

NON-BANKING FINANCIAL COMPANIES AUDITORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2014

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

As required by the Non-Banking Financial Companies Auditors' Report (Reserve Bank) Directions, 2008 issued by Reserve Bank of India (RBI) on the matters specified in Para 3 and 4 of the said Directions to the extent applicable to the Rural Electrification Corporation Limited (REC) and according to the information and explanations given to us for the purpose of audit, we report that:

1. The Company had applied for registration as provided in section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) and has been granted certificate of registration by Reserve Bank of India on February 10, 1998 having Registration No. 14.000011. RBI issued Certificate dated September 17, 2010 in lieu of earlier certificate having categorized REC as an Infrastructure Finance Company in terms of instructions contained in RBI Circular CC No. 168 dated February 12, 2010. Further, that company is entitled to continue to hold such Registration in terms of its asset/income pattern as on 31st March, 2014.
2. As per Para 2 (v) of RBI Circular No. RBI/ 2012-13/ 29 DNBS.PD.CC.No.282/ 03.02.004/ 2012-13 dated July 2, 2012, Sections 45-IB and 45-IC of the Reserve Bank of India Act, 1934 on Maintenance of Percentage of Assets and Reserve Fund; paragraphs 4 to 7 of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 and Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, except paragraph 13A of the said directions relating to submission of information to Reserve Bank in regard to change of address, directors, auditors, etc. shall not apply to any non-banking financial company as defined in section 45-1(f) of the Reserve Bank of India Act, 1934 being a Government Company as defined in section 617 of the Companies Act, 1956.
3. According to information and explanation given to us, the RBI Directions as to deposits are not applicable to the Company. Therefore, the Board of Directors of the Company has not passed a resolution for non acceptance of any public deposits.
4. The Company has not accepted any public deposits during the year 2013-14.
5. As per RBI's Master Circular dated 1st July, 2013, REC, being a Government Company, continues to be exempt from the applicability of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. Further, RBI, vide letters dated 25th July, 2013 and 4th April, 2014, has conveyed to REC to comply with the prudential norms of RBI by 31st March, 2016. Regarding restructuring of assets, RBI vide its letter dated 04th April, 2014 has advised REC to follow the instructions contained in RBI Circular dated January 23, 2014 issued vide Notification No. DNBS (PD) No. 271/ CGM (NSV)-2014 of the same date. Necessary steps would be taken by 31st March, 2016 in terms of RBI letters dated 25th July, 2013 and 04th April, 2014. However, REC has taken up the matter with RBI and also through the Ministry of Power, for suitable directions in this regard. For the financial year ended 31st March, 2014, the Company has complied with the prudential norms relating to Accounting Standards, Income recognition, Asset Classification and Provisioning for Bad and Doubtful debts, Capital Adequacy & Exposure Norms as per the prudential norms formulated by the company and referred to/ as stated in the Significant Accounting Policies forming integral part of financial statements for the year ended on 31st March, 2014.
6. In terms of RBI Circular No. DNBS.PD/ CC.No. 93/03.05.002 /2006-07 dated 27th April, 2007, REC being a Government Company, is exempt from submitting NBS-7 to the Reserve Bank of India.

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

(Gopal Krishan)
Partner
M. No. 081085

Place : New Delhi
Date : 26th May, 2014

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

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