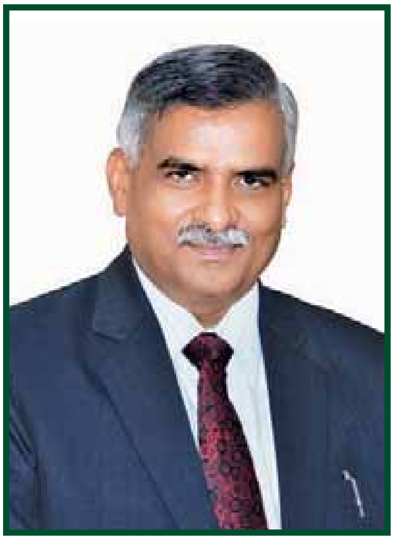
CHAIRMAN'S MESSAGE



Dear Stakeholders,

It is my privilege to present to you the 47th Annual Report of your Company. REC has completed yet another year of excellent all-round performance as a leading public financial institution of India. Your Company continues its growth story with a consistent track record of funding almost all needs to the entire Power Infrastructure space in the country. The Indian economy continued to be a bright spot on the global economic scenario in financial year 2015-16. The Government is taking more and more initiatives to kick-start and sustain the growth momentum in business and industry. However, the Indian Corporate Sector will take some more time to get back on a high growth trajectory, as it is still recovering from the prolonged slowdown of past years.

The global economic recovery on the whole has shown signs of improvement, but it may be too early to believe that the crisis period is over. Among the developed economies, US is the only country which has attracted the interest of Investors. European economy is still reeling under pressure. To stave off spectre of subdued growth, Japan resorted to quantitative easing and China is facing the second year of declining economic activity. The commodity cycle, which is an important indicator of economic activity, has not picked up across the world. The industrialized nations have glut of stocks especially Steel, Coal and Ore. Owing to sluggish growth of major economies and huge inventories, the prices of these commodities have hit rock bottom. The existing meek external demand in these markets has posed challenges before emerging and developing economies.

As far as India is concerned, the economy has for the second year in a row bucked the global trends and given a clear indication of consistent improvement in growth during the financial year 2015-16. As per Central Statistical Office data, the Indian economy grew at 7.6% in 2015-16 due to rebound in farm output, improvement in electricity generation and mining production. However, it is also expected that the growth in the ongoing financial year 2016-17 may not surpass that of financial year 2015-16, owing to the adverse effect of global slowdown, which may persist for some time more.

The country at present is relatively better placed in terms of Current Account Deficit (CAD) and Balance of Payments (BoP). The levels of foreign reserves have been at an all-time high. A major reason for this has been a better and more robust fiscal consolidation, low crude prices, though slightly higher than the previous year because of high levels of shale gas production maintained by the US. One of the reasons of rise in foreign reserves has been the lower levels of import due to sluggish growth in manufacturing sector. With supplementation of Iran's crude production, the rise of crude price is expected to be limited. The oil prices at moderate levels have also helped to keep the inflation from rising. Other important determinants viz., signs of recovery in key economic indicators, stability in exchange rates and softening of inflation have resulted in reduction of interest rates by 150 basis points since January 2015.

POWER SECTOR

The role of a growing Power Sector is a key factor in the country's economic growth. In the state of sluggish manufacturing sector growth in the country and sinking commodity cycle across the globe, the performance of the Power Sector stands out during the Fiscal 2016. The Installed Generation capacity of the country at the end of Fiscal 2016 stands at 302 GW. A record 23,976 MW of Conventional power was added to the installed capacity in the year 2015-16. The last two years saw an addition of 46,543 MW of Conventional power, which accounted for 53% of the targeted capacity addition during XII plan period . Also, the Renewable Energy has seen an unprecedented growth in the last two years. The solar capacity rose by 4,132 MW in the last two years and 3,423 MW of wind power was added in last fiscal itself. The share of renewable energy has grown to around 43 Gigawatts, which itself is an indication of major shift imminent in the fuel mix for generation sources in the country.

Till the year 2014, Power sector was passing through tough time due to major bottlenecks viz., slippages of long-term coal linkages to the identified projects, 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.

A slew of proactive efforts and initiatives have been taken by the Government of India (GoI) in the last two years, viz., allocation of coal mines through a transparent auction route, domestic supply of gas to the gas-based stranded projects and private sector projects operating at less than 30% PLF through subsidized mode, efforts to takeover sick units under operation of State utilities, steps for augmenting indigenous coal production, facilitating developers for getting speedy clearances and fuel linkages, augmenting existing indigenous manufacturing capacity and encouraging latest technology interventions.

Today, the coal fired power plants have coal stocks of around 15 days, which were not having stocks of more than 3 days. Further with the increase in coal production, the quantum of imported coal has come down resulting in reduced effective coal prices and saving of valuable foreign currency outflow. The initiatives to supply 100% crushed and washed coal would add to efficiency of plant operations. Rationalization of coal allocation and shifting of coal linkages from inefficient to efficient plants and quality inspection of coal quality based on Gross Calorific Value (GCV) would help in efficient operation of plants and also mitigate carbon emissions to a large extent.

The inter-regional transfer capacity of the integrated National Grid at present is 59,550 MW (as on June 30, 2016) and planned to be 68,050 MW by the end of the XII plan. This will facilitate surplus power from a region to flow to another region facing power deficits, thus allowing an optimal utilization of the national generating capacity. A record high of 28,114 cKm were added to the transmission capacity in the Fiscal 2016.

Distribution of power, being the weakest link in the power value chain, needs to be strengthened to pace up with rise in generation and transmission capacities on one hand and bring down the existing inefficiencies which has led the DISCOMs/Utilities in a terminal spin of losses and debt. To turnaround the State DISCOMs and ensure their long term viability, GoI has implemented Ujwal DISCOM Assurance Yojana (UDAY), a flagship scheme aimed at financial turnaround and revival of DISCOMs/State Utilities enabling them to become creditworthy once again and start their capex cycle. The important initiatives in this area are – improving operational efficiencies of DISCOMS, reduction of cost of power, reduction in interest cost of DISCOMs and bringing financial discipline in DISCOMs through alignment with State finances.

Further, the flagship schemes of Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and Integrated Power Development Scheme (IPDS) are already under implementation in rural and urban areas respectively to strengthen the Distribution System, availability of power supply and improve reach, thereby boosting the farm sector output and economic activity in rural areas. The extensive coverage of these schemes across the country would help in Government of India's resolve of providing 24X7 Power For All by the year 2019.

With the increasing stress on deploying clean energy in wake of ecological and environmental hazards from fossil fuels, the share of green energy is bound to increase, therefore substantially diluting the reliance on depleting fossil fuel resources. A capacity addition target of 100 GW by harnessing solar energy has been planned by 2022 under National Solar Mission. The target principally comprises of 40 GW roof top and 60 GW through large and medium scale grid connected solar power projects comprising of Solar Parks, Government establishments of Defence, Railways etc., the establishment of a Green Energy Transmission Corridor, development of Solar City projects, replacement of conventional pumps with Solar Pumps, Green Power Fund allocation etc.

Other notable measures are Demand Side Management initiatives like National Mission for Enhanced Energy Efficiency (NMEEE); Perform, Achieve and Trade (PAT) scheme; and Energy Conservation Building Code (ECBC) etc. Large scale substitution of existing lighting loads with energy efficient LED bulbs have been taken up under the ambitious programme Unnat Jyoti by Affordable LEDs for All (UJALA) scheme {earlier known as Domestic Efficient Lighting Program (DELP) scheme}. Under the said scheme, Energy Efficiency Services Limited, a joint venture company of REC, is providing LED bulbs to domestic consumers at low cost. This initiative is part of the Government's efforts to spread the message of energy efficiency in the country. So far, around 9 crore LED bulbs have been sold across the country under this scheme.

PERFORMANCE HIGHLIGHTS

Your Company continued to register growth on key fronts of Sanctions, Loan Disbursements, Operating Income and Profits. The loans sanctioned during the financial year 2015-16 were ₹ 65,471.10 crore as compared to ₹ 61,421.37 crore during the previous financial year 2014-15, excluding sanctions under DDUGJY-RE component and DDG. The aggregate disbursement achieved during the financial year 2015-16 was ₹ 46,025.83 crore as against ₹ 42,818.46 crore in the previous year. Further, an amount of ₹ 5,023.99 crore (subsidy of ₹ 4,541.44 crore under RE component of DDUGJY, subsidy of ₹ 63.54 crore under DDG and loan component of ₹ 419.01 crore) under DDUGJY has been disbursed.

On standalone basis, the total operating income of the Company for the financial year 2015-16 increased by 17% to ₹ 23,638.35 crore from ₹ 20,229.53 crore in the previous year. The Profit After Tax increased by 7% to ₹ 5,627.66 crore in financial year 2015-16 from ₹ 5,259.87 crore in the previous year. The Loan Asset Book of your Company as on March 31, 2016 has increased by a healthy 12% to reach a historic high of ₹ 2,01,278 crore from ₹ 1,79,647 crore in the previous year. The Company achieved a recovery rate of 96.61% for the financial year 2015-16. Your Company's Non-Performing Assets (NPAs) continue to be at low levels. As on March 31, 2016, the Gross NPA of the Company was ₹ 4,243.57 crore (including loans classified as NPAs due to restructuring / non-achievement of DCCO amounting to ₹ 811.33 crore). The percentage of NPA as a percentage of Gross Loan Assets stood at 2.11% as on March 31, 2016 as compared to 0.74% as on March 31, 2015. The net NPA as on March 31, 2016 was ₹ 3,230.30 crore, which is 1.60% of Gross Loan Assets. Further, no doubtful loans have been rescheduled by the Company during the financial year 2015-16.

The Company mobilized ₹ 31,254.92 crore from the market during the year 2015-16. This included ₹ 1,000 crore by way of Tax Free Secured Redeemable Non-Convertible Bonds, ₹ 6,476.70 crore by way of Capital Gain Tax Exemption Bonds, ₹ 15,526 crore by way of non-priority sector bonds, ₹ 8,046.60 crore (i.e., US$ 1,220 million) from External Commercial Borrowings (ECB) and ₹ 205.62 crore by way of Official Development Assistance (ODA) loan from Kreditanstat fur Wiederaufbau (KfW), Germany and Japan International Cooperation Agency (JICA), Japan. Further, an amount of ₹ 20,771.78 crore was also raised through Commercial Paper (CP). At the close of the financial year 2015-16, the total resources of your Company stood at ₹ 2,06,352.97 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 Moody's and Fitch which is "Baa3" and "BBB-" respectively. The overall weighted average annualized interest rate of borrowing for the funds raised during the financial year 2015-16 was 7.30% p.a. and for the borrowings outstanding as on March 31, 2016 was 8.21% p.a. As a result your Company was able to deliver debt financing at competitive rates.

DIVIDEND

In addition to interim dividend of ₹ 12.00 per share paid in February 2016, the Board of Directors of your Company has recommended a final dividend of ₹ 5.10 per share for the financial year 2015-16, which is subject to approval of the Shareholders in the ensuing Annual General Meeting. The total dividend for the financial year 2015-16 will work out to ₹ 17.10 per share, representing 171% of the paid-up share capital of the Company as against ₹ 10.70 per share, representing 107% of the paid-up share capital of the Company in the previous year. The total dividend pay-out for the financial year 2015-16 will amount to ₹ 1,688.55 crore (excluding dividend distribution tax of ₹ 341.71 crore).

FINANCING POWER PROJECTS

The Company has been providing funding assistance for power generation, transmission & distribution projects besides for Village Electrification Programme. Your 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, your 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 2015-16, your Company sanctioned 19 Nos. of Generation/R&M loans including 14 Nos. of additional loan assistance with total financial outlay of ₹ 27,828.44 crore including consortium financing with other financial institutions and has disbursed ₹ 12,819.53 crore against the ongoing generation projects.

FINANCING TRANSMISSION & DISTRIBUTION PROJECTS

During the financial year 2015-16, your Company sanctioned 579 Nos. of Transmission and Distribution schemes involving a total loan assistance of ₹ 23,627.61 crore. This includes primary power evacuation schemes associated with generating plants, system improvement schemes including Restructured Accelerated Power Development and Reforms Programme (R-APDRP) projects, feeder segregation schemes, bulk loan schemes, intensive electrification schemes and pumpset energization schemes. The total disbursement under T&D schemes during the year was ₹ 22,565.50 crore.

FINANCING RENEWABLE ENERGY AND OTHER PROJECTS

During the financial year 2015-16, your Company sanctioned loan assistance of ₹ 2,965.72 crore to 11 new, grid-connected Renewable Energy projects with installed generation capacity aggregating to 688 MW which included 9 Solar photo-voltaic projects aggregating to 662 MW; 1 Biomass project of 6 MW and 1 Wind project of 20 MW. The total cost of these projects aggregates ₹ 4,444.78 crore. Further, during the financial year 2015-16, total disbursement under renewable energy was ₹ 304.07 crore.

DEENDAYAL UPADHYAYA GRAM JYOTI YOJANA

The Government of India approved the scheme "Deendayal Upadhyaya Gram Jyoti Yojana" vide Office Memorandum dated December 3, 2014. REC is the Nodal agency for DDUGJY scheme. The main objectives of 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 continuous power supply for non-agricultural consumers and adequate power supply for agricultural consumers through defined project components. For this purpose, Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) scheme and its targets for XII & XIII plans have been subsumed in DDUGJY.

DDUGJY envisages 60% of the project cost from Government of India as grant to States other than special category States (85% for the Special Category States i.e. all North Eastern States including Sikkim and J&K, Himachal Pradesh, Uttarakhand) with a minimum 10% (5% for Special Category States) contribution from State Government/State Power utility through their own sources and the balance 30% (10% for Special Category States) may be arranged through loan by the State Government/State Power utility. Additional grant upto 15% (5% in case of Special Category States) by conversion of 50% of loan component will be provided by Government of India on achievement of prescribed milestones such as timely completion of projects, reduction in AT&C losses and upfront release of revenue subsidy based on metered consumption, if any, by State Government.

Out of the approved layout of ₹ 44,033 crore under DDUGJY scheme, Government of India shall provide a budgetary support of ₹ 33,453 crore. The Scheme of RGGVY as approved by CCEA for continuation in XII and XIII plans got subsumed in DDUGJY as a separate rural electrification component for which CCEA has already approved the scheme cost of ₹ 39,275 crore including a budgetary support of ₹ 35,447 crore. This outlay has been carried forward to the new scheme of DDUGJY in addition to the outlay indicated above.

In the 69th Independence Day address to the nation on August 15, 2015, Hon'ble Prime Minister resolved that the 18,452 remaining Un-electrified villages in the country would be electrified within a period of 1,000 days with the help of States and Local bodies. These 18,452 villages are located in distant, difficult hilly terrain and inaccessible areas with inclement weather facing Right of Way issues or areas plagued by insurgency etc. Ministry of Power has therefore undertaken on Mission Mode to electrify these 18,452 villages through REC - the Nodal agency for implementation of DDUGJY - and States / DISCOMs. REC developed an innovative monitoring mechanism by dividing the elctrification works into 12 milestones; deployed young Electrical Engineers viz. 'Gram Vidyut Abhiyantas (GVAs)' at block level in these villages and developed 'GARV App' Mobile Web Portal (http://garv.gov.in) for online monitoring of the progress of village electrification. In financial year 2015-16, a total of 7,108 villages (125%) were electrified against the target of 5,686 villages and till date, the total achievement is more than 10,000 villages.

INTEGRATED POWER DEVELOPMENT SCHEME

The Government of India approved the "Integrated Power Development Scheme" vide Office Memorandum dated December 3, 2014 which primarily aims at improvement in sub-distribution and distribution networks of urban areas comprising (i) Strengthening of sub-transmission and distribution networks (ii) Metering of Distribution Transformers / Feeders / Consumers and (iii) IT enablement of distribution sector and strengthening of distribution network for completion of the targets laid down under R-APDRP for XII and XIII plans by carrying forward the approved outlay for R-APDRP to IPDS programme as a separate component. For this purpose, the earlier scheme of R-APDRP and its targets have been subsumed in IPDS. The financing pattern of the scheme is similar as that applicable for DDUGJY scheme and as stated above.

UJWAL DISCOM ASSURANCE YOJANA

The DISCOMs in the country have accumulated losses of approximately ₹ 3.8 lakh crore and outstanding debt of approximately ₹ 4.3 lakh crore upto 2014-15 (at interest rates upto 14 - 15%) as against outstanding debt of ₹ 2.4 lakh crore in 2011-12. In addition to heavy debt and interest burden, default on bank loans by financially stressed DISCOMs have the potential to seriously impact the banking sector and economy at large.

GoI in financial year 2015-16 announced Ujwal DISCOM Assurance Yojana (UDAY) which aims at financial turnaround and revival of Power Distribution Companies (DISCOMs), for sustainable permanent solution to the problem. Through launch of this scheme, DISCOMs are provided with the opportunity to breakeven in the next 2-3 years through four key initiatives:

(i) Improving operational efficiencies of DISCOMs

(ii) Reduction of cost of power

(iii) Reduction in interest cost of DISCOMs

(iv) Enforcing financial discipline on DISCOMs through alignment with State Finances.

UDAY is another decisive step in furtherance of landmark strides made in the power sector over the last two years. The UDAY scheme assures vibrant and efficient DISCOMs through permanent resolution of past as well as potential future issues of the sector.

SUBSIDIARY COMPANIES & JOINT VENTURE

The Company has two wholly-owned subsidiaries, to focus on additional business in 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 2015-16, REC Power Distribution Company Limited (RECPDCL) has not only excelled in its core consultancy businesses viz. Preparation of Detailed Project Reports (DPRs), Third Part Inspections (TPI), Material Inspection & Project Management Consultancy (PMC) services, but also set quality benchmark in the areas of Project Implementation under R-APDRP Part-A and execution of turnkey works relating to the construction of toilets (using conventional and prefab technologies) in schools across India under CSR initiatives of REC towards Swachh Vidyalaya Abhiyan. Works executed by RECPDCL have been widely appreciated at various platforms in general and its valued customers in particular.

During the financial year 2015-16, RECPDCL's total revenue has increased by 73% to ₹ 151.54 crore as compared to the previous year's revenue of ₹ 87.79 crore. The Profit Before Tax (PBT) has increased by 6% to ₹ 55.44 crore as compared to ₹ 52.52 crore in the previous year. Further, the Profit After Tax (PAT) has also increased by 4% to ₹ 36.17 crore from ₹ 34.77 crore during the previous year. For the financial year 2015-16, the Board of Directors of RECPDCL have recommended a dividend of ₹ 2,170.56/- per equity share on the face value of ₹ 10/- each, which is subject to the approval of shareholders of RECPDCL in their ensuing Annual General Meeting.

The other subsidiary company viz., REC Transmission Projects Company Limited (RECTPCL) acts as "Bid Process Coordinator" 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 the 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 March 31, 2016, RECTPCL had the following project specific SPVs as wholly owned subsidiaries of RECTPCL / REC:

i. Nellore Transmission Limited*

ii. Baira Siul Sarna Transmission Limited*

iii. NRSS XXXVI Transmission Limited

iv. North Karanpura Transco Limited #

v. Khargone Transmission Limited

vi. Dinchang Transmission Limited

vii. NER II Transmission Limited

** The Office of Registrar of Companies (RoC), NCT of Delhi and Haryana has approved the applications for striking off the name of "Nellore Transmission Limited" and "Baira Siul Sarna Transmission Limited" from the Register of Companies u/s 560 of the Companies Act, 1956 vide certificate(s) dated May 25, 2016 and July 16, 2016 respectively; and both the companies have been dissolved.*

 # The subsidiary company viz., "North Karanpura Transco Limited" was transferred alongwith all its assets & liabilities to the successful biddder i.e., M/s Adani Transmission Limited on July 8, 2016. As such, the said company has ceased to be a subsidiary of RECTPCL / REC from that date.

During the financial year 2015-16, RECTPCL has generated an income of ₹ 44.15 crore. The Profit Before Tax and Profit After Tax for the year was ₹ 42.42 crore and ₹ 28.80 crore, respectively. The Net worth of RECTPCL as on March 31, 2016 was ₹ 123.40 crore against initial capital of ₹ 0.05 crore injected by REC in year 2007. For the financial year 2015-16, the Board of Directors of RECTPCL ha recommended a dividend of ₹ 1,730/- per equity share on the face value of ₹ 10/- each, which is subject to the approval of shareholders of RECTPCL in their ensuing Annual General Meeting.

REC, along with three other PSUs, namely Power Grid Corporation of India Limited, NTPC Limited and Power Finance Corporation Limited, had formed a Joint Venture Company namely 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. EESL is also leading the market related activities of National Mission for Enhanced Energy Efficiency (NMEEE), one of the 8 national missions under National Action Plan on Climate Change. Currently, EESL is implementing Municipal Street Lighting projects with various Municipal Corporations, AgDSM projects for replacement of inefficient agricultural pump-sets in agriculture sector, Unnat Jyoti by Affordable LEDs for all i.e. UJALA scheme (formerly Domestic Efficient Lighting Programme i.e., DELP scheme) in domestic residential sector in ESCO mode with various utilities and CSR projects of various companies. As on date, REC holds 31.7% of the paid up equity share capital of EESL.

During the financial year 2015-16, based on the unaudited financials, EESL's total revenue was ₹ 714.40 crore compared to the previous year's revenue of ₹ 71.11 crore. The Profit Before Tax (PBT) for the year was ₹ 49.60 crore as compared to ₹ 13.57 crore in the previous year. Further, the Profit After Tax (PAT) of EESL for the financial year 2015-16 has also increased to ₹ 32.89 crore from ₹ 9.06 crore during the previous year.

CENTRAL INSTITUTE FOR RURAL ELECTRIFICATION

Central Institute for Rural Electrification (CIRE) was established under the aegis of REC at Hyderabad in 1979, to cater the training and development needs of engineers and managers of Power Sector. The programmes by CIRE are conducted with state of-the-art technologies in areas of Power Generation, Transmission, Distribution and Renewable Energy sources. CIRE is designated as a nodal agency by Ministry of Power (MoP) for implementation of National Training Programmes (NTP) for employees of C&D category under the Human Resources Development component of DDUGJY programme. During the financial year 2015-16, in addition to coordinating and monitoring the National Training Programmes for employees of C&D category, sponsored by Ministry of Power, CIRE has conducted 128 programmes on various themes and trained 2,471 personnel with 14,353 man-days of training. Further, CIRE has been conferred with the "Education Leadership Award" by ABP News during the year, 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 and HRD continued to receive priority during the financial year 2015-16. Training and Human Resource Policy of the Company aims at sharpening business skills and competence required for better employee performance and 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 socio-economic environment in which the Company operates; and also to help employees gain on spiritual, health and attitudinal front. Further, employees were also encouraged to participate in various quizzes, paper presentations and simulation competitions, conducted by reputed institutions.

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 the Company, which is continuously being improved by adding new features. Benefits of the ERP system have also been extended to the Borrowers as a part of better service. Both the Primary Data Centre (PDC) and Disaster Recovery Center (DRC) of REC are ISO/IEC 27001:2013 Certified and comply with the National Cyber Security Policy of Government of India as notified by Ministry of Electronics and Information Technology (MeitY). In addition to the same, number of information security audits are conducted through CERT-in certified auditor, internal auditor on a continuous basis.

REC has implemented Video Conferencing solution across all its offices throughout the country. Corporate office of REC has become Wi-Fi enabled and all field offices of the Company are also being made Wi-Fi enabled. REC has also accomplished implementation of HR-ERP Employee Self Service (ESS) Portal over Internet during the year. Further, all procurement of goods and services of value above ₹ 2 lakh is now being done through the e-Procurement system. The said system is capable of conducting e-Reverse Auction as per CVC guidelines. REC has also deployed a number of in-house developed systems viz., Annual Property Return, Bill Payment and Tracking System, Visitor Management System, File Movement System etc. In addition thereto, a number of IT initiatives of the Government of India are being promoted in the Company, like MyGov, e-Governance, Digital India etc.

CORPORATE GOVERNANCE

Corporate Governance at REC is managing the business in an ethical and responsible manner for sustainable value creation for 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. As a listed Public Sector Enterprise, your Company has been complying with the requirements of Corporate Governance as stipulated in the Companies Act, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, DPE Guidelines and other applicable statutory provisions. Further, the matter pertaining to appointment of one Independent Woman Director on the Board is under consideration of the appointing authority, i.e., Ministry of Power.

SWACHH BHARAT ABHIYAN

As per directions of Ministry of Power, Government of India, REC has organized various cleanliness programs i.e. "Swachhta Abhiyan" (National Cleanliness Campaign) from September 25, 2015 to October 11, 2015 and "Swachh Bharat Abhiyan" from June

22, 2015 to June 26, 2015 at SCOPE and all other offices of the Company. All employees of REC participated with great enthusiasm and zeal & undertook special cleanliness drive of their respective office premises, toilets, stairs, lifts & other surrounding areas. Old and unwanted records have been weeded out as per Record Retention Schedule. In this process, approximately 5,000 kg of waste official papers, magazines, periodicals, draft reports etc. were disposed off. Printing of logo of "Swachh Bharat Mission" on all file covers, envelops and letter heads of the Company still continues in REC for creating awareness about cleanliness.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

Corporate Social Responsibility and Sustainable Development (CSR & SD) initiatives were pursued actively. Accordingly, CSR budget of ₹ 128.00 crore (i.e. @ 2% of average net profit of previous three financial years, as per the Companies Act, 2013) was allocated for the financial year 2015-16. 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 old age and persons with disabilities, drinking water and sanitation facilities including participation in Swachh Vidyalaya Abhiyan, solar smart micro grid lights in select un-electrified / poorly electrified villages etc. During the financial year 2015-16, financial assistance aggregating to ₹ 163.17 crore was sanctioned for various projects under Corporate Social Responsibility and expenditure of ₹ 128.20 crore was incurred, including amount provided for in the books of accounts.

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 2014-15 has been rated as "Excellent". This is the 22nd year in succession that REC has received "Excellent" rating sincethe year 1993-94 when the first MoU was signed with the Government. For the financial year 2015-16 also, the Company is poised to receive "Excellent" rating. During the year, your Company received "Fastest Growing Navratna PSU" award from India Today.

OTHER INITIATIVES

The Company constantly reviews its policies / procedures from time to time, to suitably align with market requirements and also with its corporate objectives and applicable statutory requirements. During the year, the Company has adopted / amended various policies and guidelines, such as Integrated Rating Methodology for Renewable Energy projects, Integrated Rating Guidelines for Coal Mines Financing (State Sector), Long Term Investment Policy, Guidelines on Project Financing Framework for Flexible Structuring, Guidelines on Refinancing of Project Loans, Guidelines on Regulatory Compliance regarding Stressed Assets and Policy for CSR assistance under Skill Development.

Despite 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 strives 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, coal mining 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, brought changes in interest rate policy. To take care of risk assessment in different technologies, your Company has introduced integrated rating mechanism.

Your Company is committed to future growth and will strive to maintain the best standards of Corporate Governance, with emphasis on authority and freedom of management coupled with transparency, accountability and professionalism in their working, with aim of enhancing long term economic value and healthy returns to all the Stakeholders of society.

LOOKING AHEAD

Demand and consumption trends will be the key in defining the future of the power sector in the near future. 96% of the planned capacity for XII plan has been added in the first four years itself. The XIII plan capacity addition programme is yet to be firmed up. However, investments in Generation are expected to grow exponentially once the sustained growth in manufacturing sector starts. With the increasing stress on deploying clean energy in wake of ecological and environmental hazards from fossil fuels, the share of green energy is bound to increase substantially. Capacity addition of green energy has been further enhanced by planning to add 1,75,000 MW by the year 2022. Huge investment potential is seen in Transmission and especially Distribution sector in immediate future. Subject to good monsoons, demand is also expected to rise due to farm sector needs and rural economy growth. The Distribution sector is in flux and shall undergo a sea change as the primary aim of all major schemes namely DDUGJY, IPDS, NEF, UDAY and UJALA, is to bring efficiency in the ailing sector. Demand Side Management (DSM) is bound to play a vital role in Distribution sector in the years to come.

As a Nodal agency for monitoring and channelizing funds under the DDUGJY programme, REC continues to take up the socio-economic responsibility of rural electrification.

Considering the low levels of per capita energy consumption compared to the World average, significant growth projections for the Indian economy over the long term and Government efforts to inch closer to developed economy, it is felt that the power infrastructure sector will be a significant beneficiary. The long-term outlook for power demand is therefore expected to remain strong. The power sector is thus poised to remain vibrant and attract significant investments in the future.

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), Special Secretary, MoP, Additional Secretary, MoP, Joint Secretaries, MoP and other officials in the Ministry of Power. I am also grateful to the officials in the Ministry of Finance, Ministry of Human Resource Development, NITI Aayog, Ministry of New and Renewable Energy, Ministry of Rural Development, and Reserve Bank of India for their continued support and guidance. I also thank the Comptroller & Auditor General of India, the Statutory Auditors of the Company, Secretarial Auditors and other professionals associated with the Company for their valued contribution. I also express my sincere gratitude to our lenders and investors for having reposed their trust in us.

I would also like to express my heartfelt thanks to my esteemed colleagues on the Board and to all employees of REC, for their devoted commitment towards taking the Company forward on the path of growth.

I convey my special thanks to all Stakeholders of the Company for their continued support and goodwill. I am confident that with your continued support, as well as with the dedication and hard-work of Team REC, your Company will continue to excel on all parameters in the times to come.

With best wishes,

(Rajeev Sharma)
Chairman & Managing Director

August 11, 2016