

INDEPENDENT AUDITORS' REPORT

To
The Board of Directors,
Rural Electrification Corporation Limited
New Delhi

1. We have audited the accompanying consolidated financial statements of Rural Electrification Corporation Limited ("the Company") and its subsidiaries and joint venture, which comprise the consolidated Balance Sheet as at 31st March, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information which we have signed under reference to this report.

2. **Management's Responsibility for the Consolidated Financial Statements**

The Company's management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company and its subsidiaries and joint venture in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

3. **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We did not audit the financial statements of two subsidiaries and the joint venture included in the consolidated financial statements, which constitute total assets of ₹ 191.39 Crores (Previous year ₹ 124.78 Crores) as at 31st March, 2014 and total revenue of ₹ 118.73 Crores (Previous year ₹ 41.77 Crores), for the year then ended. The financial statements of the subsidiaries have been audited by other auditors whose reports have been furnished to us and financial statements of the joint venture are un-audited, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors and certification of the management of the joint venture.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. **Opinion**

We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21- Consolidated Financial Statements, Accounting Standard (AS) 23 - Accounting for Investments in Associates in Consolidated Financial Statements, and Accounting Standard (AS) 27 - Financial Reporting of Interests in Joint Ventures notified under Section 211(3C) of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries and joint venture as at 31st March, 2014;
- in the case of Consolidated Statement of Profit and Loss, of the profit of the Company and its subsidiaries and joint venture for the year ended on that date; and
- in the case of the Consolidated Cash Flow Statement, of the cash flows of the Company and its subsidiaries and joint venture for the year ended on that date.

For Raj Har Gopal & Co.
 Chartered Accountants
 Firm Regn No. 002074N

(Gopal Krishan)
 Partner
 M. No. 081085

For P. K. Chopra & Co.
 Chartered Accountants
 Firm Regn No. 006747N

(K. S. Ponnuswami)
 Partner
 M. No. 070276

Place : New Delhi
 Date : 26th May, 2014