	298.20
January, 11	302.95	241.50	244.10
February, 11	271.70	216.50	234.85
March, 11	266.25	216.60	254.15



NSE			
Month	High (₹)	Low (₹)	Closing Price (₹)
April, 10	267.85	246.00	253.70
May, 10	295.40	250.00	290.75
June, 10	309.40	270.00	304.55
July, 10	308.90	288.70	303.25
August, 10	339.70	302.75	328.30
September, 10	360.60	325.55	342.85
October, 10	413.80	344.25	370.65
November, 10	383.40	298.30	349.40
December, 10	364.90	276.60	299.10
January, 11	303.00	241.30	243.65
February, 11	272.00	215.70	235.65
March, 11	266.60	216.45	253.70



#### (ix) Registrar and Share Transfer Agents

Karvy Computershare Private Limited  
 Plot 17 to 24, Vittal Rao Nagar,  
 Madhapur, Hyderabad- 500081, India.  
 Tel: 91 40 44655141/4465513  
 Fax: 91 40 23420814  
 E-mail: svraju@karvy.com / sbreddy@karvy.com  
 einward.ris@karvy.com  
 Website: www.karvy.com

#### (x) Share Transfer System

The shares under physical segment are transferred through M/s Karvy Computershare Private Limited, Registrar and Share Transfer Agent (R&TA). It 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 M/s 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, Certificate 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.

#### (xi) Distribution of Shareholding

##### Distribution of shareholding as on 31st March, 2011

Number of shares	Number of shareholders	% of shareholders	Total No. of shares	Amount (₹)	% of shares
1-5000	261446	97.34	24030459	240304590	2.44
5001-10000	4278	1.60	2998646	29986460	0.30
10001-20000	1237	0.46	1797472	17974720	0.18
20001-30000	410	0.15	1029460	10294600	0.10
30001-40000	199	0.07	702418	7024180	0.07
40001-50000	151	0.06	697879	6978790	0.07
50001-100000	249	0.09	1804446	18044460	0.18
100001 & Above	620	0.23	954398220	9543982200	96.66
<b>Total</b>	<b>268590</b>	<b>100</b>	<b>987459000</b>	<b>9874590000</b>	<b>100</b>

##### Shareholding pattern as on 31st March, 2011

Category	Total no. of Shares	% to Equity
President of India	659607000	66.80
Banks	2650546	0.27
HUF	1367388	0.14
Foreign Institutional Investors	205084533	20.77
Bodies Corporate	43226161	4.38
Non-Resident Indians	737328	0.07
Resident Individuals	30814356	3.12
Trusts	207589	0.02
Clearing Members	1568880	0.16
Mutual Funds	17297827	1.75
Indian Financial Institutions	1102901	0.11
Insurance Companies	23794291	2.41
Foreign Nationals	200	Negligible
<b>Total</b>	<b>987459000</b>	<b>100</b>

#### (xii) Dematerialisation of shares

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

Reconciliation of Share Capital Audit Report for the quarter ended 31st March, 2011, confirming that the total issued /paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL as on 31st March, 2011 was obtained from Practicing Company Secretary and submitted to the Stock Exchanges within stipulated time.

Number of shares held in dematerialized and physical mode as on 31st March, 2011.

Category	No. of Holders	No. of shares	% of total Shares issued
Physical	6912	10521	Negligible
NSDL	186190	977927979	99
CDSL	75488	9520500	1
<b>Total</b>	<b>268590</b>	<b>987459000</b>	<b>100</b>

#### (xiii) Details of unclaimed shares

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 31st March, 2011 is given as under:-

Sl. No.	Particulars	No. of cases	No. of shares involved
IPO – 1.4.2010 to 31.3.2011			
1.	Aggregate number of shareholders and the outstanding unclaimed shares as on 1.4.2010.	417	34510
2.	No. of shareholders who approached for transfer of unclaimed shares during the year.	99	8487
3.	Number of shareholders to whom unclaimed share were transferred.	99	8487
4.	Aggregate number of shareholders and the outstanding unclaimed shares as on 31.3.2011.	318	26023
FPO – 1.4.2010 to 31.3.2011			
1.	Aggregate number of shareholders and the outstanding unclaimed shares as on 1.4.2010.	86	18420
2.	No. of shareholders who approached for transfer of unclaimed shares during the year.	78	17730
3.	Number of shareholders to whom unclaimed share were transferred.	78	17730
4.	Aggregate number of shareholders and the outstanding unclaimed shares as on 31.3.2011.	8	690

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

**(xiv) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversions date and likely impact on equity.**

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

**(xv) Numbers of shares held by Directors as at 31st March, 2011**

Sl. No.	Director	Designation	No. of Shares
1.	Shri Hari Das Khunteta	CMD & Director (Finance)	5000
2.	Shri Prakash Thakkar	Director (Technical)	4030
3.	Shri Devender Singh	Government Nominee Director	Nil
4.	Dr. Devi Singh	Part-time Non-official Independent Director	Nil
5.	Dr. Govinda Marapalli Rao	Part-time Non-official Independent Director	Nil
6.	Shri Venkataraman Subramanian	Part-time Non-official Independent Director	Nil

**(xvi) Postal Ballot**

No resolution was passed through Postal Ballot during the financial year 2010-11.

**(xvii) Plant Locations: Not Applicable**

**(xviii) Address for correspondence**

Rural Electrification Corporation Limited.  
 Core-4, SCOPE Complex,  
 7, Lodhi Road,  
 New Delhi-110003, India.  
 Website: www.recindia.nic.in

**(xix) Company Secretary and Public Spokesperson**

Shri Rakesh Kumar Arora  
 Tel: 91 11 24367305  
 Fax: 91 11 24362039  
 E-mail: rkarora@recl.nic.in

## Auditors' Certificate on Corporate Governance

To,  
The Members,  
Rural Electrification Corporation Limited,

We have examined the compliance of conditions of Corporate Governance by **Rural Electrification Corporation Limited**, ("the Company") for the year ended 31<sup>st</sup> March 2011 as stipulated in Clause 49 of the Listing Agreement executed by the Company with the Stock Exchanges and Clause 8.2.1 of Guidelines on Corporate Governance issued by the Department of Public Enterprises for Central Public Sector Enterprises (CPSEs).

The compliance of 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 explanation 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 Clause 8.2.1 of Guidelines on Corporate Governance issued by the Department of Public Enterprises for Central Public Sector Enterprises (CPSEs). *However, the composition of the Board of Directors and Audit Committee was not as per provisions of sub-clause (I)(A) & (II)(A) of Clause 49 of the Listing Agreement and Clause 3.1.4 and 4.1.1 of DPE Guidelines on Corporate Governance for CPSEs during the period from 16.12.2010 to 31.03.2010 due to retirement of Part-time Non-official Independent Directors in the month of December, 2010/January, 2011.*

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have reviewed and found that no investor grievances were pending for a period exceeding one month as per the records maintained by the Company.

We further state that such compliance is neither as 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 Bansal & Co.**  
Chartered Accountants

**R.C. Pandey**  
Partner  
Membership No. 070811  
Firm Regn. No. 001113N

Date : July 07, 2011  
Place : New Delhi

**For K.G. Somani & Co.**  
Chartered Accountants

**Bhuvnesh Maheshwari**  
Partner  
Membership No. 88155  
Firm Regn. No. 006591N

# Financial Statements

## Balance Sheet as at 31st March, 2011

		(₹ in lacs)	
	Sch. No.	As at 31.03.2011	As at 31.03.2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds:</b>			
Capital	1	98,745.90	98,745.90
Reserves and Surplus	2	1,180,115.61	1,009,287.59
		1,278,861.51	1,108,033.49
<b>Loan Funds:</b>			
Secured Loans	3	4,626,743.07	4,624,473.81
Unsecured Loans	4	2,373,639.06	970,349.03
		7,000,382.13	5,594,822.84
<b>Total</b>		8,279,243.64	6,702,856.33
<b>APPLICATIONS OF FUNDS</b>			
<b>Fixed Assets:</b>	5		
Gross Block		8,449.94	8,337.61
Less Depreciation		1,925.48	1,628.10
<b>Net Block</b>		6,524.46	6,709.51
<b>Capital Work in Progress</b>		2,281.67	2,281.41
<b>Investments</b>	6	81,242.88	90,985.87
<b>Loans</b>	7	8,213,205.90	6,645,261.38
<b>Deferred Tax Assets/ (-) Liability</b>	8	1,277.29	736.76
<b>Current Assets, Loans &amp; Advances:</b>	9		
Cash and Bank Balances		283,189.01	139,031.22
Other Current Assets		53,925.56	57,929.02
Loans and Advances		7,356.72	11,409.90
		344,471.29	208,370.14
<b>Less: Current Liabilities &amp; Provisions:</b>	10		
Liabilities		313,389.77	196,134.15
Provisions		56,370.08	55,354.59
		369,759.85	251,488.74
<b>Net Current Assets</b>		-25,288.56	-43,118.60
<b>Total</b>		8,279,243.64	6,702,856.33

### Notes on accounts

17

Schedules 1 to 17 and Significant Accounting Policies form an integral part of Accounts.

### In terms of our Report of even date

#### For K.G. Somani & Co.

Chartered Accountants

#### Bhuvnesh Maheshwari

Partner

M.No. : 88155

Firm Reg. No.: 006591N

Place : New Delhi

Date : 24<sup>th</sup> May, 2011

#### For Bansal & Co.

Chartered Accountants

#### R. C. Pandey

Partner

M.No. : 70811

Firm Reg. No.: 001113N

#### V. K. Arora

Executive Director  
(Finance)

### For and on behalf of the Board

#### P. J. Thakkar

Director (Technical)

#### H. D. Khunteta

Chairman and  
Managing Director  
& Director (Finance)

#### Rakesh K. Arora

Company Secretary



# Profit and Loss Account for the year ended 31st March, 2011

	Sch. No.	Year ended 31.03.2011	Year ended 31.03.2010
(₹ in lacs)			
<b>INCOME</b>			
Operating Income (Net)	11	825,691.11	654,975.79
Other Income	12	23,835.42	15,784.49
Total		849,526.53	670,760.28
<b>EXPENSES</b>			
Interest and Other Charges	13	478,092.23	389,120.24
Establishment Expenses	14	12,746.65	11,710.10
Administration Expenses	15	3,366.59	2,767.61
Bond/ Debt Instrument Issue Expenses	16	7,008.82	1,994.55
Provision for bad & doubtful debts		22.17	22.18
Depreciation		304.16	215.50
Total		501,540.62	405,830.18
<b>PROFIT BEFORE TAX &amp; PRIOR PERIOD ITEMS</b>		347,985.91	264,930.10
Prior period adjustment - expenses/ (Income) (net)		323.10	10.67
<b>PROFIT BEFORE TAX</b>		347,662.81	264,919.43
Provision for Tax:			
Tax -Current Year		90,846.74	69,558.67
- Earlier year		363.52	2.83
- Adjustment for earlier years		-	-4,835.11
- Deferred Tax - Current Year		-540.53	51.46
Total		90,669.73	64,777.85
<b>PROFIT AFTER TAX &amp; AVAILABLE FOR APPROPRIATION</b>		256,993.08	200,141.58
Add: Reversal of Deferred Tax Liability - Earlier Years		-	32,576.87
<b>TOTAL AMOUNT AVAILABLE FOR APPROPRIATION</b>		256,993.08	232,718.45
<b>Appropriations:</b>			
Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961		61,011.00	45,803.00
Reserve u/s 36(1)(viii) of the Income Tax Act, 1961 for Bad & Doubtful Debts		14,409.00	10,760.00
<b>Dividend</b>			
- Interim Dividend		34,561.07	25,759.80
- Proposed (Final)		39,498.36	34,561.07
Sub Total (Dividend)		74,059.43	60,320.87
<b>Dividend Distribution Tax</b>			
- Interim Dividend		5,739.33	4,377.03
- Proposed (Final)		6,407.62	5,740.16
Sub Total (Dividend Distribution Tax)		12,146.95	10,117.19
Transfer to General Reserve		26,000.00	50,000.00
Surplus carried to Balance Sheet		69,366.70	55,717.39
Total		256,993.08	232,718.45
- Basic & Diluted Earnings Per Share of ₹10/- each- Amount in ₹[Refer note on accounts no. 23 (Schedule-17)]		26.03	23.06
- Debt Service Coverage Ratio		0.51	0.39
- Adjusted DSCR = Earnings before Interest and Tax+Principal Loan assets repayment received/ (Interest + Principal repayment of borrowings)		1.04	0.73
- Interest Service Coverage ratio		1.72	1.68

Schedules 1 to 17 and Significant Accounting Policies form an integral part of Accounts.

In terms of our Report of even date

**For K.G. Somani & Co.**

Chartered Accountants

**Bhuvnesh Maheshwari**

Partner

M.No. : 88155

Firm Reg. No.: 006591N

Place : New Delhi

Date : 24<sup>th</sup> May, 2011

**For Bansal & Co.**

Chartered Accountants

**R. C. Pandey**

Partner

M.No. : 70811

Firm Reg. No.: 001113N

**V. K. Arora**

Executive Director

(Finance)

**For and on behalf of the Board**

**P. J. Thakkar**

Director (Technical)

**H. D. Khunteta**

Chairman and

Managing Director

& Director (Finance)

**Rakesh K. Arora**

Company Secretary

## Schedule '1' Capital

	As at 31.03.2011	As at 31.03.2010
(₹ in lacs)		
<b>Authorised</b>		
1200,000,000 (Previous Year 1200,000,000) Equity shares of ₹10 each	<b>120,000.00</b>	120,000.00
<b>Issued, Subscribed and Paid up</b>		
987,459,000 (Previous Year 987,459,000) fully paid up Equity shares of ₹10 each	<b>98,745.90</b>	98,745.90
<b>Total</b>	<b>98,745.90</b>	98,745.90

## Schedule '2' Reserves and Surplus

	Opening Balance as at 01.04.2010	Additions/ adjustments during the year	Deductions/ adjustments during the year	Closing Balance as at 31.03.2011
(₹ in lacs)				
<b>(A) Capital Reserves</b>				
i) Capital Reserve (Grant from USAID)	10,500.00	-	-	<b>10,500.00</b>
ii) Security Premium*	322,201.81	45.73	4.41	<b>322,243.13</b>
<b>Sub Total (A)</b>	332,701.81	45.73	4.41	<b>332,743.13</b>
<b>(B) Other Reserves</b>				
i) Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961	329,582.77	61,011.00	-	<b>390,593.77</b>
ii) Reserve for Bad and doubtful debts u/s 36(1)(viiia) of the Income Tax Act, 1961	45,129.13	14,409.00	-	<b>59,538.13</b>
iii) General Reserve	218,767.25	26,000.00	-	<b>244,767.25</b>
iv) Profit & Loss Account	83,106.63	69,366.70	-	<b>152,473.33</b>
<b>Sub Total (B)</b>	676,585.78	170,786.70	-	<b>847,372.48</b>
<b>Total (A+B)</b>	1,009,287.59	170,832.43	4.41	<b>1,180,115.61</b>

\* Additions represent REC's share of Issue expenses which were earlier provided and now adjusted/ refunds received from NSE/ BSE/ SEBI relating to Further Public Offering of shares.

\* Deductions represent the amount of fees/ commission incurred in current year relating to Further Public Offering of shares.

## Schedule '3' Secured Loans

	As at 31.03.2011	As at 31.03.2010
(₹ in lacs)		
<b>Term Loans From Banks/Institutions</b> (Secured against receivables)	<b>104,212.71</b>	166,842.86
<b>Loan from Life Insurance Corporation of India</b> (Secured against receivables)	<b>285,000.00</b>	320,000.00
<b>Loan From IIFCL</b> (Refinance facility availed secured against pooling of security of present and future receivables on pari-passu basis)	<b>187,000.00</b>	87,000.00

	(₹ in lacs)	
	As at 31.03.2011	As at 31.03.2010
<b>Loan Through Bonds</b>		
(Cumulative & Non- Cumulative)		
(Secured by charge against receivables and/ Immovable property at Maharashtra & Delhi as per the terms of the private placement and to the satisfaction of the respective trustees).		
<b>Long Term</b>		
<b>I TAXFREE SECURED BONDS</b>		
<b>53rd Series</b> - 7.10% Redeemable at par on 23.03.2011	-	5,000.00
<b>II TAXABLE SECURED BONDS</b>		
<b>69th Series</b> - 6.05% Redeemable at par on 23.01.2014	<b>40,152.00</b>	53,536.00
<b>72nd Series</b> - 6.60% Redeemable at par on 18.08.2011	<b>11,370.00</b>	11,370.00
<b>73rd Series</b> - 6.90% Redeemable at par on 08.10.2014	<b>18,712.00</b>	23,390.00
<b>75th Series</b> - 7.20% Redeemable at par on 17.03.2015	<b>40,000.00</b>	50,000.00
<b>77th Series</b> - 7.30% Redeemable at par on 30.06.2015	<b>98,550.00</b>	98,550.00
<b>78th Series</b> - 7.65% Redeemable at par on 31.01.2016	<b>179,570.00</b>	179,570.00
<b>79th Series</b> - 7.85% Redeemable at par on 14.03.2016	<b>50,000.00</b>	50,000.00
<b>80th Series</b> - 8.20% Redeemable at par on 20.03.2016	<b>50,000.00</b>	50,000.00
<b>81st Series</b> - 8.85% Redeemable at par on 20.01.2017	<b>31,480.00</b>	31,480.00
<b>82nd Series</b> - 9.85% Redeemable at par on 28.09.2017	<b>88,310.00</b>	88,310.00
<b>83rd Series</b> - 9.07% Redeemable at par on 28.02.2018	<b>68,520.00</b>	68,520.00
<b>84th Series</b> - 9.45% Redeemable at par on 04.04.2013	<b>100,000.00</b>	100,000.00
<b>85th Series</b> - 9.68% Redeemable at par on 13.06.2018	<b>50,000.00</b>	50,000.00
<b>86th Series</b> - 10.75% Redeemable at par on 24.07.2013	<b>72,790.00</b>	72,790.00
<b>86-A Series</b> - 10.70% Redeemable at par on 29.07.2018	<b>50,000.00</b>	50,000.00
<b>86-B-I Series</b> - 10.95% Redeemable at par on 14.08.2011	<b>92,420.00</b>	92,420.00
<b>86-B-II Series</b> - 10.90% Redeemable at par on 14.08.2013	<b>35,410.00</b>	35,410.00
<b>86-B-III Series</b> - 10.85% Redeemable at par on 14.08.2018	<b>43,200.00</b>	43,200.00
<b>87-I Series</b> - 10.90% Redeemable at par on 30.09.2013	<b>37,020.00</b>	37,020.00
<b>87-II Series</b> - 10.85% Redeemable at par on 30.09.2018	<b>65,740.00</b>	65,740.00
<b>87-A-I Series</b> - 11.35% Redeemable at par on 24.10.2013	<b>24,970.00</b>	24,970.00
<b>87-A-II Series</b> - 11.20% Redeemable at par on 24.10.2018	<b>3,640.00</b>	3,640.00
<b>87-A-III Series</b> - 11.15% Redeemable at par on 24.10.2018	<b>6,180.00</b>	6,180.00
<b>87-B Series</b> - 11.75% Redeemable at par on 03.11.2011	<b>94,090.00</b>	94,090.00
<b>87-C-I Series</b> - 11.45% Redeemable at par on 26.05.2010	-	22,910.00
<b>87-C-II Series</b> - 11.45% Redeemable at par on 26.11.2010	-	59,150.00
<b>87-C-III Series</b> - 11.50% Redeemable at par on 26.11.2013	<b>86,000.00</b>	86,000.00
<b>88th Series</b> - 8.65% Redeemable at par on 15.01.2019	<b>149,500.00</b>	149,500.00
<b>89-I Series</b> - 7.00% Redeemable at par on 02.06.2012	<b>67,150.00</b>	67,150.00
<b>89-II Series</b> - 7.70% Redeemable at par on 02.06.2014	<b>25,500.00</b>	25,500.00
<b>90th Series</b> - 8.80% Redeemable at par on 03.08.2019	<b>200,000.00</b>	200,000.00
<b>90-A-I Series</b> - 7.15% Redeemable at par on 05.08.2012	<b>100,000.00</b>	100,000.00
<b>90-A-II Series</b> - 8.00% Redeemable at par on 05.08.2014	<b>100,000.00</b>	100,000.00
<b>90-B-I Series</b> - 8.35% Redeemable at par on 04.09.2014	<b>88,390.00</b>	88,390.00
<b>90-B-II Series</b> - 8.72% Redeemable at par on 04.09.2019	<b>86,820.00</b>	86,820.00
<b>90-C-I Series</b> - 7.90% Redeemable at par on 06.10.2012	<b>141,750.00</b>	141,750.00
<b>90-C-II Series</b> - 8.80% Redeemable at par on 06.10.2019	<b>104,000.00</b>	104,000.00
<b>91-I Series</b> - 7.75% Redeemable at par on 17.11.2012	<b>94,300.00</b>	94,300.00
<b>91-II Series</b> - 8.80% Redeemable at par on 17.11.2019	<b>99,590.00</b>	99,590.00
<b>92-I Series</b> - 7.60% Redeemable at par on 22.01.2013.	<b>92,460.00</b>	92,460.00

			(₹ in lacs)	
			As at 31.03.2011	As at 31.03.2010
<b>92-II Series</b>	-	8.65% Redeemable at par on 22.01.2020	<b>94,530.00</b>	94,530.00
<b>93-I Series</b>	-	7.65% Redeemable at par on 19.02.2013	<b>14,150.00</b>	14,150.00
<b>93-II Series</b>	-	8.45% Redeemable at par on 19.02.2015	<b>44,310.00</b>	44,310.00
<b>CAPITAL GAINS BONDS (Redeemable at par)</b>				
<b>Series-IV</b>			<b>97.30</b>	131.80
<b>Series-V</b>			-	42,481.60
<b>Series-VI</b>			<b>46,890.50</b>	53,628.50
<b>Series-VII</b>			-	340,274.40
<b>Series-VIII</b>			<b>252,523.30</b>	252,523.30
<b>Series-VIII (2009-10)</b>			<b>305,777.60</b>	305,777.60
<b>Series VIII (2010-11)</b>			<b>504,375.40</b>	-
<b>Bond Application Money</b>			<b>172.45</b>	-
<b>Interest Accrued &amp; Due on Capital Gains Bonds/ Bond application money</b>			<b>119.81</b>	117.75
<b>Total Secured Loans</b>			<b>4,626,743.07</b>	4,624,473.81
<b>Due for repayment/redemption within one year</b>			<b>664,133.05</b>	640,702.59

**Notes to Schedule No 3 :-**

Secured loans of ₹46,26,743.07 lakhs include :-

- a) 69th, 73rd and 77th series are redeemable at par in 5 equal instalments at par at the end of 6th, 7th, 8th, 9th and 10th year respectively. 1st and 2nd instalments of 69th series bonds amounting to ₹13,384 lacs (i.e. 20% each) have been redeemed on 23rd January 2010 and 23rd January 2011 respectively and 1st instalment of 73rd bond series amounting to ₹4678 lacs (i.e. 20%) has been redeemed on 8th October 2010. First redemption in respect of 77th series bond will be due on 30th June 2011.
- b) 75th series of bonds shall be redeemed at par in 10 equal instalments at half yearly intervals from 5 - 1/2 years to 10 years by way of STRPPs. Out of the same, two instalments of ₹50 crores each have been redeemed on 17th September, 2010 and 17th March 2011 respectively.
- c) 78th, 79th, 80th, 81st, 82nd, 83rd, 85th, 86 A, 86 B-III, 87-II, 87 A-II, 87 A-III, 88th, 90th, 90 B-II, 90 C-II, 91-II & 92-II series are redeemable at par at the end of 10 years i.e. on 31.01.2016, 14.03.2016, 20.03.2016, 20.01.2017, 28.09.2017, 28.02.2018, 13.06.2018, 29.07.2018, 14.08.2018, 30.09.2018, 24.10.2018, 24.10.2018, 15.01.2019, 03.08.2019, 04.09.2019, 06.10.2019, 17.11.2019 & 22.01.2020 respectively.
- d) 84th, 86th, 86B-II, 87-I, 87 A-I, 87 C-III, 89-II, 90 A-II, 90 B -I & 93-II series are redeemable at par at the end of 5 years i.e. on 04.04.2013, 24.07.2013, 14.08.2013, 30.09.2013, 24.10.2013, 26.11.2013, 02.06.2014, 05.08.2014, 04.09.2014 & 19.02.2015 respectively.
- e) 86 B-I, 87 B, 89-I, 90 A-I, 90 C-I, 91-I, 92-I & 93-I series are redeemable at par at the end of 3 years i.e. on 14.08.2011, 03.11.2011, 02.06.2012, 05.08.2012, 06.10.2012, 17.11.2012, 22.01.2013 & 19.02.2013 respectively.
- f)
  - (i) 87 A-I series of bonds have put/call options at the end of 3 years i.e. on 24.10.2011.
  - (ii) 87 A-II Series of bonds have put/call option at the end of 5 years, i.e. on 24.10.2013. Bonds of ₹27200 lacs of 72nd bond series were redeemed on 18.08.2009 on put option exercised by Bond holders and balance of ₹11,370 lacs is redeemable on 18.08.2011.
  - (iii) 87 C-I Series has been redeemed on 26.05.2010.
  - (iv) 87 C-II series has been redeemed on 26.11.2010.
- g) Capital Gains Tax Exemption Bonds are issued for a tenure of 3/5/7 years at the interest rates of 5.50% to 6.25% payable semiannually/ annually & with cumulative options. These bonds have put/call option at the end of 3/5 years. In the current year 2010-11, Capital Gains Tax Exemption Bonds Series VIII 2010-11 was issued with a 3 years' tenor at interest rate of 6.00% payable annually. These bonds will be redeemed automatically at the end of lock-in period of 3 years.

## Schedule '4' Unsecured Loans

	(₹ in lacs)	
	As at 31.03.2011	As at 31.03.2010
<b>LOAN FROM GOVERNMENT OF INDIA</b>	<b>3,612.68</b>	4,941.84
<b>TERM LOANS</b>		
Long term Loans from Banks	<b>542,701.00</b>	414,300.00
<b>CASH CREDIT LIMITS</b>	-	63,000.00
<b>FOREIGN CURRENCY BORROWINGS</b>		
<b>Long Term</b>		
ECB- Syndicated Loans from Banks	<b>87,026.32</b>	87,026.32
JBIC Loan-Guaranteed by Govt. of India	<b>112,526.99</b>	78,839.17
KfW Loan-Guaranteed by Govt. of India	<b>38,484.33</b>	41,771.66
ECB - Syndicated Loans from Banks - II	<b>178,748.13</b>	-
Bilateral Term Loan - Mauritius - US \$70 Million	<b>31,255.00</b>	-
Reg S Bonds - US \$500 Million	<b>223,250.00</b>	-
Less : Unamortized Discount	<b>-2,258.96</b>	-
	<b>220,991.04</b>	-
Bilateral Term Loan - Mizuho - Unsecured- US \$100 Million	<b>44,650.00</b>	-
Bilateral Term Loan - BTMU - Unsecured- US \$100 Million	<b>44,650.00</b>	-
<b>COMMERCIAL PAPER</b>	-	245,000.00
<b>LOANS THROUGH BONDS</b>		
<b>Long term</b>		
<b>(A) Non-Cumulative, Guaranteed by Government of India</b>		
<b>22nd Series</b> 11.5% Redeemable at par on 27.12.2010	-	4,900.00
<b>23rd Series-1</b> 12% Redeemable at par on 05.12.2011	<b>2,265.00</b>	2,265.00
<b>23rd Series-2</b> 12% Redeemable at par on 21.02.2012	<b>3,035.00</b>	3,035.00
<b>(B) Other Bonds</b>		
7.22% Redeemable at par on 31.12.2014 (74th Series)	<b>25,000.00</b>	25,000.00
8.75% Redeemable at Par on 08.06.2025 (94th Series)	<b>125,000.00</b>	-
8.70% Redeemable at Par on 12.07.2019 (95-I Series)	<b>20,000.00</b>	-
8.75% Redeemable at Par on 12.07.2025 (95-II Series)	<b>180,000.00</b>	-
8.80% Redeemable at Par on 25.10.2020 (96th Series)	<b>115,000.00</b>	-
8.80% Redeemable at Par on 29.11.2020 (97th Series)	<b>212,050.00</b>	-
9.18% Redeemable at Par on 15.03.2021 (98th Series)	<b>300,000.00</b>	-
Zero Coupon Bonds - Series - I - Redeemable on 15.12.2020	<b>53,320.81</b>	-
Zero Coupon Bonds - Series - II - Redeemable on 03.02.2021	<b>11,606.76</b>	-
<b>Bond Application Money</b>	<b>35.55</b>	-
<b>Infrastructure Bonds (Redeemable at par)</b>	<b>21,680.45</b>	-
<b>Interest Accrued &amp; Due</b>	-	270.04
<b>Total Unsecured Loans</b>	<b>2,373,639.06</b>	970,349.03
Due for repayment/ redemption within one year	<b>239,631.30</b>	360,828.16

### Note:-

- Bonds for ₹2.00 lacs are held as on 31.03.2011 by REC Ltd. CP Fund Trust.
- Infrastructure bonds have been issued during the year 2010-11 for a tenure of 10 years with lock-in period of 5 years at interest rates varying between 8% to 8.20% payable annually.



## Schedule '5' Fixed Assets as at 31st March, 2011

(₹ in lacs)

FIXED ASSETS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As at 01.04.2010	Additions during the year ended 31.03.2011	Sales/ adjustment during the year ended 31.03.2011	Closing as at 31.03.2011	Upto 31.03.2010	Depreciation during the year ended 31.03.2011	Depreciation adjustment during the year ended 31.03.2011	Depreciation upto 31.03.2011
Freehold Land	3,411.94	4.57	-	<b>3,416.51</b>	-	-	-	<b>3,416.51</b>
Leasehold Land	145.51	-	-	<b>145.51</b>	15.60	1.39	-	<b>128.52</b>
Buildings	2,225.70	0.88	-	<b>2,226.58</b>	532.98	34.48	-	<b>1,659.12</b>
Furniture & Fixtures	581.64	18.84	0.47	<b>600.01</b>	313.52	30.90	0.17	<b>255.76</b>
EDP Equipments	1,078.18	42.17	2.12	<b>1,118.23</b>	427.76	124.75	0.53	<b>551.98</b>
Office Equipments	352.20	39.47	1.21	<b>390.46</b>	207.32	8.19	0.29	<b>215.22</b>
Vehicles	73.51	-	5.75	<b>67.76</b>	55.89	2.46	5.64	<b>15.05</b>
Minor Value Assets-Furniture	12.20	6.90	0.16	<b>18.94</b>	12.20	6.89	0.15	-
Minor Value Assets-EDP	6.56	2.20	-	<b>8.76</b>	6.56	2.20	-	-
Minor Value Assets-Office Equipments	17.27	6.62	-	<b>23.89</b>	17.27	6.62	-	-
Intangible Assets (Computer Software)	432.90	0.39	-	<b>433.29</b>	39.00	86.28	-	<b>308.01</b>
<b>Grand Total</b>	8,337.61	122.04	9.71	<b>8,449.94</b>	1,628.10	304.16	6.78	<b>6,524.46</b>
Previous Year	7,110.87	1,268.99	42.25	<b>8,337.61</b>	1,447.62	215.50	35.02	<b>6,709.51</b>
<b>Capital WIP</b>	2,281.41	0.26	-	<b>2,281.67</b>	-	-	-	<b>2,281.67</b>
Previous Year	2,427.04	821.60	967.23	<b>2,281.41</b>	-	-	-	<b>2,281.41</b>

**Notes:**

- Intangible Assets include ERP software/ other computer software purchased from outside and in terms of AS-26 these are amortized over a period of 5 years.
- Capital WIP consists of mainly land pending possession from the authorities and other civil works.

## Schedule '6' Investments

	(₹ in lacs)	
	As at 31.03.2011	As at 31.03.2010
<b>(A) Long Term (Unquoted)</b>		
<b>Non-Trade Investments</b>		
8% Government of Madhya Pradesh Power Bonds-II	80,172.00	89,604.00
Maturing in 30 equal half yearly Instalments of one bond each w.e.f. 01.04.05 (17 Bonds of Face Value of ₹4716 Lacs each) (Previous year 19 Bonds of Face Value of ₹4716 Lacs each)		
<b>KSK Energy Ventures Limited</b>	873.38	1,184.37
87,33,787 units of "Small is Beautiful" Fund at Face Value of ₹10.00 per unit (NAV of ₹10.08) (Previous Year 1,20,85,400 units of "Small is Beautiful" Fund at Net assets Value (NAV) of ₹9.80 per unit) (Face Value per unit is ₹10/-)		
<b>Indian Energy Exchange Ltd.</b>	125.00	125.00
12,50,000 Equity shares of ₹10/- each paid up (Previous year 12,50,000 equity shares of ₹10 each paid up)		
<b>Energy Efficiency Services Ltd.</b>	62.50	62.50
6,25,000 equity shares of ₹10 each paid up (Previous year 6,25,000 equity shares of ₹10 each paid up)		
<b>Sub Total (A)</b>	<b>81,232.88</b>	<b>90,975.87</b>
<b>(B) Investment in Subsidiaries</b>		
<b>Investment in REC Power Distribution Co.Ltd.</b>	5.00	5.00
50,000 equity shares of ₹10 each paid up		
<b>Investment in REC Transmission Projects Co. Ltd.</b>	5.00	5.00
50,000 equity shares of ₹10 each paid up		
<b>Sub Total (B)</b>	<b>10.00</b>	<b>10.00</b>
<b>Total (A+B) (Unquoted)</b>	<b>81,242.88</b>	<b>90,985.87</b>

## Schedule '7' Loans

	(₹ in lacs)	
	As at 31.03.2011	As at 31.03.2010
(i) State Power Utilities/ State Electricity Boards/Corpn., Co-operatives and State Governments		
(a) Unsecured, considered good (Guaranteed by respective State Governments)	2,190,414.05	2,134,314.13
(b) Classified Doubtful	231.76	231.76
Less: Prov. for Bad & doubtful debts	54.35	32.18
(c) Interest accrued and due on loans	456.81	813.83
(d) Interest accrued on rescheduled loans	36,330.21	43,253.34
(ii) State Power Utilities/State Electricity Boards/Corpn., (Secured by hypothecation of materials/ assets with respective State Power Utilities/ SEBs/ Corpn.)		
(a) Considered Good	5,064,343.87	3,708,522.50
(b) Interest accrued and due on loans	63.26	3,426.70
(iii) Others (Secured by hypothecation of tangible assets)		
(a) Considered Good	784,201.75	459,178.64
(b) Classified Doubtful	1,722.33	1,722.33
Less: Prov. for Bad & doubtful debts	1,722.33	-
(c) Interest accrued and due on loans	2,017.52	833.44
(d) Interest accrued on rescheduled loans	3,568.78	801.25
(iv) Others (Unsecured) - Considered good		
(a) Considered Good	131,631.65	293,905.45
(b) Interest accrued and due on loans	0.59	12.52
<b>Total (i to iv)</b>	<b>8,213,205.90</b>	<b>6,645,261.38</b>

## Schedule '8' Deferred Tax Asset/(-) Liability

	As at 31.03.2011	As at 31.03.2010
Opening Balance	736.76	-95,668.52
Less: Reversed	-	96,456.74
	736.76	788.22
Add: Addition during the Year	540.53	-51.46
<b>Total</b>	<b>1,277.29</b>	<b>736.76</b>

Refer Note No. 22 of Schedule 17, Notes on Accounts

## Schedule '9' Current Assets, Loans & Advances

	As at 31.03.2011	As at 31.03.2010
<b>I CURRENT ASSETS</b>		
<b>A) Cash and bank balances :</b>		
(i) Cash/Cheques in hand/transit (incl.Postage & imprest)	62,606.93	0.61
(ii) In current accounts		
- with RBI	1.91	1.87
- with Scheduled Banks	43,176.17	63,671.45
(iii) In savings accounts		
- with Scheduled Banks (for RGGVY Scheme)	24,611.11	418.07
- with Scheduled Banks (for AG & SP Scheme)	751.73	3,466.58
(iv) In Deposit accounts with Scheduled Banks		
- Others	152,041.16	71,472.64
<b>Total - (A)</b>	<b>283,189.01</b>	<b>139,031.22</b>
<b>B) Other Current Assets</b>		
(i) Interest accrued but not due on term deposits	922.26	92.22
(ii) Interest accrued but not due		
- on Loans	49,345.19	48,796.72
- on loans to employees	249.75	281.73
(iii) Recoverable from SEB /Govt. Deptts./Others	506.58	659.00
(iv) Recoverable from GOI		
- RGGVY Expenses	464.28	295.04
- RGGVY Subsidy	-	7,804.31
(v) Share application money pending allotment (Investment in Energy Efficiency Services Ltd.)	2,437.50	-
<b>Total - (B)</b>	<b>53,925.56</b>	<b>57,929.02</b>
<b>II LOANS AND ADVANCES</b>		
<b>A) Loans</b>		
(i) Employees (Secured)	264.63	177.58
(ii) Employees (Unsecured)	317.83	515.90
<b>B) Advances</b>		
(Unsecured considered good)		
(i) Advances recoverable in cash or in kind or for value to be received	2,032.78	2,387.54
(ii) Prepaid financial charges on Commercial Paper	-	5,174.37
(iii) Advance Income Tax & TDS	272,264.99	-
Less: Provision for Income Tax	269,982.31	-
Balance Advance Income Tax & TDS	2,282.68	-
(iv) Income Tax recoverable	2,458.80	3,154.51
<b>Total - (C)</b>	<b>7,356.72</b>	<b>11,409.90</b>
<b>Total - (A+B+C)</b>	<b>344,471.29</b>	<b>208,370.14</b>

## Schedule '10' Current Liabilities and Provisions

			(₹ in lacs)	
	As at 31.03.2011		As at 31.03.2010	
<b>A) CURRENT LIABILITIES</b>				
(a) Advance Receipts		104.64		912.07
(b) Other Liabilities		3,648.68		5,940.00
- Dues of creditors other than Micro, Small and Medium Enterprises				
(c) (i) Subsidy/Grant from Govt. of India for disbursement	2,444,522.41		1,961,406.91	
(ii) Interest on Subsidy/Grant	6,106.00		5,090.52	
<b>Total</b>	2,450,628.41		1,966,497.43	
Less: Disbursed to Beneficiaries	-2,362,362.96		-1,959,821.07	
Un-disbursed Subsidy/Grant		88,265.45		6,676.36
(d) Interest accrued but not due				
- on bonds	189,661.99		156,827.23	
- Government/LIC/Foreign Currency Loans	16,095.04	205,757.03	13,839.41	170,666.64
(e) Unclaimed Interest & Principal On Bonds and Govt. Loans				
- Interest	1,658.94		1,523.38	
- Principal	13,665.02	15,323.96	9,950.98	11,474.36
(f) Overdraft in Current Account with Bank		-		-
(g) Gratuity payable		290.01		464.72
<b>Total - (A)</b>		313,389.77		196,134.15
<b>B) PROVISIONS</b>				
(a) Income Tax	-		179,170.80	
Less: Advance IncomeTax & TDS	-		176,205.63	
Balance Provision for Income Tax		-		2,965.17
(b) Staff Benefits		8,746.92		5,703.46
(c) (i) Provision for Incentive & Ex Gratia		1,649.89		3,975.17
(ii) Wage Revision		-		3,306.24
		1,649.89		7,281.41
Less : Adjustable advance		4.49		968.77
Balance Provision for Incentive, Ex Gratia & Wage Revision		1,645.40		6,312.64
(d) Wealth Tax		35.69		36.00
(e) Fringe Benefit Tax		36.09		36.09
(f) Proposed Dividend		39,498.36		34,561.07
(g) Dividend Distribution Tax on Proposed Dividend		6,407.62		5,740.16
<b>Total - (B)</b>		56,370.08		55,354.59
<b>Total - (A+B)</b>		369,759.85		251,488.74

## Schedule '11' Operating Income (Net)

			(₹ in lacs)	
	As at 31.03.2011		As at 31.03.2010	
<b>A. On Lending Operations</b>				
<b>Interest on Loans</b>				
- Long term financing	767,320.16		608,425.48	
Less: Rebate for timely payments/completion etc	785.00	766,535.16	977.48	607,448.00
- Short term financing		44,342.15		35,637.42
		810,877.31		643,085.42
<b>B. Processing, Upfront, Lead fees, LC Commission etc</b>		6,038.26		4,253.88
<b>C. Prepayment Premium</b>		4,055.11		1,784.80
<b>D. Agency/ handling charges for RGGVY Implementation/ others</b>		4,720.43		5,851.69
<b>Total</b>		825,691.11		654,975.79

## Schedule '12' Other Income

			(₹ in lacs)	
	Year ended 31.03.2011		Year ended 31.03.2010	
<b>A. On Investment/Deposit Operations</b>				
Dividend on Mutual Fund	347.44		978.98	
Interest on deposits	4,475.69		2,035.78	
Interest on Govt. Securities (TDS ₹ Nil lac, Previous Year ₹448.83 lac)	6,979.68	11,802.81	7,734.24	10,749.00
<b>B. Other Income</b>				
Difference in exchange rate (net)	8,533.04		-	
Excess Provision written back	2,924.47		3,476.05	
Interest on Income Tax Refund	-		855.06	
Interest on staff advances	27.86		66.22	
Interest/dividend from Subsidiary Companies	23.49		39.93	
Dividend on Investment in Venture Fund	189.89		67.11	
Miscellaneous Income	332.89		527.93	
Profit on sale of assets	0.97		3.19	
<b>Total</b>	<b>23,835.42</b>		<b>15,784.49</b>	

## Schedule '13' Interest and Other Charges

			(₹ in lacs)	
	Year ended 31.03.2011		Year ended 31.03.2010	
<b>Interest on -</b>				
- Govt. Loans	317.10		421.27	
- REC Bonds	364,387.64		293,774.77	
- Banks/Fin Insts. Loans	83,850.76		69,780.32	
- External Commercial Borrowings	20,380.34		10,956.78	
- Commercial Paper	8,327.90		13,680.74	
	477,263.74		388,613.88	
Interest on AREP Subsidy	41.29		64.26	
Guarantee Fee	787.20		442.10	
<b>Total</b>	<b>478,092.23</b>		<b>389,120.24</b>	

## Schedule '14' Establishment Expenses

			(₹ in lacs)	
	Year ended 31.03.2011		Year ended 31.03.2010	
Salaries and Allowances	8,981.53		8,707.29	
Expenses on Leaves & Post Retirement Medical Facility	2,294.11		1,109.41	
Contribution to Provident and Other Funds	713.63		897.54	
Staff Welfare expenses	757.38		995.86	
<b>Total</b>	<b>12,746.65</b>		<b>11,710.10</b>	

## Schedule '15' Administration Expenses

			(₹ in lacs)	
	Year ended 31.03.2011		Year ended 31.03.2010	
Rent- office		179.85		163.13
Rates and Taxes		150.91		89.12
Electricity and Water Charges		77.21		64.96
Insurance Charges		3.24		2.93
Repairs and Maintenance				
Building	145.99		159.30	
ERP & Data Centre	171.26		121.99	
Others	94.76	412.01	58.04	339.33
Printing and Stationery		145.83		155.01
Travelling and Conveyance				
- Directors	114.84		81.88	
- Others	545.82	660.66	533.76	615.64
Postage, Telegram and Telephone		100.58		183.61
Publicity & Promotion Expenses		440.40		222.01
Auditors' Remuneration		44.49		26.51
Miscellaneous Expenses		872.17		746.26
Consultancy Charges		132.72		147.58
Corporate Social Responsibility		122.89		-
Donations & Charity		22.15		10.00
Loss on Sale of Assets		1.48		1.52
<b>Total</b>		<b>3,366.59</b>		<b>2,767.61</b>

## Schedule '16' Bond/Debt Instrument Issue Expenses

			(₹ in lacs)	
	Year ended 31.03.2011		Year ended 31.03.2010	
Handling Charges		527.75		439.91
Brokerage		899.25		667.04
Stamp Duty		31.40		157.33
Others		206.63		243.45
Other Finance Charges		5,343.79		486.82
<b>Total</b>		<b>7,008.82</b>		<b>1,994.55</b>



## Schedule '17' Notes on Accounts

### 1. Contingent Liabilities not provided for in respect of:-

		(₹ in lacs)	
Sl. No.	Particulars	As at 31.03.2011	As at 31.03.2010
(a)	Claims against the Corporation not acknowledged as debts, (including ₹499.10 lacs pending in various courts including arbitration cases as on 31.03.2011 (Previous year ₹406.36 lacs)	513.00	494.49
(b)	Others	142265.54	176559.67

The amount referred to in 1(a) above is dependent upon the outcome of settlement of court/arbitration cases.

The amount under 1(b) includes ₹135270 lacs (Previous year ₹173970 lacs) against Letters of Comfort issued to various Banks for opening of Letters of credit to procure generation equipment against loan sanctioned by the Corporation to its borrowers and ₹4820.39 lacs (previous year ₹1557.65 lacs) pertain to the difference in the interest rate being charged on private parties that have not been graded and whose loans are being charged at the highest rate applicable to the lowest graded borrowers.

The amount under 1(b) also includes ₹2175.15 lacs (Previous year ₹1032.02 lacs) against various demands raised by the Income Tax Department pursuant to Assessment Orders for Assessment Years 2003-04, 2006-07 and 2008-09. Appeals have been filed against these orders with CIT (Appeals) by the company. Refunds are also due to the company for various assessment years starting from Assessment Year 1998-99 to 2004-05. Out of the refund due to the company for Assessment Year 2004-05, a sum of ₹669.53 lacs has been adjusted by the Income Tax Department against the demands for Assessment Years 2003-04 & 2008-09 and accordingly the adjustment has been made in the books of accounts by treating this sum as Advance Income Tax.

2. Estimated amount of the contracts remaining to be executed on capital account and not provided for as at March 31, 2011 is ₹1331.57 lacs (previous year ₹599.26 lacs).
3. The Corporation 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/D2.01/99-2000 dated 13.1.2000 of RBI, Govt. Companies conforming to Section 617 of the Companies Act have been exempted from applicability of the provisions of RBI 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. 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.

4. On December 13, 2006, our Board of Directors approved Corporation's Prudential Norms and amendments thereto were approved on February 21, 2009 and September 25, 2010. However, in order to bring all "systemically important" government-owned NBFCs within the framework of the prudential norms, the RBI had advised our Corporation on December 12, 2006 to submit a 'road map' for compliance with various elements of the regulations governing NBFCs. The Corporation submitted the road map to RBI through the Ministry of Power and RBI, vide its letter dated June 29, 2010 has granted exemption to REC from Prudential Exposure Norms in respect of Central and State entities in Power Sector till March 31, 2012.

Further, RBI, vide its letter dated September 17, 2010, has 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 would be 25% of owned funds in case of a 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 have been modified with the approval of our Board on September 25, 2010. In view of the exemption granted by RBI in respect of Central and State Entities in power sector, our maximum credit exposure limits to such Utilities varies from 50% to 250% of our net worth, depending upon entity appraisal and status of unbundling of the respective State Utilities.

5. There has been shortfall in creation of Special Fund by some of the RE Cooperative Societies amounting to ₹290.62 lacs (Previous year ₹301.45 lacs) and the societies are pursued to create the required Special Fund.
6. Balance confirmation has been received from some of the borrowers.
7. Income Tax as applicable in respect of Interest accrued on bonds is deducted at source at the time of actual payment of interest to the bond holders since such bonds are freely transferable.
8. The formalities regarding registration of conveyance deeds etc. in respect of some of the Land & Building acquired by the Corporation amounting to ₹458.83 lacs (Previous year ₹3,630.58 lacs) are in the process of completion.
9. In terms of Accounting Policy No. 10.2, the balances in respect of Interest Warrants Accounts (both for institutional and 54EC Bonds) as on 31.03.2011 held in specified banks are ₹2375.69 lacs (previous year ₹3431.32 lacs).

10. 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.
11. Provision for impairment loss as required under Accounting Standard-28 on impairment of Assets is not necessary as in the opinion of management there is no impairment of the Corporation's Assets in terms of AS-28.
12. The Corporation has no outstanding liability towards Micro, Small and Medium undertakings.
13. No Bond Redemption Reserve (BRR) has been created since in terms of clarifications issued by the Department of Company Affairs, Govt. of India vide no.6/3/2001-CL.V dated 18.4.2002, BRR is not required to be created in the case of privately placed debentures issued by NBFC's registered with the RBI under section 45-IA of the RBI (Amendment) Act, 1997.
14. As part of hedging strategy, the company has executed, in some cases, interest rate swaps from fixed to floating to lower the cost by taking benefit of interest rate movement. The INR value of outstanding borrowing on which such swap has been exercised is ₹565,000 Lacs.

During the year ended 31.03.2011, the Corporation has reduced cost of borrowing to the extent of ₹4,114.71 lacs (Previous year ₹765.69 lacs) on account of swap (coupon only) transactions linked to rupee borrowing.

The Net Mark to Market position in respect of the above swap transactions as on 31.03.2011 is of ₹26,195.32 lacs (favorable) (Previous year ₹16,544.12 lacs favorable).

In respect of foreign currency borrowings, the company has executed cross currency swaps to hedge the Foreign Currency Exposure.

The outstanding position of Foreign Currency Exposure on 31.03.2011 is as under:

Currency	Total		Hedged (Currency & Interest rate)		Unhedged	
	Foreign Currency (in millions)	INR Equivalent (in lacs)	Foreign Currency (in millions)	INR Equivalent (in lacs)	Foreign Currency (in millions)	INR Equivalent (in lacs)
JPY	47,697.36	199,751.02	44,316.43	181,289.57	3,380.92	18,461.45
EURO	58.95	38,484.33	58.95	38,484.33	-	-
USD	1,170.00	529,153.03	200.00	89,448.13	970.00	439,704.90
<b>Total</b>		767,388.38		309,222.03		458,166.35

The portion of Foreign Currency Loans swapped into Indian rupee is stated at the rate fixed in the swap transactions, and not translated at the year end rate.

15. Directors' Remuneration:

Particulars	(₹ in lacs)	
	Year ended 31.03.2011	Year ended 31.03.2010
Salaries and Allowances	136.63	75.53
Perquisites/reimbursement	15.64	10.10
Retirement Benefits	22.71	nil
<b>Total</b>	<b>174.98</b>	<b>85.63</b>

The Chairman and Managing Director and other whole time Directors have also been allowed to use Staff car including for private journey(s) up to a ceiling of 1000 kms per month on payment of monthly charges of ₹780/- per month as per DPE guidelines.

Loans and Advances include ₹7.70 lacs (Previous year ₹4.38 lacs) due from Directors of the Corporation, maximum amount outstanding during the year ₹11.21 lacs (Previous year ₹10.66 lacs).

16. Auditors' Remuneration includes:

Sl. No.	Particulars	(₹ in lacs)	
		Year ended 31.03.2011	Year ended 31.03.2010
a)	Audit fees – Current year	18.75	18.75
b)	Tax Audit Fee (**exclusive of ₹2 lacs paid to Tax Auditors for Tax Audit of FY 2008-09)	4.00	4.00**
c)	Reimbursement of expenses	2.20	0.39
d)	Payment for Other services (# Inclusive of Certification Fee of ₹15 lacs for ECB documentation) (*** including for FPO certification which has been set off against Securities Premium A/c.)	19.54 #	16.37***
	<b>Total</b>	<b>44.49</b>	<b>39.51</b>

17. Expenditure in Foreign Currency:

Particulars	(₹ in lacs)	
	As at 31.03.2011	As at 31.03.2010
Royalty, Know-how, Professional, Consultation Fees	Nil	70.58
Interest	3127.01	28.87
Finance Charges	5023.78	411.95
Others Expenses	76.84	61.54
<b>Total</b>	<b>8227.63</b>	<b>572.94</b>

All other information required under paras 4(c) and 4(d) of Part II of the Schedule VI of the Companies Act, 1956 are either Nil or not applicable.

18. (A) Investments include ₹873.38 Lacs (previous year ₹1208.54 Lacs) representing company's contribution in the units of 'Small is Beautiful (SIB) Venture Capital Fund' promoted by KSK Energy Ventures Limited. During the year, 33,51,613 units (Previous year 23,84,981 units) were redeemed.

Name of the Company	Contribution towards Fund	Country of Residence	Proportion of ownership
SIB Fund of KSK Energy Ventures Ltd	₹873.38 lacs	India	9.74%

There is no further commitment for contribution.

- (B) Information in relation to the interest of the Corporation in Joint Venture as required under Accounting Standard –27 issued by ICAI:

Investments also include ₹62.50 lacs (Previous year ₹62.50 lacs) representing Corporation's contribution in the equity of Joint Venture Company "Energy Efficiency Services Limited" (EESL) promoted by Ministry of Power. This represents the 25% equity of EESL as on March 31, 2011. Corporation has also made application for allotment of further Equity amounting to ₹2437.50 lacs for which Shares are yet to be allotted. The Corporation is not having material control on the day to day operations of the Joint Venture Company though it has significant influence on the company. Accordingly, the investment is accounted for at cost.

#### 19. Related Party Disclosure:

##### A. Key Management Personnel:

Sh. P. Uma Shankar	Chairman & Managing Director (till 15.06.2010 FN)
Dr. J. M. Phatak	Chairman & Managing Director (from 15.06.2010 AN)
Sh. H.D. Khunteta	Director (Finance)
Sh. Guljit Kapur	Director (Technical)

Remuneration to whole time Directors including Chairman & Managing Director is disclosed in Note No.15.

Advances due from whole time Directors including Chairman & Managing Director have been disclosed in Note No.15.

##### B. Other Related Parties with whom transactions exist:

Subsidiary Companies:	Relationship
1. REC Transmission Projects Company Ltd.	Subsidiary
2. REC Power Distribution Company Ltd.	Subsidiary

#### Wholly owned Subsidiaries of REC Transmission Projects Company Ltd:

Sl. No.	Subsidiary Companies	Relationship
1	North Karanpura Transmission Company Limited (Transferred on 20.5.2010 to M/s. Reliance Power Transmission Limited)	Subsidiary upto 19.05.2010
2	Talcher-II Transmission Company Limited (Transferred on 27.04.2010 to M/s. Reliance Power Transmission Limited)	Subsidiary Upto 26.04.2010
3	Raichur Sholapur Transmission Company Ltd. (Transferred on 7.01.2011 to the Consortium of M/s. Patel Engineering Ltd., M/s. Simplex Infrastructure Ltd. & M/s. BS TransComm Ltd.)	Subsidiary upto 06.01.2011

#### C. Loans and advances due from/to subsidiaries:

(₹ in lacs)

Sl. No.	Name of Subsidiary	Outstanding Balance		Maximum Amount	
		31.03.2011	31.03.2010	31.03.2011	31.03.2010
1	REC Transmission Projects Company Limited	Nil	1432.78	1453.47	1432.78
2	REC Power Distribution Company Limited	43.95	-6.76	-161.52	-6.76
3	North Karanpura Transmission Company Limited	Nil	3.61	3.64	3.61
4	Talcher-II Transmission Company Limited	Nil	0.49	0.49	0.49
5	Raichur Sholapur Transmission Company Limited	Nil	Nil	Nil	Nil

#### Transactions during the year with related parties.

(₹ in lacs)

Sl. No	Nature of transaction	Subsidiaries		Key Managerial Personnel	
		31.03.2011	31.03.2010	31.03.2011	31.03.2010
1	Loans and Advances	1487.59	1229.47	7.70	Nil
2	Unsecured Loans	Nil	Nil	Nil	Nil
3	Remuneration	Nil	Nil	174.98	85.63

#### 20. Subsidy Under Accelerated Generation & Supply Programme (AG&SP): -

The Corporation is maintaining a 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 07.03.03 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.

#### 21. Disclosure in respect of Intangible Assets as required in AS-26 "Intangible Assets":-

i)	Amortisation Rate	20%; 100% in case the cost of asset is ₹5,000 or less
ii)	Amortisation Method	Straight Line

Reconciliation Statement	(₹ in lacs)	
	As at 31.03.2011	As at 31.03.2010
Gross Carrying Amount	433.29	432.90
Accumulated depreciation	125.28	39.00
Gross carrying amount- Opening Balance	432.90	4.85
Less: - Accumulated Depreciation	39.00	2.58
Carrying amount	393.90	2.27
Additions during the year	0.39	428.05
Less: Amortization during the year	86.28	36.42
Carrying amount as on Balance Sheet Date	308.01	393.90

22. The Corporation has been providing for deferred tax assets / liabilities in terms of Accounting Standard No. 22 on Accounting for Taxes on Income.

(A) Components of deferred tax Assets/ Liabilities as on 31.03.2011 are given as under:-

(₹ in lacs)		
Particulars	As at 31.03.2011	As at 31.03.2010
<b>Deferred Tax Assets (+)</b>		
Provision for Earned Leave Encashment	714.11	623.54
Provision for Sick Leave	310.80	251.12
Provision for Post Retirement Medical Benefits	257.29	263.28
Provision for Pension Scheme	441.96	0
Provision for fall in investments	0	8.21
<b>Total</b>	<b>1724.16</b>	<b>1146.15</b>
<b>Deferred Tax Liabilities (-)</b>		
Depreciation	-446.87	-409.39
<b>Total</b>	<b>-446.87</b>	<b>-409.39</b>
<b>Net Deferred Tax Asset(+) / (Liabilities) (-)</b>	<b>1277.29</b>	<b>736.76</b>

- (B) The Company had started creating Deferred Tax Liability (DTL) on special reserve created and maintained under Section 36(1)(viii) of Income Tax Act, 1961, from financial year 2006-07 onwards. DTL for the Special Reserve created till financial year 2005-06 was also created in Financial year 2006-07 by transferring the amount from General Reserve.

The Corporation has passed a Board Resolution that it 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 issued by the Institute of Chartered Accountants of India (ICAI). Accordingly, Company is not creating any deferred tax liability on the said reserves.

Considering the opinions given by the various concerned authorities and also the practice followed by the other similarly placed institutions of not creating deferred tax liability (DTL) on account of special reserve created and maintained under Section 36(1)(viii) of Income Tax Act, 1961, the Corporation is of the view that there is no requirement of DTL as per AS22 of ICAI. Accordingly, the Corporation has reversed the DTL of ₹96456.74 lacs created in the earlier years on this account in Financial Year 2009-10.

23. In terms of Accounting Standard No. 20 issued by the Institute of Chartered Accountants of India, Earnings per share (Basic and Diluted) is worked out as under: -

(₹ In lacs)		
Particulars	As at 31.03.2011	As at 31.03.2010
<b>Numerator</b>		
Profit after Tax as per Profit and Loss Account	256993.08	200141.58
<b>Denominator</b>		
Weighted average Number of equity shares	987459000	867834723
Basic & Diluted Earnings per share (₹/per share)	26.03	23.06

24. 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 some of the cases are to be executed amongst the Corporation, new entities and the State Governments.
25. The expenses of ₹643.98 lacs incurred up to Financial Year 2006-07 on RGGVY implementation were adjusted out of interest earned on such funds. The Corporation had approached MOP for regularization of above adjustments which is still pending. The management considers that amount is still recoverable from Govt. of India.

26. Details of provision as required in AS-29:-

(₹ In lacs)		
Particulars	As on 31.03.2011	As on 31.03.2010
<b>(a) Interim Dividend</b>		
As per last Balance Sheet	-	-
Addition during the year	34561.07	25759.80
Amounts paid/utilized during the year	34561.07	25759.80
<b>Closing Balance</b>	-	-
<b>(b) Proposed Dividend</b>		
As per last Balance Sheet	34561.07	21466.50
Addition during the year	39498.36	34561.07
Amounts paid/utilized during the year	34561.07	21466.50
<b>Closing Balance</b>	<b>39498.36</b>	34561.07
<b>(c) Corporate Dividend Tax</b>		
As per last Balance Sheet	5740.16	3648.23
Addition during the year	12147.78	10117.32
Amounts paid/utilized during the year	11480.32	8025.39
<b>Closing Balance</b>	<b>6407.62</b>	5740.16
<b>(d) Income Tax</b>		
Opening Balance	179170.80	109648.13
Additions during the year	90811.51	69522.67
Amounts paid/utilized during the year	-	-
<b>Closing Balance</b>	<b>269982.31</b>	179170.80
<b>(e) Wealth Tax</b>		
Opening Balance	36.00	33.82
Additions during the year	35.23	36.00
Amounts paid/utilized during the year	35.54	33.82
<b>Closing Balance</b>	<b>35.69</b>	36.00

Particulars	(₹ In lacs)	
	As on 31.03.2011	As on 31.03.2010
<b>(f) FBT</b>		
Opening Balance	36.09	36.09
Additions during the year	-	-
Amounts paid/utilized during the year	-	-
<b>Closing Balance</b>	36.09	36.09
<b>(g) Economic Rehabilitation Scheme</b>		
Opening Balance	-	-
Additions during the year	205.91	-
Amounts paid/utilized during the year	-	-
<b>Closing Balance</b>	205.91	-
<b>(h) Long Service Award</b>		
Opening Balance	-	-
Additions during the year	236.95	-
Amounts paid/utilized during the year	-	-
<b>Closing Balance</b>	236.95	-
<b>(i) Pension Scheme</b>		
Opening Balance	-	-
Additions during the year	1330.50	-
Amounts paid/utilized during the year	-	-
<b>Closing Balance</b>	1330.50	-
<b>(j) Leave Encashment</b>		
Opening Balance	1834.48	1624.79
Additions during the year	469.47	369.39
Amounts paid/utilized during the year	154.16	159.70
<b>Closing Balance</b>	2149.79	1834.48
<b>(k) Wage Revision</b>		
Opening Balance	3306.24	1280.00
Additions during the year	-	2026.24
Amounts paid/utilized during the year	3306.24	-
<b>Closing Balance</b>	-	3306.24
<b>(l) Gratuity</b>		
Opening Balance	464.72	974.96
Additions during the year	290.01	464.72
Amounts paid/utilized during the year	464.72	974.96
<b>Closing Balance</b>	290.01	464.72
<b>(m) Leave Travel Concession</b>		
Opening Balance	242.57	222.81
Additions during the year	-	19.76
Amounts paid/utilized during the year	242.57	-
<b>Closing Balance</b>	-	242.57
<b>(n) Settlement Allowance</b>		
Opening Balance	19.16	17.49
Additions during the year	4.31	5.35
Amounts paid/utilized during the year	2.33	3.68
<b>Closing Balance</b>	21.14	19.16
<b>(o) Incentives</b>		
Opening Balance	3335.69	1365.75
Additions during the year	1639.83	1969.94
Amounts paid/utilized during the year	3335.69	-

Particulars	(₹ In lacs)	
	As on 31.03.2011	As on 31.03.2010
<b>Closing Balance</b>	1639.83	3335.69
<b>(p) Medical Leave</b>		
Opening Balance	865.20	709.76
Additions during the year	216.21	221.46
Amounts paid/utilized during the year	19.36	66.02
<b>Closing Balance</b>	1062.05	865.20
<b>(q) Post Retirement Medical Facility</b>		
Opening Balance	2742.05	2244.77
Additions during the year	1241.71	678.26
Amounts paid/utilized during the year	243.18	180.98
<b>Closing Balance</b>	3740.58	2742.05
<b>(r) Ex – Gratia</b>		
Opening Balance	639.48	425.65
Additions during the year	-	213.83
Amounts paid/utilized during the year	629.42	-
<b>Closing Balance</b>	10.06	639.48

27. The Corporation has adopted AS-15 (revised 2005) 'Employees Benefit'. Defined employee benefit schemes are as follows:

**a. Provident Fund**

Corporation 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 Actuarial report, the fair value of the assets of the Provident fund including the returns of the assets thereof, as at 31st March 2011 is greater than the obligation under the defined contribution plan.

**b. Gratuity**

The Corporation 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 Corporation and is managed by separate trust. The liability of Gratuity is recognized on the basis of actuarial valuation.

**c. Post-Retirement Medical Facility (PRMF)**

The corporation has Post Retirement Medical Facility under which entitled retired (including his/her spouse) are covered as per Corporation's rule. The expenditure is recognized in the profit & loss account on the basis of actuarial valuation.

**d. Employees Family Economic Rehabilitation scheme**

The Corporation 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 Corporation. The expenditure is recognized in the profit & loss account on the basis of actuarial valuation.



**e. Scheme for Long service Award to the employees.**

The Corporation 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 corporation. The expenditure is recognized in the profit & loss account on the basis of actuarial valuation.

**f. Other Defined Retirement Benefit (ODRB)**

The Corporation 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 profit & loss account on the basis of actuarial valuation.

The summarized position of various defined benefits recognized in the Profit & Loss Account, Balance Sheet and the funded status are as under:

**Expense recognized in P&L A/c:-**

(₹ In lacs)

Particulars	Gratuity		PRMF		ODRB	
	(31.03.11)	(31.03.10)	(31.03.11)	(31.03.10)	(31.03.11)	(31.03.10)
a) Current Service Cost	154.61	139.91	59.70	57.10	0.86	0.78
b) Interest Cost	259.56	198.00	219.36	168.36	1.53	1.31
c) Expected Return on Plan Assets	(277.08)	(243.67)	NIL	NIL	NIL	NIL
d) Actuarial (Gain) Loss recognized in P&L A/c	152.92	277.02	962.64	452.80	1.91	3.26
e) Past Service Cost	Nil	Nil	NIL	NIL	NIL	NIL
f) Expensed recognized in P&L A/c	290.01	371.26	1241.71	678.25	4.31	5.36

**Amounts recognized in Balance Sheet:-**

(₹ In lacs)

Particulars	Gratuity		PRMF		ODRB	
	(31.03.11)	(31.03.10)	(31.03.11)	(31.03.10)	(31.03.11)	(31.03.10)
a) Present value of obligation as at the end of the year	3414.93	3142.92	3740.58	2742.05	21.14	19.16
b) Fair value of Plan Assets as at the end of the year	3129.59	2779.83	NIL	NIL	NIL	NIL
c) Difference (b - a)	(285.34)	(363.09)	(3740.58)	(2742.05)	(21.14)	(19.16)
d) Net Assets/ (Liability)* recognized of gratuity trust)	(285.34)*	(363.09)	(3740.58)	(2742.05)	(21.14)	(19.16)

**Changes in the Present value of defined benefit/ Obligation:-**

(₹ In lacs)

Particulars	Gratuity		PRMF		ODRB	
	(31.03.11)	(31.03.10)	(31.03.11)	(31.03.10)	(31.03.11)	(31.03.10)
a) Present value of obligation as at the beginning of the year	3244.55	2640.04	2742.05	2244.78	19.16	17.49
b) Interest Cost	259.56	198.00	219.36	168.36	1.53	1.31
c) Past Service Cost	Nil	Nil	NIL	NIL	NIL	NIL
d) Current Service Cost	154.61	139.91	59.70	57.10	0.86	0.78
e) Benefit Paid	(361.14)	(105.42)	(243.18)	(180.98)	(2.33)	(3.68)
f) Actuarial Gain/Loss on obligation	117.34	270.39	962.64	452.80	1.91	3.27
g) Present Value of defined benefit obligation at the end of the year	3414.93	3142.92	3740.58	2742.05	21.14	19.16

**Changes in the Fair value of Plan Assets:-**

(₹ In lacs)

Particulars	Gratuity		PRMF		ODRB	
	(31.03.11)	(31.03.10)	(31.03.11)	(31.03.10)	(31.03.11)	(31.03.10)
a) Fair value of Plan Assets as at the beginning of the year *(of the gratuity trust)	*3244.55	* 2640.04	NIL	NIL	NIL	NIL
b) Expected return on Plan Assets	277.08	243.68	NIL	NIL	NIL	NIL
c) Actual Company Contribution	4.67	8.17	NIL	NIL	NIL	NIL
d) Benefit Paid	(361.13)	(105.42)	NIL	NIL	NIL	NIL
e) Actuarial gain (Loss) on Plan Assets	(35.58)	(6.63)	NIL	NIL	NIL	NIL
f) Fair value of Plan Assets as at the end of the year	3129.59	2779.84	NIL	NIL	NIL	NIL

During the year, the corporation has provided Liability towards Contribution to the Gratuity Trust of ₹290.01 lacs (Previous Year ₹464.72 lacs), PRMF of ₹1241.71 lacs (Previous Year ₹497.27 lacs) and ODRB of ₹4.31 lacs (Previous Year ₹1.67 lacs)



**OTHER EMPLOYEE BENEFITS :-**

During the year, Provision for Earned Leave Encashment amounting to ₹469.47 lacs (Previous Year ₹209.69 lacs), provision for sick leave amounting to ₹216.21 lacs (Previous year ₹155.44 lacs), Provision for Economic Rehabilitation allowance amounting to ₹205.91 lacs (Previous Year Nil) and Provision for Long Service Award amounting to ₹236.95 lacs (Previous Year NIL) have been made on the basis of Actuarial Valuation and charged to P&L A/c.

No provision for LTC has been made this year since after the implementation of 2nd Pay Revision Committee Recommendations, LTC has now become a part of the monthly perquisites being paid with the salary.

The effect of an increase/ decrease of one percent point on PRMF:-

Particulars	31.03.2011		31.03.2010	
	1% (+)		1% (-)	
a) Service & interest Cost	40.88	24.71	(34.57)	(20.69)
b) PBO (Closing)	501.10	369.61	(438.21)	(309.62)

**Actuarial Assumptions:-**

Particulars	Gratuity	PRMF	ODRB
a) Method used	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)
b) Discount rate	8.00 (P.Year 7.50)	8.00 (P.Year 7.50)	8.00 (P.Year 7.50)
c) Expected Rate of Return on Plan Assets	8.54 (P.Year 9.23)	NIL (P.Year Nil)	NIL (P.Year Nil)
d) Future salary increase	6.00 (P.Year 5.50)	6.00 (P.Year 5.50)	6.00 (P.Year 5.50)

- The Expected Rate of Return on Assets over the accounting year is assumed rate of return.
- 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.

28. (A) Government of India has appointed REC as a nodal agency for implementation of Rajiv Gandhi Gramin Vidyutikaran Yogna (RGVY). The funds received for disbursement to various agencies under such schemes are kept in a separate bank account. The undisbursed funds and interest earned thereto are classified as current liabilities.
- (B) During the current year, interest earned of ₹1143.02 lacs (Previous year ₹880.73 lacs) including TDS nil (Previous year ₹154.43 lacs) has been taken to RGVY Subsidy account.
29. During the year, Corporation has invested its surplus funds with the Public Mutual Funds in Liquid Scheme and Liquid Plus Scheme. The same have been disinvested during the year itself.
30. The Corporation's main business is to provide finance to power sector. Accordingly, the Corporation does not have more than

one segment eligible for reporting in terms of Accounting Standard No.17 issued by the Institute of Chartered Accountants of India.

31. The Corporation has taken office accommodations and space for ERP Data Centre. These are classified as operating lease. Lease payment in respect of these amounting to ₹101.54 lacs is shown under the head 'Administration Expenses' in Schedule 15. Future lease payments in respect of these lease agreements are as under:

Maturity profile of future minimum lease rent payments	For Data Centre for ERP 31.03.2011	For Data Centre for ERP 31.03.2010	For Accommodations 31.03.2011	For Accommodations 31.03.2010
	(₹ in lacs)			
Not later than one year	49.67	39.89	141.51	136.67
Later than one year and not later than 5 years	115.76	154.93	649.75	601.27
Later than 5 years	Nil	Nil	414.91	376.66
<b>Total</b>	<b>165.43</b>	<b>194.82</b>	<b>1206.17</b>	<b>1114.60</b>

32. The Bond Series and other secured borrowings are secured by a charge on the receivables, both present and future, in favour of IDBI Trusteeship Services Ltd. and IL&FS Trust Company Ltd., on the basis of joint hypothecation agreement dated 25th January 2008. However, certain specific receivables of ₹2,76,736 lacs (Previous Year ₹430509 lacs) are hypothecated in favour of IL&FS Trust Company Ltd. in terms of that agreement. Refinance loan of ₹1,87,000 lacs (Previous Year ₹87000 lacs) availed from IIFCL shall also be covered under the same agreement with regard to pooling of securities and IIFCL shall have pari-passu charge on the receivables charged to these Trustees.
33. The Capital Adequacy Ratio of the Corporation as on March 31, 2011 is 19.09% (previous year 16.05%).
34. The movement of the loans rescheduled are as under:-

Particulars	As at 31.03.2011	No. of accounts	As at 31.03.2010	No. of accounts
	(₹ in lacs)			
Opening balance		14		9
Principal	700501.58		2,28,029.89	
Interest	78445.41		1,01,169.91	
Additions during the year (New Accounts)		3		6
Opening balance				
Principal	101146.07		418969.67	
Interest	831.35		0.00	
Additions during the year				
Principal	59050.26		87914.87	
Interest Accrued	99561.73		73318.36	
Received during the Year *				
Principal	38303.55		34412.85	
Interest	107101.44		96042.86	
Closing balance				
Principal	822394.35	16	700501.58	14
Interest	71737.04		78445.41	

\* Also includes one (Previous Year one) fully pre-paid case.

35. Modifications/Disclosures have been made in Significant Accounting Policies no. 2, 2.1 (c), 2.2 (i) and 10.3 to make them more clarificatory/ explicit. There is no financial impact of such modifications/disclosures.
36. Previous year figures have been regrouped/rearranged/recasted, wherever necessary, to make them comparable with the current year's figures.
37. Figures have been rounded off to the nearest lacs.
38. Schedules 1 to 17 form an integral part of the Balance Sheet and Profit & Loss Account and have been duly authenticated.
39. Balance Sheet Abstract and company's General Business Profile as per Part IV of Schedule VI of the Companies Act, 1956.

#### 1. REGISTRATION DETAILS:

Registration No.	005095	State Code	55
Balance Sheet Date:	31 (Date)	03 (Month)	2011 (Year)

(₹ in lacs)

#### 2. CAPITAL RAISED DURING THE YEAR

NIL

#### 3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

(₹ in lacs)

<b>Total Liabilities</b>	8279243.64	<b>Total Assets</b>	8279243.64
<b>SOURCES OF FUNDS</b>			
Paid up Capital	98,745.90	Reserves and Surplus	1180115.61
Secured Loans	4626743.07	Unsecured Loans	2373639.06
Deferred Tax Liability	NIL		
<b>APPLICATIONS OF FUNDS</b>			
Net Fixed Assets(Incl. Capital WIP)	8806.13	Investments	81242.88
Net Current Assets	- 25288.56	Loans	8213205.90
Deferred Tax Assets	1277.29	Misc. Expenditure	NIL
Accumulated Losses	NIL		

#### 4. PERFORMANCE OF COMPANY

(₹ in lacs)

<b>Turnover</b>	849526.53	<b>Total Expenditure</b>	501540.62
Profit before Tax	347662.81	Profit after Tax	256993.08
EPS in ₹	26.03	Dividend Rate	₹7.50 /-per share

(On an equity share of ₹10/- face value)

#### 5. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

Item Code No.	N.A.	Financial Services
---------------	------	--------------------

Signatures to the schedules forming part of the Balance Sheet and Profit and Loss and to the above notes.

#### In terms of our Report of even date

##### For K.G. Somani & Co.

Chartered Accountants

##### Bhuvnesh Maheshwari

Partner

M.No. : 88155

Firm Reg. No.: 006591N

Place : New Delhi

Date : 24<sup>th</sup> May, 2011

##### For Bansal & Co.

Chartered Accountants

##### R. C. Pandey

Partner

M.No. : 70811

Firm Reg. No.: 001113N

##### V. K. Arora

Executive Director  
(Finance)

#### For and on behalf of the Board

##### P. J. Thakkar

Director (Technical)

##### H. D. Khunteta

Chairman and  
Managing Director  
& Director (Finance)

##### Rakesh K. Arora

Company Secretary

# Significant Accounting Policies for the year ended 31st March, 2011

## 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 applicable accounting standard in India. 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:

### 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 loans whose terms are renegotiated / rescheduled / restructured, income is recognized on accrual basis when it is reasonably expected that there is no uncertainty of receipt of dues from the borrowers and a legally binding Memorandum of Agreement has been executed and there has been satisfactory performance under the renegotiated or rescheduled or restructured terms till a period of at least one year from the effective date of the corresponding MOU.

- b. Income of agency charges on RGGVY Schemes is recognized on the basis of the services rendered and amount sanctioned by the Ministry of Power.
- c. 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.

### d. Income from investments

- (1) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis:

Provided that the income from dividend on shares of corporate bodies may be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and 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.
- (ii) **Sub-Standard Assets:** 'Sub-standard asset' means:
- an asset which has been classified as non-performing asset for a period not exceeding 18 months;
  - 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.
  - 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.
- (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 application of Prudential Norms and provisioning Norms,

- i. Facilities granted to State/Central Sector entities are considered loan wise.
- ii. Facilities granted to other entities are considered borrower wise.

## 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 State Govt. Undertaking for deduction from Central Plan Allocation 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.

## 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.

## 4. DEPRECIATION

- 4.1. Depreciation on assets is provided on pro rata basis on straight-line method at the rates prescribed under Schedule XIV to the Companies Act, 1956. In terms of option available under the Companies Act, 1956, depreciation on assets capitalized prior to 16.12.93 is charged at the rates then prevailing on the straight-line method.
- 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. These Assets are amortized over a period of 5 years.

## 6. INVESTMENTS

Long term investments are carried at cost less provisions, if any (except mutual funds which are valued at NAV) for diminutions in the value of such investment. Current investments are carried 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 of the Institute of Chartered Accountants of India. 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, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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 interest warrants relating to bonds by depositing the amount in the designated Interest Warrant Bank Accounts. Accordingly, the payments are treated as final payments and these designated accounts are not exhibited in the books but reconciliation thereof is carried out.
- 10.3. Expenditure incurred on raising of funds is charged to the Profit and Loss Account 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.
- 10.4. Gain or loss on Interest rate swaps on domestic borrowing is adjusted against the interest cost as on the settlement date.

**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.

**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 separately.
- 13.2. Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related services is rendered.
- 13.3. Post employment and other long term employee benefits are recognized as an expense in the profit and loss account 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 profit & loss account.

**14. TRANSACTION IN FOREIGN CURRENCY**

- 14.1. Foreign Currency transactions are initially recorded at the exchange rate prevailing on the date of transaction. Foreign Currency loans/liabilities are translated/ converted with reference to the rates of exchange ruling at year end and the resultant exchange fluctuation is charged to Profit & Loss account.
- 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 either credited to respective grant account if terms of the grant so requires or to "other income".

# Cash Flow Statement for the year ended 31st March, 2011

Particulars	(₹ in lacs)	
	Year ended 31.03.2011	Year ended 31.03.2010
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before Tax	347,662.81	264,919.43
Adjustments for:		
1. Profit / Loss on Sale of Fixed Assets	0.51	-1.67
2. Depreciation	304.16	215.50
3. Provision for Bad & doubtful debts	22.17	22.18
4. Excess Provision written back	-2,921.31	-107.51
5. Profit on sale/income of investment in units of "Small is Beautiful" Fund	-189.89	-67.11
6. Loss/(Gain) on Exchange Rate fluctuation	-8,533.04	-
7. Dividend from Subsidiary Co.- REC PDCL	-5.00	-5.00
8. Discount on issue of Bonds written off	84.71	-
9. Dividend on Mutual Funds	-347.44	-978.98
10. Dividend & Div. Tax paid in excess of provision	1.35	0.90
<b>Operating profit before working Capital Charges</b>	<b>336,079.03</b>	<b>263,997.74</b>
<b>Increase / Decrease :</b>		
1. Loans	-1,567,966.69	-1,507,138.98
2. Other Current Assets	4,003.46	-12,090.02
3. Other Loans & Advances	4,053.18	173,283.98
4. Current Liabilities	39,246.74	-122,135.08
<b>Cash outflow from Operations</b>	<b>-1,184,584.28</b>	<b>-1,204,082.36</b>
1. Advance Income Tax Paid	-96,422.88	-67,429.97
2. Income Tax refund	-	2,049.58
3. Wealth Tax paid	-35.54	-36.65
<b>Net Cash used in Operating Activities</b>	<b>-1,281,042.70</b>	<b>-1,269,499.40</b>
<b>B. Cash Flow from Investing Activities</b>		
1. Sale of Fixed Assets	2.42	8.90
2. Purchase of Fixed Assets (incl. Advance for Capital exp.)	-122.30	-1,123.36
3. Redemption of 8% Government of Madhya Pradesh Power Bonds-II	9,432.00	9,432.00
4. Redemption of units of "Small is Beautiful" Fund	310.99	238.50
5. Income on Investments in units of "Small is Beautiful" Fund	189.89	67.11
6. Investment in Shares of EESL	-	-62.50
7. Dividend received on Mutual Funds	347.44	978.98
8. Dividend from "REC Power Distribution Co. Ltd."	5.00	5.00
<b>Net Cash used in investing Activities</b>	<b>10,165.44</b>	<b>9,544.63</b>
<b>C. Cash Flow from Financial Activities</b>		
1. Issue of Bonds	1,543,243.48	1,659,115.39
2. Redemption of Bonds	-509,820.54	-836,162.65
3. Raising of Term Loans/STL from Banks/FIs (Net)	67,770.85	106,037.86
4. Raising of Foreign Currency Loan (Net)	559,142.99	58,269.18
5. Grants received from GOI (Net of refund)	484,130.98	501,976.13
6. Disbursement of grants	-402,541.89	-600,367.03
7. Repayment of Govt. Loan	-1,329.16	-1,532.64
8. Final Dividend paid	-34,561.66	-21,467.27
9. Corporate Dividend Tax paid on Final Dividend	-5,739.43	-3,648.36
10. Issue of Shares	-	12,879.90
11. Security Premium on issue of shares	41.32	249,918.17
12. Issue of Commercial Paper	-	315,000.00
13. Repayment of Commercial Paper	-245,000.00	-199,500.00
14. Interim Dividend paid	-34,561.64	-25,759.80
15. Corporate Dividend Tax paid on Interim Dividend	-5,740.25	-4,377.03
<b>Net Cash in-flow from Financing Activities</b>	<b>1,415,035.05</b>	<b>1,210,381.85</b>
<b>Net Increase/Decrease in Cash &amp; Cash Equivalents</b>	<b>144,157.79</b>	<b>-49,572.92</b>
Cash & Cash Equivalents as at 1st April, 2010	139,031.22	188,604.14
Cash & Cash Equivalents as at 31st March, 2011	283,189.01	139,031.22
<b>Net Increase/Decrease in Cash &amp; Cash Equivalents</b>	<b>144,157.79</b>	<b>-49,572.92</b>

Note : Previous year figures have been rearranged and regrouped wherever necessary.

## In terms of our Report of even date

**For K.G. Somani & Co.**  
Chartered Accountants

**Bhuvnesh Maheshwari**  
Partner  
M.No. : 88155  
Firm Reg. No.: 006591N

**For Bansal & Co.**  
Chartered Accountants

**R. C. Pandey**  
Partner  
M.No. : 70811  
Firm Reg. No.: 001113N

## For and on behalf of the Board

**P. J. Thakkar**  
Director (Technical)

**H. D. Khunteta**  
Chairman and  
Managing Director  
& Director (Finance)

Place : New Delhi  
Date : 24<sup>th</sup> May, 2011

**Rakesh K. Arora**  
Company Secretary



# Annexure to be enclosed with Balance Sheet as at 31st March, 2011

(As prescribed by RBI)

(Particulars as required in terms of Paragraph 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, in so far as they are applicable to REC Ltd.)

(₹ In Lacs)

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	4,050,530.36	-	
(ii) Unsecured	1,068,993.57	-	
(b) Foreign Currency Loan	758,331.81	-	
(c) Term Loan from Govt. of India	3,612.68	-	
(d) Term Loan from Financial Institution	472,000.00	-	
(e) Term Loan from Banks	646,913.71	-	
(f) Overdrafts from Bank	-	-	
(g) Cash Credit from Banks	-	-	
(h) Commercial Paper	-	-	
<b>ASSET SIDE :</b>			
Break-up of Loans and Advances including bills receivable			
(a) Secured	5,854,195.18		
(b) Unsecured	2,359,010.72		
<b>INVESTMENTS :</b>			
Long Term Investments:			
<b>Unquoted:</b>			
(i) Shares : (a) Equity	197.50		
(b) Preference	-		
(ii) Debentures and Bonds	-		
(iii) Units of mutual funds	873.38		
(iv) Government Securities	80,172.00		
(v) Others	-		
<b>Borrower Group-wise classification of all leased assets, stock-on-hire and loans and advances :</b>			
Category	AMOUNT NET OF PROVISIONS		
	Secured	Unsecured	Total
<b>1. Related Parties</b>			
(a) Subsidiaries	-	43.95	43.95
(b) Companies in the same Group	-	-	-
(c) Other related Parties	-	-	-
<b>2. Other than Related Parties</b>	5,854,195.18	2,359,010.72	8,213,205.90
<b>Total</b>	5,854,195.18	2,359,054.67	8,213,249.85
<b>Investor group-wise classification of investments (current and long term) in shares and securities (both quoted and unquoted) :</b>			
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	10.00		10.00
(b) Companies in the same Group	-		-
(c) Other related Parties	-		-
<b>2. Other than Related Parties</b>	81,232.88		81,232.88
<b>Total</b>	81,242.88		81,242.88
<b>Other Information</b>			
Particulars			(₹ In lacs)
<b>(i) Gross Non-Performing Assets</b>			
(a) Related Parties			
(b) Other than related Parties			1,954.09
<b>(ii) Net Non-Performing Assets</b>			
(a) Related Parties			-
(b) Other than related Parties			177.41
<b>(iii) Asset acquired in satisfaction of debts</b>			-

In terms of our Report of even date

For K.G. Somani & Co.

Chartered Accountants

For Bansal & Co.

Chartered Accountants

For and on behalf of the Board

Bhuvnesh Maheshwari

Partner

M.No. : 88155

Firm Reg. No.: 006591N

R. C. Pandey

Partner

M.No. : 70811

Firm Reg. No.: 001113N

V. K. Arora

Executive Director

(Finance)

P. J. Thakkar

Director (Technical)

H. D. Khunteta

Chairman and

Managing Director

& Director (Finance)

Rakesh K. Arora

Company Secretary

Place : New Delhi

Date : 24<sup>th</sup> May, 2011

# Auditors' Report

To  
The Members of,  
Rural Electrification Corporation Ltd.

1. We have audited the attached Balance Sheet of **RURAL ELECTRIFICATION CORPORATION LIMITED** as at 31st March 2011 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable to the Corporation.
4. Further to our comments in the Annexure referred in paragraph 3 above, we report that:
  - i) We have obtained all the information and explanations which to be best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of such books;
  - iii) The Balance Sheet, Profit & Loss account and cash flow

statement dealt with by this report are in agreement with the books of accounts;

- iv) In our opinion, the Balance Sheet, Profit & Loss account and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent possible.
- v) 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.
- vi) In our opinion and to the best of our information and according to explanations given to us, the said statements of accounts read together with notes and accounting policies thereon, give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In the case of the Balance Sheet of the State of Affairs of the Company as at 31st March 2011.
  - b) In the case of Profit & Loss Account, of the Profit of the Company 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.

**For Bansal & Co.**  
Chartered Accountants

**R.C. Pandey**  
Partner  
M. No.070811  
Firm Regn No.001113N

Place: New Delhi  
Date : 24<sup>th</sup> May, 2011

**For K.G Somani & Co.**  
Chartered Accountants

**Bhuvnesh Maheshwari**  
Partner  
M. No. 088155  
Firm Regn No.006591N

## Annexure to the Auditors' Report

### REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF RURAL ELECTRIFICATION CORPORATION LIMITED FOR THE YEAR ENDED ON 31st March, 2011

- (i) (a) The Corporation has maintained fixed assets records to show full particulars including quantitative details and situation of its fixed assets.
- (b) The fixed assets of the corporation were physically verified by the management during the year ended on 31st March, 2011; as certified by management, no material discrepancies has been found out on such physical verification.
- (c) In our opinion and according to the explanations given to us, during the year, the Corporation 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 Corporation being Non Banking Financial Company, does not has any inventory; as such this clause is not applicable.
- (iii) (a) According to the information and explanations given to us, the Corporation has not granted any loans secured or unsecured to any company, firm or other parties covered in register maintained under section 301 of Companies Act, 1956. Accordingly clauses 4(iii)(a), 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the order are not applicable.
- (e) According to the information and explanations given to us, the Corporation has not taken any loans, secured or unsecured, from any company, 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 Corporation and the nature of its business. *However in certain areas internal control needs further strengthening like Utilization of grants/subsidies disbursed under various schemes; Monitoring and supervision of loans given to various SEBs/ DISCOMS/TRANSCOS/GENCOS including obtaining search reports for charges created against the loans given, ascertainment of viability of revised project at the time of re-schedulement of loan assets; Generation of various reports from loan module in ERP to have better control over loan assets.* During the course of audit we have not come across any major failure in internal control system.
- (v) According to information and explanations given to us, the Corporation 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 Corporation 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 Corporation 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 Corporation. Accordingly, this clause of the order is not applicable to the Corporation.
- (ix) (a) The Corporation 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, sales tax, wealth tax, service tax, custom duty, excise duty, cess and any other 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 31st March 2011 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, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of dispute.
- (x) The Corporation does not have any accumulated losses as at 31st March 2011. The Corporation 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 Corporation has not defaulted in repayment of dues to a financial institution, bank or bond holders as at the Balance Sheet date.
- (xii) In our opinion and according to the information and explanations given to us, the Corporation has maintained records and documents in respect of loan granted by it to various State Electricity Board, Transmission, Distribution and Generation Companies including independent power producers on the basis of security by way of pledge of shares and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Corporation 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 corporation

- (xiv) In our opinion and according to the information and explanations given to us, the Corporation is not dealing or trading in shares, securities, debenture and other investment, therefore this clause of the order is not applicable to the corporation.
- (xv) In our opinion and according to the information and explanations given to us, the Corporation 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 Corporation.
- (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 Corporation, we report that funds raised on short term basis have not been used for long term investment.
- (xviii) According to the information and explanations given to us, during the year the Corporation 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 Corporation has created security in respect of Institutional

Loans, Taxable Secured Bonds and Capital Gain Bonds in the form of charge on receivables and Registered Mortgage on the immovable properties of the Corporation at Maharashtra & Delhi.

- (xx) The Corporation has not raised monies by public issue during the year. Accordingly this clause for disclosure of end use of money raised is not applicable. As explained to us, the money raised by way of Taxable Secured Bonds and Capital Gain Bonds is not a public issue.
- (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 Corporation, noticed or reported during the year, nor have we been informed of such case by the management.

**For Bansal & Co.**  
Chartered Accountants

**R.C. Pandey**  
Partner  
M. No.070811  
Firm Regn No.001113N

Place: New Delhi  
Date : 24<sup>th</sup> May, 2011

**For K.G Somani & Co.**  
Chartered Accountants

**Bhuvnesh Maheshwari**  
Partner  
M. No. 088155  
Firm Regn No.006591N

## Non-Banking Financial Companies Auditors' Report

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, on the matters specified in Para 3 and 4 of the said Directions to the extent applicable to the Corporation and according to the information and explanations given to us for the purpose of audit, we report that:

1. The Corporation 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 10/02/1998 having Registration No. 14000011.
2. As per amendments to NBFC Regulations vide notification nos. 134 to 140, dated 13/01/2000, the Government Companies have been exempted from applicability of provision of RBI Act relating to maintenance of liquid assets and creation of Reserve Funds and the directions relating to acceptance of public deposits and prudential norms. As per Para No. 1 (3) (iv) of RBI Master Circular No. 178, dated 1st July 2010, Non Banking (Non-Deposit Accepting or Holding Companies Prudential Norms (Reserve Bank) Directions, 2007 shall not apply to REC. However, RBI, vide its letter dated June 29, 2010 has granted exemption to REC from prudential exposure norms in respect of Central

and State entities in Power Sector till March 31, 2012.

Further, RBI, vide its letter dated September 17, 2010 has categorized REC as an Infrastructure Finance Company in terms of instructions contained in RBI Circular CC No. 168 dated February 12, 2010.

3. The Corporation has not accepted any public deposits during the year 2010-11.
4. For the financial year 31st March 2011, the corporation has complied with the Accounting Standards, Income recognition, 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.

**For Bansal & Co.**  
Chartered Accountants

**D.S. Rawat**  
Partner  
Membership No. 83030  
Firm Regn. No. 001113N

Place: New Delhi  
Dated: 29<sup>th</sup> June, 2011

**For K.G Somani & Co.**  
Chartered Accountants

**Bhuvnesh Maheshwari**  
Partner  
Membership No. 88155  
Firm Regn. No. 006591N

## 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, New Delhi, for the year ended 31 March, 2011

The preparation of financial statements of Rural Electrification Corporation Limited, New Delhi, for the year ended 31 March, 2011 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 auditing and assurance standards 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 24 May, 2011.

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, 2011. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors as 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 supplementary to Statutory Auditors report under Section 619(4) of the Companies Act, 1956.

**For and on behalf of the  
Comptroller and Auditor General of India**

**M.K. Biswas**

Principal Director of Commercial Audit &  
Ex-officio Member Audit Board-III,  
New Delhi

Place : New Delhi  
Dated : 28<sup>th</sup> July, 2011



## Secretarial Audit Report

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

We have examined the registers, records and documents of Rural Electrification Corporation Limited (the Company) for the financial year ended 31st March 2011 in the light of the provisions contained in-

- The Companies Act, 1956 and the Rules made thereunder;
- The Depositories Act, 1996 and the Rules made thereunder and the bye-laws of the Depositories who have been given the requisite Certificates of Registration under the Securities and Exchange Board of India Act, 1992;
- The Securities Contracts (Regulation) Act, 1956 and the rules made there under;
- The listing agreement with the National Stock Exchange of India Limited and with the Bombay Stock Exchange Limited; and
- The Securities and Exchange Board of India Act, 1992 and the Rules, Guidelines and Regulations made thereunder including:
  - The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.
  - The Securities and Exchange Board of India (Prohibition of Insider Trading Regulations), 1999; and
  - The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines 1999

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 Acts, Rules, Regulations and Guidelines including 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 independent 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. Registration of transfer of shares held in physical mode.
12. Dematerialisation and Rematerialisation of shares.
13. Execution of contracts, affixation of common seal, registered office and the name of the Company.
14. Requirement of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) regulations 1997.
15. Requirement of the Securities and Exchange Board of India (Prohibition of Insider Trading regulations) 1999.
16. Requirements set out in the listing agreement with the aforementioned stock exchanges.

B. I further report that-

- (i) the directors of the Company have complied with the various requirements relating to making of disclosures, declarations in regard to their other directorships, memberships of committees of the board of companies of which they are directors, their shareholding and interest or concern in the contracts entered into by the Company in the pursuing its normal business, and
- (ii) 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  
28<sup>th</sup> June, 2011

## Statement pursuant to Section 212(1)(e) of the Companies Act, 1956 relating to Subsidiary Companies

Sl. No.	Name of the subsidiary	REC Transmission Projects Company Limited*	REC Power Distribution Company Limited
1.	Financial year of the Subsidiary ended on	31.03.2011	31.03.2011
2.	Date from which they became subsidiary	08.01.2007	12.07.2007
3.	Share of the subsidiary held by the company as on 31st March, 2011.		
	(a) Number & face value	50,000 equity shares of ₹10/- each	50,000 equity shares of ₹10/- each
	(b) Extent of holding	100%	100%
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 with in the holding Company's accounts:-		
	(i) For the financial year ended 31st March, 2011.	1,09,228,240	40,397,158
	(ii) up to the previous financial year of the subsidiary company.	1,98,010,352	42,368,113
	(b) Dealt with in the holding Company's accounts:-		
	(i) For the financial year ended 31st March, 2011.	Nil	Nil
	(ii) For the previous financial year of the subsidiary Company since they became the holding Company's Subsidiaries.	Nil	Nil

**\* Note :** 100% shares of Raichur Sholapur Transmission Company Limited (RSTCL) were held by REC Transmission Projects Company Limited, which is a direct subsidiary of the Company. In pursuance of provision of Section 4 (1)(c) of the Companies Act, 1956, RSTCL was also a subsidiary of Rural Electrification Corporation Limited till 07.01.2011. Further, the process of selection of the successful bidder for transfer of RSTCL has been completed during the Current Financial Year and it has been transferred to consortium of M/s Patel Engineering Limited, M/s Simplex Infrastructure Limited & M/s BS TransComm Limited.

**V.K. Arora**  
Executive Director (Finance)

**P.J. Thakkar**  
Director (Technical)

**H.D. Khunteta**  
Chairman and Managing Director  
& Director (Finance)

**Rakesh K. Arora**  
GM (F&A) & Company Secretary

## Consolidated Balance Sheet as at 31st March, 2011

		(₹ in lacs)	
	Sch. No.	As at 31.03.2011	As at 31.03.2010
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds:</b>			
Capital	1	98,745.90	98,745.90
Reserves and Surplus	2	1,183,998.11	1,011,679.67
		1,282,744.01	1,110,425.57
<b>Loan Funds:</b>			
Secured Loans	3	4,626,743.07	4,624,473.81
Unsecured Loans	4	2,373,639.06	970,349.03
		7,000,382.13	5,594,822.84
<b>Total</b>		8,283,126.14	6,705,248.41
<b>APPLICATIONS OF FUNDS</b>			
<b>Fixed Assets:</b>	5		
Gross Block		8,486.92	8,367.32
Less Depreciation		1,931.42	1,631.26
<b>Net Block</b>		6,555.50	6,736.06
<b>Capital Work in Progress</b>		2,281.67	2,733.20
<b>Investments</b>	6	81,232.88	90,975.87
<b>Loans</b>	7	8,213,205.90	6,645,261.38
<b>Deferred Tax Assets/ (-) Liability (Net)</b>	8	1,276.10	735.99
<b>Current Assets, Loans &amp; Advances:</b>	9		
Cash and Bank Balances		286,679.03	139,422.80
Sundry Debtors		1,953.43	4,467.49
Other Current Assets		54,039.86	57,934.55
Loans and Advances		7,550.52	10,188.45
		350,222.84	212,013.29
<b>Less: Current Liabilities &amp; Provisions:</b>	10		
Liabilities		315,272.52	197,848.63
Provisions		56,376.63	55,360.44
		371,649.15	253,209.07
<b>Net Current Assets</b>		-21,426.31	-41,195.78
<b>Misc Exp. To the extent not written off</b>		0.40	1.69
<b>Total</b>		8,283,126.14	6,705,248.41

### Notes on accounts

17

Schedules 1 to 17 and Significant Accounting Policies form an integral part of Accounts.

### In terms of our Report of even date

#### For K.G. Somani & Co.

Chartered Accountants

#### Bhuvnesh Maheshwari

Partner

M.No. : 88155

Firm Reg. No.: 006591N

Place : New Delhi

Date : 24<sup>th</sup> May, 2011

#### For Bansal & Co.

Chartered Accountants

#### R. C. Pandey

Partner

M.No. : 70811

Firm Reg. No.: 001113N

#### V. K. Arora

Executive Director

(Finance)

### For and on behalf of the Board

#### P. J. Thakkar

Director (Technical)

#### H. D. Khunteta

Chairman and  
Managing Director  
& Director (Finance)

#### Rakesh K. Arora

Company Secretary

# Consolidated Profit and Loss Account for the year ended 31st March, 2011

	Sch. No.	Year ended 31.03.2011	(₹ in lacs) Year ended 31.03.2010
<b>INCOME</b>			
Operating Income (Net)	11	825,691.11	654,975.79
Other Income	12	27,528.78	19,786.71
<b>Total</b>		<b>853,219.89</b>	<b>674,762.50</b>
<b>EXPENSES</b>			
Interest and Other Charges	13	478,092.23	389,120.24
Establishment Expenses	14	13,409.32	12,205.38
Administration Expenses	15	4,136.49	3,115.60
Bond/ Debt Instrument Issue Expenses	16	7,008.82	1,994.55
Provision for bad & doubtful debts		22.17	22.18
Depreciation		307.06	217.76
<b>Total</b>		<b>502,976.09</b>	<b>406,675.71</b>
<b>PROFIT BEFORE TAX &amp; PRIOR PERIOD ITEMS</b>		<b>350,243.80</b>	<b>268,086.79</b>
Prior period adjustment - expenses/ (Income) (net)		328.14	10.60
<b>PROFIT BEFORE TAX</b>		<b>349,915.66</b>	<b>268,076.19</b>
Provision for Tax:			
Tax - Current Year		91,597.07	70,630.93
- Earlier year		369.37	2.83
- Adjustment for earlier years		-	-4,835.11
- Deferred Tax - Current Year		-540.11	52.20
- Fringe Benefit Tax		-	-
<b>Total</b>		<b>91,426.33</b>	<b>65,850.85</b>
<b>PROFIT AFTER TAX &amp; AVAILABLE FOR APPROPRIATION</b>		<b>258,489.33</b>	<b>202,225.34</b>
<b>Add: Reversal of deferred Tax Liability - Earlier Years</b>		<b>-</b>	<b>32,576.87</b>
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>258,489.33</b>	<b>234,802.21</b>
<b>Appropriations:</b>			
Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961		61,011.00	45,803.00
Reserve u/s 36(1)(viii) of the Income Tax Act, 1961 for Bad & Doubtful Debts		14,409.00	10,760.00
Dividend			
- Interim Dividend		34,561.07	25,759.80
- Proposed (Final)		39,503.36	34,566.07
Sub Total (Dividend)		<b>74,064.43</b>	<b>60,325.87</b>
Dividend Distribution Tax			
- Interim Dividend		5,739.33	4,377.03
- Proposed (Final)		6,408.45	5,741.01
Sub Total (Dividend)		<b>12,147.78</b>	<b>10,118.04</b>
Transfer to General Reserve		26,300.00	50,075.00
Transfer to Reserve for Doubtful Debts		20.20	-
Surplus carried to Balance Sheet		70,536.92	57,720.30
<b>Total</b>		<b>258,489.33</b>	<b>234,802.21</b>
- Basic & Diluted Earnings Per Share of ₹10/- each- Amount in ₹ [Refer note on accounts no. 2 (Schedule-17)]		26.18	23.30
- Debt Service Coverage Ratio		0.51	0.39
- Adjusted DSCR = Earnings before Interest and Tax+Principal Loan assets repayment received/ (Interest + Principal repayment of borrowings)		1.04	0.74
- Interest Service Coverage ratio		1.72	1.69

Schedules 1 to 17 and Significant Accounting Policies form an integral part of Accounts.

In terms of our Report of even date

**For K.G. Somani & Co.**  
Chartered Accountants

**For Bansal & Co.**  
Chartered Accountants

**For and on behalf of the Board**

**Bhuvnesh Maheshwari**  
Partner  
M.No.: 88155  
Firm Reg. No.: 006591N

**R. C. Pandey**  
Partner  
M.No.: 70811  
Firm Reg. No.: 001113N

**V. K. Arora**  
Executive Director  
(Finance)

**P. J. Thakkar**  
Director (Technical)

**H. D. Khunteta**  
Chairman and  
Managing Director  
& Director (Finance)

Place : New Delhi  
Date : 24<sup>th</sup> May, 2011

**Rakesh K. Arora**  
Company Secretary

## Schedule '1' Capital

	As at 31.03.2011	As at 31.03.2010
(₹ in lacs)		
<b>Authorised</b>		
1200,000,000 (Previous Year 1200,000,000) Equity shares of ₹10 each	<b>120,000.00</b>	120,000.00
<b>Issued, Subscribed and Paid up</b>		
987,459,000 (Previous Year 987,459,000) fully paid up Equity shares of ₹10 each	<b>98,745.90</b>	98,745.90
<b>Total</b>	<b>98,745.90</b>	98,745.90

## Schedule '2' Reserves and Surplus

	Opening Balance as at 01.04.2010	Additions/ adjustments during the year	Deductions/ adjustments during the year	Closing Balance as at 31.03.2011
(₹ in lacs)				
<b>(A) Capital Reserves</b>				
i) Capital Reserve (Grant from USAID)	10,500.00	-	-	<b>10,500.00</b>
ii) Security Premium*	322,201.81	45.73	4.41	<b>322,243.13</b>
Sub Total (A)	332,701.81	45.73	4.41	<b>332,743.13</b>
<b>(B) Other Reserves</b>				
i) Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961	329,582.77	61,011.00	-	<b>390,593.77</b>
ii) Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961	45,129.13	14,409.00	-	<b>59,538.13</b>
iii) General Reserve	218,942.25	26,300.00	-	<b>245,242.25</b>
iv) Reserve for Doubtful Debts	-	20.20	-	<b>20.20</b>
v) Profit & Loss Account	85,323.71	70,536.92	-	<b>155,860.63</b>
Sub Total (B)	678,977.86	172,277.12	-	<b>851,254.98</b>
<b>Total (A+B)</b>	<b>1,011,679.67</b>	<b>172,322.85</b>	<b>4.41</b>	<b>1,183,998.11</b>

\* Additions represent REC's share of Issue expenses which were earlier provided and now adjusted/ refunds received from NSE/ BSE/ SEBI relating to Further Public Offering of shares.

\* Deductions represent the amount of fees / commission incurred in current year relating to Further Public Offering of shares.

## Schedule '3' Secured Loans

	As at 31.03.2011	As at 31.03.2010
(₹ in lacs)		
<b>TERM LOANS FROM BANKS / INSTITUTIONS</b>		
(Secured against receivables)	<b>104,212.71</b>	166,842.86
<b>LOAN FROM LIFE INSURANCE CORPORATION OF INDIA</b>	<b>285,000.00</b>	320,000.00
(Secured against receivables)		
<b>LOAN FROM IIFCL</b>	<b>187,000.00</b>	87,000.00
(Refinance facility availed secured against pooling of security of present and future receivables on pari-passu basis)		

	(₹ in lacs)	
	As at 31.03.2011	As at 31.03.2010
<b>LOAN THROUGH BONDS</b>		
(Cumulative & Non- Cumulative)		
(Secured by charge against receivables and/ Immovable property at Maharashtra & Delhi as per the terms of the private placement and to the satisfaction of the respective trustees).		
<b>Long Term</b>		
<b>I TAXFREE SECURED BONDS</b>		
<b>53rd Series</b> - 7.10% Redeemable at par on 23.03.2011	-	5,000.00
<b>II TAXABLE SECURED BONDS</b>		
<b>69th Series</b> - 6.05% Redeemable at par on 23.01.2014	<b>40,152.00</b>	53,536.00
<b>72nd Series</b> - 6.60% Redeemable at par on 18.08.2011	<b>11,370.00</b>	11,370.00
<b>73rd Series</b> - 6.90% Redeemable at par on 08.10.2014	<b>18,712.00</b>	23,390.00
<b>75th Series</b> - 7.20% Redeemable at par on 17.03.2015	<b>40,000.00</b>	50,000.00
<b>77th Series</b> - 7.30% Redeemable at par on 30.06.2015	<b>98,550.00</b>	98,550.00
<b>78th Series</b> - 7.65% Redeemable at par on 31.01.2016	<b>179,570.00</b>	179,570.00
<b>79th Series</b> - 7.85% Redeemable at par on 14.03.2016	<b>50,000.00</b>	50,000.00
<b>80th Series</b> - 8.20% Redeemable at par on 20.03.2016	<b>50,000.00</b>	50,000.00
<b>81st Series</b> - 8.85% Redeemable at par on 20.01.2017	<b>31,480.00</b>	31,480.00
<b>82nd Series</b> - 9.85% Redeemable at par on 28.09.2017	<b>88,310.00</b>	88,310.00
<b>83rd Series</b> - 9.07% Redeemable at par on 28.02.2018	<b>68,520.00</b>	68,520.00
<b>84th Series</b> - 9.45% Redeemable at par on 04.04.2013	<b>100,000.00</b>	100,000.00
<b>85th Series</b> - 9.68% Redeemable at par on 13.06.2018	<b>50,000.00</b>	50,000.00
<b>86th Series</b> - 10.75% Redeemable at par on 24.07.2013	<b>72,790.00</b>	72,790.00
<b>86-A Series</b> - 10.70% Redeemable at par on 29.07.2018	<b>50,000.00</b>	50,000.00
<b>86-B-I Series</b> - 10.95% Redeemable at par on 14.08.2011	<b>92,420.00</b>	92,420.00
<b>86-B-II Series</b> - 10.90% Redeemable at par on 14.08.2013	<b>35,410.00</b>	35,410.00
<b>86-B-III Series</b> - 10.85% Redeemable at par on 14.08.2018	<b>43,200.00</b>	43,200.00
<b>87-I Series</b> - 10.90% Redeemable at par on 30.09.2013	<b>37,020.00</b>	37,020.00
<b>87-II Series</b> - 10.85% Redeemable at par on 30.09.2018	<b>65,740.00</b>	65,740.00
<b>87-A-I Series</b> - 11.35% Redeemable at par on 24.10.2013	<b>24,970.00</b>	24,970.00
<b>87-A-II Series</b> - 11.20% Redeemable at par on 24.10.2018	<b>3,640.00</b>	3,640.00
<b>87-A-III Series</b> - 11.15% Redeemable at par on 24.10.2018	<b>6,180.00</b>	6,180.00
<b>87-B Series</b> - 11.75% Redeemable at par on 03.11.2011	<b>94,090.00</b>	94,090.00
<b>87-C-I Series</b> - 11.45% Redeemable at par on 26.05.2010	-	22,910.00
<b>87-C-II Series</b> - 11.45% Redeemable at par on 26.11.2010	-	59,150.00
<b>87-C-III Series</b> - 11.50% Redeemable at par on 26.11.2013	<b>86,000.00</b>	86,000.00
<b>88th Series</b> - 8.65% Redeemable at par on 15.01.2019	<b>149,500.00</b>	149,500.00
<b>89-I Series</b> - 7.00% Redeemable at par on 02.06.2012	<b>67,150.00</b>	67,150.00
<b>89-II Series</b> - 7.70% Redeemable at par on 02.06.2014	<b>25,500.00</b>	25,500.00
<b>90th Series</b> - 8.80% Redeemable at par on 03.08.2019	<b>200,000.00</b>	200,000.00
<b>90-A-I Series</b> - 7.15% Redeemable at par on 05.08.2012	<b>100,000.00</b>	100,000.00
<b>90-A-II Series</b> - 8.00% Redeemable at par on 05.08.2014	<b>100,000.00</b>	100,000.00
<b>90-B-I Series</b> - 8.35% Redeemable at par on 04.09.2014	<b>88,390.00</b>	88,390.00
<b>90-B-II Series</b> - 8.72% Redeemable at par on 04.09.2019	<b>86,820.00</b>	86,820.00
<b>90-C-I Series</b> - 7.90% Redeemable at par on 06.10.2012	<b>141,750.00</b>	141,750.00
<b>90-C-II Series</b> - 8.80% Redeemable at par on 06.10.2019	<b>104,000.00</b>	104,000.00
<b>91-I Series</b> - 7.75% Redeemable at par on 17.11.2012	<b>94,300.00</b>	94,300.00
<b>91-II Series</b> - 8.80% Redeemable at par on 17.11.2019	<b>99,590.00</b>	99,590.00
<b>92-I Series</b> - 7.60% Redeemable at par on 22.01.2013	<b>92,460.00</b>	92,460.00
<b>92-II Series</b> - 8.65% Redeemable at par on 22.01.2020	<b>94,530.00</b>	94,530.00



			(₹ in lacs)
		As at 31.03.2011	As at 31.03.2010
<b>93-I Series</b>	- 7.65% Redeemable at par on 19.02.2013	<b>14,150.00</b>	14,150.00
<b>93-II Series</b>	- 8.45% Redeemable at par on 19.02.2015	<b>44,310.00</b>	44,310.00
<b>CAPITAL GAINS BONDS (Redeemable at par)</b>			
<b>Series-IV</b>		<b>97.30</b>	131.80
<b>Series-V</b>		-	42,481.60
<b>Series-VI</b>		<b>46,890.50</b>	53,628.50
<b>Series-VII</b>		-	340,274.40
<b>Series-VIII</b>		<b>252,523.30</b>	252,523.30
<b>Series-VIII (2009-10)</b>		<b>305,777.60</b>	305,777.60
<b>Series VIII (2010-11)</b>		<b>504,375.40</b>	-
<b>Bond Application Money</b>		<b>172.45</b>	-
<b>Interest Accrued &amp; Due on Capital Gains Bonds/ Bond application money</b>		<b>119.81</b>	117.75
<b>Total Secured Loans</b>		<b>4,626,743.07</b>	4,624,473.81
<b>Due for repayment/redemption within one year</b>		<b>664,133.05</b>	640,702.59

**Notes to Schedule No 3 :-**

Secured loans of ₹46,26,743.07 lakhs include :-

- a) 69th, 73rd and 77th series are redeemable at par in 5 equal instalments at par at the end of 6th, 7th, 8th, 9th and 10th year respectively. 1st and 2nd instalments of 69th series bonds amounting to ₹13,384 lacs (i.e. 20% each) have been redeemed on 23rd January 2010 and 23rd January 2011 respectively and 1st instalment of 73rd bond series amounting to ₹4678 lacs (i.e. 20%) has been redeemed on 8th October 2010. First redemption in respect of 77th series bond will be due on 30th June 2011.
- b) 75th series of bonds shall be redeemed at par in 10 equal instalments at half yearly intervals from 5 - 1/2 years to 10 years by way of STRPPs. Out of the same, two instalments of ₹50 crores each have been redeemed on 17th September, 2010 and 17th March 2011 respectively.
- c) 78th, 79th, 80th, 81st, 82nd, 83rd, 85th, 86 A, 86 B-III, 87-II, 87 A-II, 87 A-III, 88th, 90th, 90 B-II, 90 C-II, 91-II & 92-II series are redeemable at par at the end of 10 years i.e. on 31.01.2016, 14.03.2016, 20.03.2016, 20.01.2017, 28.09.2017, 28.02.2018, 13.06.2018, 29.07.2018, 14.08.2018, 30.09.2018, 24.10.2018, 24.10.2018, 15.01.2019, 03.08.2019, 04.09.2019, 06.10.2019, 17.11.2019 & 22.01.2020 respectively.
- d) 84th, 86th, 86B-II, 87-I, 87 A-I, 87 C -III, 89-II, 90 A-II, 90 B -I & 93-II series are redeemable at par at the end of 5 years i.e. on 04.04.2013, 24.07.2013, 14.08.2013, 30.09.2013, 24.10.2013, 26.11.2013, 02.06.2014, 05.08.2014, 04.09.2014 & 19.02.2015 respectively.
- e) 86 B-I, 87 B, 89-I, 90 A-I, 90 C-I, 91-I, 92-I & 93-I series are redeemable at par at the end of 3 years i.e. on 14.08.2011, 03.11.2011, 02.06.2012, 05.08.2012, 06.10.2012, 17.11.2012, 22.01.2013 & 19.02.2013 respectively.
- f)
  - (i) 87 A-I series of bonds have put/call options at the end of 3 years i.e. on 24.10.2011.
  - (ii) 87 A-II Series of bonds have put/call option at the end of 5 years, i.e. on 24.10.2013. Bonds of ₹27200 lacs of 72nd bond series were redeemed on 18.08.2009 on put option exercised by Bond holders and balance of ₹11,370 lacs is redeemable on 18.08.2011.
  - (iii) 87 C-I Series has been redeemed on 26.05.2010.
  - (iv) 87 C-II series has been redeemed on 26.11.2010.
- g) Capital Gains Tax Exemption Bonds are issued for a tenure of 3/5/7 years at the interest rates of 5.50% to 6.25% payable semiannually/ annually & with cumulative options. These bonds have put/call option at the end of 3/5 years. In the current year 2010-11, Capital Gains Tax Exemption Bonds Series VIII 2010-11 was issued with a 3 years' tenor at interest rate of 6.00% payable annually. These bonds will be redeemed automatically at the end of lock-in period of 3 years.

## Schedule '4' Unsecured Loans

	As at 31.03.2011	(₹ in lacs) As at 31.03.2010
<b>LOAN FROM GOVERNMENT OF INDIA</b>	<b>3,612.68</b>	4,941.84
<b>TERM LOANS</b>		
Long term Loans from Banks	542,701.00	414,300.00
<b>CASH CREDIT LIMITS</b>	-	63,000.00
<b>FOREIGN CURRENCY BORROWINGS</b>		
Long term		
ECB- Syndicated Loans from Banks	87,026.32	87,026.32
JBIC Loan- Guaranteed by Govt. of India	112,526.99	78,839.17
KfW Loan- Guranteed by Govt. of India	38,484.33	41,771.66
ECB - Syndicated Loans from Banks - II	178,748.13	-
Bilateral Term Loan - Mauritius - US \$70 Million	31,255.00	-
Reg S Bonds - US \$500 Million	223,250.00	-
Less : Unamortized Discount	-2,258.96	-
	220,991.04	-
Bilateral Term Loan - Mizuho - Unsecured- US \$100 Million	44,650.00	-
Bilateral Term Loan - BTMU - Unsecured- US \$100 Million	44,650.00	-
<b>COMMERCIAL PAPER</b>	-	245,000.00
<b>LOANS THROUGH BONDS</b>		
Long term		
<b>(A) Non-Cumulative, Guaranteed by Government of India</b>		
22nd Series - 11.5% Redeemable at par on 27.12.2010	-	4,900.00
23rd Series-1 - 12% Redeemable at par on 05.12.2011	2,265.00	2,265.00
23rd Series-2 - 12% Redeemable at par on 21.02.2012	3,035.00	3,035.00
<b>(B) Other Bonds</b>		
7.22% Redeemable at par on 31.12.2014 (74th Series)	25,000.00	25,000.00
8.75% Redeemable at Par on 08.06.2025 (94th Series)	125,000.00	-
8.70% Redeemable at Par on 12.07.2019 (95-I Series)	20,000.00	-
8.75% Redeemable at Par on 12.07.2025 (95-II Series)	180,000.00	-
8.80% Redeemable at Par on 25.10.2020 (96th Series)	115,000.00	-
8.80% Redeemable at Par on 29.11.2020 (97th Series)	212,050.00	-
9.18% Redeemable at Par on 15.03.2021 (98th Series)	300,000.00	-
Zero Coupon Bonds - Series - I - Redeemable on 15.12.2020	53,320.81	-
Zero Coupon Bonds - Series - II - Redeemable on 03.02.2021	11,606.76	-
<b>Bond Application Money</b>	35.55	-
<b>Infrastructure Bonds (Redeemable at par)</b>	21,680.45	-
<b>Interest Accrued &amp; Due</b>	-	270.04
<b>Total Unsecured Loans</b>	<b>2,373,639.06</b>	970,349.03
<b>Due for repayment/ redemption within one year</b>	<b>239,631.30</b>	360,828.16

### Notes :-

- Bonds for ₹2.00 lacs are held as on 31.03.2011 by REC Ltd. CP Fund Trust.
- Infrastructure bonds have been issued during the year 2010-11 for a tenure of 10 years with lock-in period of 5 years at interest rates varying between 8% to 8.20% payable annually.

## Schedule '5' Consolidated Summary of Fixed Assets as at 31st March, 2011

(₹ in lacs)

FIXED ASSETS	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As at 01.04.2010	Additions during the year ended 31.03.2011	Sales/ adjustment during the year ended 31.03.2011	Closing as at 31.03.2011	Up to 31.03.2010	Depreciation during the year ended 31.03.2011	Depreciation adjustment during the year ended 31.03.2011	Depreciation upto 31.03.2011	As at 31.03.2010 31.03.2010
Freehold Land	3,411.94	4.57	-	<b>3,416.51</b>	-	-	-	-	3,411.94
Leasehold Land	145.51	-	-	<b>145.51</b>	15.60	1.39	-	<b>16.99</b>	129.91
Buildings	2,225.70	0.88	-	<b>2,226.58</b>	532.98	34.48	-	<b>567.46</b>	1,692.72
Furniture & Fixtures	583.11	19.56	0.52	<b>602.15</b>	314.86	31.36	0.22	<b>346.00</b>	268.25
EDP Equipments	1,079.87	47.05	2.12	<b>1,124.80</b>	428.31	125.69	0.53	<b>553.47</b>	651.56
Office Equipments	378.09	41.97	1.99	<b>418.07</b>	208.43	9.56	0.36	<b>217.63</b>	169.66
Vehicles	73.51	-	5.75	<b>67.76</b>	55.89	2.46	5.64	<b>52.71</b>	17.62
Minor Value Assets-Furniture	12.20	6.90	0.16	<b>18.94</b>	12.20	6.89	0.15	<b>18.94</b>	-
Minor Value Assets-EDP	6.56	2.20	-	<b>8.76</b>	6.56	2.20	-	<b>8.76</b>	-
Minor Value Assets-Office Equipments	17.27	6.62	-	<b>23.89</b>	17.27	6.62	-	<b>23.89</b>	-
Intangible Assets (Computer Software)	433.56	0.39	-	<b>433.95</b>	39.16	86.41	-	<b>125.57</b>	394.40
<b>Grand Total</b>	<b>8,367.32</b>	<b>130.14</b>	<b>10.54</b>	<b>8,486.92</b>	<b>1,631.26</b>	<b>307.06</b>	<b>6.90</b>	<b>1,931.42</b>	<b>6,736.06</b>
<b>Capital WIP</b>	<b>2,733.20</b>	<b>0.26</b>	<b>451.79</b>	<b>2,281.67</b>	-	-	-	-	<b>2,733.20</b>

## Notes :-

- Intangible Assets include computer software purchased from outside and in terms of AS-26 these are amortized over 5 years
- Capital WIP consists of mainly land pending possession from the authorities and other civil works.

## Schedule '6' Investments

	As at 31.03.2011	As at 31.03.2010
(₹ in lacs)		
<b>Long Term (Unquoted)</b>		
<b>Non-Trade Investments</b>		
<b>8% Government of Madhya Pradesh Power Bonds-II</b>	<b>80,172.00</b>	89,604.00
Maturing in 30 equal half yearly Instalments of one bond each w.e.f. 01.04.05 (17 Bonds of Face Value of ₹4716 Lacs each) (Previous year 19 Bonds of Face Value of ₹4716 Lacs each)		
<b>KSK Energy Ventures Limited</b>	<b>873.38</b>	1,184.37
87,33,787 units of "Small is Beautiful" Fund at Face Value of ₹10.00 per unit (NAV of ₹10.08) (Previous Year 1,20,85,400 units of "Small is Beautiful" Fund at Net assets Value (NAV) of ₹9.80 per unit) (Face Value per unit is ₹10/-)		
<b>Indian Energy Exchange Ltd.</b>	<b>125.00</b>	125.00
12,50,000 Equity shares of ₹10/- each paid up (Previous year 12,50,000 equity shares of ₹10 each paid up)		
<b>Energy Efficiency Services Ltd.</b>	<b>62.50</b>	62.50
6,25,000 equity shares of ₹10 each paid up (Previous year 6,25,000 equity shares of ₹10 each paid up)		
<b>Total (Unquoted)</b>	<b>81,232.88</b>	90,975.87

## Schedule '7' Loans

	As at 31.03.2011	As at 31.03.2010
(₹ in lacs)		
(i) State Power Utilities/ State Electricity Boards/Corpn., Co-operatives and State Governments		
(a) Unsecured, considered good (Guaranteed by respective State Governments)	<b>2,190,414.05</b>	2,134,314.13
(b) Classified Doubtful	<b>231.76</b>	231.76
Less: Prov. for Bad & doubtful debts	<b>54.35</b>	32.18
(c) Interest accrued and due on loans	<b>456.81</b>	813.83
(d) Interest accrued on rescheduled loans	<b>36,330.21</b>	43,253.34
(ii) State Power Utilities/ State Electricity Boards/Corpn., (Secured by hypothecation of materials/ assets with respective State Power Utilities/ SEBs/Corpn.)		
(a) Considered Good	<b>5,064,343.87</b>	3,708,522.50
(b) Interest accrued and due on loans	<b>63.26</b>	3,426.70
(iii) Others (Secured by hypothecation of tangible assets)		
(a) Considered Good	<b>784,201.75</b>	459,178.64
(b) Classified Doubtful	<b>1,722.33</b>	1,722.33
Less: Prov. for Bad & doubtful debts	<b>1,722.33</b>	-
(c) Interest accrued and due on loans	<b>2,017.52</b>	833.44
(d) Interest accrued on rescheduled loans	<b>3,568.78</b>	801.25
(iv) Others (Unsecured) - Considered good		
(a) Considered Good	<b>131,631.65</b>	293,905.45
(b) Interest accrued and due on loans	<b>0.59</b>	12.52
<b>Total (i to iv)</b>	<b>8,213,205.90</b>	6,645,261.38

## Schedule '8' Deferred Tax Asset/(-) Liability

	(₹ in lacs)	
	As at 31.03.2011	As at 31.03.2010
Opening Balance	735.99	-95,668.55
Less: Reversed up to 31.03.2009	-	96,456.74
	735.99	788.19
Add: Addition during the half Year	540.11	-52.20
<b>Total</b>	<b>1,276.10</b>	<b>735.99</b>

Refer Note No.: 23 of Schedule 17, Notes on Accounts

## Schedule '9' Current Assets, Loans & Advances

	(₹ in lacs)	
	As at 31.03.2011	As at 31.03.2010
<b>I CURRENT ASSETS</b>		
<b>A) Cash and bank balances :</b>		
(i) Cash/Cheques in hand/transit (incl.Postage & imprest)	62,606.93	0.61
(ii) In current accounts		
- with RBI	1.91	1.87
- with Scheduled Banks	43,259.19	63,679.03
(iii) In savings accounts		
- with Scheduled Banks (for RGGVY Scheme)	24,611.11	418.07
- with Scheduled Banks (for AG & SP Scheme)	751.73	3,466.58
(iv) In Deposit accounts with Scheduled Banks		
- Others	155,448.16	71,856.64
<b>Total - (A)</b>	<b>286,679.03</b>	<b>139,422.80</b>
<b>B) Sundry Debtors</b>	<b>1,953.43</b>	<b>4,467.49</b>
<b>C) Other Current Assets</b>		
(i) Interest accrued but not due on term deposits	1,036.56	97.75
(ii) Interest accrued but not due		
- on Loans	49,345.19	48,796.72
- on Govt. Securities	-	-
- on Loans to Employees	249.75	281.73
(iii) Recoverable from SEB /Govt. Deptts.	506.58	659.00
(iv) Recoverable from GOI		
- RGGVY Expenses	464.28	295.04
- RGGVY Subsidy	-	7,804.31
(v) Share application money pending allotment (Investment in Energy Efficiency Services Ltd.)	2,437.50	-
<b>Total - (C)</b>	<b>54,039.86</b>	<b>57,934.55</b>
<b>II LOANS AND ADVANCES</b>		
<b>A) Loans</b>		
(i) Employees (Secured)	264.63	177.58
(ii) Employees (Unsecured)	318.24	515.90
<b>B) Advances</b>		
(Unsecured considered good)		
(i) Advances recoverable in cash or in kind or for value to be received	2,074.76	1,024.84
(ii) Prepaid financial charges on Commercial Paper	-	5,174.37
(iii) Advance IncomeTax & TDS	272,622.79	1,213.51
Less: Provision for Income Tax	270,188.70	1,072.26
Balance Advance Income Tax & TDS	2,434.09	141.25
(iv) Income Tax recoverable	2,458.80	3,154.51
<b>Total - (D)</b>	<b>7,550.52</b>	<b>10,188.45</b>
<b>Total - (A+B+C+D)</b>	<b>350,222.84</b>	<b>212,013.29</b>

## Schedule '10' Current Liabilities and Provisions

			(₹ in lacs)	
	As at 31.03.2011		As at 31.03.2010	
<b>A) CURRENT LIABILITIES</b>				
(a) Advance Receipts		1,351.97		1,551.65
(b) Other Liabilities		4,284.10		7,014.90
- Dues of creditors other than Micro, Small and Medium Enterprises				
(c) (i) Subsidy/ Grant from Govt. of India for disbursement	2,444,522.41		1,961,406.91	
(ii) Interest on Subsidy/ Grant	6,106.00		5,090.52	
<b>Total</b>	2,450,628.41		1,966,497.43	
Less: Disbursed to Beneficiaries	-2,362,362.96		-1,959,821.07	
Un-disbursed Subsidy/ Grant		88,265.45		6,676.36
(d) Interest accrued but not due				
- on bonds	189,661.99		156,827.23	
- Government/ LIC/ Foreign Currency Loans	16,095.04	205,757.03	13,839.41	170,666.64
(e) Unclaimed Interest & Principal On Bonds and Govt. Loans				
- Interest	1,658.94		1,523.38	
- Principal	13,665.02	15,323.96	9,950.98	11,474.36
(f) Gratuity payable		290.01		464.72
<b>Total - (A)</b>		315,272.52		197,848.63
<b>B) PROVISIONS</b>				
(a) Income Tax	1,563.54		179,170.80	
Less : Advance Income-Tax & TDS	1,562.82		176,205.63	
Balance Provision for Income Tax		0.72		2,965.17
(b) Staff Benefits		8,746.92		5,703.46
(c) (i) Provision for Incentive & Ex Gratia		1,649.89		3,975.17
(ii) Wage Revision		-		3,306.24
		1,649.89		7,281.41
Less : Adjustable advance		4.49		968.77
Balance Provision for Incentive, Ex Gratia & Wage Revision		1,645.40		6,312.64
(d) Wealth Tax		35.69		36.00
(e) Fringe Benefit Tax		36.09		36.09
(f) Proposed Dividend		39,503.36		34,566.07
(g) Dividend Distribution Tax on Proposed Dividend		6,408.45		5,741.01
<b>Total - (B)</b>		56,376.63		55,360.44
<b>Total - (A+B)</b>		371,649.15		253,209.07

## Schedule '11' Operating Income (Net)

			(₹ in lacs)	
	Year ended 31.03.2011		Year ended 31.03.2010	
<b>A. On Lending Operations</b>				
Interest on Loans				
- Long term financing	767,320.16		608,425.48	
Less: Rebate for timely payments/completion etc	785.00	766,535.16	977.48	607,448.00
- Short term financing		44,342.15		35,637.42
		810,877.31		643,085.42
<b>B. Processing fees, Upfront fees, Service charges etc</b>		6,038.26		4,253.88
<b>C. Prepayment Premium</b>		4,055.11		1,784.80
<b>D. Agency Charges for RGGVY Implementation</b>		4,720.43		5,851.69
<b>Total</b>		825,691.11		654,975.79



## Schedule '12' Other Income

			(₹ in lacs)	
	Year ended 31.03.2011		Year ended 31.03.2010	
<b>A. On Investment/Deposit Operations</b>				
Dividend on Mutual Fund	347.44		978.98	
Interest on deposits	4,612.87		2,053.58	
Interest on Govt. Securities (TDS ₹13.76 lacs, Previous Year ₹448.83 lacs)	6,979.68	11,939.99	7,734.24	10,766.80
<b>B. Other Income</b>				
Difference in exchange rate (net)		8,533.04		-
Excess Provision written back		2,924.68		3,476.05
Interest on Income Tax Refund		-		855.06
Interest on staff advances		27.86		66.22
Dividend on Investment in Venture Fund		189.89		67.11
Miscellaneous Income		3,912.30		4,552.28
Profit on sale of assets		1.02		3.19
<b>Total</b>		<b>27,528.78</b>		<b>19,786.71</b>

## Schedule '13' Interest and Other Charges

			(₹ in lacs)	
	Year ended 31.03.2011		Year ended 31.03.2010	
<b>Interest on -</b>				
- Govt. Loans	317.10		421.27	
- REC Bonds	364,387.64		293,774.77	
- Banks/Fin Insts. Loans	83,850.76		69,780.32	
- External Commercial Borrowings	20,380.34		10,956.78	
- Commercial Paper	8,327.90		13,680.74	
	477,263.74		388,613.88	
Interest on AREP Subsidy	41.29		64.26	
Guarantee Fee	787.20		442.10	
Other Finance Charges	-		-	
<b>Total</b>	<b>478,092.23</b>		<b>389,120.24</b>	

## Schedule '14' Establishment Expenses

			(₹ in lacs)	
	Year ended 31.03.2011		Year ended 31.03.2010	
Salaries and Allowances	9,644.20		9,202.57	
Expenses on Leaves & Post Retirement Medical Facility	2,294.11		1,109.41	
Contribution to Provident and Other Funds	713.63		897.54	
Staff Welfare expenses	757.38		995.86	
<b>Total</b>	<b>13,409.32</b>		<b>12,205.38</b>	

## Schedule '15' Administration Expenses

			(₹ in lacs)	
	Year ended 31.03.2011		Year ended 31.03.2010	
Rent- office		179.85		163.13
Rates and Taxes		150.91		89.12
Electricity and Water Charges		77.21		64.96
Insurance Charges		3.24		2.93
Repairs and Maintenance				
Building	145.99		159.30	
ERP & Data Centre	171.26		121.99	
Others	148.64	465.89	107.18	388.47
Printing and Stationery		172.40		167.72
Travelling and Conveyance				
- Directors	114.84		81.88	
- Others	598.33	713.17	569.15	651.03
Postage, Telegram and Telephone		100.58		183.61
Publicity & Promotion Expenses		440.40		222.01
Auditors' Remuneration		45.24		27.06
Miscellaneous Expenses		1,508.03		977.15
Consultancy Charges		133.05		166.89
Corporate Social Responsibility		122.89		-
Donations & Charity		22.15		10.00
Loss on Sale of Assets		1.48		1.52
<b>Total</b>		<b>4,136.49</b>		<b>3,115.60</b>

## Schedule '16' Bond / Debt Instrument Issue Expenses

			(₹ in lacs)	
	Year ended 31.03.2011		Year ended 31.03.2010	
Bonds Handling Charges		527.75		439.91
Bonds Brokerage		899.25		667.04
Stamp Duty		31.40		157.33
Others		206.63		243.45
Other Finance Charges		5,343.79		486.82
<b>Total</b>		<b>7,008.82</b>		<b>1,994.55</b>

## Schedule '17' Consolidated Notes on Accounts

1. The subsidiary companies considered in the consolidated financial statements are:

Name of the Subsidiaries	Country of Incorporation	Proportion of ownership interest
REC Transmission Projects Co. Ltd. (RECTPCL)	India	100%
REC Power Distribution Co. Ltd. (RECPDCL)	India	100%

2. Earning Per Share (EPS)

Particulars	2010-11	2009-10
Net profit after tax (₹ in lacs)	258489.33	202225.34
Net Profit attributable to equity shareholders (₹ in lacs)	258489.33	202225.34
Weighted Average number of equity shares	987459000	867834723
Basic and diluted earning per share (₹)	26.18	23.30
Face Value per equity share (₹)	10	10

3. Contingent Liabilities not provided for in respect of:-

Sl. No.	Particulars	As at 31.03.2011	As at 31.03.2010
(a)	Claims against the Corporation not acknowledged as debts, (including ₹499.10 lacs pending in various courts including arbitration cases as on 31.03.2011 (Previous year ₹406.36 lacs)	513.00	494.49
(b)	Others	142265.54	176559.67

The amount referred to in 1(a) above is dependent upon the outcome of settlement of court/arbitration cases.

The amount under 1(b) includes ₹135270 lacs (Previous year ₹173970 lacs) against Letters of Comfort issued to various Banks for opening of Letters of credit to procure generation equipment against loan sanctioned by the Corporation to its borrowers and ₹4820.39 lacs (Previous year ₹1557.65 lacs) pertain to the difference in the interest rate being charged on private parties that have not been graded and whose loans are being charged at the highest rate applicable to the lowest graded borrowers.

The amount under 1(b) also includes ₹2175.15 lacs (Previous year ₹363.52 lacs) against various demands raised by the Income Tax Department pursuant to Assessment Orders for Assessment years 2003-04, 2006-07 and 2008-09. Appeals have been filed against these orders with CIT(Appeals) by

the company. Refund is also due to the company for various assessment years starting from 1998-99 to 2004-05. Out of the refunds are to the company for Assessment Year 2004-05, a sum of 669.53 lacs has been adjusted by the Income Tax Department against the demands for Assessment Years 2003-04 & 2008-09 and accordingly the adjustment has been made in the books of accounts by treating this sum as Advance Income Tax.

4. Estimated amount of the contracts remaining to be executed on capital account and not provided for as at March 31, 2011 is ₹1331.57 lacs (Previous year ₹599.26 lacs).

5. Auditors' Remuneration includes:

Sl. No.	Particulars	Year ended 31.03.2011	Year ended 31.03.2010
a)	Audit fees – Current period	19.25	20.34
b)	Tax Audit Fee (**exclusive of ₹2 lacs paid to Tax Auditors for Tax Audit of FY 2008-09)	4.25	4.85**
c)	Reimbursement of expenses	2.20	0.39
d)	Payment for Other services (# Inclusive of Certification Fee of ₹15 lacs for ECB documentation) (***) including for FPO certification which has been set off against Securities Premium A/c.)	19.54 #	16.76***
	<b>Total</b>	<b>45.24</b>	<b>42.34</b>

6. The Corporation 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/D2.01/99-2000 dated 13.1.2000 of RBI, Govt. Companies conforming to Section 617 of the Companies Act, 1956 have been exempted from applicability of the provisions of RBI 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. 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.

7. On December 13, 2006, our Board of Directors approved Corporation's Prudential Norms and amendments thereto were approved on February 21, 2009 and September 25, 2010. However, in order to bring all "systemically important" government-owned NBFCs within the framework of the prudential norms, the RBI had advised our Corporation on December 12, 2006 to submit a 'road map' for compliance

with various elements of the regulations governing NBFCs. The Corporation submitted the road map to RBI through the Ministry of Power and RBI, vide its letter dated June 29, 2010 has granted exemption to REC from Prudential Exposure Norms in respect of Central and State entities in Power Sector till March 31, 2012.

Further, RBI, vide its letter dated September 17, 2010, has 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 would be 25% of owned funds in case of a 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 have been modified with the approval of our Board on September 25, 2010. In view of the exemption granted by RBI in respect of Central and State Entities in power sector, our maximum credit exposure limits to such Utilities varies from 50% to 250% of our net worth, depending upon entity appraisal and status of unbundling of the respective State Utilities.

8. There has been shortfall in creation of Special Fund by some of the RE Cooperative Societies amounting to ₹290.62 lacs (Previous year ₹301.45 lacs) and the societies are pursued to create the required Special Fund.
9. Balance confirmation has been received from some of the borrowers.
10. Income Tax as applicable in respect of Interest Accrued on bonds is deducted at source at the time of actual payment of interest to the bond holders since such bonds are freely transferable.
11. The formalities regarding registration of conveyance deeds etc. in respect of some of the Land & Building acquired by the Corporation amounting to ₹458.83 lacs (Previous year ₹3,630.58 lacs) are in the process of completion.
12. In terms of Accounting Policy No. 10.2, the balances in respect of Interest Warrants Accounts (both for institutional and 54EC Bonds) as on 31.03.2011 held in specified banks are ₹2375.69 lacs (Previous year ₹3431.32 lacs).
13. 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.
14. Provision for impairment loss as required under Accounting Standard-28 on impairment of Assets is not necessary as in the opinion of management there is no impairment of the Corporation's Assets in terms of AS-28.
15. The Corporation has no outstanding liability towards Micro, Small and Medium undertakings.
16. No Bond Redemption Reserve (BRR) has been created since in terms of clarification issued by the Department of Company

Affairs, Govt. of India vide no.6/3/2001-CL.V dated 18.4.2002, BRR is not required to be created in the case of privately placed debentures issued by NBFC's registered with the RBI under section 45-IA of the RBI (Amendment) Act, 1997.

17. As part of hedging strategy, the Corporation has executed, in some cases, interest rate swaps from fixed to floating to lower cost by taking benefit of interest rate movement. The INR value of outstanding borrowing on which such swap has been exercised is ₹565,000 lacs.

During the year ended 31.03.2011, the Corporation has reduced cost of borrowing to the extent of ₹4,114.71 lacs (Previous year ₹765.69 lacs) on account of swap (coupon only) transactions linked to rupee borrowing.

The Net Mark to Market position in respect of the above swap transactions as on 31.03.2011 is of ₹26,195.32 lacs (favorable) (Previous year ₹16,544.12 lacs favorable).

In respect of foreign currency borrowings, the company has executed cross currency swaps to hedge the Foreign Currency Exposure.

The outstanding position of Foreign Currency Exposure on 31.03.2011 is as under:

Currency	Total		Hedged (Currency & Interest rate)		Unhedged	
	Foreign Currency (in millions)	INR Equivalent (in lacs)	Foreign Currency (in millions)	INR Equivalent (in lacs)	Foreign Currency (in millions)	INR Equivalent (in lacs)
JPY	47,697.36	199,751.02	44,316.43	181,289.57	3,380.92	18,461.45
EURO	58.95	38,484.33	58.95	38,484.33	-	-
USD	1,170.00	529,153.03	200.00	89,448.13	970.00	439,704.90
Total		767,388.38		309,222.03		458,166.35

The portion of Foreign Currency Loans swapped into Indian rupee is stated at the rate fixed in the swap transactions, and not translated at the year end rate.

18. Directors' Remuneration:

Particulars	(₹ in lacs)	
	Year ended 31.03.2011	Year ended 31.03.2010
Salaries and Allowances	136.63	75.53
Perquisites/reimbursement	15.64	10.10
Retirement Benefits	22.71	Nil
Total	174.98	85.63

The Chairman and Managing Director and other whole time Directors have also been allowed to use Staff car including for private journey(s) up to a ceiling of 1000 kms per month on payment of monthly charges of ₹780/- per month as per DPE guidelines.

Loans and Advances include ₹7.70 lacs (Previous year ₹4.38 lacs) due from Directors of the Corporation, maximum amount outstanding during the year ₹11.21 lacs (Previous year ₹10.66 lacs).

## 19 Expenditure in Foreign Currency:

Particulars	(₹ In lacs)	
	As at 31.03.2011	As at 31.03.2010
Royalty, Know-how, Professional, Consultation Fees	Nil	70.58
Interest	3127.01	28.87
Finance Charges	5023.78	411.95
Others Expenses	76.84	61.54
<b>Total</b>	<b>8227.63</b>	<b>572.94</b>

All other information required under paras 4(c) and 4(d) of Part II of the Schedule VI of the Companies Act, 1956 are either Nil or not applicable.

20. (A) Investments include ₹873.38 Lacs (Previous year ₹1208.54 lacs) representing company's contribution in the units of 'Small is Beautiful (SIB) Venture Capital Fund' promoted by KSK Energy Ventures Limited. During the year, 33,51,613 units (Previous year 23,84,981 units) were redeemed.

Name of the Company	Contribution towards Fund	Country of Residence	Proportion of ownership
SIB Fund of KSK Energy Ventures Ltd	₹873.38 Lacs	India	9.74%

There is no further commitment for contribution.

- (B) Information in relation to the interest of the Corporation in Joint Venture as required under Accounting Standard -27 issued by ICAI:

Investments also include ₹62.50 lacs (Previous year ₹62.50 lacs) representing Corporation's contribution in the equity of Joint Venture Company "Energy Efficiency Services Limited" (EESL) promoted by Ministry of Power. This represents the 25% equity of EESL as on March 31, 2011. Corporation has also made application for allotment of further Equity amounting to ₹2437.50 lacs for which Shares are yet to be allotted. The Corporation is not having material control on the day to day operations of the Joint Venture Company though it has significant influence on the company. Accordingly, the investment is accounted for at cost.

21. Subsidy Under Accelerated Generation & Supply Programme (AG&SP): -

The Corporation is maintaining a Interest Subsidy Fund Account and is claiming subsidy from Govt. of India at net present value calculated at indicative rates 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 period and duration of repayment. The impact of difference between the indicative rate and period considered at the time of drawal and the actual can be ascertained only after the end of the respective schemes.

22. Disclosure in respect of Intangible Assets as required in AS-26 "Intangible Assets":-

i)	Amortisation Rate	20%; 100% in case the cost of asset is ₹5,000 or less
ii)	Amortisation Method	Straight Line

Reconciliation Statement	(₹ in lacs)	
	As at 31.03.2011	As at 31.03.2010
Gross Carrying Amount	433.95	433.56
Accumulated depreciation	125.57	39.16
Gross carrying amount- Opening Balance	433.56	5.19
Less: - Accumulated Depreciation	39.16	2.63
Carrying amount	394.40	2.56
Additions during the year	0.39	428.37
Less: Amortization during the year	86.41	36.53
Carrying amount as on Balance Sheet Date	308.38	394.40

23. The Corporation has been providing for deferred tax assets / liabilities in terms of Accounting Standard No. 22 on Accounting for Taxes on Income.

- (A) Components of deferred tax Assets/ Liabilities as on 31.03.2011 are given as under:-

Particulars	(₹ In lacs)	
	As at 31.03.2011	As at 31.03.2010
<b>Deferred Tax Assets (+)</b>		
Provision for Earned Leave Encashment	714.11	623.54
Provision for Sick Leave	310.80	251.12
Provision for Post Retirement Medical Benefits	257.29	263.28
Provision for Pension Scheme	441.96	0
Provision for fall in investments	0	8.21
<b>Total</b>	<b>1724.16</b>	<b>1146.15</b>
<b>Deferred Tax Liabilities (-)</b>		
Depreciation	-448.06	-410.16
<b>Total</b>	<b>-448.06</b>	<b>-410.16</b>
<b>Net Deferred Tax Asset(+) / (Liabilities) (-)</b>	<b>1276.10</b>	<b>735.99</b>

- (B) The Company had started creating Deferred Tax Liability (DTL) on special reserve created and maintained under Section 36(1)(viii) of Income tax act, 1961, from financial year 2006-07 onwards. DTL for the Special Reserve created till financial year 2005-06 was also created in Financial year 2006-07 by transferring the amount from General Reserve.

The Corporation has passed a Board Resolution that it 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 issued by the Institute of Chartered Accountants of India (ICAI). Accordingly, Company is not creating any deferred tax liability on the said reserves.

Considering the opinions given by the various concerned authorities and also the practice followed by the other similarly placed institutions of not creating deferred tax liability (DTL) on account of special reserve created and maintained under Section 36(1)(viii) of Income Tax Act, 1961, the Corporation is of the view that there is no requirement of DTL as per AS 22 of ICAI. Accordingly, the Corporation has reversed the DTL of ₹96456.74 lacs created in the earlier years on this account in Financial Year 2009-10

24. 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 some of the cases are to be executed amongst the Corporation, new entities and the State Governments.
25. The expenses of ₹643.98 lacs incurred up to Financial Year 2006-07 on RGGVY implementation were adjusted out of interest earned on such funds. The Corporation had approached MOP for regularization of above adjustments which is still pending. The management considers that amount is still recoverable from Govt. of India.
26. Details of provision as required in AS-29:-

Particulars	(₹ In lacs)	
	As at 31.03.2011	As at 31.03.2010
<b>(a) Interim Dividend</b>		
As per last Balance Sheet	-	-
Addition during the year	34561.07	25759.80
Amounts paid/utilized during the year	34561.07	25759.80
<b>Closing Balance</b>	-	-
<b>(b) Proposed Dividend</b>		
As per last Balance Sheet	34566.07	21466.50
Addition during the year	39503.36	34566.07
Amounts paid/utilized during the year	34566.07	21466.50
<b>Closing Balance</b>	39503.36	34566.07
<b>(c) Corporate Dividend Tax</b>		
As per last Balance Sheet	5741.01	3648.23
Addition during the year	12148.61	10118.04
Amounts paid/utilized during the year	11481.17	8025.26
<b>Closing Balance</b>	6408.45	5741.01
<b>(d) Income Tax</b>		
Opening Balance	180243.06	109727.82
Additions during the year	91561.84	70515.24
Amounts paid/utilized during the year	52.66	-
<b>Closing Balance</b>	271752.24	180243.06
<b>(e) Wealth Tax</b>		
Opening Balance	36.00	33.82

Particulars	(₹ In lacs)	
	As at 31.03.2011	As at 31.03.2010
Additions during the year	35.23	36.00
Amounts paid/utilized during the year	35.54	33.82
<b>Closing Balance</b>	35.69	36.00
<b>(f) FBT</b>		
Opening Balance	36.09	36.09
Additions during the year	-	-
Amounts paid/utilized during the year	-	-
<b>Closing Balance</b>	36.09	36.09
<b>(g) Economic Rehabilitation Scheme</b>		
Opening Balance	-	-
Additions during the year	205.91	-
Amounts paid/utilized during the year	-	-
<b>Closing Balance</b>	205.91	-
<b>(h) Long Service Award</b>		
Opening Balance	-	-
Additions during the year	236.95	-
Amounts paid/utilized during the year	-	-
<b>Closing Balance</b>	236.95	-
<b>(i) Pension Scheme</b>		
Opening Balance	-	-
Additions during the year	1330.50	-
Amounts paid/utilized during the year	-	-
<b>Closing Balance</b>	1330.50	-
<b>(j) Leave Encashment</b>		
Opening Balance	1834.48	1624.79
Additions during the year	469.47	369.39
Amounts paid/utilized during the year	154.16	159.70
<b>Closing Balance</b>	2149.79	1834.48
<b>(k) Wage Revision</b>		
Opening Balance	3306.24	1280.00
Additions during the year	-	2026.24
Amounts paid/utilized during the year	3306.24	-
<b>Closing Balance</b>	-	3306.24
<b>(l) Gratuity</b>		
Opening Balance	464.72	974.96
Additions during the year	290.01	464.72
Amounts paid/utilized during the year	464.72	974.96
<b>Closing Balance</b>	290.01	464.72
<b>(m) Leave Travel Concession</b>		
Opening Balance	242.57	222.81
Additions during the year	-	19.76
Amounts paid/utilized during the year	242.57	-
<b>Closing Balance</b>	-	242.57
<b>(n) Settlement Allowance</b>		
Opening Balance	19.16	17.49
Additions during the year	4.31	5.35
Amounts paid/utilized during the year	2.33	3.68
<b>Closing Balance</b>	21.14	19.16



Particulars	(₹ In lacs)	
	As at 31.03.2011	As at 31.03.2010
<b>(o) Incentives</b>		
Opening Balance	3335.69	1365.75
Additions during the year	1639.83	1969.94
Amounts paid/utilized during the year	3335.69	-
<b>Closing Balance</b>	<b>1639.83</b>	<b>3335.69</b>
<b>(p) Medical Leave</b>		
Opening Balance	865.20	709.76
Additions during the year	216.21	221.46
Amounts paid/utilized during the year	19.36	66.02
<b>Closing Balance</b>	<b>1062.05</b>	<b>865.20</b>
<b>(q) Post Retirement Medical Scheme</b>		
Opening Balance	2742.05	2244.77
Additions during the year	1241.71	678.26
Amounts paid/utilized during the year	243.18	180.98
<b>Closing Balance</b>	<b>3740.58</b>	<b>2742.05</b>
<b>(r) Ex – Gratia</b>		
Opening Balance	639.48	425.65
Additions during the year	-	213.83
Amounts paid/utilized during the year	629.42	-
<b>Closing Balance</b>	<b>10.06</b>	<b>639.48</b>

27. The Corporation has adopted AS 15 (revised 2005) 'Employees Benefit'. Defined employee benefit schemes are as follows:

**a. Provident Fund**

Corporation 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 Actuarial report, the fair value of the assets of the Provident fund including the returns of the assets thereof, as at 31st March 2011 is greater than the obligation under the defined contribution plan.

**b. Gratuity**

The Corporation 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 Corporation and is managed by separate trust. The liability of Gratuity is recognized on the basis of actuarial valuation.

**c. Post-Retirement Medical Facility (PRMF)**

The Corporation has Post Retirement Medical Facility under which retired employee (including his/her spouse) are covered as per Corporation's rule. The expenditure is recognized in the profit & loss account on the basis of actuarial valuation.

**d. Employees Family Economic Rehabilitation scheme**

The Corporation 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 profit & loss account on the basis of actuarial valuation.

**e. Scheme for Long service Award to the employees.**

The Corporation 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 corporation.

**f. Other Defined Retirement Benefit (ODRB)**

The Corporation has a scheme for settlement at the time of superannuation at home town for employees and dependents. The expenditure is recognized in the profit & loss account on the basis of actuarial valuation.

The summarized position of various defined benefit recognized in the Profit & Loss Account, Balance Sheet and the funded status are as under:

**Expense recognized in P&L A/c:-**

Particulars	(₹ in lacs)					
	Gratuity		PRMF		ODRB	
	(31.03.11)	(31.03.10)	(31.03.11)	(31.03.10)	(31.03.11)	(31.03.10)
a) Current Service Cost	154.61	139.91	59.70	57.10	0.86	0.78
b) Interest Cost	259.56	198.00	219.36	168.36	1.53	1.31
c) Expected Return on Plan Assets	(277.08)	(243.67)	NIL	NIL	NIL	NIL
d) Actuarial (Gain) Loss recognized in P&L A/c	152.92	277.02	962.64	452.80	1.91	3.26
e) Past Service Cost	NIL	NIL	NIL	NIL	NIL	NIL
f) Expense recognized in P&L A/c	290.01	371.26	1241.71	678.25	4.31	5.36

**Amounts recognized in Balance Sheet:-**

Particulars	(₹ in lacs)					
	Gratuity		PRMF		ODRB	
	(31.03.11)	(31.03.10)	(31.03.11)	(31.03.10)	(31.03.11)	(31.03.10)
a) Present value of obligation as at the end of the year	3414.93	3142.92	3740.58	2742.05	21.14	19.16
b) Fair value of Plan Assets as at the end of the year	3129.59	2779.83	NIL	NIL	NIL	NIL
c) Difference (b - a)	(285.34)	(363.09)	(3740.58)	(2742.05)	(21.14)	(19.16)
d) Net Assets/ (Liability)* recognized (of gratuity trust)	(285.34)*	(363.09)	(3740.58)	(2742.05)	(21.14)	(19.16)

**Changes in the Present value of defined benefit/ Obligation:-**

(₹ in lacs)

Particulars	Gratuity		PRMF		ODRB	
	(31.03.11)	(31.03.10)	(31.03.11)	(31.03.10)	(31.03.11)	(31.03.10)
a) Present value of obligation as at the beginning of the year	3244.55	2640.04	2742.05	2244.78	19.16	17.49
b) Interest Cost	259.56	198.00	219.36	168.36	1.53	1.31
c) Past Service Cost	Nil	Nil	NIL	NIL	NIL	NIL
d) Current Service Cost	154.61	139.91	59.70	57.10	0.86	0.78
e) Benefit Paid	(361.14)	(105.42)	(243.18)	(180.98)	(2.33)	(3.68)
f) Actuarial Gain/ Loss on obligation	117.34	270.39	962.64	452.80	1.91	3.27
g) Present Value of defined benefit obligation at the end of the year	3414.93	3142.92	3740.58	2742.05	21.14	19.16

**Changes in the Fair value of Plan Assets:-**

(₹ in lacs)

Particulars	Gratuity		PRMF		ODRB	
	(31.03.11)	(31.03.10)	(31.03.11)	(31.03.10)	(31.03.11)	(31.03.10)
a) Fair value of Plan Assets as at the beginning of the year *(of the gratuity trust)	*3244.55	*2640.04	NIL	NIL	NIL	NIL
b) Expected return on Plan Assets	277.08	243.68	NIL	NIL	NIL	NIL
c) Actual Company Contribution	4.67	8.17	NIL	NIL	NIL	NIL
d) Benefit Paid	(361.13)	(105.42)	NIL	NIL	NIL	NIL
e) Actuarial gain (Loss) on Plan Assets	(35.58)	(6.63)	NIL	NIL	NIL	NIL
f) Fair value of Plan Assets as at the end of the year	3129.59	2779.84	NIL	NIL	NIL	NIL

During the year, the corporation has provided Liability towards Contribution to the Gratuity Trust of ₹290.01 lacs (Previous Year ₹464.72 lacs), PRMF of ₹1241.71 lacs (Previous Year ₹497.27 lacs) and ODRB of ₹4.31 lacs (Previous Year ₹1.67 lacs)

**OTHER EMPLOYEE BENEFITS :-**

During the year, Provision for Earned Leave Encashment amounting to ₹469.47 lacs (Previous Year ₹209.69 lacs), provision for sick leave amounting to ₹216.21 lacs (Previous year ₹155.44 lacs), Provision for Economic Rehabilitation allowance amounting to ₹205.91 lacs (Previous Year Nil) and Provision for Long Service Award amounting to ₹236.95 lacs (Previous Year Nil) have been made on the basis of Actuarial Valuation and charged to P&L A/c.

No provision for LTC has been made this year since after the implementation of 2nd Pay Revision Committee Recommendations;

LTC has now become a part of the monthly perquisites being paid with the salary.

The effect of an increase/decrease of one percent point on PRMF:-

Particulars	31.03.2011	31.03.2010	31.03.2011	31.03.2010
	1% (+)		1% (-)	
a) Service & interest Cost	40.88	24.71	(34.57)	(20.69)
b) PBO (Closing)	501.10	369.61	(438.21)	(309.62)

Actuarial Assumptions:-

Particulars	Gratuity	PRMF	ODRB
a) Method used	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)
b) Discount rate	8.00 (P.Year 7.50)	8.00 (P.Year 7.50)	8.00 (P.Year 7.50)
c) Expected Rate of Return on Plan Assets	8.54 (P.Year 9.23)	NIL (P.Year Nil)	NIL (P.Year Nil)
d) Future salary increase	6.00 (P.Year 5.50)	6.00 (P.Year 5.50)	6.00 (P.Year 5.50)

- a. The Expected Rate of Return on Assets over the accounting year is assumed rate of return.
- b. 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.
28. (A) Government of India has appointed REC as a nodal agency for implementation of Rajiv Gandhi Gramin Vidyutikaran Yogna (RGGVY). The funds received for disbursement to various agencies under such schemes are kept in a separate bank account. The undisbursed funds and interest earned thereto are classified as current liabilities.
- (B) During the current year, interest earned of ₹1,143.02 lacs (Previous year ₹8,80.73 lacs) including TDS nil (Previous year ₹154.43 lacs) has been taken to RGGVY Subsidy account.
29. During the year, the Corporation has invested its surplus funds with the Public Mutual Funds in Liquid Scheme and Liquid Plus Scheme. The same have been disinvested during the year itself.
30. The Corporation's main business is to provide finance to power sector. Accordingly, the Corporation does not have more than one segment eligible for reporting in terms of Accounting Standard No.17 issued by the Institute of Chartered Accountants of India.
31. The Corporation has taken office accommodations and space for ERP Data Centre. These are classified as operating lease. Lease payment in respect of these amounting to ₹101.54 lacs is shown under the head 'Administration Expenses' in

Schedule 15. Future lease payments in respect of these lease agreements are as under:

Maturity profile of future minimum lease rent payments	(₹ in lacs)			
	For Data Centre for ERP 31.03.2011	For Data Centre for ERP 31.03.2010	For Accommodations 31.03.2011	For Accommodations 31.03.2010
Not later than one year	49.67	39.89	141.51	136.67
Later than one year and not later than 5 years	115.76	154.93	649.75	601.27
Later than 5 years	Nil	Nil	414.91	376.66
<b>Total</b>	<b>165.43</b>	194.82	<b>1206.17</b>	1114.60

32. The Bond Series and other secured borrowings are secured by a charge on the receivables, both present and future, in favour of IDBI Trusteeship Services Ltd. and IL&FS Trust Company Ltd., on the basis of joint hypothecation agreement dated 25th January 2008. However, certain specific receivables of ₹2,76,736 lacs (Previous year ₹430,509 lacs) are hypothecated in favour of IL&FS Trust Company Ltd. in terms of that agreement. Refinance loan of ₹1,87,000 lacs (Previous Year ₹87,000 lacs) availed from IIFCL shall also be covered under the same agreement with regard to pooling of securities and IIFCL shall have pari-passu charge on the receivables charged to these Trustees.

33. The Capital Adequacy Ratio of the Corporation as on March 31, 2011 is 19.09% (previous year 16.05%)

34. The movement of the loans rescheduled are as under:-

Particulars	(₹ in lacs)			
	As at 31.03.2011	No. of accounts	As at 31.03.2010	No. of accounts
Opening balance		14		9
Principal	700501.58		2,28,029.89	
Interest	78455.41		1,01,169.91	
Additions during the year (New Accounts)		3		6
Opening balance				
Principal	101146.07		418969.67	
Interest	831.35		0.00	
Additions during the year				
Principal	59050.26		87914.87	
Interest Accrued	99561.73		73318.36	
Received during the Year*				
Principal	38303.55		34412.85	
Interest	107101.44		96042.86	
Closing balance				
Principal	822394.35	16	700501.58	14
Interest	71737.04		78445.41	

\* Also includes one (Previous Year one) fully pre-paid case.

35. The subsidiary companies are wholly owned by the holding company. The Key Management Personnel of these companies are employees of the holding company deployed on part time basis.

The details of such key management personnel are as follows:

REC Transmission Projects Company Limited

Sl. No.	Name	Designation	Date of Appointment	Date of Separation
1.	Sh. P. Uma Shankar	Chairman & Director	01.03.2008	15.06.2010
2.	Dr. J.M. Phatak	Chairman & Director	15.06.2010	16.04.2011
3.	Sh. Rama Raman	Director	08.01.2007	04.04.2010
4.	Sh. Ajeet Kumar Agarwal	Director	27.12.2008	Continuing
5.	Sh. Prakash J. Thakkar	Director	08.01.2007	Continuing

REC Power Distribution Company Limited

Sl. No.	Name	Designation	Date of Appointment	Date of Separation
1.	Sh. P. Uma Shankar	Chairman & Director	01.03.2008	15.06.2010
2.	Dr. J.M. Phatak	Chairman & Director	15.06.2010	16.04.2011
3.	Sh. Rama Raman	Director	12.07.2007	04.04.2010
4.	Sh. Prakash J. Thakkar	Director	23.04.2010	Continuing
5.	Sh. Sanjiv Garg	Director	10.08.2007	Continuing
6.	Sh. Rakesh K Arora	Director	29.09.2009	22.03.2011

36. The following Subsidiary companies of REC Transmission Projects Company Limited were sold during the year.

1. North Karanpura Transmission Company Limited (Transferred on 20.05.2010 to M/s. Reliance Power Transmission Limited)
2. Talcher-II Transmission Company Limited (Transferred on 27.04.2010 to M/s. Reliance Power Transmission Limited)
3. Raichur Sholapur Transmission Company Limited (Transferred on 7.01.2011 to the Consortium of M/s. Patel Engineering Ltd., M/s. Simplex Infrastructure Ltd. & M/s. BS TransComm Ltd.)

37. Figures have been rounded off to the nearest Rupees lacs.

38. Schedules 1 to 17 form an integral part of the Balance Sheet and Profit & Loss Account and have been duly authenticated.

Signatures to the schedules forming part of the Balance Sheet and Profit and Loss and to the above notes.

**In terms of our Report of even date**

**For K.G. Somani & Co.**

Chartered Accountants

**Bhuvnesh Maheshwari**

Partner

M.No. : 88155

Firm Reg. No.: 006591N

Place : New Delhi

Date : 24<sup>th</sup> May, 2011

**For Bansal & Co.**

Chartered Accountants

**R. C. Pandey**

Partner

M.No. : 70811

Firm Reg. No.: 001113N

**V. K. Arora**

Executive Director  
(Finance)

**For and on behalf of the Board**

**P. J. Thakkar**

Director (Technical)

**H. D. Khunteta**

Chairman and  
Managing Director  
& Director (Finance)

**Rakesh K. Arora**

Company Secretary

## Significant Accounting Policies

### 1. PRINCIPLES OF CONSOLIDATION

The Consolidated Financial Statements relate to Rural Electrification Corporation Limited ('the Company') and its subsidiary companies. 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."

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 Corporation'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. and its subsidiaries.

# Consolidated Cash Flow Statement for the year ended 31st March, 2011

		(₹ in lacs)	
Particulars	Year ended 31.03.2011	Year ended 31.03.2010	
<b>A. Cash Flow from Operating Activities</b>			
Net Profit before Tax	349,915.66	268,076.18	
Adjustments for:			
1. Profit / Loss on Sale of Fixed Assets	0.46	-1.67	
2. Depreciation	307.06	217.75	
3. Provision for Bad & doubtful debts	22.17	22.18	
4. Excess Provision written back	-2,921.31	-107.51	
5. Profit on sale/income of investment in units of "Small is Beautiful" Fund	-189.89	-67.11	
6. Loss/ (Gain) on Exchange Rate fluctuation	-8,533.04	-	
7. Dividend from Subsidiary Co.- REC PDCL	-5.00	-5.00	
8. Dividend and Dividend tax paid in excess of provision	1.35	0.90	
9. Discount on issue of Bonds written off	84.71	-	
10. Interest Income	-14.28	-	
11. Dividend on Mutual Funds	-347.44	-978.98	
12. Preliminary Expenses written off	0.13	0.13	
<b>Operating profit before working Capital Charges :</b>	<b>338,320.58</b>	<b>267,156.87</b>	
Increase / Decrease :			
1. Loans	-1,567,966.69	-1,507,138.98	
2. Sundry Debtors	2,514.05	-4,356.78	
3. Other Current Assets	3,894.69	-12,092.99	
4. Other Loans & Advances	4,421.12	172,025.03	
5. Current Liabilities & Provisions	37,962.84	-118,146.39	
<b>Cash outflow from Operations</b>	<b>-1,180,853.41</b>	<b>-1,202,553.24</b>	
1. Advance Income Tax Paid	-97,076.82	-68,544.87	
2. Income Tax refund	-	2,049.58	
3. Wealth Tax paid	-35.54	-36.65	
<b>Net Cash used in Operating Activities</b>	<b>-1,277,965.77</b>	<b>-1,269,085.18</b>	
<b>B. Cash Flow from Investing Activities</b>			
1. Sale of Fixed Assets	3.18	9.10	
2. Purchase of Fixed Assets (incl. Advance for Capital exp.)	-130.40	-1,368.74	
3. Redemption of 8% Government of Madhya Pradesh Power Bonds-II	9,432.00	9,432.00	
4. Investments in units of "Small is Beautiful" Fund	310.99	238.50	
5. Income on Investments in units of "Small is Beautiful" Fund	189.89	67.11	
6. Investment in Shares of EESL	-	-62.50	
7. Redemption of Shares in SPVs's	15.00	-	
8. Preliminary Expenses	-	-0.41	
9. Dividend received on Mutual Funds	347.44	978.98	
10. Interest Income	14.28	-	
11. Dividend from REC Power Distribution Company Limited	5.00	5.00	
<b>Net Cash used in investing Activities</b>	<b>10,187.38</b>	<b>9,299.04</b>	
<b>C. Cash Flow from Financial Activities</b>			
1. Issue of Bonds	1,543,243.48	1,659,115.39	
2. Redemption of Bonds	-509,820.54	-836,162.65	
3. Raising of Term Loans/STL from Banks/FIs (Net)	67,770.85	106,037.86	
4. Raising of Foreign Currency Loan	559,142.99	58,269.18	
5. Grants received from GOI (Net of refund)	484,130.98	501,976.13	
6. Disbursement of grants	-402,541.89	-600,367.03	
7. Repayment of Govt. Loan	-1,329.16	-1,532.64	
8. Final Dividend paid	-34,561.66	-21,467.27	
9. Corporate Dividend Tax paid on Final Dividend	-5,739.43	-3,648.36	
10. Issue of Shares	-	12,879.90	
11. Security Premium on issue of Shares	41.32	249,918.17	
12. Issue of Commercial Paper	-	315,000.00	
13. Repayment of Commercial Paper	-245,000.00	-199,500.00	
14. Interim Dividend paid	-34,561.64	-25,759.80	
15. Corporate Dividend Tax paid on Interim Dividend	-5,740.25	-4,377.03	
<b>Net Cash in-flow from Financing Activities</b>	<b>1,415,035.05</b>	<b>1,210,381.85</b>	
<b>Net Increase/Decrease in Cash &amp; Cash Equivalents</b>	<b>147,256.66</b>	<b>-49,404.29</b>	
Cash & Cash Equivalents as at 1st April, 2010	139,422.37	188,827.09	
Cash & Cash Equivalents as at 31st March, 2011	286,679.03	139,422.80	
<b>Net Increase/Decrease in Cash &amp; Cash Equivalents</b>	<b>147,256.66</b>	<b>-49,404.29</b>	

Note : Previous years figures have been rearranged and regrouped wherever necessary.

- The difference in opening Cash & Cash Equivalents is on account of three SPVs namely North Karanpura Transmission Company Ltd., Talcher-II Transmission Company Ltd. and Raichur Sholapur Transmission Company Ltd. which have since been sold during the year having balance as on 31.03.2010 of ₹0.43 lakh.

## In terms of our Report of even date

**For K.G. Somani & Co.**  
Chartered Accountants

**Bhuvnesh Maheshwari**  
Partner  
M.No. : 88155  
Firm Reg. No.: 006591N

**For Bansal & Co.**  
Chartered Accountants

**R. C. Pandey**  
Partner  
M.No. : 70811  
Firm Reg. No.: 001113N

**V. K. Arora**  
Executive Director  
(Finance)

## For and on behalf of the Board

**P. J. Thakkar**  
Director (Technical)

**H. D. Khunteta**  
Chairman and  
Managing Director  
& Director (Finance)

**Rakesh K. Arora**  
Company Secretary

Place : New Delhi  
Date : 24<sup>th</sup> May, 2011



# Auditors' Report on the Consolidated Financial Statements of Rural Electrification Corporation Limited and its Subsidiaries

**To**  
**The Board of Directors,**  
**Rural Electrification Corporation Ltd**

1. We have audited the attached Consolidated Balance Sheet of **M/s RURAL ELECTRIFICATION CORPORATION LIMITED (THE COMPANY) AND ITS SUBSIDIARIES** as at 31st March 2011 and also the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. 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', issued by the Institute of Chartered Accountants of India.
4. We did not audit the financial statements of subsidiaries of the Company. These companies are audited by other auditors whose reports were furnished to us. The audited financial statements of these companies reflect total assets of ₹60.02 crore (Previous year ₹54.10 crore) as at March 31st 2011, total revenue of ₹36.94 crore (Previous year ₹40.02 crore) for the year ended on that date. Our opinion, in so far as it relates to the

amounts included in respects of these subsidiaries, is based solely on the audit reports of the auditors of the subsidiaries companies.

5. Subject to our comments, and based on our audit and on consolidation of report of other auditors on separate financial statements of the subsidiaries and to the best of our information and according to explanations given to us, we are of the opinion that the attached consolidated financial statements of Rural Electrification Corporation Limited and its Subsidiary Companies read together with the notes and accounting policies thereon, give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In the case of the Consolidated Balance Sheet of the State of Affairs of the Rural Electrification Corporation Limited and its Subsidiary Companies as at 31st March 2011.
  - b) In the case of Consolidated Profit & Loss Account, of the Profit of the Rural Electrification Corporation Limited and its Subsidiary Companies for the year ended on that date; and
  - c) In the case of the Consolidated Cash Flow Statement, of the Cash flows of Rural Electrification Corporation Limited and its Subsidiary Companies for the year ended on that date.

**For Bansal & Co.**  
 Chartered Accountants

**R.C. Pandey**  
 Partner  
 M. No.070811  
 Firm Regn No.001113N

Place: New Delhi  
 Date : 24.05.2011

**For K.G Somani & Co.**  
 Chartered Accountants

**Bhuvnesh Maheshwari**  
 Partner  
 M. No. 088155  
 Firm Regn No.006591N

# Statement/Information in respect of each Subsidiary Company of Rural Electrification Corporation Limited

(Pursuant to Section 212 (8) of the Companies Act, 1956)

As advised by the Ministry of Corporate Affairs vide General Circular No.2/2011 dated 8th February, 2011 granting General Exemption to Companies from attaching Subsidiary Companies' Annual Accounts to the Balance Sheet of Holding Company in its Annual Report under Section 212 (8) of the Companies Act, 1956.

Sl. No.	Particulars	REC Transmission Projects Company Limited	REC Power Distribution Company Limited
(a)	Capital	5.00	5.00
(b)	Reserves	3072.39	810.12
(c)	Total assets	3079.63	2953.70
(d)	Total liabilities	3079.63	2953.70
(e)	Details of investments (except in case of investment in subsidiaries)	-	-
(f)	Turnover	1648.71	2044.66
(g)	Profit before taxation	1636.22	616.63
(h)	Provision for taxation	543.94	212.66
(i)	Profit after taxation	1092.28	403.97
(j)	Proposed dividend	-	5.00

## Addresses of REC Offices

Sl. No.	REC Offices	Addresses	Telephone numbers	Fax / E-mail
1	2	3	4	5
	<b>Corporate Office</b>	Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003	41020101	Fax : 011-24360644 E-mail : reccorp@recl.nic.in
<b>Zonal Offices</b>				
Sl. No.	Zone/Location of Zonal Offices/States & UTs under the jurisdiction of Zonal Offices	Address	Telephone numbers	Fax / E-mail
1	<b>Southern Zone Hyderabad</b> Andhra Pradesh, Karnataka, Kerala, Pondicherry & Tamil Nadu	Shivrampally Post NPA, Near Aramghar, National Highway No. 7 Hyderabad - 500052	24014034 24016023 24018587	Fax : 040-24014235 E-mail : zmhyderabad@recl.nic.in
2	<b>Eastern Zone Kolkata</b> West Bengal, North-Eastern States, Andaman & Nicobar Islands, Sikkim & Orissa	ICMARD Building, 7th Floor, Block 14/2, CIT Scheme-VIII(M), Ultadanga Kolkata - 700067	23566989 23567017 23567018	Fax : 033-23566991 E-mail : zmkolkata@recl.nic.in
3	<b>East Central Zone Patna</b> Bihar, Uttar Pradesh, Uttaranchal & Jharkhand	Maurya Lok Complex, Block C, 4th Floor, New Dak Bangalow Road, Patna - 800001	2221131 2224596	Fax : 0612-2224596 E-mail : recpatna@yahoo.co.in popatna@recl.nic.in
4	<b>Western Zone Mumbai</b> Maharashtra, Gujarat, Dadara & Nagar Haveli, Madhya Pradesh, Chattisgarh, Goa, Daman & Diu	51-B, Mittal Tower, 5th Floor, Nariman Point, Mumbai - 400021	22831004 22830985 22833055	Fax : 022-22831004 E-mail : zmmumbai@recl.nic.in
5	<b>Northern Zone Panchkula</b> Haryana, Delhi, Rajasthan, Jammu & Kashmir, Punjab, Himachal Pradesh	BAY No. 7-8, Sector-2, Panchkula - 134112	2563864 2563863 2563822	Fax : 0172-2567692 E-mail : popanchkula@recl.nic.in zmpanchkula@recl.nic.in
<b>Project Offices</b>				
1	Andhra Pradesh	Shivrampally Post NPA, Near Aramghar, National Highway No. 7, Hyderabad - 500052	24014034 24016023 24018587	Fax : 040-24014235 E-mail : zmhyderabad@recl.nic.in
2	Assam, Nagaland & Arunachal Pradesh	"SRADDHA" M.G. Road-G.S. Road Crossing(SOHUM/ HDFC Point) Christian Basti, Guwahati - 781005	2343714 2343713	Fax : 0361-2343712 E-mail : cpmpeg@sify.com poguwahati@recl.nic.in
3	Bihar	Maurya Lok Complex, Block C, 4th Floor, New Dak Bangalow Road, Patna - 800001	2221131 2224596	Fax : 0612-2224596 E-mail : recpatna@yahoo.co.in popatna@recl.nic.in
4	Jharkhand	A-101 & D-104, Om Shree Enclave, Near Loyola School, Airport Road, HINOO, Ranchi - 834002	2253123	Fax : 0651-2251320 E-mail : rec_ranchi@yahoo.com poranchi@recl.nic.in

Sl. No.	REC Offices	Addresses	Telephone numbers	Fax / E-mail
1	2	3	4	5
5	Gujarat, Dadara & Nagar Haveli	Plot No. 585, T.P. Scheme No. 2, Behind Pusti Complex, Opp. VMC Ward Office, Atma Jyoti Ashram Road, Subhanpura, Vadodara - 390023	2386760 2397487 2252473(R)	Fax : 0265-2397652 E-mail : recbaroda@gmail.com recvadodara@gmail.com povadodara@recl.nic.in
6	Haryana, Delhi, Chandigarh & Punjab	BAY No. 7-8, Sector-2, Panchkula - 134112	2563864 2563863 2563822	Fax : 0172-2567692 E-mail : popanchkula@recl.nic.in zmpanchkula@recl.nic.in
7	Himachal Pradesh	Pt. Padamdev Commercial Complex, Phase-II, First Floor, The Ridge, Shimla - 171001	2653411 2804077	Fax : 0177-2804077 E-mail : poshimla@recl.nic.in
8	Jammu & Kashmir	157-A, Gandhi Nagar, Behind Apsara Cinema, Jammu - 180004	2450868 2566701(R)	Fax : 0191-2450868 E-mail : pojammu@recl.nic.in
9	Karnataka	No. 1/5, Ulsore Road, Bangalore - 560042	25598243 25550240 25598244	Fax : 080-25598243 E-mail : pobangalore@recl.nic.in ruralblr_cpm@dataone.in
10	Kerala & Lakshadweep	`O' - 5, 4th Floor, "Saphallyam" Commercial Complex, TRIDA Building Palayam, Thiruvananthapuram - 695034	2328662 2328579	Fax : 0471-2328579 E-mail : tvmrec@dataone.in recpotvm@dataone.in potrivandrum@recl.nic.in
11	Madhya Pradesh & Chattisgarh	E-3/15, Arera Colony, Bhopal	2460006 09425412289	Fax : 0755-2460008 E-mail : zmjabalpur@recl.nic.in reccentralzone@yahoo.com
12	Maharashtra, Goa, Daman & Diu	51-B, Mittal Tower, 5th Floor, Nariman Point, Mumbai - 400021	22831004 22830985 22833055	Fax : 022-22831004 E-mail : zmmumbai@recl.nic.in
13	Meghalaya, Manipur & Mizoram	Rinadee Old Jowai Road, Lachumire, Shillong - 793001	2210190 2225687 2536860(R)	Fax : 0364-2225687 E-mail : poshillong@recl.nic.in
14	Orissa	Deen Dayal Bhawan, 5th Floor, Ashok Nagar, Janpath, Bhubaneswar - 751009	2536649 2393206 2431158(R)	Fax : 0674-2536669 E-mail : recpobbsr@yahoo.co.in pobhubaneswar@recl.nic.in
15	Rajasthan	J-4-A, Jhalana Dungari, Institutional Area, Jaipur - 302004	2706986 2707840 2203317(R)	Fax : 0141-2706986 E-mail : pojaipur@recl.nic.in recpojpr@rediffmail.com
16	Tamil Nadu & Pondicherry	No. 12 & 13 T.N.H.B Complex, Luz Church Road, 180 (Luz Corner) Mylapore, Chennai - 600004	24672376 24987960	Fax : 044-24670595 E-mail : pochennai@recl.nic.in
17	Uttar Pradesh & Uttaranchal	19/8, Indira Nagar Extension, Ring Road, Lucknow - 226016	2716324 2717376 2716446	Fax : 0522-2716815 E-mail : recuppo@yahoo.in zmlucknow@recl.nic.in
18	West Bengal, Tripura, Sikkim & A & N Islands	ICMARD Building, 7th Floor, Block 14/2, CIT Scheme-VIII (M), Ultadanga, Kolkata - 700067	23566989 23567017 23567018	Fax : 033-23566991 E-mail : zmkolkata@recl.nic.in
<b>Sub-Offices</b>				
1	Chattisgarh	KH No. 185/17, Shanti Vihar Colony, (Opposite Viveka Nand School), Dauganiya, Raipur - 492013	2241055	Fax : 0771-2241055
2	Dehradun	7, New Road, Opposite MKP College, Dehradun - 248001	2650766	Fax : 0135-2650799
<b>Training Centre</b>				
	Central Institute for Rural Electrification	Shivrampally, Post NPA, Near Aramghar, National Highway No. 7, Hyderabad - 500052	24018583 24015901 24017252	Fax : 040-24015896 E-mail : cire@recl.nic.in

# REC contributes to growth with CSR initiatives...



*REC awarded winners of **2010 International Olympiads** in Mathematics, Physics, Chemistry, Biology, Astronomy & Astrophysics and Junior Science in association with HBCSE, TIFR Mumbai on 22nd December, 2010*

## Gold Medal

**Aakanksha Sarda** (IPhO, Zagreb, Croatia), **Sahal Kaushik** (IBO, Changwon, Korea), **Chirag Modi**, **Nitesh Kumar Singh & Aniruddha Bapat** (IOAA, Beijing, China), **Aayush Sharma**, **Ashwin Sreenivas & Yash Gupta** (IJSO)

## Silver Medal

**Mehul Kumar**, **Shivam Handa & Vipul Singh** (IPhO, Zagreb, Croatia), **Diptarka Hait**, **Nikunj Umesh Saunshi & Surendra Kotra** (IChO, Tokyo, Japan), **Apoorv Singh Yadav**, **Preet Hathi & Syed Mustafa Hashmi** (IBO, Changwon, Korea), **Akashnil Dutta & Gaurav D. Patil** (IMO, Astana, Kazakhstan), **Harine Ravichandiran**, **N. Bharath Sivaram & Sai Akhil Suggu** (IJSO)

## Bronze Medal

**Sanchar Sharma** (IPhO, Zagreb, Croatia), **Amit Panghal** (IChO, Tokyo, Japan), **Shantanu Agarwal & Kottur Satwik** (IOAA, Beijing, China), **Satyaki Mukherjee** (IMO, Astana, Kazakhstan)

Honourable Mention: Ronno Das, Akshay Degwekar & Anand Degwekar (IMO, Astana, Kazakhstan)





**RURAL ELECTRIFICATION CORPORATION LIMITED**  
Regd. Office: Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003

**PROXY FORM**

DP ID No.  Client ID No.   
No. of shares held  \*Regd. Folio No.   
I/We \_\_\_\_\_, s/o, d/o \_\_\_\_\_ in the district of \_\_\_\_\_ being a member/  
members of Rural Electrification Corporation Limited, hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
as my/our proxy to attend and vote for me/us and on my/our behalf at the 42nd Annual General Meeting of the Company to be held at 11.00 a.m.  
on Saturday, the 17th day of September 2011, and at any adjournment thereof.  
Signed this \_\_\_\_\_ Day of \_\_\_\_\_, 2011.

(Signature)

Affix revenue  
stamp of  
appropriate value

\* Applicable for investors holding shares in Physical Form.

**Note:** The Proxy form duly completed and signed should be deposited at the Registered Office of the Company, not later than 48 hours before the commencement of the Annual General Meeting.



**RURAL ELECTRIFICATION CORPORATION LIMITED**  
Regd. Office: Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003

**ATTENDANCE SLIP**

Member or their proxies are requested to present this form for admission, duly signed in accordance with their specimen signature registered with the Company.

NAME OF ATTENDING PERSON : \_\_\_\_\_  
(IN BLOCK LETTERS)

\* Regd. Folio No. : \_\_\_\_\_

No. of Shares held : \_\_\_\_\_

DP ID No. \_\_\_\_\_ Client ID No. \_\_\_\_\_

I, HEREBY RECORD MY PRESENCE AT THE 42nd ANNUAL GENERAL MEETING OF THE COMPANY BEING HELD ON WEDNESDAY THE 17TH DAY OF SEPTEMBER, 2011 AT 11.00 A.M. AT AIR FORCE AUDITORIUM, SUBROTO PARK, DHAULA KUAN, NEW DELHI- 110010.

Please (✓) in the box

☐ Member ☐ Proxy

Member's / Proxy's Signature

\* Applicable for investors holding shares in Physical Form.







