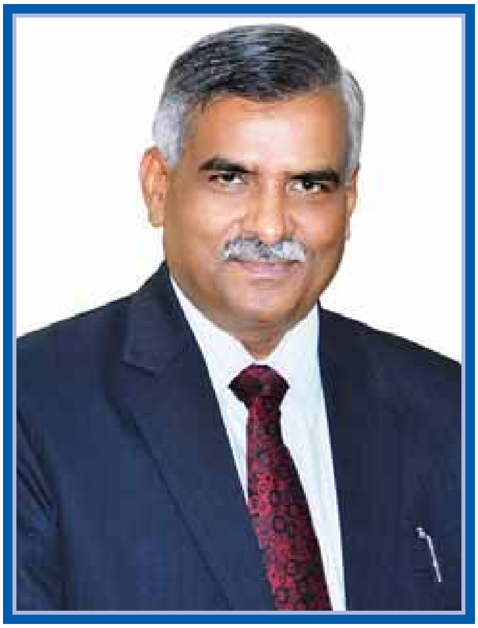
CHAIRMAN'S LETTER TO SHAREHOLDERS



Dear Shareholders

It is my privilege to present to you the 46th Annual Report of your Company. REC has added another successful year to its journey of consistent all-round performance from inception till now. The year 2014-15 was a year of optimism for the Indian economy. A stable government at the Centre has kickstarted the process of reforms and policy measures aimed at inclusive development. The year saw a steady acceleration in services and manufacturing growth, declined inflation, increased foreign-portfolio flows and stabilization of rupee. The Government's emphasis on ease-of-doing business is visible in initiatives like Make in India, Digital India, streamlining forest and environment clearances, labour reforms and auction of coal blocks. Daunting challenges are still there, and it will take some more time for the results to show on the economy as a whole. Nevertheless, a beginning has been made, which augurs well.

On the global front, the economic recovery on the whole has not come out of the woods barring a few exceptions. The financial condition of major developed economies is still a major cause of concern. Among the developed economies, only US has shown signs of promise, while the ongoing recession in Europe in past few years has added Greece as a new member after Portugal and Italy to the financial contagion. Japan has resorted to quantitative easing for stemming the subdued growth and China is witnessing decreased economic activity of late. The prevailing situation has posed challenges before emerging and developing economies owing to subdued external demand from these markets.

As far as India is concerned, the economy has bucked the global trends and shown clear signs of uptick in growth in financial year 2014-15. As per Central Statistical Office data, the Indian economy grew at 7.3% in 2014-15 due to improvement in the performance of both services and manufacturing sectors. Further, the economy is expected to grow at a rate of 7.5% in financial year 2015-16, which is even faster than the predicted growth rate of China as per the International Monetary Fund (IMF) estimates.

At present, the country is relatively better placed in terms of Current Account Deficit (CAD) and Balance of Payments (BoP). A major reason for this has been steep decline of crude price because of excess production of Shale gas in US, thereby drastically cutting down its crude requirement and subdued economic activity in Eurozone and Japan. The rise of crude price again is expected to be limited with the recent lifting of sanctions on Iran. The decrease in oil prices has brought the inflation down sharply from 8.3% in March 2014 to 5.2% in March 2015. Other important determinants *viz.*, key economic indicators showing signs of recovery, exchange rates inching towards stabilization and reduced inflation, has helped RBI cut policy rates by 75 bps since January 2015 and ease liquidity.

POWER SECTOR

The tangible improvement in the overall growth of the core sectors, including growth in Coal and Electricity sectors during Fiscal 2015, is a positive indicator for development of Power Sector in the coming years. The financial year 2014-15 saw the highest capacity addition of 22,566 MW in a year, which is a 26.6% rise on year-on-year basis. The actual electric energy generation during the Fiscal 2015 was 1,048 BUs against the generation of 967 BUs in the previous fiscal. For the XIII five year plan period, NITI Aayog estimates that in order to meet the projected demand requirement by 2022 at a GDP growth rate of 9%, capacity addition of 94,000 MW would be required along with matching expansion in transmission and distribution systems. Further, to maintain a sustained economic growth of 8% through to Fiscal 2032, as per the NITI Aayog, 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 installed Generation capacity has increased, but the Generation sector is still to come out of the whirl gig of policy imbroglio which adversely affected the Power Sector development in the past 4-5 years. The major bottlenecks have been slippages of long-term coal linkages to the projects identified, failure to achieve planned targets from captive coal mine blocks, inability to ramp up indigenous coal and gas production, rising imported fuel prices, land acquisition, R & R and environmental issues etc. The Government of India has, in the last one year, taken a slew of proactive initiatives, notably allocation of coal mines through a transparent auction route, giving breather to gas-based stranded projects and private sector projects operating at less than 30% PLF on domestic gas supply through subsidized imported gas supply supported by a Power System Development Fund (PSDF), efforts to takeover sick units under operation of State utilities, steps for augmenting indigenous coal production; and special focus on clean energy with enhanced stress on development of solar energy capacity, to name a few.

The transmission and distribution system in India is a three-tier structure comprising of regional grids, state grids and distribution networks. Presently, these regional grids are operating as an integrated unit of national grid with an inter-regional transfer capacity of more than 32,000 MW, whereby surplus power from a region could be redirected to another region facing power deficits, thus allowing an optimal utilization of the national generating capacity. The inter-regional grid connectivity has lent flexibility and brought resilience to the system. The National Grid in the country is now one of the largest operating synchronous grids in the world. During the financial year 2014-15, a total of 22,101 cKms were added to the transmission capacity, which was around 32 % higher than the transmission capacity added in the previous fiscal.

The Distribution Sector, which provides the crucial last mile connectivity and has disparate, numerous and varied consumers, is the weakest link in the power sector value chain of Generation-Transmission-Distribution. The Distribution Sector is facing problems like exorbitant losses, suboptimal internal functioning of regulatory institutions, mismatch in tariffs, etc. The Government of India has taken various measures to make the State DISCOMs/utilities viable, like Transitional Finance Mechanism (TFM), incentivization through technology interventions in R-APDRP and NEF, devising utility-wise turnaround plan and monitoring its implementation at the highest level. It is necessary that all such interventions are dovetailed and integrated to help turn-around the power distribution sector.

To strengthen the power supply and availability, improve reach and accounting in the rural and urban areas, the Government of India has recently introduced implementation of Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) for rural areas and Integrated Power Development Scheme (IPDS) for urban areas. The initiative would go a long way in the Government of India (GoI)'s resolve of providing 24X7 power by 2019.

In terms of hydro-power development, the country has not been able to exploit the huge potential of hydro power in the last few years as most of the hydro projects are stuck up owing to environmental issues and court rulings, causing long delays and stoppage of work at site. Despite being the cheapest source of power, the traction has been relatively low as the investors in hydro power sector are keeping away because of uncertainties. On the other hand, Renewable Energy has seen an unprecedented growth and its share, as planned in future, is itself an indication of major shift imminent in the fuel mix for generation sources in the country. Plans are afoot to raise the capacity of Renewable Energy to 175,000 MW by year 2022.

PERFORMANCE HIGHLIGHTS

Your Company continued to register growth on key fronts of Loan Disbursements, Recoveries, Operating Income and Profits. During the financial year 2014-15, the disbursements were ₹ 46,446.82 crore (including subsidy under DDUGJY-RE and DDG), as against ₹ 37,969.99 crore in the previous financial year. On standalone basis, the total operating income of the Company for the financial year 2014-15 increased by 19 % to ₹ 20,229.53 crore from ₹ 17,017.98 crore during the previous year. The profit after tax increased by 12 % to ₹ 5,259.87 crore from ₹ 4,683.70 crore in the previous year. The Loan Asset book of the Company as on March 31, 2015 has increased by a healthy 21 % to reach a historic high of ₹ 1,79,647 crore from ₹ 1,48,641 crore in the previous year. The Company achieved recovery rate of 97.70 % for the financial year 2014-15. The Company's Non-Performing Assets (NPAs) continue to be at low levels. As on March 31, 2015, the Gross NPAs of the Company was ₹ 1,335.38 crore, which is 0.74 % of Gross Loan Assets as on March 31, 2015.

The Company mobilized ₹ 41,189.82 crore from the market during the financial year 2014-15, which included ₹ 5,337.78 crore by way of Capital Gain Tax Exemption Bonds, ₹ 29,200 crore by way of non-priority sector bonds, ₹ 6,409.03 crore from External Commercial Borrowings (ECB) and ₹ 243.01 crore by way of Official Development Assistance (ODA) loan from KfW, Germany and Japan International Cooperation Agency (JICA), Japan. Further, an amount of ₹ 5,894.25 crore was also raised through Commercial Paper (CP). At the close of the financial year 2014-15, the total resources of the Company stood at ₹ 1,83,175.03 crore.

The domestic debt instruments of REC continued to enjoy "AAA" rating - the highest rating assigned by CRISIL, CARE, India Ratings & Research and ICRA Credit Rating Agencies. The Company enjoys international credit rating equivalent to sovereign rating of India from International Credit Rating Agencies like Moody's and Fitch which are "Baa3" and "BBB-" respectively. The overall weighted average annualized cost of borrowing for the funds raised during the financial year 2014-15 was 8.07 % p.a. and Interest Coverage Ratio was 1.63. As a result, the Company was able to deliver debt financing at competitive rates.

DIVIDEND

In addition to interim dividend of ₹ 8.00 (Rupees Eight only) per share paid on February 27, 2015, the Board of Directors of the Company has recommended a final dividend of ₹ 2.70 (Rupees Two and Seventy Paisa only) per share on the face value of ₹ 10/- each for the financial year 2014-15, which is subject to approval of the Shareholders in the 46th Annual General Meeting. Accordingly, the total dividend for the financial year 2014-15 will work out to ₹ 10.70 (Rupees Ten and Seventy Paisa only) per share on the face value of ₹ 10/- each, representing 107 % of the paid-up share capital of the Company, as against

₹ 9.50 (Rupees Nine and Fifty Paisa only) per share, representing 95% of the paid-up share capital of the Company in the previous financial year. The total dividend pay-out for the financial year 2014-15 will amount to ₹ 1,056.58 crore (excluding dividend distribution tax of ₹ 212.17 crore).

FINANCING POWER PROJECTS

The Company has been providing funding assistance for power generation, transmission & distribution projects besides for electrification of villages. The Company continued to play an active role in creation of new infrastructure and improvement of the existing ones under the transmission and distribution network in the country under its T&D portfolio. In line with the Government of India's objective to provide power for all by creation of infrastructure and also to reduce the AT&C losses, the Company has been financing schemes for expansion and strengthening of the transmission network and more importantly, modernizing the distribution system.

FINANCING GENERATION PROJECTS

During the financial year 2014-15, the Company sanctioned 34 nos. of Generation/R&M loans including 22 nos. of additional loan assistance with total financial outlay of ₹ 22,178.31 crore including consortium financing with other financial institutions and has disbursed ₹ 13,828.07 crore against the ongoing generation projects.

FINANCING TRANSMISSION & DISTRIBUTION PROJECTS

During the financial year 2014-15, the Company sanctioned 552 nos. of Transmission and Distribution schemes involving a total loan assistance of ₹ 25,031.14 crore. This includes primary power evacuation schemes associated with generating plants, system improvement schemes including R-APDRP projects, feeder segregation schemes, bulk loan schemes, intensive electrification schemes and pumpset energization schemes. The total disbursement under T&D schemes was ₹ 16,335.06 crore.

FINANCING RENEWABLE ENERGY AND OTHER PROJECTS

During the financial year 2014-15, the Company sanctioned loan assistance of ₹ 547.92 crore to 8 new grid-connected Renewable Energy projects with installed generation capacity aggregating to 193.86 MW which included 6 Solar photo-voltaic projects of 173.06 MW; and 2 Wind projects aggregating to 20.8 MW. The total cost of these projects aggregates to ₹ 1,768.19 crore. Further, during the financial year 2014-15, total disbursement under renewable energy projects was ₹ 295.25 crore.

DEENDAYAL UPADHYAYA GRAM JYOTI YOJANA (DDUGJY)

The Government of India had launched the "Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) scheme of Rural Electricity Infrastructure and Household Electrification" in year 2005, for providing access to electricity to all rural households. REC was the Nodal agency for implementation of the Scheme. Subsequently, RGGVY scheme has been subsumed in the new 'Deendayal Upadhyaya Gram Jyoti Yojana' (DDUGJY) scheme approved by the Government of India in year 2014. REC is the Nodal agency for implementation of the DDUGJY Scheme. The main objectives of the DDUGJY scheme are to provide access to all rural households and reduction of AT&C losses as per trajectory (DISCOM-wise) finalized in consultation with States by the Ministry of Power, so as to achieve 24X7 power supply for non-agricultural consumers and adequate power supply for agricultural consumers through defined project components. During the financial year, an amount of ₹ 4,002.73 crore (including subsidy of ₹ 3,605.72 crore under RE component of DDUGJY and ₹ 22.64 crore under DDG subsidy) has been disbursed. Cumulatively upto March 31, 2015, works in 1,09,524 un-electrified villages & intensive electrification of 3,14,958 villages have been completed and electricity connections to 2.18 crore BPL households have been provided under the scheme.

SUBSIDIARY COMPANIES & JOINT VENTURE

The Company has two wholly-owned subsidiaries (WOS), to focus on additional business of consultancy in the areas of distribution, transmission etc., namely:

(i) REC Power Distribution Company Limited; and

(ii) REC Transmission Projects Company Limited

During the financial year 2014-15, REC Power Distribution Company Limited (RECPDCL) has excelled in the area of Third Party Inspection (TPI) and also set its quality benchmark in preparation of Detailed Project Reports (DPRs) through Global Positioning System (GPS) based field survey. During the financial year 2014-15, RECPDCL has prepared 61 DPRs under DDUGJY-RE XII five year plan and 11 DPRs under RE works for Jharkhand DISCOMs and carried out TPI for various schemes. Further, RECPDCL has been engaged as the Project Implementing and Monitoring Agency by REC, for construction of toilets in schools under the 'Swachh Vidyalaya Abhiyaan' in Uttar Pradesh, Madhya Pradesh, Bihar, Telangana, Rajasthan and Punjab, under REC's CSR initiative.

The financial performance of RECPDCL is also on the growth path. During the financial year 2014-15, RECPDCL's total revenue has increased by 16.75% to ₹ 87.76 crore compared to the previous year income of ₹ 75.16 crore. The Profit Before Tax (PBT) has increased by 4.66% to ₹ 52.52 crore as compared to ₹ 50.18 crore in the previous year. Further, the Profit After Tax (PAT) has also increased by 5.35% to ₹ 34.77 crore from ₹ 33 crore during the previous year. The Board of Directors of RECPDCL has recommended a Dividend of ₹ 100/- per equity share of face value of ₹ 10/- each for the financial year 2014-15, i.e., 1000% on the paid up share capital of RECPDCL, subject to approval of its shareholders in their ensuing Annual General Meeting.

Further, Ministry of Power (MoP), Government of India, has designated REC Transmission Projects Company Limited (RECTPCL) as "Bid Process Coordinator" (BPC) for selection of Transmission Service Provider for independent transmission projects allocated by MoP from time to time, through Tariff Based Competitive Bidding Process notified for inter state transmission projects. In order to initiate development of each independent inter state transmission project allocated by MoP, RECTPCL incorporates project specific Special Purpose Vehicles (SPVs) as its wholly owned subsidiary companies. The wholly-owned subsidiaries of RECTPCL are also wholly-owned subsidiaries of REC as per Section 2(87) of the Companies Act, 2013. After selection of the successful bidder through Tariff Based Competitive Bidding Process, the respective project specific SPV along with all its assets and liabilities, is transferred to the successful bidder. As on date, the following project specific SPVs exist as wholly owned subsidiary companies of RECTPCL:

1. Nellore Transmission Limited
2. Baira Siul Sarna Transmission Limited
3. Maheshwaram Transmission Limited
4. Vemagiri-II Transmission Limited
5. Alipurduar Transmission Limited
6. NER-II Transmission Limited

During the financial year 2014-15, 4 (four) new subsidiary companies of RECTPCL were incorporated, namely Gadarwara (A) Transco Limited, Gadarwara (B) Transmission Limited, Maheshwaram Transmission Limited and Vindhyachal Jabalpur Transmission Limited. Further, 4 (four) subsidiary companies of RECTPCL, namely NRSS XXXI (A) Transmission Limited, NRSS XXXI (B) Transmission Limited, NRSS XXIX Transmission Limited and Vindhyachal Jabalpur Transmission Limited were transferred to the successful bidders, during the year 2014-15.

During the financial year ended March 31, 2015, RECTPCL has recorded an income of ₹ 72.44 crore. The Profit Before Tax and Profit After Tax for the year is ₹ 69.92 crore and ₹ 47.54 crore, respectively. The Net worth of RECTPCL is ₹ 105.01 crore against initial capital of ₹ 0.05 crore injected by REC in year 2007. The Board of Directors of RECTPCL has recommended a Dividend of ₹ 1,902/- per equity share of face value of ₹ 10/- each i.e 19,020% for the financial year 2014-15 on paid up share capital of RECTPCL, subject to approval of its shareholders in their ensuing Annual General Meeting.

REC, along with three other PSUs, namely Power Grid Corporation of India Limited, NTPC and PFC as equal partners, has formed a Joint Venture company by the name Energy Efficiency Services Limited (EESL) on December 10, 2009. EESL is formed to create & sustain market access of energy efficient technologies, particularly in the public facilities like municipalities, buildings, agriculture, industry etc. and to implement several schemes of Bureau of Energy Efficiency, MoP. Currently, EESL is implementing Municipal Street Lighting projects with various municipal corporation and AgDSM projects for replacement of inefficient agricultural pumpsets in agriculture sector, DSM Based Efficient Lighting Programme (DELP) in domestic residential sector in ESCO mode with various utilities and CSR projects of various companies.

REC has contributed equity share capital of ₹ 22.50 crore in EESL (being 25% of EESL's paid-up equity share capital) upto March 31, 2015. Further, during the financial year 2015-16, REC has infused an additional amount of ₹ 25.00 crore towards equity subscription in EESL. The performance of EESL has improved during the year and it is on the growth path. During the financial year 2014-15, EESL's Profit After Tax (PAT) was ₹ 9.05 crore as against ₹ 1.02 crore in the previous financial year.

CENTRAL INSTITUTE FOR RURAL ELECTRIFICATION

Central Institute for Rural Electrification (CIRE) was established under the aegis of REC in Hyderabad in year 1979, 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. The programmes by CIRE are conducted on state-of-the-art subjects of Power Generation, Transmission, Distribution and Renewable Energy sources. CIRE is designated as the Nodal agency by Ministry of Power for implementation of National Training Programmes on franchisee and employees of C&D category under the human resources development component of DDUGJY programme. During the financial year 2014-15, in addition to coordinating and monitoring the national training programmes for franchisees and employees of C&D category, CIRE has conducted 128 programmes on various themes and trained 2,539 personnel with 14,582 man-days of training. During the year, CIRE has also been conferred with "Education Leadership Award" by Dewang Mehta Business School in the 22nd Business School Affaire, in recognition of leadership, development, innovation and industry interface of the institute.

HUMAN RESOURCE MANAGEMENT

As a measure of capacity building including up-gradation of employees' skill sets and to ensure high delivery of performance, Training & HRD continued to receive priority during the financial year 2014-15. Training and Human Resource Policy of the Company aims at sharpening business skills and competence required for better employee performance and also provides all possible opportunities and support to the employees to improve their performance and productivity. During the year under review, Training was provided to promote better understanding of professional requirements, as well as to sensitize employees to the socio-economic environment in which the Company operates; and also to help employees gain on spiritual, health and attitudinal front.

INFORMATION TECHNOLOGY INITIATIVES

On the IT front, an Integrated ERP system has been in operation in the Company since 2009 covering major business functions of Company. Implementation of HR-ERP solution for automation of HR functions including Employee Self Service Portal across the Company is at advanced stage. Also, a Disaster Recovery Setup has been established in the Company for HR-ERP solution in January, 2015. Both the Primary Data Centre (PDC) and Disaster Recovery Center (DRC) of REC are ISO/IEC 27001:2013 certified and are compliant with National Cyber Security Policy as notified by Department of Electronics and Information Technology (DeitY), Ministry of Communications and Information Technology, Government of India. REC is implementing suitable Video Conferencing (VC) solution across all offices of the Company. In Phase-I, VC solution will be implemented in Corporate Office and Zonal Offices. REC has also implemented on-line 'e-procurement' system as per CVC guidelines; and various internal systems like, Annual Property Return System, Visitor Management System, Audit Management System, etc.

CORPORATE GOVERNANCE

Corporate Governance at REC, is managing the business in an ethical and responsible manner for sustainable value creation of various stakeholders within the prevalent regulatory framework. The Company believes in adopting the best practices that are followed in the area of Corporate Governance across the globe. During the financial year 2014-15, the Company has received **13th ICSI National Award for Excellence in Corporate Governance** from the Institute of Company Secretaries of India (ICSI), a statutory body constituted under the Companies Secretaries Act, 1980, in recognition of the good Corporate Governance practices followed by REC.

As a listed Public Sector Enterprise, your Company has been complying with the requirements of Corporate Governance as stipulated in the Companies Act, Listing Agreement and DPE Guidelines. Further, the matter pertaining to appointment of requisite number of Independent Directors including at least one Woman Director on the Board, is under active consideration of the Ministry of Power.

SWACHH BHARAT ABHIYAAN

'Swachh Bharat Abhiyaan' was celebrated in the Company from September 25, 2014 to October 2, 2014. On the birth anniversary of Mahatma Gandhi, Father of the Nation on October 2, 2014, 'Swachh Bharat Diwas' was celebrated with enthusiasm amongst employees at all offices of REC and on this occasion, 'Swachhta Shapath' was administered at the Corporate Office wherein it was emphasized that this Abhiyaan should be carried out as a 'continuous process' and all employees were encouraged to carry forward this noble movement.

Cleanliness drive of neighbourhoods at all offices of REC was also carried out wherein the employees participated with immense enthusiasm and zeal. Further, to ensure wider dissemination of this message, posters were made and displayed at all REC offices to sensitize the employees on the issues of cleanliness. In furtherance of this Abhiyaan, various initiatives were taken which include printing of logo of 'Swachh Bharat Mission' on all file covers and letterheads of the Company, weeding out of old records to make workstations clean & presentable, ease storage space constraints, proper stacking of records and files with indexing, proper clipping of wires/cables, phasing out the old IT hardware and furniture, clear access and cleanliness of passages etc. The Company is fully committed towards the cause of creating a clean India and will continue to improve the cleanliness in and around the premises.

Further, an essay Competition on 'Cleanliness is next to Godliness' was also organized in the Company in which many employees participated. A suggestion scheme for employees was organized on "How to improve cleanliness of our work place" and best suggestions were rewarded.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

Corporate Social Responsibility and Sustainable Development (CSR & SD) initiatives were pursued actively. Accordingly, CSR budget (@ 2% of average net profit for previous three financial years, calculated in accordance with the provisions of Section 198 of the Companies Act, 2013) was allocated for the financial year 2014-15, amounting to ₹ 103.25 crore. During the year, the Company has undertaken various CSR initiatives in the fields of skill development programmes, education, environmental sustainability, promotion of health care including for elderly persons and persons with disabilities, drinking water and sanitation facilities including participation in ‘Swachh Vidyalaya Abhiyaan’, LED based solar street lights in select un-electrified / poorly electrified villages etc. During the financial year 2014-15, financial assistance aggregating to ₹ 251.22 crore was sanctioned for various projects under Corporate Social Responsibility, including ₹ 190 crore for construction of toilets in schools under ‘Swachh Vidyalaya Abhiyaan’, out of which ₹ 67 crore is against allocation for financial year 2014-15 and ₹ 123 crore is against allocation for financial year 2015-16. Further, during the financial year 2014-15, REC has incurred expenditure for an amount of ₹ 103.25 crore (including ₹ 57.21 crore provided for in the books of accounts) towards approved CSR projects under implementation during the financial year. This amount of ₹ 57.21 crore provided for during the financial year 2014-15 has since been paid during the financial year 2015-16.

MOU RATING & AWARDS

The performance of your Company in terms of Memorandum of Understanding (MoU) signed with the Ministry of Power, Government of India for the financial year 2013-14 has been rated as **“Excellent”**. This is the 21st 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 2014-15 also, the Company is poised to receive “Excellent” rating. During the year, your Company received **“Company of the Year”** award for ‘Operational Performance Excellence’ under PSE Excellence Awards 2014. Your Company also received Award for **“Excellence in Financial Services”** under India Pride Awards 2014-15 from Dainik Bhaskar & DNA.

OTHER INITIATIVES

Your Company constantly reviews and revises its lending and operation policies / procedures from time to time, to suitably align with market requirements as also with its corporate objectives and applicable statutory requirements. During the year, the Company has reviewed policies relating to Funding against Regulatory Assets, Risk Management, Resource Planning, Premature Re-payment / Prepayment, Whistle Blower / Vigil Mechanism and CSR & Sustainability. The interest rates in respect of term-loan and short term loan were also reviewed/revised during the year.

In spite of growing competition in the market, the Company has been able to maintain healthy spreads, balancing its objectives of business growth and profitability during the year.

FUTURE STRATEGY

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

Your Company is planning to enhance its presence in the Green Energy financing, such as Solar, Biomass and Wind Power, which shall help in mitigating the problem of power scarcity, carbon emissions and fuel supply. In order to provide boost to renewables projects, particularly solar & wind energy, your Company has rationalized its lending policy to enable finance for larger renewable projects. While providing finance on better terms to these projects, your Company has increased the tenure of loans upto 15 years, tweaked the interest rate policy and introduced integrated rating mechanism, to take care of risk assessment in different technologies.

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

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

LOOKING AHEAD

In terms of electricity generation, India ranks among the top countries within the BRICS countries, however India has the lowest per capita electricity consumption amongst the BRICS nations. The low per capita electricity consumption suggests a large latent demand of power in the country. Estimated aggregate capacity addition of 180 GW during the XII and XIII five year plans put together (2012-2022) with estimated investments of over ₹ 34 lakh crore will continue to drive the prospects of power sector in the country. Thrust in rural electrification, renewable energy with special focus on Solar Energy and Decentralized Distributed Generation (DDG) will, *inter-alia*, increase the penetration of electricity in the country thereby driving the demand further.

The enormous capital expenditure, development of equally huge operational infrastructure combining ample potential for future expansion in the distribution sector creates a very optimistic business outlook for the Company. Also the performance orientation built into the DDUGJY and IPDS is expected to attract and accelerate investments in distribution infrastructure, thus resulting in faster accomplishment of loss reduction, better realization of revenue and automation goals. I would like to assure you that with the help of committed workforce, your Company is fully equipped to move forward by delivering best services to customers. This reinforces our absolute commitment to customer service which is the essence of doing business. The Government's decisive shifts have created a reform oriented positive outlook. Steps like ramping up of investment, rationalizing subsidies and creating a competitive, predictable and clean tax policy environment are the need of the hour. Overall, the key to profitability and growth of the Company lies in judicious raising of resources at a low cost and ensuring most productive deployment of these funds.

ACKNOWLEDGEMENTS

I take this opportunity to express my sincere gratitude for the immense support and guidance received by your Company from the Hon'ble Minister of State for Power (Independent Charge), the Secretary (Power), the Additional Secretaries, MoP, Joint Secretaries, MoP and other officials in the Ministry of Power. I am also grateful to the officials in the Ministry of Finance, NITI Aayog and the Reserve Bank of India, for their continued support and guidance. I also thank the Comptroller & Auditor General of India, the Joint Statutory Auditors of the Company and the Secretarial Auditor for their valued contribution. I also express my sincere gratitude to our lenders and investors for having reposed their trust in us.

I would like to express my thanks and appreciation to my esteemed colleagues on the Board and to all employees of REC for their unswerving commitment to their work. I convey my special thanks to all stakeholders of the Company for their support and goodwill and for their continuing confidence in the Company's performance.

I am confident that with a dedicated and committed resource of employees and support of our esteemed stakeholders, your Company will continue to deliver its responsibilities and steer ahead in the direction of excellent performance for yet another year in succession.

With best wishes,

(Rajeev Sharma)

August 7, 2015 **Chairman & Managing Director**