

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 directions issued by C&AG and 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 financial statements as expressed in our earlier report and also none of the figures have undergone any change in the financial statements of the Company as at 31st March, 2015.

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Rural Electrification Corporation Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company 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. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the 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 Company has in place an adequate internal financial controls system over financial reporting 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 Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 state of affairs of the Company as at 31st March, 2015, and its profit and its cash flows for the year ended on that date.

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 Companies Act, 2013, 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.
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- (d) In our opinion, the aforesaid standalone 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 as on 31st March, 2015 taken on record by the Board of Directors, none of the directors 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 Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 23.1 to the financial statements;
 - (ii) The Company 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 Company.

3. As required under the Section 143(5) of the Act, with respect to the directions issued by The Comptroller & Auditor General of India, we report that :

Sl. No.	Directions	Report
1.	If the Company has been selected for disinvestment, a complete status report in terms of valuation of Assets (including intangible assets and land) and Liabilities (including Committed & General Reserves) may be examined including the mode and present stage of disinvestment process.	Though the Company has been selected for disinvestment of Govt. Shareholding only during the FY 2014-15, the actual transaction by way of Offer for Sale (OFS) through Stock Exchanges happened only on 8 th April, 2015. As per the transaction, The President of India, acting through Ministry of Power sold 4,93,72,950 (5.00 %) Equity Shares through OFS on 8 th April, 2015. Accordingly, the process of 5 % disinvestment by the Govt. of India has been completed. However, no fresh issue of shares was made by the Company and accordingly, there was no need of valuation of Assets (including intangible assets and land) and Liabilities (including Committed & General Reserves). However, in view of the materiality of the change in shareholding of the Govt. of India, adequate disclosure has also been made in the Notes to Accounts in Note No. 1.2.
2.	Please report whether there are any cases of waiver- write off of debts/ loans interest etc. If yes, the reasons there for and the amount involved.	During the FY 2014-15, penal interest on delayed payment aggregating to ₹ 0.01 Crore in respect of four borrowers was waived off on account of Bank Holiday on the due date on account of State Assembly Elections in Haryana and Maharashtra.
3.	Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.	The Company, being an NBFC, the clause with respect to inventories lying with third parties and assets received as gifts from Govt. and other authorities is not applicable.

4. A report on age-wise analysis of pending legal/ arbitration cases including the reasons of pendency and existence/ effectiveness of a monitoring mechanism for expenditure on all legal cases (foreign and local) may be given.
- As per the information and explanations given to us, following cases are pending as at 31st March, 2015 with courts/ arbitrators/ taxation authorities:

Age-wise analysis	No. of cases	Reasons of pendency	Amount where ascertainable (₹ in Crores)
Court Cases			
Year 1990-2000	3	Recovery matters before DRT. Recovery Certificate issued and recovery is proceeding before Recovery Officer.	55.47
Year 2001-2010	20	Admitted and matter fixed for final hearing.	5.34
Year 2011 onwards	18	Matters pending for admission and those admitted are fixed for final hearing.	-
Arbitration Cases			
Year 2010 onwards	2	In one case it is admitted before the High Court and pending for final hearing. In other case the matter is at evidence stage.	3.75
Taxation Litigation Cases			
Year 2010 onwards	17	Matters pending with different taxation authorities/ courts for submissions/ remand report/ hearing or passing of the orders.	50.20
Total	60		114.76

The financial impact of the above cases, which is contingent upon the outcome of settlement of court/ arbitration/ taxation cases, wherever ascertainable, has also been disclosed in Notes to Accounts in Note No. 23.1 under the head 'Claims against the Company not acknowledged as debts'.

The Company has a suitable mechanism for monitoring the expenditure on all legal cases and the payment towards legal expenditure is duly regulated by the Delegation of Powers duly approved by the Competent Authority.

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

Gopal Krishan
Partner
M. No. 081085

Place : New Delhi
Date : 27th July, 2015

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

K. S. Ponnuswami
Partner
M. No. 070276

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 the accounts of Rural Electrification Corporation Limited for the year ended on 31st March, 2015

- (i) (a) The Company 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) The company being Non Banking Financial Company, does not have any inventory; as such this clause is not applicable.
- (iii) According to the information and explanations given to us, the Company 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 & explanations given to us, internal controls for purchase of fixed assets and for the financial services are generally commensurate with the size of the Company 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 Company 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 Company 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 Company 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 Company does not have any accumulated losses as at 31st March, 2015. The Company 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 Company 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 Company 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 Company has been noticed or reported during the year.

For Raj Har Gopal & Co.

Chartered Accountants
Firm Regn. No. 002074N

Gopal Krishan

Partner
M. No. 081085

Place : New Delhi

Date : 27th July, 2015

For P. K. Chopra & Co.

Chartered Accountants
Firm Regn. No. 006747N

K. S. Ponnuswami

Partner
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