

INDEPENDENT AUDITORS' REPORT

To,
The Members,
Rural Electrification Corporation Limited
New Delhi

This Revised Report is issued, in supersession of our earlier Audit Report dated 28th May, 2015, at the instance of Comptroller & Auditor General (C&AG) of India in order to make it more clarificatory in respect of the reporting requirements under clause (vii)(b) of the Companies (Auditor's Report) Order, 2015. Further, we confirm that there is no change in the true and fair view of the consolidated financial statements as expressed in our earlier report and also none of the figures have undergone any change in the consolidated financial statements of the Company as at 31st March, 2015.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Rural Electrification Corporation Limited** ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and jointly controlled entity, comprising of the Consolidated Balance Sheet as at 31st March, 2015, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its jointly controlled entity in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and General Circular No. 15/2013 dated 13th September, 2013. The respective Board of Directors of the companies included in the Group and of its jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. 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 the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Holding Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, its jointly controlled entity as at 31st March, 2015, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Emphasis of Matter

In respect of one of the subsidiaries in the Group, REC Power Distribution Company Limited, attention is drawn that adequate confirmations from receivables have not been obtained. However, our opinion is not modified in this respect.

Other Matters

- (a) We did not audit the financial statements / financial information of two subsidiaries whose financial statements / financial information reflect total assets of ₹ 300.88 Crores (Previous year ₹ 159.77 Crores) as at 31st March, 2015, total revenues of ₹ 160.20 Crores (Previous year ₹ 110.34 Crores) and net cash flows amounting to ₹ 14.33 Crores (Previous year ₹ -4.47 Crores) for the year ended on that date, as considered in the consolidated financial statements. These financial statements/ financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.
- (b) We did not audit the financial statements/ financial information of one jointly controlled entity, whose financial statements/ financial information reflect total assets of ₹ 78.94 Crores (Previous year ₹ 31.62 Crores) as at 31st March, 2015, total revenues of ₹ 17.57 Crores (Previous year ₹ 8.39 Crores) and net cash flows amounting to ₹ 7.04 Crores (Previous year ₹ 2.40 Crores) for the year ended on that date, as considered in the consolidated financial statements. These financial statements/ financial information are unaudited and have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the jointly controlled entity, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act in so far as it relates to the aforesaid jointly controlled entity, is based solely on such unaudited financial statements/ financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements/ financial information are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/ financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, based on the comments in the auditors' reports of the Holding company and subsidiary companies incorporated in India, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
 - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and General Circular No. 15/2013 dated 13th September, 2013.
 - (e) On the basis of the written representations received from the directors of the Holding Company as on 31st March, 2015 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies and jointly controlled company incorporated in India, none of the directors of the Group companies and jointly controlled company incorporated in India is disqualified as on 31st March, 2015 from being appointed as a director in terms of Section 164 (2) of the Act.
 - (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - (i) The consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group and jointly controlled entity- Refer Note 27.1 to the consolidated financial statements;
 - (ii) The Group and its jointly controlled entity does not have any such long-term contracts including derivative contracts for which there are any material foreseeable losses;
 - (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies and its jointly controlled company incorporated in India.

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

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

Gopal Krishan
Partner
M. No. 081085

K. S. Ponnuswami
Partner
M. No. 070276

Place : New Delhi
Date : 27th July, 2015

ANNEXURE TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in paragraph 1 under 'report on other legal and regulatory requirements' section of our report of even date on Consolidated Financial Statements for the year ended on 31st March, 2015

- (i) (a) The Group, including its jointly controlled entity has maintained fixed assets records to show full particulars including quantitative details and situation of its fixed assets.
- (b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (ii) This clause of the Order is not applicable.
- (iii) According to the information and explanations given to us, the Group, including its jointly controlled entity has not granted any loans, secured or unsecured to any Companies, firms or other parties covered in register maintained under section 189 of the Companies Act, 2013. Accordingly, clause 3(iii)(a) and 3(iii)(b) of the Order are not applicable.
- (iv) In our opinion and according to information and explanations given to us, internal controls for purchase of fixed assets and for the financial services are generally commensurate with the size of the Group and the nature of its business. *However, in certain areas internal control needs further strengthening like monitoring and supervision of loans given to various SEBs/ DISCOMS/ TRANSCOS/ GENCOS including obtaining search reports for charges created against the loans given and physical verification of assets charged to REC as security after Commercial Operations Date.* During the course of audit, we have not come across any major failure in internal control system.
- (v) According to the information and explanations given to us, the Group, including its jointly controlled entity has not accepted any deposits from public to which the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the Rules framed thereunder, apply.
- (vi) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records for the products/services of the Group, including its jointly controlled entity under Companies (Cost Records and Audit) Rules, 2014, read with Companies (Cost Records and Audit) Amendment Rules, 2014 prescribed by the Central Government under Section 148 of the Companies Act, 2013. Accordingly, this clause of the order is not applicable to the Company.
- (vii) (a) The Group, including its jointly controlled entity is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, wealth tax, service tax, custom duty and other material statutory dues applicable to it. There were no undisputed statutory dues in arrears as at 31st March, 2015 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, the disputed Statutory dues aggregating to ₹ 2.80 crores that have not been deposited on account of matters pending before appropriate authorities are detailed below:

(₹ in crores)

Name of Statute	Nature of Dues	Amount Disputed	Amount paid/ refund adjusted	Net Amount Unpaid	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax and Interest	8.15	8.15	-	AY 2008-09	Commissioner of Income Tax (Appeals), Delhi
Income Tax Act, 1961	Penalty u/s 271(1) (c)	0.07	-	0.07	AY 2005-06	Commissioner of Income Tax (Appeals), Delhi
Income Tax Act, 1961	Fringe Benefit Tax	0.48	-	0.48	AY 2008-09	Commissioner of Income Tax (Appeals), Delhi
Income Tax Act, 1961	Income Tax and Interest	21.14	20.95	0.19	AY 2003-04, AY 2006-07, AY 2009-10, AY 2010-11, AY 2011-12	Income Tax Appellate Tribunal, Delhi
Income Tax Act, 1961	Tax Deducted at Source	0.47	-	0.47	FY 2012-13	Commissioner of Income Tax (Appeals), Delhi
Income Tax Act, 1961	Tax Deducted at Source	1.23	-	1.23	FY 2007-08 to FY 2014-15	CPC, TDS
Chapter V of Finance Act, 1994	Service Tax, Penal Interest u/s 73(4A)	0.36	-	0.36	FY 2008-09 to 2011-12	Commissioner of Service Tax (LTU), Delhi
	Total	31.90	29.10	2.80		

- (c) The amounts required to be transferred to Investor Education and Protection Fund in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder has been transferred to such fund within the prescribed time.

- (viii) The Group, including its jointly controlled entity does not have any accumulated losses as at 31st March, 2015. The Group, including its jointly controlled entity 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.
- (ix) In our opinion and according to the information and explanations given to us, the Group, including its jointly controlled entity has not defaulted in repayment of dues to a financial institution, bank and debenture holders as at the Balance Sheet date.
- (x) In our opinion and according to the information and explanations given to us, the Group, including its jointly controlled entity has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, this clause of the Order is not applicable to the Company.
- (xi) To the best of our knowledge and according to the information and explanations given to us, the term loans raised during the year were applied for the purpose for which the loans were obtained.
- (xii) To the best of our knowledge and according to the information and explanations given to us, no material fraud on or by the Group, including its jointly controlled entity has been noticed or reported during the year.

For Raj Har Gopal & Co.

Chartered Accountants

Firm Regn. No. 002074N

For P. K. Chopra & Co.

Chartered Accountants

Firm Regn. No. 006747N

Gopal Krishan

Partner

M. No. 081085

K. S. Ponnuswami

Partner

M. No. 070276

Place : New Delhi

Date : 27th July, 2015