

## NON-BANKING FINANCIAL COMPANIES AUDITORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2015

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 31<sup>st</sup> March, 2015.
2. As per Para 2 (v) of RBI Circular No. DNBS.PD.CC.No.384/03.02.004/2014-15 dated 1<sup>st</sup> July, 2014, 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-I(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 2014-15.
5. As per RBI's Master Circular dated 1<sup>st</sup> July, 2014, 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 25<sup>th</sup> July, 2013 and 4<sup>th</sup> April, 2014, has conveyed to REC to comply with the prudential norms of RBI by 31<sup>st</sup> March, 2016. Regarding restructuring of assets, RBI vide its letter dated 11<sup>th</sup> June, 2014 has allowed exemption to the Company from RBI restructuring norms till March 31, 2017 for Transmission & Distribution, Renovation & Modernisation and Life Extension projects and also the Hydro projects in Himalayan region or affected by natural disasters. Further for new project loans to generating companies restructured w.e.f 01<sup>st</sup> April 2015, the provisioning requirement would be 5% and for stock of loans as on 31<sup>st</sup> March 2015 of such projects, the provisioning shall commence with a provision of 2.75% w.e.f 31<sup>st</sup> March 2015 and reaching 5% by 31<sup>st</sup> March 2018. For the financial year ended 31<sup>st</sup> March, 2015, 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 31<sup>st</sup> March, 2015.
6. In terms of RBI Circular No. DNBS.PD/ CC.No. 93/03.05.002 /2006-07 dated 27<sup>th</sup> 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 : 28<sup>th</sup> May, 2015

**For P. K. Chopra & Co.**

Chartered Accountants  
Firm Regn. No. 006747N

**K. S. Ponnuswami**

Partner  
M. No. 070276