

ANNEXURE-V TO BOARD'S REPORT

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2015

The Members, Rural Electrification Corporation Limited

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Rural Electrification Corporation Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2015 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by Rural Electrification Corporation Limited ("the Company") for the financial year ended on March 31, 2015, according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the regulations and bye-laws framed thereunder to the extent of Regulation 55A;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following regulations and guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999: Not Applicable
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client to the extent of securities issued;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009: Not Applicable
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998: Not Applicable
- (vi) The other laws, as informed and certified by the Management of the Company which are specifically applicable to the Company based on their sector/ industry are:
 1. Reserve Bank of India Act, 1934 and Directions & Regulations issued by RBI from time to time.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India: Not applicable for financial year 2014-15
- (ii) The Listing Agreements entered into by the Company with The National Stock Exchange of India Limited and BSE Limited:

During the period under review, the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

1. The Company has not complied with the provisions of Section 149 of the Companies Act, 2013, read with Clause 49 of the Listing Agreement in respect of appointment of requisite number of Independent Directors on the Board, including Woman Director.
2. The Company has not complied with the provision of Section 177/178 of the Companies Act, 2013, read with Clause 49 of the Listing Agreement in respect of composition of Audit Committee and Nomination & Remuneration Committee.

We further report that -

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors subject to the above mentioned observations. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, the Company has following specific events / actions that having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.:

- The Company has under different debt instruments mobilized long term funds for a total amount of ₹ 41,190 crore during the financial year 2014-15, for various business operations of the Company.

Rupesh Agarwal
Partner

For Chandrasekaran Associates
Company Secretaries
Membership No. A16302
Certificate of Practice No. 5673

Date: July 17, 2015

Place: New Delhi

Note: This report is to be read with our letter of even date which is annexed as **Annexure-A** and forms an integral part of this report.

ANNEXURE-A TO THE SECRETARIAL AUDIT REPORT

The Members,
Rural Electrification Corporation Limited,
Core 4, SCOPE Complex,
7, Lodi Road, New Delhi-110003

Our Report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the Management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the random test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of Financial Records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. Our examination was limited to the verification of procedures on random test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

Rupesh Agarwal
Partner

For Chandrasekaran Associates
Company Secretaries
Membership No. A16302
Certificate of Practice No. 5673

Date: July 17, 2015
Place: New Delhi