



funding **power**  
transforming **lives**

43rd ANNUAL REPORT 2011-12

## COMPANY INFORMATION

### CORPORATE OFFICE

#### FUNCTIONAL DIRECTORS

**Shri Rajeev Sharma**  
Chairman & Managing Director

**Shri Prakash Thakkar**  
Director (Technical)

**Shri Ajeet Kumar Agarwal**  
Director (Finance)

#### CHIEF VIGILANCE OFFICER

**Smt. Abha Anand Kishore**

#### EXECUTIVE DIRECTORS

**Shri Vinod Behari**  
Executive Director  
(HR-Policy &  
Training/CC)

**Shri V. K. Arora**  
Executive Director  
(Finance)

**Shri Puneet Kumar Goel**  
Executive Director  
(RGGVY/CP/GEN./Law/  
CSR)

**Shri Sushil Kumar Lohani**  
Executive Director  
(RGGVY/HR)

**Shri D. S. Ahluwalia**  
Executive Director  
(Finance)

**Shri Ashok Awasthi**  
Executive Director  
(IC & D/Admn./REN.)

#### GENERAL MANAGERS

**Shri Sanjiv Garg**  
General Manager  
(Generation)

**Shri Sunil Kumar**  
General Manager  
(RGGVY)

**Shri S. N. Gaikwad**  
General Manager  
(REN./IC & D)

**Shri R. K. Mittal**  
General Manager  
(Law)

**Shri S. K. Gupta**  
General Manager  
(T&D)

**Shri Rakesh Kumar Arora**  
General Manager (F&A)  
& Company Secretary

**Shri T. S. C. Bosh**  
General Manager  
(RGGVY/STD/QC)

#### ZONAL MANAGERS

Western Zone, Mumbai  
**M. K. Mittal**  
Zonal Manager

Eastern Zone, Kolkata  
**Shri S. Ghosh Dastidar**  
Zonal Manager

Northern Zone, Panchkula  
**Shri G. S. Bhati**  
Zonal Manager

Southern Zone, Hyderabad  
**Shri P. S. Hariharan**  
Zonal Manager (In-charge)

East Central Zone, Patna  
**Shri N. K. Maurya**  
Zonal Manager (In-charge)

#### REGISTERED OFFICE

Core-4 SCOPE Complex, 7, Lodhi Road, New Delhi-110003  
Tel: 91 11 24365161, Fax: 91 11 24360644, E-mail: reccorp@recl.nic.in Website: www.recindia.nic.in

#### COMPANY SECRETARY

**Shri Rakesh Kumar Arora**

#### REGISTRAR & SHARE TRANSFER AGENT

Karvy Computershare Private Limited  
Plot 17 to 24, Vittalrao Nagar, Madhapur, Hyderabad - 500081, India, Tel: 91 40 23420815-824  
Fax: 91 40 23420814, E-mail: einward.ris@karvy.com, Website: www.karvy.com

#### SHARES LISTED AT

National Stock Exchange of India Limited

BSE Limited

#### DEPOSITORIES

National Securities Depository Limited

Central Depository Services (India) Limited

#### JOINT STATUTORY AUDITORS

Bansal & Co.  
Chartered Accountants

P. K. Chopra & Co.  
Chartered Accountants

#### SECRETARIAL AUDITOR

Chandrasekaran Associates, Company Secretaries

#### BANKERS

Reserve Bank of India  
State Bank of India  
State Bank of Hyderabad  
Vijaya Bank

Dena Bank  
Corporation Bank  
HDFC Bank  
ICICI Bank

IDBI Bank  
Indus Ind Bank  
Bank of India

Yes Bank  
Union Bank of India  
Axis Bank

#### SUBSIDIARY COMPANIES OF REC

REC Transmission Projects Company Limited  
REC Power Distribution Company Limited  
Vizag Transmission Limited  
(A wholly owned subsidiary of REC Transmission Projects Company Limited)

#### JOINT VENTURE

Energy Efficiency Services Limited

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## PERFORMANCE HIGHLIGHTS

### CONSISTENT GROWTH OVER 10 YEARS

Particulars	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
<b>RESOURCES</b>										
(at the end of the year)										
Equity Capital ( ₹ Lacs)	98746	98746	98746	85866	85866	78060	78060	78060	78060	78060
<b>BORROWINGS (₹Lacs)</b>										
From Govt. of India	2464	3613	4942	6474	8192	10048	11997	14017	118336	220341
By issue of bonds	7137220	5119525	4086101	3263148	2408962	2248372	1675724	1360591	1197511	1049404
From LIC	250000	285000	320000	335000	350000	350000	350000	350000	150000	–
Foreign currency borrowings	1069809	758332	207637	149368	104845	87209	–	–	–	–
Commercial Papers	–	–	245000	129500	–	–	–	–	–	–
Other Banks	109154	646914	644143	610105	556280	332471	366200	213200	44000	20000
Reserves & Surplus (Net)	1375746	1180116	1009288	533142	450904	323211	341773	299830	248377	208105
From IIFCL	187000	187000	87000	–	–	–	–	–	–	–
Working Capital Drawal Limit from Banks	250000	–	–	–	–	–	–	–	–	–
<b>FINANCING OPERATIONS</b>										
(During the year) (₹ Lacs)										
Number of projects approved	1091	658	492	506	881	748	661	1523	1322	1060
Financial assistance sanctioned	*5129677	*6641998	*4535736	*4074584	*4676976	*2862985	*1659689	1631636	1597791	1212534
Disbursements	3059330	2851711	2712714	2227786	1630370	1373299	800658	788509	601704	660664
Repayments by borrowers	811969	877258	580654	511936	560024	403444	350646	468324	358732	471594
Outstanding at the end of the year	10142626	8172545	6597875	5065281	3861483	3126218	2456368	2106218	1830470	1593565
<b>ACHIEVEMENTS</b>										
<b>Villages electrified</b>										
During the year	**66898	@95293	^53370	^^48533	#38262	†40233	181	765	122	–
Upto the end of the year	648599	581701	486408	433038	384505	†346243	306010	305829	305064	304942
<b>Pumpsets energised</b>										
During the year	329022	318176	240020	188743	181244	174750	182239	175772	132914	134583
Upto the end of the year	9997448	9668426	9350250	9110230	8921487	8740243	8565493	8383254	8207482	8074568
<b>Working Results</b>										
(For the year) (₹ Lacs)										
Total income	1050907	849527	670760	493128	353766	285399	224506	230209	199671	205389
Personnel & Admn. Expenses	22932	16436	14467	10924	11110	6416	5770	4434	4659	5866
Interest on borrowings	626879	478092	389120	288735	206365	174089	133913	120475	114220	120274
Depreciation	327	304	216	136	139	113	110	115	103	104
Profit Before Tax	379286	347663	264919	192011	131242	100619	82983	103665	80154	76663
Provision for Tax	97583	90670	64778	64803	45228	34593	19232	23590	18915	18811
Profit After Tax	281703	256993	200142	127208	86014	66026	63751	80075	61239	57852
Dividend on Equity	74059	74059	60321	38640	25760	17700	19126	23450	18300	17400
<b>Net Worth</b>	1474492	1278862	1108033	619008	536771	401271	419833	377890	326437	286165

\* Excluding subsidy under RGGVY.

\*\* This includes electrification of 7934 un-electrified villages and intensive electrification of 58964 partially electrified villages under RGGVY.

@ The number of villages where electrification works completed during the year 2010-11 under RGGVY. This includes intensive electrification of 76987 villages.

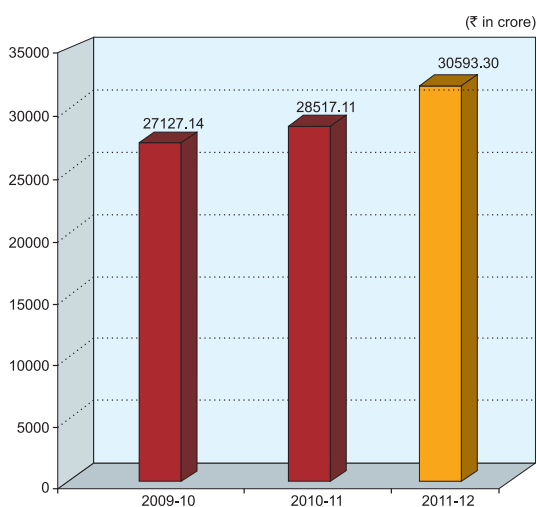
^ The number of villages where electrification works completed during the year 2009-10 under RGGVY. This includes intensive electrification of 34996 villages.

^^ The number of villages where electrification works completed during the year 2008-09 under RGGVY. This includes intensive electrification of 36477 villages.

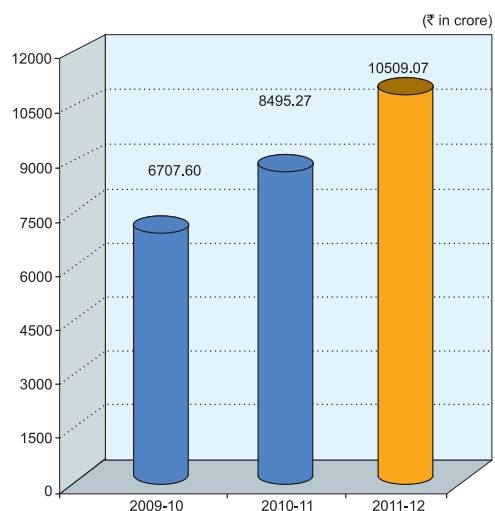
# The number of villages where electrification works completed during the year 2007-08 under RGGVY. This includes intensive electrification of 28961 villages.

† The no. of villages where electrification works completed during the year 2006-07 under RGGVY. This includes intensive electrification of 11,527 villages.

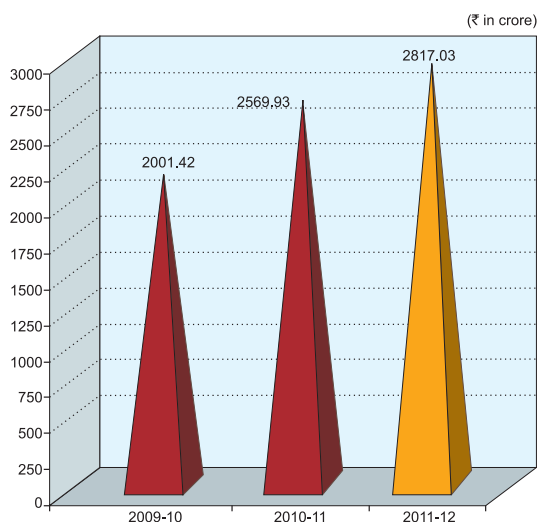
† During 2005-06, works in 10,169 villages (including intensive electrification in 350 electrified villages) completed under RGGVY, are also included.



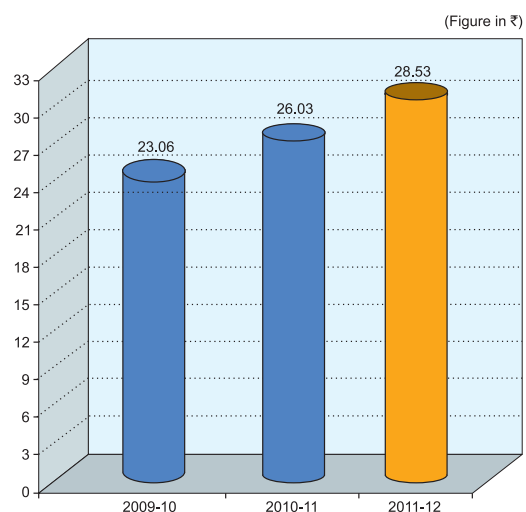
**DISBURSEMENT (including RGVY Subsidy)**



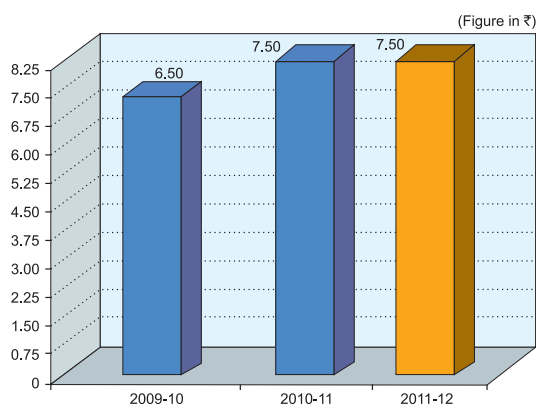
**TOTAL INCOME**



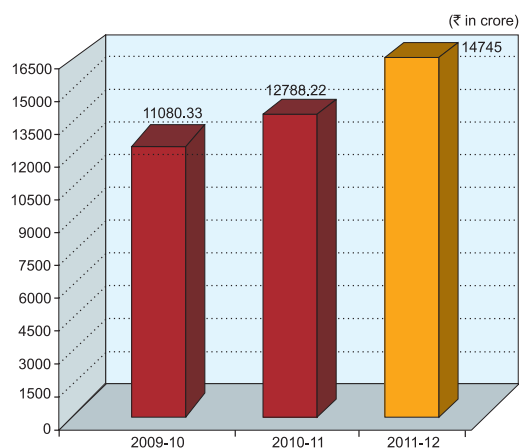
**PROFIT AFTER TAX**



**EARNINGS PER SHARE OF ₹ 10 EACH**



**DIVIDEND PER EQUITY SHARE OF ₹ 10 EACH**



**NETWORTH**

## MISSION & OBJECTIVES

### MISSION

- To facilitate availability of electricity for accelerated growth and for enrichment of quality of life of rural and urban population.
- To act as a competitive, client-friendly and development oriented organization for financing and promoting projects covering power generation, power conservation, power transmission and power distribution network in the country.

### OBJECTIVES

In furtherance of the Mission, the main objectives to be achieved by the Corporation are listed below :

- To promote and finance projects aimed at integrated system improvement, power generation, promotion of decentralized and non-conventional energy sources, energy conservation, renovation and maintenance, power distribution with focus on pumpset energisation, implementation of Rajiv Gandhi Gramin Vidyutikaran Yojana, a Government of India scheme for rural electricity infrastructure and household electrification.
- To expand and diversify into other related areas and activities like financing of decentralized power generation projects, use of new and renewable energy sources, consultancy services, transmission, sub-transmission and distribution systems, renovation, modernization & maintenance, etc. for optimization of reliability of power supply to rural and urban areas including remote, hill, desert, tribal, riverine and other difficult / remote areas.
- To mobilize funds from various sources including raising of funds from domestic and international agencies and sanction loans to the State Electricity Boards, Power Utilities, State Government, Rural Electric Cooperatives, Non-Government Organizations (NGOs) and private power developers.
- To optimize the rate of economic and financial returns for its operations while fulfilling the corporate goals viz. (i) laying of power infrastructure; (ii) power load development; (iii) rapid socio-economic development of rural and urban areas, and (iv) technology up-gradation.
- To ensure client satisfaction and safeguard customers' interests through mutual trust and self respect within the organization as well as with business partners by effecting continuous improvement in operations and providing the requisite services.
- To assist State Electricity Boards/Power Utilities/State Governments, Rural Electric Cooperatives and other loanees by providing technical guidance, consultancy services and training facilities for formulation of economically and financially viable schemes and for accelerating the growth of rural and urban India.

## CHAIRMAN'S LETTER TO SHAREHOLDERS



**Ladies and Gentlemen,**

On behalf of the Board of Directors of Rural Electrification Corporation Limited (REC) and on my own behalf, I am pleased to welcome you on the occasion of the Forty Third Annual General Meeting of your Company.

In November, 2011, I assumed charge as the Chairman and Managing Director of this "Navratna" Company which has established a record of excellent all-round performance, consistent growth and profitability, especially over the last five years and created a niche in the country's power sector. From a humble beginning in 1969 when the company financed mainly pumpset energisation and village electrification schemes, the Company today has become one of the leading public financial institutions in the country, catering to financing needs of almost the entire Power Infrastructure. Your Company is committed to the cause of 'Power for All' and has been playing a pivotal role in creation of huge electricity back bone infrastructure in India. The Annual Report 2011-12 has been with you for some time now and with your permission, I shall take the Audited Financial Statements and the Directors' Report as read.

I take this opportunity to share my views on the economic and power sector scenario as well as to present the performance highlights and future outlook of your Company.

### ECONOMIC ENVIRONMENT

The Global economy had not entirely come out of the receding effects of financial meltdown witnessed during 2008-09 when the impact of European economy crisis took over the world economy which continues to remain uncertain. The economic conditions have however, improved since then and the immediate pressures on the financial markets in the Euro area have been mitigated to a large extent by the European Central Bank (ECB) injecting liquidity. Still, the recovery in developed countries has

been generally slow, till a sustainable solution to the Euro area debt problem emerges. As a result, fiscal concerns have been a matter of worry around the Globe. The coordinated efforts of respective governments and central banks across the nations, in fiscal and monetary policy calling for vigilant financial discipline have shown an improvement in the state of world economy.

The Indian economy has not been spared either by the cascading effect of global turmoil with GDP growth slipping from 8.4 % in the year 2010-11 to around 6.5 % in the year 2011-12. Nevertheless, the economy is expected to grow at 7.3 % in 2012-13. The long term fundamentals like rising incomes, increasing consumption base, favourable demographics and huge Infrastructural growth continue to be broadly intact and expected to be sustained over medium to long term. The growth is primarily being driven by domestic investment and consumption with positive impact of rising economic activity in rural areas. However, concerns like containing inflationary pressures on the back of rising food prices and commodities have been the top priority of the Government. While the impact of these challenges may create periodic volatility in the short term, we expect Indian economy to sustain high growth rate over medium to long term based on its strong fundamentals.

### POWER SECTOR

Power Sector forms one of the key constituents of Infrastructure essential for the growth of the Economy. Compared to the other core sectors, the performance of the Power Sector stands out during the fiscal 2012. A record 20,501 MW was added to the installed capacity in the year 2011-12 against a capacity addition target of 17,601 MW. Also, during the XI Five year Plan, the installed capacity increased by 54,964 MW, more than the capacities added during IX and X Five year Plans put together. The installed generation capacity of the Country at the end of fiscal 2012 stands at 199.87 GW. Renewable energy has seen an unprecedented growth towards the end of the XI Five year Plan. The share of renewable energy has grown to around 24,000 Megawatts which itself is an indication of major shift imminent in the fuel mix for generation sources in the Country. Green Power presently constitutes over 12 % of the grid installed capacity.

But for the major challenges faced by the Indian Power sector currently viz. slippages of Long term Coal linkages to the projects identified, failure to achieve planned targets from captive coal mine blocks, rising imported fuel prices, Land acquisition, R & R and Environmental issues, shortage of qualified BOP suppliers and delay in financial closure etc., the capacity addition would have been much higher.

In accordance with the projected estimates of the Planning Commission for XII Five year Plan, 88,425 MW of capacity addition is required on all India basis. The overall fund requirement for the projected addition has been estimated at around Rs. 16 lakh crore including commensurate back to back investment in Transmission and Distribution network.

The Power generation has grossly suffered owing to shortage of Coal and failure to achieve planned targets from captive coal mine blocks. Shortage of coal is likely to the tune of 238MT out of the total estimated coal requirement of 842 MT in the XII Five year Plan. The share of coal based Generation is planned to be around 80 % of the projected capacity addition programme. To mitigate the coal problem, use of state of the art technology for mining with competent manpower, R&R policy for coal mining companies, creation of task force to take care of problems relating to land acquisition, forest clearance, progress monitoring of coal mining projects and fixing new linkages for higher efficiency projects are being looked into by the Government of India. These bottlenecks have resulted in slipping planned capacity addition targets and increased the dependence of generating companies on imported coal, having a cascading effect on cost of production.

Distribution of Power being the weakest link in the Power value chain, needs to be strengthened to cope with growth in generation and transmission capacities on one hand and bringing down high AT&C losses on the other. With the capacity addition planned in the next two decades, a distribution system atleast four times bigger and smarter would be a primary requirement, calling for huge capital expenditure apart from availability of equally



well equipped infrastructure in terms of equipments, skilled manpower and state of the art laboratories. The total fund requirement for sub-transmission and distribution system development for urban and rural areas, during the XII Five year Plan period is estimated at Rs. 3,25,000 crore inclusive of Restructured Accelerated Power Development and Reforms Programme (R-APDRP) and Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) schemes. The R-APDRP scheme of the Government of India seeks to address the twin issues of the SEBs /DISCOMs, namely, limited resource availability and obsolete technology. Implementation of feeder separation, energy accounting and auditing, 100 % metering for urban domestic consumers, smart grid technologies, IT intervention and energy efficient equipments, are proposed to be taken up for bringing efficiency in the distribution system. Further, a Committee has been constituted under the Chairmanship of Shri B. K. Chaturvedi, Member, Planning Commission to look into the problems of State Power Utilities.

The National Electricity Fund (NEF) an Interest Subsidy Scheme has become operational during this year. The scheme has been introduced by Government of India to promote the capital investment in the distribution sector. The scheme shall provide interest subsidy linked with reform measures on the loans taken by public and private distribution power utilities for various capital works under Distribution Sector. NEF would provide interest subsidy aggregating to Rs. 8466 crore (including interest subsidy to the borrowers, service charges to the nodal agency, payments to independent evaluators and other incidental expenses) spread over 14 years for loan disbursement amounting to Rs. 25,000 crore for distribution schemes sanctioned during the 2 years viz. 2012-13 and 2013-14. REC has been nominated as Nodal Agency for operationalization of the NEF Scheme in entire country. The ongoing RGGVY programme would however continue to take up the socio economic responsibility of village electrification.

The power sector is thus poised to remain vibrant and attract significant investments in the future.

### PERFORMANCE HIGHLIGHTS

Before moving forward to present various highlights of the year gone by, I must first put on record my heartfelt gratitude for your overwhelming response to the first Public Issue of Tax Free Secured Redeemable Non-convertible Bonds, in the nature of Debentures, especially for Qualified Institutional Buyers (QIB) and High Networth Individuals (HNI) as the issue got subscribed 1.58 times. Your continued trust will help us to undertake various investment programmes for furthering long term interests of your company.

Your Company continued to register higher growth and record performance during the year 2011-12 in key areas i.e. Disbursements of Loans, Recoveries, Operating Income and Profits etc. A total sum of Rs. 30593.30 crore was disbursed during the financial year 2011-12 as against Rs. 28517.11 crore in the previous year, inclusive of disbursement of subsidy under RGGVY. Your Company's Non-Performing Assets (NPAs) continued to be at low levels. The total Operating Income of your Company for the financial year 2011-12 increased by 25 % to Rs.10337.59 crore from Rs. 8256.91 crore during the previous year. The Profit After Tax increased by 10 % to Rs. 2817.03 crore from Rs. 2569.93 crore for the previous year.

Your Company enjoys international credit rating from International Credit Rating Agencies Moody's and FITCH and the same are "Baa3" and "BBB-" respectively equivalent to sovereign rating of India. "Baa3" rated obligations denote moderate credit risk and "BBB-" rated obligations denote that expectations of default risk are currently low. Further, during the financial year 2011-12 also, your Company continued to get the highest rating "AAA" from domestic rating agencies like CRISIL, CARE, FITCH & ICRA for its specific Resource Mobilization programme. Consistent high ratings bear testimony to REC's stature as an institution with strong fundamentals and inherent financial strength.

Your Company mobilized Rs. 29709.36 crore from the market during the financial year 2011-12 for its operational requirements. This includes Rs. 5239.36 crore raised by way of Capital Gains Tax Exemption Bonds, Rs. 157.59 crore by way of Infrastructure Bonds under Section 80CCF of Income Tax Act, 1961, Rs. 3000 crore by way of Tax Free Secured Redeemable Non-convertible Bonds u/s 10(15)(iv)(h) of Income Tax Act, 1961, Rs. 17465.60 crore by way of Non-Priority Sector Bonds, Rs.3231.46 crore by way of External Commercial Borrowings and Rs. 615.35 crore by way of Official Development Assistance (ODA) from KfW, Germany & Japan International Cooperation Agency, Japan.

### DIVIDEND

In addition to interim dividend of Rs. 5/- per share paid in February, 2012, your Directors have recommended a final dividend of Rs. 2.50 per share for the financial year 2011-12, which is subject to your approval in the ensuing Annual General Meeting. The total dividend for the financial year will work out to Rs.7.50 per share and is same as was paid last year.

### FINANCING POWER PROJECTS

The Company has been funding power generation, transmission and distribution projects besides funding electrification of villages and pumpsets energisation. It continued to play an active role in creating new infrastructure and improving the existing ones under the transmission and distribution network in the country. In line with the country's objective to provide "power for all" by the year 2012 and also reduce the AT&C losses, the Company has been laying special thrust in expansion and strengthening of existing transmission network and more importantly modernising of the distribution system by financing investment in transformers, meters, capacitors etc. and for conversion of Low Voltage Distribution to High Voltage Distribution System (HVDS).

### FINANCING GENERATION PROJECTS

During the year 2011-12, your Company sanctioned loan for 24 nos. of Generation / Renewable Energy / R&M Projects including 1 no. additional loan assistance with a total financial outlay of Rs 23176.53 crore including consortium financing with other financial institutions, and disbursed Rs.12349.12 crore against the ongoing generation projects. Since 2002-03 and up to 31.03.2012, your Company has sanctioned total financial assistance of Rs. 167081.29 crore for R&M, thermal, hydro generation and renewable energy projects.

### FINANCING TRANSMISSION & DISTRIBUTION PROJECTS

Your Company continued to play an active role in creating new infrastructure and improving the existing ones under the transmission and distribution network in the country. In line with the national objective of providing power for all by the year 2012 and also of reducing the AT&C losses, your company has been financing schemes for expansion and strengthening of the transmission network and more importantly, modernising the distribution system. During the year 2011-12, the company sanctioned a total sum of Rs. 23540.24 crore (including Rs. 33.6 crore for T&D projects under ODA) and disbursed a total sum of Rs. 11434.23 crore for transmission and distribution projects.



### RAJIV GANDHI GRAMEEN VIDYUTIKARAN YOJANA

The Ministry of Power, Government of India is according utmost priority to rural electrification to realise the objective of “Power for All” through its flagship programme Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY). Under this scheme capital subsidy for 90% of project cost is being provided by Government of India. Under this RGGVY programme, cumulatively up to 31.03.2012, works in 104496 un-electrified villages have been completed and connections to 1.94 crore BPL households have been released. During the year 2011-12, the Company disbursed a total sum of Rs. 3049.81 crore (including Government Subsidy of Rs. 2772.81 crore).

### SUBSIDIARY COMPANIES & JOINT VENTURE

Your Company had four Subsidiary Companies as on March 31, 2012 for undertaking specific business activities (1) REC Transmission Projects Company Limited (RECTPCL) (2) REC Power Distribution Company Limited (RECPDCL) (3) Vemagiri Transmission System Limited (VTSL) (a Wholly Owned Subsidiary of RECTPCL) (4) Vizag Transmission Limited (a Wholly Owned Subsidiary of RECTPCL).

During the year, RECTPCL selected Power Grid Corporation of India (PGCIL) as successful bidder for Transmission System associated with IPPs of Vemagiri Area: Package-A, through tariff based competitive bidding process with lowest levelised transmission tariff of Rs. 119.74 crore per annum. Further Project Specific SPV namely Vemagiri Transmission System Limited (VTSL) has been transferred to Power Grid Corporation of India Limited on 18.04.2012 on payment of acquisition price amounting to Rs.18.28 crore which includes professional fee of Rs. 15.00 crore.

The Ministry of Power, Government of India, on October 7, 2011 allocated another project namely, ‘Evacuation System for Vizag–Vemagiri Projects–Hinduja (1040MW)’ to RECTPCL to act as Bid Process Coordinator for selection of developer for the project. For this purpose, a Project Specific SPV namely Vizag Transmission Limited (VTL) was incorporated on November 30, 2011, as Wholly Owned Subsidiary of RECTPCL, for development of the above project.

Further, your Company along with three other PSUs namely NTPC, PGCIL and PFC as equal partners, had formed a Joint Venture Company by the name Energy Efficiency Services Limited (EESL) on December 10, 2009. The business plan of EESL envisages taking up projects in Energy Conservation Building Codes, Agriculture Demand Side Management, Municipal DSM, Bachat Lamp Yojana, promoting usage of energy efficient appliances, and concept of Energy Service Companies (ESCOs) etc, besides taking over the current commercial roles being discharged by the Bureau of Energy Efficiency (BEE).

### CENTRAL INSTITUTE FOR RURAL ELECTRIFICATION

The Company had established a National Institute in Hyderabad 32 years ago, called CIRE, to cater to the training and development needs of engineers and managers of Power and Energy Sector and other organisations concerned with Power and Energy. CIRE conducts regular programmes on various aspects of Transmission and Distribution for national and international Power Sector Executives, as well as in-house training programmes for the Company’s employees. In keeping with the needs of the twenty first century, we plan to further modernise the CIRE, along with establishment of an ‘Energy Park’ in its premises to give a practical orientation to the training.

### HUMAN RESOURCES MANAGEMENT

Training and HRD continued to receive a place of priority as a means of equipping employees with a range of skills including their renewal, to enable them perform their responsibilities in an effective manner. Based on the assessed needs and as means to satisfy them, the Company sponsors its officers and staff to various training programmes, workshops etc. within the country and abroad. In addition, training programmes are conducted in-house also, including in the Company’s CIRE at Hyderabad.

### ERP BASED INTEGRATED INFORMATION SYSTEM

Your Company has implemented an integrated Oracle based ERP system covering all major business functions. It covers all important business functions of the Company like Central Accounting, Project Appraisal and Sanction, Disbursement and Management of Loan Accounts, Cash Management & Treasury functions, Payroll and Purchases etc. This has led to improvement in internal efficiency and greater customer satisfaction. Your Company has also implemented on-line procurement system ‘E-procurement’ for better e-governance and transparency. Further, your Company has initiated implementation of Document Management System to have a paperless office environment.

### CORPORATE GOVERNANCE

As a listed Public Sector Enterprise, your Company has been complying with the requirements of Corporate Governance as stipulated in the Listing Agreements and also the provisions notified by the Department of Public Enterprises (DPE), Government of India in this regard. As a part of Green Initiative in Corporate Governance, the Ministry of Corporate Affairs has also allowed Companies to send official notices/documents to their shareholders electronically. Your Company, as a responsible Corporate Citizen, has actively supported the implementation of ‘Green Initiative’ circulars issued by Ministry of Corporate Affairs and effected electronic delivery of Notice of Annual General Meeting and Annual Report for the year ended March 31, 2012 to those shareholders whose e-mail addresses were registered with Registrar & Transfer Agent (R&TA) of your Company/Depository Participant, who have not opted for receiving Annual Report in physical form, as done in previous year. The intimation of final/Interim Dividend paid during the financial year 2011-12 to those shareholders whose email addresses were registered, was also made electronically. I compliment and thank all shareholders, and hope that many more will join in our Green endeavour in the coming years.

### CORPORATE SOCIAL RESPONSIBILITY

Your Company has implemented its Corporate Social Responsibility (CSR) Policy with an aim to ensure that the company becomes socially responsible corporate entity contributing towards quality of life of the society at large without compromising on ecological conditions. CSR Budget@0.5% of Profit After Tax (PAT) was allocated for the financial year 2011-12. During the year, many CSR initiatives were undertaken and one such initiative was the recognition given to National Men’s Hockey Team for winning the Asian Championship Trophy and for qualifying for London Olympics, 2012.

### MoU RATING & AWARD

The performance of your Company in terms of MoU signed with the Ministry of Power, Government of India for the financial year 2010-11 has been rated as “Excellent”. This is the 18th year in succession that REC has received “Excellent” rating since the year 1993-94 when the first MoU was signed

with the Government. For the Financial Year 2011-12 also, the performance of the Company is poised to receive “Excellent” rating.

During the year, your Company received the MoU Excellence Award 2009-10 for the “Best Listed CPSE” awarded by DPE. The Award was given by the Hon’ble Prime Minister of India.

#### OTHER INITIATIVES

Your Company has adopted the “Whistle Blower Policy” which is in terms of Clause 49 of the Listing Agreement and Clause 8 of Guidelines on Corporate Governance for CPSEs issued by DPE in order to enable Employees, Directors, Auditors etc. to disclose information which the individual believes to be alleged malpractice or wrongdoing affecting the business or reputation of the Company, as a major move towards achieving better Corporate Governance Practices.

As a part of business promotion strategy, with the basic purpose of offering an enhanced level of services to the Company, customers and to have a long term mutually beneficial relationship with them, 11-day training programme on “Best Global Practices in Power Sector” was sponsored by your Company.

Another important initiative was voluntarily getting the Secretarial Audit conducted by Practising Company Secretary for the year 2011-12, as done in previous year.

Your Company has also adopted the “Sustainable Development” policy issued by the DPE, which is applicable from the current financial year. Sustainable Development involves an enduring and balanced approach to economic activity, social progress and environmental responsibility and a budget of approximately Rs 3.23 crore has been allocated for the same. To begin with, broadly five projects have been identified to be implemented in the campus of Central Institute of Rural Electrification, Hyderabad, which include energy audit, installation of solar lighting, solar/wind hybrid power plant, greenery and tree plantation and rain water harvesting measures.

#### FUTURE STRATEGY

Your Company offers a wide range of products to target customer segments to satisfy their specific financial needs. In view of the demand of the borrowers for financing promoter’s contribution for the purpose of either equity infusion in new power project or for acquisition of an existing power project, your Company has formulated a “Policy on Corporate Loan for Equity Financing”. REC is poised to see huge business in times to come.

Your Company, designated as the nodal agency for the National Electricity Fund, an Interest Subsidy Scheme set up by the Ministry of Power, Government of India for channelizing the interest subsidy amounts from the Government of India to the state utilities, DISCOMs-both in public and private sector, is expected to get new business in future.

Your Company is committed to accelerate growth and will continue to achieve the best standards of Corporate Governance with emphasis on authority and freedom of management coupled with transparency, accountability and professionalism in its working with the aim of enhancing long term economic value of all the stakeholders and society at large.

#### LOOKING AHEAD

In the backdrop of XI Five Year Plan’s achievements in power infrastructure and the amount estimated for funding the growth during the XII Five Year Plan period by Planning Commission for addition of 88,425 MW generation capacity together with matching transmission and distribution network, the power sector will continue to provide one of the biggest avenues to make significant contribution towards the development of Country’s infrastructure. The Asset size of the Company in the XI Five Year Plan ending fiscal 2012 has crossed Rs. 1 lakh crore. Your Company, on its part, will make all efforts and harness all resources to capture optimal share of funding business of the estimated debt requirement of Rs. 7.7 lakh crore for XII Five Year Plan. The Company shall strive to sustain and maintain consistent growth rate and surge ahead to attain still greater heights of performance, to match the expectations of all its stakeholders.

#### 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 for Power, the Hon’ble Minister of State for Power, the Secretary (Power), the Joint Secretary (Rural Electrification) and other officers in the Ministry of Power. I am also grateful to the officers in the Ministry of Finance, Planning Commission and the Reserve Bank of India, the Comptroller & Auditor General of India, the Joint Statutory Auditors of the Company, and the Secretarial Auditors for all their support and guidance extended in ensuring smooth and successful operations of the Company. I also express my gratitude to our lenders and investors for having reposed their trust in us.

I would also like to express my thanks and appreciation to my esteemed colleagues on the Board and to all employees of REC for their unwavering commitment to their work and to all the other stakeholders for their valuable support and cooperation, and reposing continued confidence in the Company’s performance. I am confident that with a dedicated and committed resource of employees and valuable support of our esteemed shareholders, your Company will continue to deliver its responsibilities and enhance value to its stakeholders.

With best wishes,



(Rajeev Sharma)  
Chairman & Managing Director

## NOTICE

Notice is hereby given that the Forty Third Annual General Meeting of **Rural Electrification Corporation Limited** will be held on **Thursday, September 20, 2012 at 11.00 A.M. at Air Force Auditorium, Subroto Park, Dhaura Kuan, New Delhi-110010** to transact the following business:-

### ORDINARY BUSINESS

- 1) To receive, consider, approve and adopt the audited Balance Sheet as at March 31, 2012 and Statement of Profit and Loss for the Financial Year ended on that date along with the Reports of the Board of Directors and Auditors thereon.
- 2) To confirm Interim Dividend and declare Final Dividend on equity shares for the Financial Year 2011-12.
- 3) To appoint a Director in place of Shri Prakash Thakkar, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Dr. Devi Singh, who retires by rotation and being eligible, offers himself for re-appointment.
- 5) To fix the remuneration of Auditors for the Financial Year 2012-13.

### SPECIAL BUSINESS

- 6) To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

**RESOLVED THAT** Shri Rajeev Sharma, be and is hereby appointed as Chairman and Managing Director of the Company, not liable to retire by rotation.

- 7) To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

**RESOLVED THAT** Dr. Sunil Kumar Gupta, be and is hereby appointed as Director of the Company, whose period of office shall be liable to retire by rotation.

- 8) To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

**RESOLVED THAT** Shri Ajeet Kumar Agarwal, appointed as an Additional Director by the Board of Directors of the Company under Section 260 of the Companies Act, 1956 and designated as Director (Finance) w.e.f August 1, 2012, who holds office upto the date of this AGM and in respect of whom, the Company has received a Notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956, be and is hereby appointed as Director (Finance) of Company, not liable to retire by rotation.

- 9) To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

**RESOLVED THAT** in supersession of earlier resolution passed by the Company in its 41st Annual General Meeting of the Company held on September 8, 2010, pursuant to Section 293(1) (d) of the Companies Act, 1956 read with Article 38 of the Articles of Association of the Company and other applicable provisions, if any, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow such moneys or sum of moneys from time to time at its discretion with or without security and upon such terms and conditions as the Board may think fit for the Business purpose of the Company, notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from the temporary loans

borrowed from the Company's bankers in the ordinary course of business), may exceed the paid up capital of the Company and its free reserves, provided that the total amount borrowed and outstanding at any point of time shall not exceed a sum of Rs. 1,45,000 crore (Rupees One Lakh Forty Five Thousand Crore Only) over and above the paid up capital and free reserves of the company.

**RESOLVED FURTHER THAT** the Board of Directors of the company (including committee thereof) be and is hereby authorized to do and execute all such acts, deeds and things as may be necessary for giving effect to the above resolution.

- 10) To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

**RESOLVED THAT** in supersession of earlier resolution passed by the Company in its 41st Annual General Meeting held on September 8, 2010, pursuant to section 293(1) (a) and other applicable provisions, if any, of the Companies Act, 1956 the consent of the Company be and is hereby accorded to the Board of Directors of the company to create charge, hypothecate, mortgage, pledge any movable or immovable properties of the company wheresoever situated, both present and future and the whole or substantially the whole of the undertaking of the company in favour of any banks, financial institutions, hire-purchase/lease companies, body corporate or any other persons on such terms and conditions as the Board may think fit for the benefit of the company and agreed between Board and lender towards security for the purpose of borrowing funds for the business purpose of the company from time to time not exceeding Rs. 1,45,000 crore (Rupees One Lakh Forty Five Thousand Crore Only) at any point of time over and above the paid up capital and free reserves of the company.

**RESOLVED FURTHER THAT** the Board of Directors of the company (including committee thereof) be and is hereby authorized to do and execute all such acts, deeds and things as may be necessary for giving effect to the above resolution.

By order of the Board of Directors  
For Rural Electrification Corporation Limited

  
 (Rakesh Kumar Arora)  
 GM (F&A) & Company Secretary

**Registered Office:**  
Core-4, SCOPE Complex,  
7, Lodi Road,  
New Delhi-110003.

**Dated: August 6, 2012**

### NOTES:-

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and such proxy need not be a Member of the Company. The proxy form duly completed and signed must be deposited at the Registered Office of the Company, not less than forty-eight hours before the commencement of the Annual General

Meeting. **Blank proxy form is enclosed.** Proxy so appointed shall not have any right to speak at the meeting.

2. **An Explanatory Statement** pursuant to Section 173(2) of the Companies Act, 1956, relating to the Special Businesses to be transacted at the meeting is **annexed hereto.**
3. Brief Resume of the Directors seeking re-appointment and appointed since last Annual General Meeting, as required under Clause 49 of the Listing Agreement executed is annexed hereto and forms part of Notice.
4. The Register of Members and Share Transfer Books of the Company will remain closed from **Thursday, September 6, 2012 to Thursday, September 20, 2012 (both days inclusive).** The Final Dividend on equity shares, as recommended by the Board of Directors, subject to the provisions of Section 206A of the Companies Act, 1956, **if approved by the Members at the Annual General Meeting, will be paid on Thursday, October 4, 2012 to the Members or their mandates whose names appear on the Company's Register of Members on September 20, 2012 in respect of physical shares. In respect of Dematerialised shares, the dividend will be payable to the "beneficial owners" of the shares whose name appear in the Statement of Beneficial Ownership to be obtained from National Securities Depository Limited and Central Depository Services (India) Limited at the close of business hours on September 5, 2012.**
5. Corporate Members are requested to send a duly certified copy of the Board Resolution / Power of Attorney authorizing their representative to attend and vote on their behalf at the Annual General Meeting.
6. Members are requested to:-
  - a. **note that copies of Annual Report will not be distributed at the Annual General Meeting and they will have to bring their copies of Annual Report;**
  - b. **deliver duly completed and signed Attendance Slip at the entrance of the meeting venue as entry to the Auditorium will be strictly on the basis of the Entry Slip available at the counters at the venue to be exchanged with the Attendance Slip;**
  - c. quote their Folio / Client ID & DP ID Nos. in all correspondence;
  - d. **note that due to security reasons briefcases, eatables and other belongings are not allowed inside the Auditorium; and**
  - e. **note that no gifts / coupons will be distributed at the Annual General Meeting.**
7. Members are advised to submit their Electronic Clearing System (ECS) mandates, to enable the Company to make payment of dividend by means of ECS. Those holding shares in physical form may obtain and send the ECS mandate form to Registrar and Share Transfer Agent (R & TA) of the Company i.e. M/s Karvy Computershare Private Limited, at Plot No. 17- 24, Vittalrao Nagar, Madhapur, Hyderabad - 500 081, India. Those holding shares in Electronic Form may obtain and send the ECS Mandate Form directly to their Depository Participant (DP). Those who have already furnished the ECS Mandate Form to the Company / Registrar and Share Transfer Agent / DP with complete details need not send it again.
8. In order to avoid the incidence of fraudulent encashment of dividend warrants, the Members who do not wish to opt for ECS

facility are advised to submit particulars of their bank account, viz. names and address of the branch of the bank, Bank Account Number, 9 digit MICR code of the branch, type of account and account number latest by **September 20, 2012** to M/s Karvy Computershare Private Limited, Registrar and Share Transfer Agent of the Company to enable them to print these details on the Dividend Warrant.

9. Members holding shares in multiple folios in physical mode are requested to apply for consolidation to the Company or its Registrar & Share Transfer Agent along with relevant Share Certificates.
10. The Board of Directors in its Meeting held on January 25, 2012 had declared an interim dividend of Rs. 5/- per share on the paid-up equity share capital of the Company which was paid on February 7, 2012. Pursuant to Section 205A read with Section 205C of the Companies Act, 1956, the dividend amount which remains unpaid/ unclaimed for a period of seven years, are required to be transferred to the Investor Education & Protection Fund (IEPF) of the Central Government. After such transfer, there remains no claim of the Members whatsoever on the said amount. Therefore, Members are advised to encash their Dividend Warrants immediately on receipt.
11. Members who have not received/encashed their dividend warrants within its validity period may write to the Company at its Registered Office or M/s Karvy Computershare Private Limited, Registrar & Share Transfer Agent of the Company, for revalidating the warrants or payment in lieu of such warrants in the form of demand draft. Members who hold shares in physical form are requested to send all correspondence concerning registration of transfers, transmissions, subdivision, consolidation of shares or any other shares related matter and / or change in address and bank account, to M/s Karvy Computershare Private Limited, Registrar and Share Transfer Agent of the Company and in case of shares held in electronic mode, to their respective Depository Participants.
12. Pursuant to Section 619(2) of Companies Act, 1956, the Auditors of a Government Company are to be appointed/re-appointed by the Comptroller and Auditor-General (C&AG) of India and, in terms of Section 224 (8) (aa) of the Companies Act, 1956, their remuneration shall be fixed by the company in a General Meeting or in such manner as the company in a General Meeting may determine. In pursuance of the same, C&AG of India had appointed M/s Bansal & Co. and M/s P.K. Chopra & Co., Chartered Accountants, as Joint Statutory Auditors of the Company for the Financial Year 2011-12.

In the 42nd Annual General Meeting (AGM) held on September 17, 2011 the Board of Directors were authorized by Shareholders in pursuance of Section 224 (8) (aa) read with Section 619 (2) of the Companies Act, 1956 to fix and approve the remuneration of Statutory Auditors/Joint Statutory Auditors of the Company for the Financial Year 2011-12, on the recommendation of the Audit Committee. Accordingly, the Board of Directors in their Meeting held on November 10, 2011 approved the payment of remuneration of Rs. 6,25,000/- (Rupees Six Lakh Twenty Five Thousand Only) plus service tax as applicable for each of the Joint Statutory Auditors, for the Financial Year 2011-12. Further, the Board of Directors of the Company in their Meeting held on January 25, 2012 Revised and thereafter approved the payment of Rs. 8,50,000/- (Rupees Eight Lakh Fifty Thousand Only) plus service tax as applicable for each of the Joint Statutory Auditors, for the Financial Year 2011-12. The Board also approved that in addition to the above remuneration, the Joint Statutory Auditors may be paid such actual reasonable traveling allowance and out

of pocket expenses for outstation audit work, as may be decided by the CMD/ Director (Finance).

The Auditors for the Financial Year 2012-13 are yet to be appointed by the C&AG of India. As a better Corporate Governance practice, it is proposed to obtain approval of the Members of the Company in Annual General Meeting to fix the remuneration of Auditors for the Financial Year 2012 -13 on similar lines as done for the last Financial Year. **Therefore, the Members are requested to authorize the Board of Directors of the Company to fix the remuneration of the Statutory Auditors/ Joint Statutory Auditors of the Company, as it deems fit, as and when the Auditors are appointed by the C&AG of India for the Financial Year 2012-13.**

13. Members desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to write to M/s Karvy Computershare Private Limited, Registrar and Share Transfer Agent of the Company in Form- 2B as prescribed in the Companies (Central Government's) General Rules and Forms, 1956. In case of shares held in dematerialized form, the nomination form has to be lodged directly with the respective Depository Participant (DP).
14. **Members desirous of getting any information on any items of business of this meeting are requested to address their queries to the Company Secretary at the Registered Office of the Company at least ten days prior to the date of the Annual General Meeting, so that the information required can be made available at the time of the meeting.**
15. Ministry of Corporate Affairs, Government of India vide its General Circular dated February 8, 2011 granted general exemption under Section 212(8) of the Companies Act, 1956 from attaching the Balance Sheet etc. of Subsidiary Companies to the Balance Sheet of the holding Company, subject to compliance of certain conditions by the Companies as prescribed in this Circular. Accordingly, your Company has provided full details of accounts of individual Subsidiary Companies along with the entire text of Annual Report at its website [www.recindia.nic.in](http://www.recindia.nic.in).

16. The Ministry of Corporate Affairs, Government of India vide its General Circular dated April 21, 2011 and April 29, 2011 has taken "Green Initiative in Corporate Governance" allowing paperless compliances of law through electronic mode. These Circulars permit the Companies to send various Notices/Documents to its shareholders through electronic mode to the registered e-mail addresses of the shareholders. This move by the Ministry is welcome since it benefits society at large reduction in consumption of paper and it also contributes towards greener planet. It will facilitate prompt receipt of communications and thereby reducing postal transit losses. In continuation of the initiatives of the Company in this regard, the Company proposes to send all documents to sent to the shareholders viz Notice, Audited Financial Statements, Directors' and Auditors' Report etc. henceforth to the shareholders in electronic form to their registered e-mail addresses. These documents would also be available on the website of the Company [www.recindia.nic.in](http://www.recindia.nic.in). Please note that as a Member of the Company you are entitled to receive above mentioned and all other documents required under the law free of cost on receipt of requisition by the Company from you.

**Members, who have not registered their e-mail addresses so far, are requested to register their e-mail address with the Registrar and Share Transfer Agent (R & TA) of the Company / Depository Participant (DP) of respective Member and take part in the Green Initiative of the Company.**

17. The Register of Directors' Shareholding, maintained under Section 307, the Register of Contracts, maintained under Section 301 of the Companies Act, 1956 all other documents referred to in the Notice and Explanatory Statement will be available for inspection by the Members at the Annual General Meeting/the Registered Office of the Company on all working days (except Saturday and Sunday) between 11.00 A.M. to 1.00 P.M till the date of Annual General Meeting.
18. The Company is not providing Video Conferencing facility for this meeting.



## EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF SPECIAL BUSINESS SET OUT IN THE NOTICE.

### Item No. 6

Ministry of Power, Government of India, vide its Order No. 46/8/2011-RE dated November 29, 2011, in pursuance of Article 82(1) of the Articles of Association of the Company has appointed Shri Rajeev Sharma as Chairman and Managing Director (CMD), Rural Electrification Corporation Limited (REC) for a period of five years with effect from the date of actual date of taking over charge of CMD, REC or till the date of superannuation or until further orders, whichever event occurs the earliest. Shri Rajeev Sharma assumed charge as CMD on November 29, 2011.

Office of Shri Rajeev Sharma as CMD shall not be liable to retirement by rotation in terms of Section 255 of the Companies Act, 1956 read with Article 82 (1) of the Articles of Association of the Company, requires approval of the General Meeting. Brief resume of Shri Rajeev Sharma is annexed. No other Directors except Shri Rajeev Sharma are interested or concerned in the proposed Ordinary Resolution.

### Item No. 7

Ministry of Power, Government of India, vide its Order No. 46/2/2010-RE dated March 16, 2012 in pursuance of Article 82(2) of the Articles of Association of the Company has appointed Dr. Sunil Kumar Gupta as Part-time Non-official Independent Director on the Board of the Company for a period of three years with effect from the date of notification of his appointment (i.e. March 16, 2012) or until further orders, whichever is earlier.

The above appointment of Dr. Sunil Kumar Gupta as Part-time Non-official Independent Director on the Board of the Company, being liable to retire by rotation in terms of Section 255 of the Companies Act, 1956 read with Article 82 (3) of the Articles of Association of the Company which requires approval of the Members in the General Meeting. Brief resume of Dr. Sunil Kumar Gupta is annexed.

No other Directors except Dr. Sunil Kumar Gupta are interested or concerned in the proposed Ordinary Resolution.

### Item No. 8

Ministry of Power, Government of India, vide its Order No. 46/8/2011-RE dated May 17, 2012, in pursuance of Article 82(2) of the Articles of Association of the Company has appointed Shri Ajeet Kumar Agarwal as Director (Finance), Rural Electrification Corporation Limited for a period of five years with effect from the date of taking over the charge of the post on or after August 1, 2012 or till the date of superannuation or until further orders, whichever event occurs the earliest. Shri Ajeet Kumar Agarwal was appointed as an Additional Director by the Board of Directors of the Company w.e.f. August 1, 2012 as per the provisions of Section 260 of the Companies Act, 1956.

The above appointment of Shri Ajeet Kumar Agarwal as Director (Finance) shall not be liable to determination by retirement of Directors by rotation in terms of Section 255 of the Companies Act, 1956 read with Article 82 (2) of the Articles of Association of the Company which requires approval of the Members in the General Meeting. Brief resume of Shri Ajeet Kumar Agarwal is annexed.

No other Directors except Shri Ajeet Kumar Agarwal are interested or concerned in the proposed Ordinary Resolution.

### Item No. 9

As per Section 293(1) (d) of the Companies Act, 1956, the Board of Directors of the Company shall not except with the consent of the Company in General Meeting borrow moneys, together with the moneys already borrowed by the Company, in excess of the paid-up capital and free reserves of the Company.

At the 41<sup>st</sup> Annual General Meeting of the Company held on September 8, 2010, the Members of the Company had by resolution granted powers to the Board of Directors of the Company to borrow moneys upto a total amount of Rs. 1,00,000 crore (Rupees One Lakh Crore Only). The total borrowings of the Company is Rs. 87,082 crore as on March 31, 2012 and a sum of Rs. 30,000 crore is likely to be borrowed during the Financial Year 2012-13.

The overall borrowings at the end of the Financial Year 2012-13 is expected of Rs. 1,04,342 crore. Therefore the consent of the Members is sought under Section 293(1) (d) of the Companies Act, 1956, for increasing the limit from Rs. 1,00,000 crore to Rs. 1,45,000 crore to cover the further requirement of borrowings.

The Board of Directors of the Company in their Meeting held on March 30, 2012 has approved the above proposal and recommends the passing of the proposed Ordinary Resolution by members of the Company as contained in the Notice.

None of the Directors is interested or concerned in the proposed Ordinary Resolution.

### Item No. 10

As per Section 293(1) (a) of the Companies Act, 1956, the Board of Directors of the Company shall not except with the consent of the Company in General Meeting create, mortgage and/or charge on all or any of the immovable and/or movable properties of the Company, both present and future, or of the whole or substantially the whole of the undertaking or undertakings of the Company.

The operations of the Company have increased substantially and in order to meet the growing fund requirement of the Company additional funds are required to be raised by creation of security on the immovable/movable properties of the Company. Therefore it is proposed to authorise the Board of Directors of the Company to mortgage/create charge on immovable and/or movable properties of the Company, both present and future, for securing loan upto Rs. 1,45,000 crore over and above paid up capital and free reserves for the purpose of the business of the Company.

The Board of Directors of the Company in their Meeting held on March 30, 2012 has approved the above proposal and recommends the passing of the proposed Ordinary Resolution by members of the Company as contained in the Notice.

None of the Directors is interested or concerned in the proposed Ordinary Resolution.

By order of the Board of Directors  
For Rural Electrification Corporation Limited



(Rakesh Kumar Arora)  
GM (F&A) & Company Secretary

Registered Office:  
Core-4, SCOPE Complex,  
7, Lodi Road,  
New Delhi-110003.  
Dated: August 6, 2012

## BRIEF RESUME OF THE DIRECTORS APPOINTED SINCE LAST ANNUAL GENERAL MEETING HELD ON SEPTEMBER 17, 2011

Name	Shri Rajeev Sharma	Dr. Sunil Kumar Gupta	Shri Ajeet Kumar Agarwal
Date of Birth	June 1, 1960	November 15, 1966	May 30, 1960
Date of Appointment	November 29, 2011	March 16, 2012	August 1, 2012
Qualifications	<ul style="list-style-type: none"> <li>Bachelor's degree in Electrical Engineering from Govind Ballabh Pant University, Pantnagar,</li> <li>Post Graduate Diploma (Electronics and Communication Engineering)</li> <li>Masters degree in Engineering (Electrical Engineering) from Indian Institute of Technology, Roorkee; and</li> <li>Masters degree in Business Administration from University of Delhi.</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor's degree in Commerce;</li> <li>Fellow Member of the Institute of Chartered Accountants of India;</li> <li>Fellow Member of The Institute of Cost Accountants of India; and</li> <li>Ph. D. on the topic "Study of Internal Audit System" from Chaudhary Charan Singh University, Meerut</li> </ul>	<ul style="list-style-type: none"> <li>Bachelor's degree in commerce from University of Delhi;</li> <li>Fellow Member of the Institute of Chartered Accountants of India</li> </ul>
Expertise in specific Functional area	Prior to joining REC, Shri Sharma has served as Director (Projects), Power Finance Corporation Limited. As Director (Projects), PFC, he was responsible for all functions of Projects Division including technical appraisal of the projects financed by the Company. During his tenure as Executive Director in PFC since August, 2005, he was Director (in-charge) for development of Krishnapatnam Ultra Mega Power Project and was responsible for implementation of R-APDRP in India. In addition, he also looked after the southern states for projects appraisal and functions of HR and Administration of PFC.	He has been elected as a Shareholders' Director on the board of Dena bank. In Dena Bank he was co-opted as Chairman/ member of various committees. The Government of India has nominated him as Director of General Insurance Corporation of India and as Member of Steel Consumers' Council, Ministry of Steel (GOI). He is also on the Board of several private companies. He is the elected member of National Executive Council of FICCI. He is also an associate member of ASSOCHAM, CII and PHD Chambers of Commerce and Industry & Press Club of India, besides being member of several social organizations, educational societies and clubs.	Mr. Agarwal has 29 years experience in public sector undertakings. During his tenure in REC as General Manager/ Executive Director (Finance), he had handled various finance functions including resource mobilisation, Loan Disbursement and Corporate Accounts & Taxation. Prior to joining our company on March 29, 2007 he was General Manager in Telecommunications Consultants India Limited (TCIL).
Directorship held in other Companies	<ul style="list-style-type: none"> <li>REC Transmission Projects Company Limited;</li> <li>REC Power Distribution Company Limited; and</li> <li>Indian Energy Exchange Limited.</li> </ul>	<ul style="list-style-type: none"> <li>Punjab National Bank;</li> <li>General Insurance Corporation of India;</li> <li>NKG Infrastructure Limited</li> </ul>	REC Transmission Projects Company Limited.
Membership/Chairmanship of Committees across all Public Companies other than REC	Nil	General Insurance Corporation of India- Member, Audit Committee	Nil
Number of shares held in the Company	60	Nil	242

## BRIEF RESUME OF THE DIRECTORS SEEKING RE-APPOINTMENT AT THE 43rd ANNUAL GENERAL MEETING

Name	Shri Prakash Thakkar	Dr. Devi Singh
Date of Birth	October 20, 1955	September 2, 1952
Date of Appointment	May 2, 2011	June 10, 2011
Qualifications	Bachelor's degree in Electrical Engineering from Maharaja Sayajirao University, Baroda	<ul style="list-style-type: none"> <li>Bachelors Degree in Economics from Rajasthan University;</li> <li>Masters Degree in Economics from Rajasthan University; and</li> <li>Ph. D. (Fellow) from the Indian Institute of Management, Ahmedabad.</li> </ul>
Expertise in specific Functional area	Shri Thakkar has over 33 years of rich and diversified experience of power sector including hydroelectric projects and installation of hydro generators and operation & maintenance of power stations. He has also served as Advisor to Government of Nepal for operation & maintenance of Devighat Hydro Electric Project during the year 1985-86. He is a member of CIGRE and AIMA and also serves as nominee Director on the Boards of various companies. He has authored/ co-authored various technical papers in National and International seminars.	Dr. Devi Singh is a well known professor of International Finance and Business and has a total work experience of more than 34 years in teaching, training, research and academic administration and recognized as a leading institution builder. He has been Director of the Indian Institute of Management, Lucknow for last eight years. He has also served as Director of the Management Development Institute, Gurgaon. He was a Visiting Professor at the Faculty of Management, McGill University, Montreal during 1990-1996. He has taught at the International Centre for Public Enterprises in Developing Countries, Ljubljana, Slovenia, ESCP Europe, Paris, SKK Graduate Business School, Seoul, and at many other leading Business Schools. He has received many prestigious awards i.e. "Best B-School Director 1999", "UP Ratan 2008", "ISTE Fellow 2007" among others. He was also honored by the American Biographical Institute, USA with the "Man of the Millennium Award" in 2000.
Directorship held in other Companies	<ul style="list-style-type: none"> <li>REC Transmission Projects Company Limited; and</li> <li>REC Power Distribution Company Limited.</li> </ul>	<ul style="list-style-type: none"> <li>Munjal Showa Limited;</li> <li>Future Generali India Insurance Company Limited;</li> <li>Future Generali India Life Insurance Company Limited; and</li> <li>Hindustan Shipyard Limited.</li> </ul>
Membership/Chairmanship of Committees across all Public Companies other than REC	Nil	Hindustan Shipyard Limited-Chairman, Audit Committee
Number of shares held in the Company	4030	Nil



## DIRECTORS' PROFILE



**SHRI RAJEEV SHARMA, Chairman & Managing Director (CMD)**

Shri Rajeev Sharma, 52 years, is the Chairman & Managing Director (CMD) of our Company since November 29, 2011. He holds a Bachelor's degree in Electrical Engineering from Govind Ballabh Pant University, Pantnagar, a Post Graduate Diploma (Electronics and Communication Engineering) and a Masters degree in Engineering (Electrical Engineering) from Indian Institute of Technology, Roorkee. He also holds a Masters degree in Business Administration from University of Delhi. He has a varied experience in power sector of more than 27 years. Shri Sharma was Director (Projects), Power Finance Corporation Limited from March 9, 2009 before joining Rural Electrification Corporation Limited as CMD.

As Director (Projects), PFC, he was responsible for all functions of Projects Division including technical appraisal of the projects financed by the Company. During his tenure as Executive Director in PFC since August, 2005, he was Director (in-charge) for development of Krishnapatnam Ultra Mega Power Project and was responsible for implementation of R-APDRP in India. In addition, he also looked after the southern states for projects appraisal and functions of HR and Administration of PFC.

Shri Rajeev Sharma was holding 60 equity Shares in the Company at the time of his taking over charge as CMD as well as on March 31, 2012.

**SHRI PRAKASH THAKKAR, Director (Technical)**

Shri Prakash Thakkar, 56 years, is Director (Technical) of our Company since May 2, 2011. He holds a Bachelor's degree in Electrical Engineering from Maharaja Sayajirao University, Baroda. Shri Thakkar has over 33 years of rich and diversified experience of power sector including hydroelectric projects and installation of hydro generators and operation & maintenance of power stations. He is in charge of all technical and operational aspects of various projects financed by our Company in the generation, transmission and distribution sectors as well as rural electrification projects under the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY).



Prior to taking over charge as Director (Technical), he was working in the Company as Executive Director (Transmission and Distribution/RGGVY). He joined our Company as General Manager (Technical) on deputation on September 19, 2005 and subsequently he was permanently absorbed in the Company on September 18, 2007. Prior to joining our Company, he has worked for about 15 years on different posts in Power Grid Corporation of India Limited. He was a member of India's first 400 kV Thyristor Controlled Series Compensation (TCSC) project implementation team. He was also a core member for switchgear equipment specifications for 800/400/220/132 kV. He has also served as Advisor to Government of Nepal for operation & maintenance of Devghat Hydro Electric Project during the year 1985-86.

He is a member of CIGRE and AIMA and also served as nominee Director on the Boards of various companies. He has authored/co-authored various technical papers in National and International seminars.

Shri Prakash Thakkar was holding 4030 equity Shares in the Company on the date of his appointment as well as on March 31, 2012.



**SHRI AJEET KUMAR AGARWAL, Director (Finance)**

Shri Ajeet Kumar Agarwal, 52 years, is Director (Finance) of our Company since August 1, 2012. He holds a Bachelor's degree in Commerce from the University of Delhi. He is also a Fellow Member of the Institute of Chartered Accountants of India. Mr. Agarwal has 29 years experience in Public Sector Undertakings. During his tenure in REC as General Manager/ Executive Director (Finance), he had handled various finance functions including Resource Mobilisation, Loan Disbursement and Corporate Accounts & Taxation. Prior to joining our company on March 29, 2007, he was General Manager in Telecommunications Consultants India Limited.

He is responsible for formulating financial strategies and plans to enable the company in achieving its vision. He provides directions with respect to Financial Management and Operations of the organization encompassing organizational and financial planning, formulation of financial policy, financial accounting, management control systems, cash and funds management, tax planning, mobilization and management of resources, liaison with financial institutions and capital market players. He also supervises treasury functions, lending operations and advises on corporate risk management matters.

Shri Ajeet Kumar Agarwal was holding 242 equity Shares in the Company at the time of his taking over charge as Director (Finance) on August 1, 2012.

## DIRECTORS' PROFILE



### **SHRI DEVENDER SINGH, *Government Nominee Director***

Shri Devender Singh, 49 years, is the Government Nominee Director of our Company since August 29, 2007. He holds a Bachelor's degree in Electronics and Communication from the Delhi College of Engineering, Delhi and Master's degree in Business Administration from the Indian Institute of Management (IIM), Ahmedabad. He has been a part of the IAS since 1987 in the Haryana cadre and has been in the Civil Services for about 23 years. He is currently the Joint Secretary in the Ministry of Power, where he is in-charge of Rural Electrification and Distribution. Prior to joining Ministry of Power, Government of India, he has also served as Deputy Commissioner, Gurgaon, Haryana, Deputy Commissioner Karnal, Director, Industries and Managing Director, Haryana Supply and Marketing Federation and Managing Director, Haryana Dairy Development Cooperative Federation Limited.

Shri Devender Singh was holding NIL equity shares in the Company as on March 31, 2012.

### **DR. DEVI SINGH, *Part-time Non-official Independent Director***

Dr. Devi Singh, 59 years, is a Part-time Non-official Independent Director of our Company since June 10, 2011. He was earlier appointed as Part-time Non-official Independent Director on the Board of the Company on January 7, 2008 and completed tenure of three years on January 6, 2011. He holds a Bachelor's degree and a Masters degree in Economics from Rajasthan University. He holds a Ph.d (Fellow) in International Finance from the Indian Institute of Management, Ahmedabad and is a well known professor of International Finance and Business. He has a total work experience of more than 34 years in teaching, training, research and academic administration and recognized as a leading institution builder. He has been Director of the Indian Institute of Management, Lucknow for more than eight years. He has also served as Director of the Management Development Institute, Gurgaon during 1999-2003. He has been a Ford Foundation and UNDP Fellow (International Management Education). He has been a Visiting Faculty at the International Centre for Public Enterprises, Slovenia, ESCAP Europe and SKK Graduate School of Business, Seoul. He is an alumnus Fellow of the Institute of World Affairs, Connecticut. He has taught leading Business Schools in India. He has been honored with many prestigious awards including 'ISTE National Fellow 2007', 'UP Ratan 2008' and the 'Ishan National Award for Best Director of a Business School' in 1999 among others. He was also honored by the American Biographical Institute, USA with the 'Man of the Millennium Award' in 2000. Besides REC, he has been on the Board of leading Indian Corporates. He is also on the Board/Executive Council of leading Institutions/Universities.



Dr. Devi Singh was holding Nil equity shares in the Company on the date of his appointment as well as on March 31, 2012.



### **DR. GOVINDA MARAPALLI RAO, *Part-time Non-official Independent Director***

Dr. Govinda Marapalli Rao, 65 years, is a Part-time Non-official Independent Director of our Company since June 10, 2011. He was earlier appointed as Part-time Non-official Independent Director on the Board of the Company on December 20, 2007 and completed tenure of three years on December 19, 2010. He is a Ph.D. in Economics. He is a Member of the Economic Advisory Council to the Prime Minister of India. He is presently the Director, National Institute of Public Finance and Policy (NIPFP). Prior to this, Dr. Rao was Director, Institute for Social and Economic Change, Bangalore (1998- 2002), Fellow, Research School of Pacific and Asian Studies, Australian National University (1995-1998), Professor at NIPFP(1985-1995) and Economic Adviser to the Finance Commission, Government of India (1987-1990).

He is a Member of Board of Governors of Institute of Economic Growth, New Delhi, Institute for Social and Economic Change, Bangalore and Madras School of Economics, Chennai. He has been a Consultant to the World Bank, International Monetary Fund, Asian Development Bank and UNDP and worked in several developing countries on various development issues. He is a Part-time Non-official Director on the Board of NTPC Limited as well. Dr. Rao is also a Member of the Local Board of Reserve Bank of India for the Southern Region. He has authored 17 Books and Monographs and a number of research papers in national and international journals on various economic policy issues.

Dr. Govinda Marapalli Rao was holding Nil equity shares in the Company on the date of his appointment as well as on March 31, 2012.

## DIRECTORS' PROFILE



**SHRI VENKATARAMAN SUBRAMANIAN, *Part-time Non-official Independent Director***

Shri Venkataraman Subramanian, 64 years, is a Part-time Non-official Independent Director of our Company since June 10, 2011. He joined the Indian Administrative Service, the premier service of the Government of India in 1971. Till his retirement in June, 2008 as the Secretary to the Government in the Ministry of New and Renewable Energy, he occupied various important positions in the Government of West Bengal and the Government of India. His rich experience both at the implementation level and policy making level cuts across various sectors like Finance, Aviation, Energy, Labour etc. Shri Subramanian was instrumental in the creation of the External Commercial Borrowings Division in the Ministry of Finance in the eighties and structured many innovative financial deals for Indian Public Sector Enterprises. He was also the Adviser to the Government of Mozambique for three years (1990-1993). He was also the

Secretary to the State Government in the Departments of Power and Labour. As Additional Secretary and Financial Adviser in the Ministry of Civil Aviation and Tourism (2000-2005) he was closely involved in policy formulation on Aviation and Tourism. He was on the Boards of Air India, Indian Airlines, Airports Authority of India, Helicopters Corporation of India, Indian Tourism Development Corporation and a host of other PSEs. He was also the Member-Secretary of the High level Committee to recommend a roadmap for the growth of aviation in India. Most of the recommendations are being acted upon now. As Secretary in the Ministry of New and Renewable Energy, he undertook path breaking initiatives that resulted in more than doubling the grid connected renewable power generation capacity in less than three years. Presently, he is the Secretary General of the Indian Wind Energy Association. He was also the Business Development Adviser to the Council for Scientific and Industrial Research, till recently. He is Director on the Board of leading Public and Private Sector Companies. He is also a freelance consultant and well known speaker on "Renewable Energy" in various international conferences.

Shri Venkataraman Subramanian was holding Nil equity shares in the Company on the date of his appointment as well as on March 31, 2012.

**DR. SUNIL KUMAR GUPTA, *Part-time Non-official Independent Director***

Dr. Sunil Kumar Gupta, 45 years, is a Part-time Non-official Independent Director on the Board of our Company since March 16, 2012. He is a Chartered Accountant by profession and is senior partner at M/s Sunil Ram & Co. Ghaziabad. He is a commerce graduate, Fellow Member of the 'The Institute of Chartered Accountants of India' and 'The Institute of Cost Accountants of India' and holds a Ph.D. on the topic 'Study of Internal Audit System'.

He is the elected Shareholders' Director on the Board of Punjab National Bank since March 21, 2012 and has been co-opted as member of "Risk Management Committee" and "IT committee" of the Board. He has completed tenure of 3 years as a Shareholders' Director on the board of Dena bank on March 16, 2012. In Dena Bank also, he was co-opted as Chairman/ Member of various committees namely Management Committee, Audit Committee and Risk Management Committee.

The Government of India has nominated him as Director of General Insurance Corporation of India and as Member of Steel Consumers' Council, Ministry of Steel. He is the elected Member of National Executive Council of FICCI. He is also on the Board of several companies including M/s NKG Infrastructure Limited and M/s Suvipraa Infrastructure (P) Limited etc. He is also an associate Member of ASSOCHAM, CII and PHD Chambers of Commerce and Industry & Press Club of India, besides being member of several social organizations, educational societies and clubs.

Dr. Sunil Kumar Gupta has been the Founder Secretary of Ghaziabad Chapter of 'The Institute of Cost Accountants of India' and also Chairman, Vice-Chairman, Secretary of Ghaziabad branch of The Institute of Chartered Accountants of India at different times. Dr. Sunil Kumar Gupta remained the elected member to Central India Regional Council of The Institute of Chartered Accountants of India from 1998-2000.

Adding to his versatility, he has authored books and written articles for various newspapers and magazines. Inquisitive and analytical by nature, he never hesitates to take out time to share knowledge through personal-interviews and panel discussions. He is also the Vice-Chairman of Suvipraa Educational Trust and Suvipraa Siksha Sansthan. One quality, which outshines the rest of his achievements is his urge to give back to the society and serve the nation and is thus associated with various social organizations and encourages everybody around to do so.

Dr. Sunil Kumar Gupta was holding Nil equity shares in the Company on the date of his appointment as well as on March 31, 2012.



## DIRECTORS' REPORT

To  
The Shareholders,

Your Directors have pleasure in presenting the Forty Third Annual Report together with the Audited Financial Statements of your Company for the financial year ended 31<sup>st</sup> March, 2012.

### 1. PERFORMANCE HIGHLIGHTS

- 1.1 The highlights of performance of the Company for the financial year 2011-12 were as under with comparative position of previous year's performance:-

(Rs. in crore)		
Parameter	2011-12	2010-11
Loans sanctioned (excluding subsidy under RGGVY)	51296.77	66419.98
Disbursements (including subsidy under RGGVY)	30593.30	28517.11
Recoveries (including interest)	18440.09	16951.31
Total Operating Income	10337.59	8256.91
Profit before tax	3792.86	3476.63
Profit after tax	2817.03	2569.93

### 1.2 Financial Performance

The total operating income of your Company for the financial year 2011-12 increased by 25 % to Rs. 10337.59 crore from Rs. 8256.91 crore during the previous year. The profit after tax increased by 10 % to Rs. 2817.03 crore from Rs. 2569.93 crore for the previous year.

Loan asset book of your Company as on 31<sup>st</sup> March, 2012 has increased by a healthy 24 % to reach a historic high of Rs. 101426 crore from Rs. 81725 crore in the previous year. The outstanding borrowings as on 31<sup>st</sup> March, 2012 were Rs. 89968 crore.

Earnings Per Share (EPS) for the financial year ended 31<sup>st</sup> March, 2012 is Rs. 28.53 per share of Rs. 10/- each. Net worth of the Company as on 31<sup>st</sup> March 2012 has increased by 15 % to Rs. 14745 crore from Rs. 12788 crore in the previous year.

### 1.3 Dividend

In addition to interim dividend of Rs. 5/- per share paid in February, 2012, Directors of your Company have

recommended a final dividend of Rs. 2.50 per share for the financial year 2011-12, which is subject to approval of the Shareholders in the ensuing Annual General Meeting. The total dividend for the financial year 2011-12 will work out to Rs. 7.50 per share and is same as was paid last year. The total dividend pay-out for the financial year will amount to Rs. 740.60 crore (excluding dividend tax).

### 1.4 Share Capital

The Issued and Paid up Share Capital as on 31.03.2012 is Rs. 987.46 crore divided into 98,74,59,000 equity shares of Rs. 10/- each against the Authorized Share Capital of Rs. 1200 crore. The Government of India holds 66.80 % of the paid up equity share capital.

### 2. LOANS SANCTIONED

Your Company sanctioned loans worth Rs. 51296.77 crore during the financial year 2011-12, as against Rs. 66419.98 crore in the previous year, excluding subsidy under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY). The state and category-wise break-up of loans sanctioned during the financial year are given in enclosed **Table-1 and 2** respectively. The cumulative amount of sanctions made since inception up to 31.03.2012 was Rs. 404376.79 crore including subsidy under RGGVY. The cumulative state-wise position of sanctions up to the end of financial year 2011-12 is given in enclosed **Table-3**.

### 3. DISBURSEMENTS

A total sum of Rs. 30593.30 crore was disbursed during the financial year 2011-12 as against Rs. 28517.11 crore in the previous year including subsidy under RGGVY. The cumulative amount disbursed since inception up to 31.03.2012 was Rs. 165872.91 crore excluding subsidy under RGGVY. The state-wise disbursements and repayment by borrowers during the year together with cumulative figures and outstandings as on 31.03.2012 are given in enclosed **Table-4**.

### 4. RECOVERIES

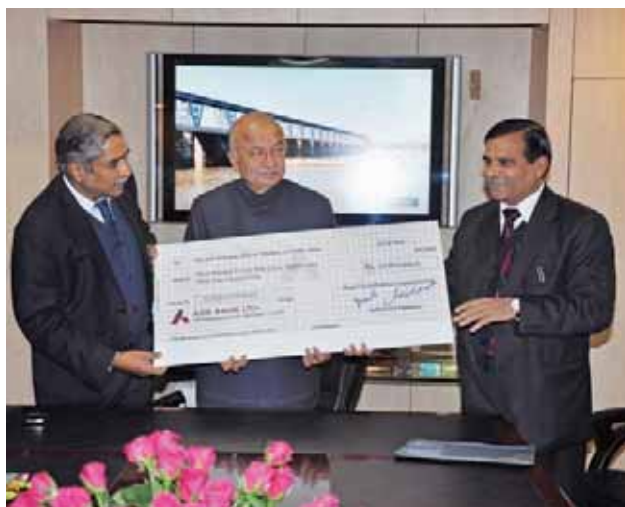
- 4.1 The amount due for recovery including interest during the financial year 2011-12 was Rs. 18528.61 crore as compared to Rs. 16979.84 crore during the previous year. The Company recovered a total sum of Rs. 18440.09 crore during the year 2011-12 against Rs. 16951.31 crore during the previous year. The overdues from defaulting borrowers as on 31.03.2012 were Rs. 283.64 crore. The details are given as under:

(Rs. in crore)	
Particulars	Amount
Overdues as on 1.4.2011	195.13
Dues receivable during the year	18528.61
Received during the year	18440.09
Overdues as on 31.03.2012	283.64

Principal repayments due on 31.03.2012 of three State Sector Power Utilities with outstanding loan of Rs. 11591 crore and one Private Sector borrower with outstanding loan of Rs. 375 crore, were rescheduled due to extension of Commercial Operation Date (COD) of their projects.

- 4.2 Out of the overdues of Rs. 283.64 crore as on 31.03.2012, a sum of Rs. 69.89 crore stands recovered as on 31.05.2012.

- 4.3 Your Company's Non-Performing Assets (NPAs) continue to be at the low levels. As on 31.03.2012, the Gross NPAs of the Company stood at Rs. 490.40 crore (i.e. 0.48 % of Gross Loan



Shri Rajeev Sharma, CMD, REC presenting dividend cheque of Rs. 329 Crore to Hon'ble Union Minister of Power Shri Sushilkumar Shinde on 7th February, 2012.



Assets), as compared to Rs. 19.54 crore (0.02 % of Gross Loan Assets) as on 31.03.2011. Our loans provided to Shree Maheshwar Hydel Power Corporation Limited and Konaseema Gas Power Limited had to be classified as substandard assets during the year due to non-servicing of loan on account of issues concerning Re-settlement/Re-habilitation and low availability of gas etc. respectively, faced by the projects.

## 5. FINANCIAL REVIEW

### 5.1 A summary of Financial Results

The summary of audited financial results of the Company for the financial year ended 31<sup>st</sup> March, 2012 is given as under:

Particulars	(Rs. in crore)			
	Standalone		Consolidated	
	2011-12	2010-11	2011-12	2010-11
Gross Income	10509.07	8495.26	10553.62	8532.20
Profit before tax	3792.86	3476.28	3825.80	3498.80
Depreciation	3.27	3.03	3.34	3.06
Provision for Income Tax , Deferred Tax & FBT	975.83	906.35	987.14	913.91
<b>Net Profit available for appropriations</b>	<b>2817.03</b>	<b>2569.93</b>	<b>2838.66</b>	<b>2584.89</b>
<b>Appropriations :</b>				
Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	681.70	610.11	681.70	610.11
Transfer to Reserve for Bad & Doubtful Debts u/s 36(1)(viia) of the Income Tax Act, 1961	159.59	144.09	159.59	144.09
Interim Dividend	493.73	345.61	493.73	345.61
Dividend Tax on Interim Dividend	80.09	57.39	80.09	57.39
Proposed Final Dividend	246.86	394.98	246.86	395.03
Dividend Tax on proposed Final Dividend	40.05	64.08	40.08	64.09
Transfer to Reserve for Doubtful Debts	-	-	0.43	0.20
Transfer to Debenture Redemption Reserve	113.99	-	113.99	-
Transfer to General Reserve	281.73	260.00	289.73	263.00
Balance carried forward	719.29	693.67	732.46	705.37

**Note:**Consequent to the notification of Revised Schedule-VI under the Companies Act, 1956, the financial statements for the year ended 31<sup>st</sup> March, 2012 have been prepared as per Revised Schedule-VI. Accordingly, the previous year figures have also been re-classified to conform to this year's classification.

### 5.2 Resource Mobilization

Your Company mobilized Rs. 29709.36 crore from the market during the financial year 2011-12 for its operational requirements. This includes Rs. 5239.36 crore raised by way of Capital Gains Tax Exemption Bonds, Rs. 157.59 crore by way of Infrastructure Bonds under Section 80CCF of Income Tax Act, 1961, Rs. 3000 crore by way of Tax Free Secured

Redeemable Non-convertible Bonds u/s 10(15)(iv)(h) of Income Tax Act, 1961, Rs. 17465.60 crore by way of non-priority sector bonds, Rs. 3231.46 crore by way of External Commercial Borrowings and Rs. 615.35 crore by way of Official Development Assistance (ODA) loan from KfW, Germany, & Japan International Cooperation Agency (JICA), Japan.

### External Commercial Borrowings

Your Company mobilized USD 670 million (Rs.3231.46 crore) from international markets during the financial year 2011-12, by way of Swiss bonds equivalent to USD 220 million and Syndicated Term Loans equivalent to USD 450 million .

### Cash Credit Facilities

Your Company has tied up cash credit limits of Rs. 2500 crore with various banks for its day to day operations.

### 5.3 Domestic and International Credit Rating

#### Domestic

During the financial year 2011-12, the domestic debt instruments of REC continued to enjoy "AAA" or equivalent rating – the highest ratings assigned by CRISIL, CARE, FITCH & ICRA Credit Rating Agencies.

#### International

Your Company enjoys international credit rating from International Credit Rating Agencies Moody's and FITCH which are "Baa3" and "BBB-" respectively equivalent to sovereign rating of India. "Baa3" rated obligations denote moderate credit risk and "BBB-" rated obligations denote that expectations of default risk are currently low.

### 5.4 Cost of borrowing

The overall annualized average cost of funds during the financial year 2011-12 was 8.05 % p.a. As a result your Company was able to deliver debt financing at competitive rates. As per the Finance Act 2006, Rural Electrification Corporation Limited (RECL) and National Highways Authority of India (NHAI) are the only two companies eligible to raise money through Capital Gains Tax Exemption Bonds issued under Section 54 EC of the Income Tax Act, 1961.

### 5.5 Redemption and Pre-Payment

During the year, the Company repaid a sum of Rs. 12483.22 crore. This includes repayments amounting to Rs. 11.48 crore to the Government of India, Rs. 2759.22 crore to non-priority / priority sector bond holders, Rs. 2995.11 crore to bond holders of Capital Gains Tax Exemption Bonds, Rs. 870.26 crore towards external commercial borrowings and Rs. 119.56 crore towards Official Development Assistance (ODA) loans. The Company also redeemed long term loans from Banks amounting to Rs. 5727.59 crore.

### 5.6 Financial status at the close of the year

At the close of the financial year 2011-12, the total resources of your Company stood at Rs. 108728.59 crore. Out of this, Equity Share Capital contributed Rs. 987.46 crore, Reserve and Surplus stood at Rs. 13757.46 crore, Loans from LIC, Commercial Banks and market borrowings accounted for Rs. 90056.47 crore and other liabilities & provisions stood at Rs. 3927.20 crore. These funds were deployed as Long / Short Term Loans of Rs. 101361.74 crore, Fixed Assets of Rs. 78.48 crore (including Capital Work in progress & Intangible Assets

under development), Investments of Rs. 757.59 crore, Deferred Tax Assets of Rs. 10.05 crore, Cash & Cash Equivalents of Rs. 5311.48 crore and other assets of Rs. 1209.25 crore.

### 5.7 Policy Initiative

Your Company constantly reviews and revises its lending and operation policies/ procedures to suitably align with market requirements as also with its corporate objectives.

In spite of growing competition in the market as well as concerns on account of factors like high government borrowings, increase in interest rates as per RBI policy, rise in inflation etc., your Company has been able to maintain healthy spreads, balancing its objectives of business growth and profitability during the year.

## 6 PRESENT DISTRIBUTION SCENARIO AND MAJOR CHALLENGES

A reliable transmission and distribution system is important for the proper and efficient transfer of power from generation facilities to sub-stations or between sub-stations and up to the consumer. A transmission and distribution system is typically comprised of transmission lines, sub-stations, switching stations, transformers and distribution lines. Distribution is the most challenging area as compared to Transmission due to various reasons and your Company has always strived to play an active role in creation of new infrastructure and improvement of the existing ones, as well as encourage the various reform measures and technology interventions under distribution sector in the country to help turnaround the sector.

Distribution sector is responsible for collecting revenue from consumers and thereby plays a significant role for sustenance of the Power sector.

### 6.1 Major reforms in Distribution sector

Electricity Act, 2003, along with various policy announcements such as National Tariff Policy, National Electricity Policy, Rural Electrification Policy etc, provides a comprehensive framework and also the blueprint for power sector reforms. The previous decade has seen significant progress in implementation of various aspects of the reforms agenda – in most states the process of unbundling, corporatisation, instituting regulatory commission etc, has been completed; the two ambitious programmes, namely, the Re-structured Accelerated Power Development and Reform Programme (R-APDRP), for undertaking improvements in urban pockets, and the RGGVY, for providing the much needed boost for rural infrastructure, are both going ahead with full force. To ensure competition in distribution, bottlenecks in open access implementation have been removed. REC has provided counterpart funding for a large part of the R-APDRP projects which aim to reduce the Aggregate Technical and Commercial (AT&C) losses considerably in various towns.

Keeping in view the huge funding requirements of the state sector distribution segment of the power sector, the National Electricity Fund (NEF), an interest subsidy scheme was conceived and operationalised by the Central Government as the catalyst for incentivising investment into development, upgrading, renovation & modernisation of power distribution infrastructure in the country.

#### Technology intervention and evolution of smart grids in Power Distribution Sector

Technology enables the electric system to become “smart”. Near-real-time information allows utilities to manage the

entire electricity system as an integrated framework, actively sensing and responding to changes in power demand, supply, costs, quality, and emissions across various locations and devices. Similarly, better information enables consumers to manage energy use to meet their needs. A technology-enabled electric system will be more efficient, will enable applications that can reduce greenhouse gas emissions, and improve power reliability. Development of intelligent grid at local distribution level shall however be crucial for ensuring efficient & seamless flow of power, up to last mile access by embedding IT/Internet/Communication Technologies in the existing grid for data acquisition on real time and supervisory control throughout the network. This will include integrated communication system, sensing and measurement technology, advance components for control & determining electrical behaviour & online management of the grid upto Distribution Transformer level and eventually up to consumer point.

#### R-APDRP & Reduction of AT&C losses

The experience of APDRP in X Five Year plan has shown that sustained loss reductions can only be achieved by taking up issues concerning governance, commercial intervention and adoption of technology and modernization of the infrastructure. APDRP was therefore re-launched as R-APDRP by making it more performance-based and financially attractive. The success of programme would depend on pinpointing of problem areas and ensuring accountability and responsibility.

It has also been reported that the best results in improving energy efficiency in the power distribution sector have often been obtained by separating agricultural consumers from domestic and industrial areas through separate feeders, and by conversion of low voltage distribution systems into High Voltage Distribution Systems (HVDS) in theft prone areas, both rural and urban.

#### National Electricity Fund

National Electricity Fund, an Interest Subsidy Scheme has been set up by Ministry of Power, Government of India to provide interest subsidy on loans disbursed to the State Power Utilities, Distribution Companies (DISCOMs) – both in public and private sector, to improve the infrastructure in distribution sector.

Under National Electricity Fund (NEF), interest subsidy would be provided on loans taken by private and public power utilities in distribution sector for all Distribution Sector Infrastructure capital projects, provided that the proposed works have not been funded through the R-APDRP or RGGVY schemes.

National Electricity Fund provides interest subsidy aggregating Rs. 8466 crore spread over 14 years for loan disbursement amounting to Rs. 25,000 crore for distribution schemes sanctioned during the 2 years viz., 2012-13 and 2013-14.

Your Company is the designated nodal agency to operationalise the scheme for channelizing the interest subsidy amounts from the Government of India to the state utilities, with the approval of Steering Committee constituted for the National Electricity Fund scheme.

For financial assistance under NEF, the States have been categorized as “Special category and focused states”, and “States other than special category and focused states”.

The pre-conditions for eligibility are linked to reform measures taken by the States and the amount of interest subsidy is linked to the progress achieved in reforms-linked parameters.

Power utilities eligible for subsidy on interest would be assigned marks based on baseline parameters. Based on the consolidated score achieved on these parameters, the utilities would be categorized and will be eligible for subsidy in interest rates from 3% to 5% in "States other than Special category and focused states" and 5% to 7% in "Special Category and focused states". These would be monitored on annual basis and eligibility of the utility and subsidy in Interest rate will be calculated accordingly.

## 7. FINANCING ACTIVITIES

Your Company has been providing funding assistance for power generation, transmission & distribution projects besides for electrification of villages. Details of major financing activities during the financial year 2011-12 are as under:

### 7.1 Generation

During the financial year 2011-12, your Company sanctioned 16 nos. of generation / R&M loans including 1 no. of additional loan assistance with total financial outlay of Rs. 22834.34 crore including consortium financing with other financial institutions, and has disbursed Rs. 12349.12 crore against the on going generation projects.

The sector wise break up of loans sanctioned including additional loan assistance is as under:

(Rs. in crore)		
Particulars	No. of Loans	Loan Amount
<b>STATE SECTOR</b>		
Fresh Loan	3	12486.22
Additional Loan	1	
<b>PRIVATE SECTOR</b>		
Fresh Loan	12	10348.12
<b>Total</b>	<b>16</b>	<b>22834.34</b>

### 7.2 Renewable Energy

Continuing with our foray into the area of renewable energy financing, your company sanctioned loan assistance of Rs. 342.19 crore for eight nos. grid-connected Renewable Energy projects with installed generation capacity aggregating 70 MW, with total project cost aggregating Rs. 685.47 crore. These include 5 nos. Solar Photovoltaic projects, 2 nos. Bio-mass projects and 1 no. Small Hydro project, besides additional loan to existing Small Hydro project and Solar Photovoltaic project. Your company disbursed a sum of Rs. 144.54 crore during the financial year 2011-12 towards Renewable Energy Projects.

### 7.3 Transmission & Distribution

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 country's objective to provide power for all by the year 2012 and also 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.

During the year 2011-12, your Company sanctioned 1033 nos. of Transmission and Distribution schemes involving a total loan assistance of Rs. 23506.64 crore. This includes primary

power evacuation schemes associated with generating plants, system improvement schemes including R-APDRP projects, feeder segregation schemes, bulk loan schemes, intensive electrification schemes and pumpset energisation schemes. The state-wise and category-wise details of the projects sanctioned are as per **Table 1 & 2** respectively. The major programmes covered by your company under T&D in brief are as under:

#### System Improvement

During the financial year 2011-12, a total of 830 system improvement schemes and bulk loan schemes were sanctioned involving a loan outlay of Rs. 19998 crore. This included: (i) 63 schemes involving a loan assistance of Rs. 2203.91 crore for financing investment in the distribution system by way of installation of essential equipments like transformers, meters, capacitors etc. (ii) 24 schemes involving a loan assistance of Rs. 742.24 crore for conversion of Low Voltage Distribution to High Voltage Distribution System (HVDS), (iii) 101 schemes for Rs. 2634.86 crore for improving the distribution system, and (iv) 369 schemes for Rs. 5898.70 crore towards counterpart funding of Part-B of R-APDRP projects and (v) 273 schemes for loan assistance of Rs. 8518.44 crore for improving the transmission network.

#### Feeder Segregation Scheme

The power supply for agriculture sector in India has been heavily subsidized and, agricultural consumers are normally charged around 10 per cent of the cost of supply. In many states these consumers are paying a flat rate per unit of horsepower per pump and the actual level of power use is not metered. The balance part of the tariff is provided by state Governments as part of agricultural subsidy. Moreover, feeder wise amount of power consumed on a specific feeder cannot be differentiated between rural non-agriculture and agriculture consumption.

Further, the load shedding hours are much more in rural areas because of power deficit and lack of accountability between rural non-agricultural and agricultural consumption. Quite often state utilities seek to limit the supply hours to agricultural consumers in the range of 6-8 hours, normally during night time. It is in this context that several states in India have undertaken the program of rural feeder segregation that separates supply to rural non-agricultural & agricultural consumers. Through this mechanism, utilities have attempted to measure and limit the amount of power supplied for free for irrigation, while ensuring that rural non-agricultural consumers receive better quality supply for longer periods. The states like Andhra Pradesh, Gujarat, Haryana, Punjab, Karnataka, Maharashtra and Rajasthan have already initiated rural load segregation schemes.

REC till the close of Financial Year 2011-12 has sanctioned financial assistance of Rs. 7079 crore under feeder separation/ segregation programme in the states of Maharashtra, Uttarakhand, Haryana, Uttar Pradesh, Madhya Pradesh and Chhattisgarh. REC in its endeavour to improve distribution infrastructure in the country shall continue to assist power utilities for these category of schemes in times to come.

#### Pumpset Energization

During the year 2011-12, under REC financed schemes 329022 Nos. electric irrigation pumpsets were reported to be energized. A loan assistance of Rs. 1911.42 crore were sanctioned for 149 new schemes during the year under this category.



The state-wise details and cumulative position of pumpset energized up to 31.3.2012 are given in the enclosed **Table-5**.

#### 7.4 Financing Activities in North Eastern States

A loan assistance of Rs. 519.52 crore was disbursed to North Eastern states under T&D, Generation & RGGVY programme during the financial year 2011-12. Further, 14 schemes in Nagaland were sanctioned involving a loan outlay of Rs. 9634 crore for T&D projects.

#### 8. INTERNATIONAL COOPERATION & DEVELOPMENT

REC has signed its third loan agreement with KfW, Germany, on 30.03.2012 for availing ODA loan of EUR 100 million (approx Rs. 700 crore) for financing Renewable Energy Projects in the areas of Wind Power / Small Hydro Power / Biomass Cogeneration / Biomass Power / Solar PV / Solar Thermal & Energy Efficiency. The loan shall be drawn over the next five years i.e. upto December, 2017.



Shri Rajeev Sharma, CMD, REC signed the loan agreement for Rs 700 crore with KfW for financing Renewable Energy projects on 30th March, 2012.

KfW-II ODA loan of EUR 70 million (approx. Rs. 480.97 crore) was fully drawn during financial year 2011-12. Under JICA-I & II ODA loans, cumulative amounts of JPY 16356 million (approx. Rs. 778.17 crore) and JPY 9735 million (approx. Rs. 520.64 crore) respectively were drawn as on 31.03.2012 and under KfW I amount of EUR 70 million (Rs. 454.02 crore) was drawn as on 31.03.2012.

#### 9. RAJIV GANDHI GRAMEEN VIDYUTIKARAN YOJANA

Government of India, launched the scheme "Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)—Scheme of Rural Electricity Infrastructure and Household Electrification" vide OM No.44/19/2004/D(RE) dated 18<sup>th</sup> March, 2005, for providing access to electricity to all rural households. The scheme is being implemented through REC. Under the scheme, 90% capital subsidy is being provided by Government of India for overall cost of the projects.

##### 9.1 Electrification of villages and BPL Households

The initial approval was for implementation of Phase I of the scheme for capital subsidy of Rs. 5000 crore during X Plan period. Further sanction for continuation of the scheme in XI Plan was conveyed by Ministry of Power vide OM No.44/37/07-D(RE) dated 6<sup>th</sup> February, 2008 with an outlay of Rs. 28000 crore as capital subsidy.

645 projects covering electrification of 120142 un-electrified / de-electrified villages and 2.84 crore BPL households costing

Rs. 40942.95 crore have been sanctioned by the Ministry of Power for implementation. The state-wise details are given in enclosed **Table-6**.

Cumulatively, works in 104496 un-electrified villages have been completed and connections to 1.94 crore BPL households have been provided under the scheme up to 31.03.2012. The state-wise details are given in enclosed **Table-7**.

During the financial year 2011-12, it has been reported that works have been completed in 7934 un-electrified villages and connections to 3444902 BPL households have been provided. Further, during the year under review, RGGVY Subsidy of Rs. 2237.31 crore was disbursed by the Ministry of Power, Government of India, to REC.

#### 10. RGGVY- DECENTRALISED DISTRIBUTED GENERATION (DDG)

10.1 RGGVY provides grants for DDG projects from conventional or renewable non-conventional sources such as biomass, biogas, mini hydro, wind and solar etc. for villages where grid connectivity is either not feasible or not cost effective. Under the scheme, ninety percent capital subsidy is provided under RGGVY towards overall cost of the DDG projects under the scheme, excluding the amount of state or local taxes, which is borne by the concerned State/State Utility. 10% of the project cost is to be contributed by states through own resources/loan from financial institutions. A provision of Rs. 540 crore has been kept as subsidy under XI Five Year Plan.

10.2 The Guidelines for DDG projects under RGGVY were issued by Ministry of Power (MoP) on 12.01.2009. Amendments to DDG Guidelines were issued by Ministry of Power on 05.01.2011, 17.03.2011 and 18.03.2011 for more coverage & faster implementation of DDG projects and also for facilitation of DDG in Left Wing Extremism (LWE) affected districts.

10.3 During the financial year 2011-12, in the states of Andhra Pradesh, Bihar, Madhya Pradesh and Uttar Pradesh, 234 Nos. of DDG projects were sanctioned for total project cost of Rs. 151.85 crore. Most of the States are in the process of preparation of DPRs for DDG projects and some of the States are in the process of award and implementation of DDG Projects. The state-wise details of DDG projects under RGGVY sanctioned during 2011-12 are given below:

Sl. No.	State	No. of Projects	No. of Districts	No. of un-electrified villages / hamlets covered	No. of BPL Households covered	Total sanctioned Project Cost (Rs. in crore)
1.	Andhra Pradesh	76	2	95	2735	21.07
2.	Bihar	48	2	175	10143	37.85
3.	Madhya Pradesh	48	4	170	3367	28.83
4.	Uttar Pradesh	62	5	103	4821	64.10
	<b>Total</b>	<b>234</b>	<b>13</b>	<b>543</b>	<b>21066</b>	<b>151.85</b>

#### 11. MoU RATING AND AWARD

The performance of your Company in terms of Memorandum of Understanding (MoU) entered into with Ministry of Power, Government of India, for the financial year 2010-11 has been rated as "Excellent". This is the 18<sup>th</sup> year in succession that your Company has received "Excellent" rating since the year 1993-94 when the first MoU was signed with the Government. For the financial year 2011-12 also, based on the performance



Shri Rajeev Sharma, CMD, REC exchanging MoU 2012- 2013 documents with Shri P. Uma Shankar, Secretary, Ministry of Power, Government of India.

achieved, the Company is poised to receive “Excellent” rating.

During the year under review, your Company has received the “**MoU Excellence Award for the year 2009-10**” for the “**Best Listed CPSE**” awarded by Department of Public Enterprises, Government of India. The Award was given by Hon’ble Prime Minister of India on 31<sup>st</sup> January 2012.

## 12. STANDARDISATION, QUALITY CONTROL & MONITORING

Your Company has continually provided technical expertise in the distribution system to State Power Utilities. The technical specifications and construction standards issued by the Company are used extensively by the State Power Utilities. The Company, in order to promote new technologies, has been continuously looking for innovations using latest R&D in the field of power distribution.

In line with the Three-Tier Quality Control Mechanism for ensuring proper quality of materials and works in implementation of RGGVY XI-Plan schemes, (i) REC Quality Monitors (RQM) have been appointed covering 339 projects in 25 states and (ii) National Quality Monitors (NQMs), on behalf of Ministry of Power, have been appointed under Tier-III for the 332 projects covering 24 states of country. Further during the financial year 2011-12, RQMs have undertaken 2001 Nos. of materials inspections and 6316 village / substation inspections, and NQMs have undertaken 1260 Nos. of village / substation inspections for ensuring quality of works.

## 13. BUSINESS DEVELOPMENT

### Preferred Customer Policy

As a part of business promotion strategy, a Preferred Customer Policy was formulated in 2008 with the basic purpose of offering an enhanced level of services to the Company customers and to have a long term mutually beneficial relationship with them. The policy lays down the eligibility criteria which takes into account various factors, such as, amount of loan outstanding, duration of loan relationship, repayment track record of the borrower etc, for determining preferred customers and sponsoring them for capacity building/domestic/ international seminars/training programmes organized by various external agencies as well as CIRE, Hyderabad.

During the Financial Year 2011-12, under this policy,

participants from nine such preferred customers mostly from the State Utilities viz. Punjab State Transmission Corporation Limited, Panchkula, Maharashtra State Electricity Distribution Company Limited, Mumbai, Maharashtra State Electricity Transmission Company Limited, Mumbai, Maharashtra State Electricity Generation Company Limited, Mumbai, Damodar Valley Corporation, Kolkata, Rajasthan Rajya Vidyut Prasaran Nigam Limited and Tamil Nadu Generation & Distribution Corporation Limited, Chennai etc. were sponsored by REC for 11 day training programme on “Best Global Practices in Power Sector” held at MDI Gurgaon, India, Rome, Milan and Paris.

## 14. JOINT VENTURE AND ASSOCIATES

### 14.1 Joint Venture

REC, along with three other PSUs, namely Power Grid Corporation of India Limited, NTPC, and PFC as equal partners, has formed a Joint Venture Company by the name Energy Efficiency Services Limited (EESL) on December 10, 2009. The total equity requirement for EESL is Rs. 190 crore to be shared equally by the four PSUs. EESL is expected to take a lead in implementing energy efficiency projects, play a market creation role in promoting usage of energy efficient appliances, promote the concept of Energy Service Companies (ESCOs) and performance contracting, manage a partial risk guarantee fund to provide risk mitigation to ESCOs etc, besides taking over the current commercial roles being discharged by the Bureau of Energy Efficiency (BEE). Thus EESL is expected to implement the recommendations under the National Mission for Enhanced Energy Efficiency (NMEEE) which is part of the National Action Plan for Climate Change (NAPCC). The business plan of EESL envisages taking up projects in Energy Conservation and Building Codes, Agriculture Demand Side Management (DSM), Municipal DSM, Bachat Lamp Yojana, besides taking up other functions.

### 14.2 Associate Company

Your Company has also contributed Rs. 1.25 crore (being 4.68 % of paid-up capital) towards equity contribution in Indian Energy Exchange Limited (IEX) up to 31<sup>st</sup> March, 2012. The IEX has a nationwide presence in the form of electronic exchange for trading in power.

## 15. ERP BASED INTEGRATED INFORMATION SYSTEM

**15.1** All important business functions of your Company like Central Accounting, Project Appraisal and Sanction, Disbursement and Management of Loan Accounts, Cash Management & Treasury functions etc. are done through ERP System resulting in continuous & sustainable improvement of internal efficiency and greater customer satisfaction. Data Centre is certified ISO/IEC 27001:2005 security standard, by British Standards Institution (or BSI). Towards achieving efficient e-governance and transparency, REC has implemented on-line procurement system ‘E-procurement’.

**15.2** As a step towards achieving paperless regime in the office, your Company has initiated project of digitization of documents by implementing Document Management System (DMS). Important divisions in Corporate Office have been brought under this system. The system is being extended to other divisions in Corporate Office, Zonal and Project offices. Up gradation of existing cold Disaster Recovery Center (DRC) to hot DRC for ERP operation has also been initiated.

## 16. CENTRAL INSTITUTE FOR RURAL ELECTRIFICATION

**16.1** Central Institute for Rural Electrification (CIRE) was

established at Hyderabad in 1979 under the aegis of REC to cater to the training and development needs of engineers and managers of Power and Energy Sector and other organisations concerned with Power and Energy. The programmes are conducted on state-of-art subjects and subjects of importance of Power Generation, Transmission and Distribution.

#### 16.2 National Training Programmes sponsored by Ministry of Power

CIRE is designated as a nodal agency for implementation of National Franchisee and C&D Employees Training Programmes under the Human Resources Development component of RGGVY programme. 40,000 Franchisees and 75,000 C&D Employees are to be trained under National Training Programme. During the year 2011-12, CIRE/REC entered into MoUs with 44 Power Utilities/Training Institutes, so as to implement the training programme. During 2011-12, 431 Franchisee Programmes were conducted with 16051 participants and 1076 C&D Employee's programmes were conducted with 24782 participants. As on 31<sup>st</sup> March 12, 3204 C&D programmes covering 76793 participants and 1107 Franchisee programmes covering 40843 participants have been conducted.

#### 16.3 Regular National Programmes

CIRE has organised 16 Regular Training Programmes with 345 participants for the personnel of various Power Utilities/ Distribution Companies, on the topics such as, Pilferage of Electricity - Technical & Legal Remedies, Construction Standards for Lines and Sub-stations in Distribution Systems, Open Access, Power Trading and Tariffs - ABT Scenario, Latest Trends in Metering, EHT Transmission Line - Design and O&M, Earthing Practices in Electrical Installations and Safety Precautions, Protection System in Sub-stations, Reactive Power Management, O&M of Thermal Generating Stations, Distribution Automation & SCADA for Power utilities, Power Purchase Agreement, EHT Sub-stations - Design, Erection, O&M, Power & Distribution Transformers - Efficient O&M, Maintenance Management of Power Distribution, Design and O&M of Hydro Power Stations.

#### 16.4 Sponsored National Programmes

CIRE has organised 4 customised programmes and trained 113 participants. One programme was organised for the executives of Torrent Power Limited at Ahmedabad on "Earthing Practices" and three programmes were organised for the executives of Electricity Department of A&N Islands at Port Blair on "Pilferage of Electricity - Legal Remedies", "Construction Standards for Lines & Sub-stations in Distribution Systems" and "O&M of 33/11 KV Sub-stations".

#### 16.5 Regular International Programmes

CIRE is empanelled by Ministry of External Affairs, Government of India to organise training programmes in the area of power sector under ITEC/SCAAP. During the year, CIRE has organised 7 International programmes with 82 participants, on the topics, viz., Business Management of Power Utilities through IT/Automated Solutions; Modernization of Power Distribution Sector, Planning and

Management of Power Transmission and Distribution System; Planning and Financial Management of Power Projects, Decentralised Distributed Generation and Rural Power Distribution Management, Best Practices in Generation and Transmission System, and Financial Management and Accounting Systems for Power Companies.

The participation was from various countries, viz., Afghanistan, Egypt, Mauritius, Nigeria, Sudan, Guatemala, Myanmar, Bangladesh, Ethiopia, Iraq, Comoros, Namibia, Uzbekistan, Tanzania, Palestine, Kazakhstan, Russia, Syria, Thailand, South Africa, Bhutan, Sri Lanka, Nepal, Yemen, Vietnam, Ghana, Zimbabwe, Philippines, Kenya, etc.

#### 16.6 Programmes organised in collaboration

CIRE is organising training programmes in coordination with premier Management Institutes i.e., Institute of Public Enterprise and has conducted 5 programmes during the financial year 2011-12, viz. on Human Resources and Personnel Management in Power Sector, Financial Management for Power Distribution Utilities, Finance for Non-Finance Executives, Contract Management for Power Utilities and Material Management and e-Procurement with 66 participants drawn from various power utilities.

#### 16.7 Distribution Reform, Upgrades and Management (DRUM) Programmes

CIRE is empanelled as a training institute to organise DRUM training programmes, sponsored by Ministry of Power, Government of India under the financial support of USAID, through Power Finance Corporation Limited. CIRE has organised 17 programmes most of them as offsite programs (at Utilities premises) and trained 483 participants for various power utilities in the country in different areas, viz. Best Practices in Distribution Systems Operation and Maintenance, Distribution Efficiency and Demand Side Management, Best Practices in Distribution Loss Reduction, Communication Skills, Employee Motivation and Moral Development, Disaster Management, Electrical Safety Procedures and Accident Prevention and Financial Management in Distribution Business.

#### 16.8 R-APDRP Programme

CIRE, as partner training institute, organizes R-APDRP programme sponsored by Ministry of Power through Power Finance Corporation Limited. CIRE has conducted four R-APDRP programme on "O&M of 33/11 KV Sub-stations" with 135 participants for APDCL, APEPDCL, DHBVN and KSEB.

#### 16.9 Conduction of National Training Programme by CIRE as Empanelled Training Institute

During the financial year 2011-12, CIRE as Empanelled Training Institute, has also conducted 49 Franchisee Programmes with 2011 participants and 7 C&D Programmes with 165 participants for various power utilities.

CIRE has also organised a training programme on "National Training Programme Web Portal" for the nodal officers of the power utilities. 22 executives from various power utilities attended the programme.

- 16.10** In all, during the financial year 2011-12, in addition to coordinating and monitoring the National Training Programmes for Franchisees and C&D employees, CIRE has conducted 115 programmes on various themes and trained 3485 executives as indicated below:

Sl. No.	Name of the Programme	No. of Programs	No. of Participants
1	Regular - National Programmes	16	345
2	Sponsored - National Programmes	4	113
3	Regular - International Programmes	7	82
4	Programmes in collaboration with IPE	5	66
5	DRUM Programmes sponsored by USAID	17	483
6	R-APDRP programmes sponsored by MoP/PFC	4	135
7	National Training Programme for Franchisees conducted by CIRE	49	2011
8	National Training Programme for C&D Employees conducted by CIRE	7	165
9	In-house & other Programme	6	85
	<b>Total</b>	<b>115</b>	<b>3485</b>

## 17. RISK MANAGEMENT

### 17.1 Asset Liability Management

The Company has a Risk Management Policy which covers inter alia Asset Liability Management and Derivative

Instruments. An Asset Liability Management Committee (ALCO) is currently functioning under the chairmanship of CMD and it comprises of Director (Finance), Director (Technical), Executive Director (Finance), General Managers in Finance, Generation, T&D Division and also one Part-time Non-official Independent Director, nominated by Board of Directors of the Company. ALCO monitors risk related to liquidity, interest rates and currency rates. The liquidity risk is being monitored with the help of liquidity gap analysis and the Committee manages the liquidity risk through a mix of strategies, like a forward looking resource raising program based on projected disbursement and maturity obligations. The interest rate risk is monitored through interest rate sensitivity analysis and managed through review of lending rates, cost of borrowings and the terms of lending and borrowing.

### 17.2 Foreign Currency Risk Management

The Company manages foreign currency risk associated with exchange rate and interest rate through various derivative instruments. For this, the Company has put in place a hedging policy to manage risk associated with foreign currency borrowings.

Out of total foreign currency liabilities outstanding as on 31<sup>st</sup> March 2012, 66% were fully hedged as detailed below:

Currency	Total		Hedged (Currency and/or Interest rate)		Unhedged	
	Foreign Currency (in million)	INR Equivalent (in crore)	Foreign Currency (in million)	INR Equivalent (in crore)	Foreign Currency (in million)	INR Equivalent (in crore)
JPY	35669.38	1969.21	23144.38	1187.28	12525.00	781.93
EURO	121.58	818.03	51.58	339.65	70.00	478.38
USD	1470.00	6778.29	1220.00	5499.38	250.00	1278.91
CHF	200.00	1132.56	-	-	200.00	1132.56
<b>Total</b>	<b>-</b>	<b>10698.09</b>	<b>-</b>	<b>7026.31</b>	<b>-</b>	<b>3671.78</b>

### 17.3 Enterprise-wide Integrated Risk Management

The Company has constituted a Risk Management Committee (RMC) consisting of Director (Finance), Director (Technical) and one Part-time Non-official Independent Director for monitoring the integrated risk of the Company. The main function of RMC is to monitor various risks likely to arise and to examine Risk Management Policies and practices adopted by the Company, and also to initiate action for mitigation of risk arising in the operation and other related matters of the Company.

## 18. ISO 9001:2008 QUALITY ASSURANCE CERTIFICATION

Your Company has implemented Quality Management Systems as per ISO 9001:2008 standards in six major Divisions of Corporate Office and all Zonal / Project Offices across the country for claims processing. Your Company has conducted two batches of ISO 9001:2008 – Internal Auditors Training Programme during the year. Total number of 33 participants has successfully completed the said training programme of ISO 9001:2008.

## 19. HUMAN RESOURCES MANAGEMENT

In order to professionalize the Executive strength of REC and also to infuse fresh blood, 10 Executives were appointed through open advertisement and 12 Executives through campus recruitment drawn from premier Institutions empanelled for the purpose during the financial year. The total manpower of the Company as at 31.03.2012 was 678

employees which includes 432 executives and 246 Non-executives.

### 19.1 Reservation in Employment

The directives issued by the Government of India regarding reservations for SC/ST etc. in appointment and promotion to various posts were complied with. The group wise details of SC and ST employees out of the total strength as on 31.03.2012 are given below:

Group	Total No. of employees	SC	ST
A	378(366)	36(32)	9(9)
B	123(137)	15(18)	3(3)
C	83(87)	15(17)	0(0)
D	94(98)	28(30)	2(2)
<b>Total:</b>	<b>678(688)</b>	<b>94(97)</b>	<b>14(14)</b>

(Figures in bracket give the corresponding position in the previous year)

### 19.2 Training & Human Resource Development

As a means of equipping employees with a range of skills including their up-gradation and to enable them to perform their responsibilities, Training and HRD continued to receive priority during the year. Training and Human Resource Development policy of the Company aims at sharpening business skills and competence needed for better employee



performance and provides all possible opportunities and support to the employees to improve their performance and productivity.

Based on the assessed needs and as a means to satisfy them, the Company sponsored 211 employees to various training programmes, workshop etc. within the country and abroad. In addition, 20 training programmes were conducted in house, which were attended by 381 employees. This included four programmes delivered by Indian Institute of Management, Lucknow on the subject of “Managerial Effectiveness and Performance Management System”.

### 19.3 Employee Welfare and Sports Activities

Your Company has been providing a wide range of welfare amenities to employees to take care of their diverse needs with a view to ensure their commitment to the organizational objectives.

Among different activities pursued during the financial year, REC hosted 14<sup>th</sup> Inter-CPSU Carrom (Men & Women) Tournament 2011-12 under the aegis of Power Sports Control Board, Ministry of Power, from 22<sup>nd</sup> to 25<sup>th</sup> November, 2011 at New Delhi and also sponsored its Teams to the Inter-CPSU (Chess / Table Tennis / Kabaddi) Tournaments 2011-12 organized by various CPSU's of Power Sector under the aegis of Power Sports Control Board, Ministry of Power.

### 19.4 Representation of Women Employees

Your Company provides equal growth opportunities to its women employees. Two separate Committees viz. (i) “Women Cell” and (ii) “Complaints Committee” with a representative of an N.G.O are in operation in the Company for looking after the issues concerning women employees and for ensuring safe work environment for them in the Company. REC Women Cell celebrated the “International Women's Day” on 6<sup>th</sup> March, 2012.

### 19.5 Industrial Relations

The Industrial Relations continued to be cordial and harmonious. Sound industrial relations are based on participative and meaningful decision making and information sharing between employees and management which help in establishment of industrial democracy in the organization. The process of participative decision making which involved consultation on important issues such as employee benefits and welfare etc. continued with REC Employee's Union and REC Officer's Association. With such robust process in place consensus was reached on majority of issues which is a true reflection of the environment of mutual trust and harmonious relations that prevails in the organization.

In tune with the participative culture which is seriously encouraged and practised in the organization, periodic interactions were held with Employee's Union and Association.

### 19.6 Public Grievance Redressal Machinery

In accordance with the guidelines issued by the Government of India, the Company has constituted a Grievance Redressal Committee to redress the grievances of officers and staff. The scope of the Committee has further been enlarged to cover Public Grievance also. One day during a week has been fixed as meetingless day to attend the grievances by the Heads of Divisions at Corporate Office as well as Zonal / Project Offices and CIRE.

## 20. CORPORATE SOCIAL RESPONSIBILITY POLICY

20.1 During the year, the Corporate Social Responsibility (CSR) initiatives were pursued pro-actively with a view to integrate RECs' Business operations with social responsibilities and to relate to all stakeholders meaningfully. Strategic focus was accorded by REC to this function. While identifying CSR initiatives, REC has adopted an integrated approach to address the community, societal and environmental concerns.

CSR Budget @ 0.5 % of Profit After Tax (PAT) was allocated for financial year 2011-12, amounting to Rs. 12.85 crore. Viable and sustainable CSR projects were identified and sanctioned assistance aggregating to Rs. 14.10 crore. Disbursement of an amount of Rs. 12.99 crore has been achieved during the financial year 2011-12 against the MoU target of Rs. 12.85 crore, thereby achieving the targets set under excellent category for CSR initiatives.



REC-Amar Seva Sangam Centre for physically handicapped under CSR being inaugurated by Shri P. Uma Shankar, Secretary, Ministry of Power, Government of India and Shri Rajeev Sharma, CMD, REC.

The following project based CSR activities were initiated during financial year 2011-12 based on base-line surveys and need assessment.

- (i) Support of Rs. 10.50 crore to implement a prestigious programme entitled “Saakshar Bharat Mission” of the Government of India by National Literacy Mission Authority (NLMA) under MoHRD in Public Private Partnership (PPP) mode was provided to six identified States with low literacy percentage. Over 1.61 lakh Nos. Adult Education Centres (AECs) are targeted to be set up under Saakshar Bharat Mission in these States. It has been decided to upgrade the existing Adult Education Centres (AECs) into Model AECs by providing them with ICT infrastructure viz. computers, furniture and audio visual equipment etc. In line with CSR vision and REC CSR policy to promote education including infrastructure creation, your Company had sanctioned up-gradation of 220 AECs in rural locations @ Rs. 2.5 lakh per AEC thus creating a platform/hub in the rural areas enabling the literates to attend the various educational programmes to achieve higher skills and thus leading to creation of livelihood opportunities and employment in urban areas and 100 new MAECs cum vocational training centres to be set up by State Resource Centres (SRCs) in rural areas /district headquarters @ Rs. 5 lakh each thus establishing an educational hub for both illiterates and literates to acquire higher skills by attending various

educational programmes thus leading to creation of livelihood opportunities and employment in urban areas.

- (ii) Financial support of Rs. 1.63 crore was provided to Dr. Reddy Foundation the CSR arm of Dr. Reddy Laboratories Hyderabad, for skills up-gradation and job oriented training leading to creation of livelihood opportunities and employment to 2400 rural/ semi urban youths from economically weaker section at 15 centres located in 6 states viz. Odisha, Jharkhand, Chhattisgarh, Bihar, West Bengal and Uttar Pradesh.
- (iii) Financial assistance of Rs. 1.53 crore was provided to Construction Industry Development Council (CIDC), an autonomous body established by Planning Commission, Government of India, for skills up-gradation and job oriented training leading to creation of livelihood opportunities and employment to 500 rural/ semi urban youths from economically weaker section of society in construction industry at designated training centres viz. Faridabad (Haryana), Ghaziabad, Sidhauri & Ramshahpur in Uttar Pradesh and Pavpuri in Bihar States.
- (iv) Further recognition was given to National Men's Hockey team by awarding them @ Rs. 1.5 lakh per player for winning Asian Championship Trophy 2011 and @ Rs. 1.0 lakh per player for qualifying for London Olympics, 2012. This CSR initiative "Promotion of Talent in Sports" was identified and undertaken to raise their morale to bring our National game Hockey to shining glories in future.

Concurrent and final evaluation of all CSR projects initiated during financial year 2010-11 is being perused actively by engaging an external agency during financial year 2011-12 in compliance with DPE Guidelines.



Shri Rajeev Sharma, CMD, REC (right), signing MoU with Shri Jagmohan Singh Raju, CEO, National Literacy Mission Authority (left), in the presence of Shri Kapil Sibal, Hon'ble Minister for Education, on 13<sup>th</sup> March 2012, for providing REC-CSR support for the "Saakshar Bharat Abhiyaan" of the Government of India.

## 21. INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

The Company maintains system of Internal Control including suitable monitoring procedures which ensures accurate and timely financial reporting of various transactions, efficiency of operations and compliance with statutory laws, regulations and Company policies. In order to ensure that adequate checks and balances are in place and that all internal control systems are in order, regular and exhaustive Internal Audit of various Divisions / offices are conducted by In-house

Internal Audit Division and for some selected Project Offices by experienced firms of Chartered Accountants. The Internal Audit Division covers all the major areas of operations including identified critical / risk areas as per the Annual Internal Audit Programme. Audit Committee periodically reviews the significant findings of different Audits as prescribed under the Companies Act and in the Listing Agreement.

## 22. VIGILANCE ACTIVITIES

**22.1** The Vigilance Division continued its efforts to enhance transparency and accountability in the systems and procedures. Towards this purpose, regular meetings were conducted with functional divisions to identify the areas which needed to be streamlined. REC's CDA Rules were reviewed and revised to make them more comprehensive. Recruitment process has been made more transparent by HR Division by putting requisite details on the website of the Company at various stages of the recruitment process like advertisement, eligibility criteria, details of applicants, shortlisted candidates, date and time of interview, results etc. The Company has also introduced IT based Bill Tracking System so as to process the bills of third parties on First in First Out basis. This will also facilitate third parties to track their bills on Website of the Company. Status of loan applications received in the Company for various categories i.e. Generation and T&D are uploaded on Company's website to facilitate the borrowers to know the status of their loan proposals. The Leveraging of IT Technology (ERP) has resulted in availability of on-line secure information and improved response time to customers, leading to their satisfaction and reduction in average disbursement period.

**22.2** Policy for Investor/Debt Servicing mechanism and Resource Mobilisation are under finalization and modalities/procedure adopted in raising External Commercial Borrowing were also reviewed and suggestions for making the operations more transparent for appointment of external agencies i.e., Arrangers, Managers, Fiscal Agents etc. were made. All HoDs/ CEOs-RECPDCL/RECTPCL have been advised to comply with the Centralised Complaint Handling system and ensure that complaints received in various divisions are sent to Vigilance Division.

**22.3** E-procurement has been implemented for procurement above Rs. 10 lakh in the Company. In view of CVC/MoP's instructions, the Procurement guidelines are revised and made more comprehensive by prescribing specific timelines for each step under different tendering procedures. In addition to this, computerization of Annual Immovable Property Returns (IPRs) has been done and employees entered details of movable/immovable property online which were subjected to systematic scrutiny and clarifications were sought wherever necessary. As per directions of MoP the details of Immovable Property of all the Executives of the Company have been uploaded on website of the Company and vigilance clearance has been linked with timely submission of IPR.

**22.4** Inspections and field visits were regularly conducted by the Vigilance Division. Audit Reports were scrutinized from vigilance point of view. Training programmes were also organized for vigilance and non-vigilance officers at Corporate Office as well as field offices on vigilance related matters. Agreed lists and list of Officers of Doubtful Integrity are finalized. In compliance to the instructions of CVC, the sensitive posts in the Corporation were identified, and most of the officers working on these posts for a long time have been rotated. Prescribed periodical statistical returns were sent to CVC, CBI, MoP on time.

**22.5** The Vigilance Awareness Week was observed from 31<sup>st</sup> October, 2011 to 5<sup>th</sup> November, 2011. During this period,

posters containing messages discouraging corruption and encouraging preventive vigilance were got displayed at Corporate Office as well as Zonal / Project Offices. Debate and Essay Writing Competitions were organized for executives as well as non-executives. Eminent faculty was also invited for delivering lectures on various important topics, which included focus on participative vigilance through all stakeholders' involvement. The performance of Vigilance Division was reviewed regularly by CVC, Board of Directors and CMD of REC in addition to constant reviews undertaken by CVO, REC in accordance with prescribed norms.

### 23. IMPLEMENTATION OF OFFICIAL LANGUAGE

23.1 The Company excelled most of the targets fixed by Department of Official Language, Ministry of Home Affairs in its Annual Programme 2011-12. In order to encourage employees, all incentive Schemes introduced by the Government of India have been implemented in the Company. During the year, Officers and Staff of the Company have shown keen interest in Hindi with the result that its usage has increased in day to day working.

23.2 An "Akhil Bhartiya Rajbhasha Sammelan" was organized by the Company at New Delhi under the aegis of "Ministry of Power" on 16<sup>th</sup> May, 2011 which was inaugurated by Hon'ble Union Minister of Power, Shri Sushilkumar Shinde. A large number of MPs and senior officers of Ministry of Power, Famous Hindi scholars and CMD of other PSUs under the administrative control of Ministry of Power also attended.

23.3 The Company has been honoured with RAJBHASHA SHRI SAMMAN by Bhartiya Rajbhasha Vikas Sansthan, Dehradun during the year 2011-12 for promoting Rajbhasha.

23.4 During the year, inspections were carried out to assess the progressive use of Hindi in 11 Divisions of Corporate Office/ 12 Project Offices and suggestions were given to them to improve the shortcomings. Ministry of Power's officers have also inspected two Project Offices during the year. A target of 25 % inspection of Divisions of Corporate Office and Project Offices was set out in the Annual Programme 2011-12 by Official Language Department. Against this, the Company has achieved twice the target of inspections at Corporate Office as well as Project Office. Hindi pakhwara was also organized from 14.09.2011 to 28.09.2011.

23.5 Four quarterly review meetings of Official Language implementation Committee were held during the year 2011-12 under the chairmanship of CMD in which detailed discussion were held to review the progress and suggest measures to overcome the difficulties in order to achieve the targets.

23.6 The website of the Company is maintained both in Hindi and English and is being updated from time to time. Bilingual working facility has been made available on all computers. All publications, reports, memorandum, press release, MOUs, tenders, annual reports etc. were issued bilingually. To give impetus to the correspondence in Hindi, standard formats have also been made available on intranet.

### 24. FINANCIAL STATEMENTS / DOCUMENTS UNDER SECTION 212 OF THE COMPANIES ACT, 1956

The Ministry of Corporate Affairs, Government of India, vide its Circular dated 8<sup>th</sup> February, 2011 has granted general exemption to all Companies from attaching the financial statements of its subsidiary companies, pursuant to Section 212(8) of the Companies Act, 1956, subject to compliance of certain conditions by the Companies as prescribed in this circular. Accordingly, copies of the balance sheet, statement of profit and loss and reports of the Board of Directors and auditors of the subsidiaries have not been attached with the balance sheet of the Company. However, these documents

will be made available upon request by any member of the Company interested in obtaining the same. As directed by the Central Government, the financial data of the subsidiaries has been furnished in the Notes on consolidated financial statements, which forms part of the Annual Report. The annual accounts of the Company including that of subsidiaries will be kept for inspection by any member. Further pursuant to Accounting Standard-21 (AS-21) prescribed under the Companies (Accounting Standard) Rules, 2006, Consolidated Financial Statements presented by the Company include financial information about its subsidiaries.

### 25. PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

There are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 as your Company does not own any manufacturing facility. However, the Company has made intensive use of technology in its operations during the year under review.

No export activities/initiatives were carried out and no foreign exchange was earned during the financial year 2011-12. The particulars regarding foreign exchange outgo during the year are as under:

(Rs. in crore)

Particulars	Amount
Royalty, Know-how, Professional Consultation Fees	1.34
Interest	192.95
Finance Charges	65.45
Other Expenses	0.69
<b>Total</b>	<b>260.43</b>

### 26. SUBSIDIARY COMPANIES

Your Company has four subsidiary companies as on March 31, 2012 for undertaking specific business activities. The names of these companies, dates of their formation and the percentage of ownership interest in these Companies are as follows:-

Sl. No.	Name of Subsidiary Company	Date of Formation	Percentage of ownership interest
1.	REC Transmission Projects Company Limited (RECTPCL) (a wholly owned subsidiary of REC)	08.01.2007	100 %
2.	REC Power Distribution Company Limited (RECPDCL) (a wholly owned subsidiary of REC)	12.07.2007	100 %
3.	Vemagiri Transmission System Limited (VTSL)* (a wholly owned subsidiary of RECTPCL)	21.04.2011	100 %
4.	Vizag Transmission Limited (VTL) (a wholly owned subsidiary of RECTPCL)	30.11.2011	100 %

\*Vemagiri Transmission System Limited (VTSL) has been transferred on April 18, 2012 to Power Grid Corporation of



India Limited (PGCIL), substantially upon the terms & conditions as detailed in the Share Purchase Agreement executed between RECTPCL, VTSL and Power Grid Corporation of India Limited.

## 26.1 REC Transmission Projects Company Limited

During the year, REC Transmission Projects Company Limited (RECTPCL), commenced the process of selection of developer for Transmission System associated with IPPs of Vemagiri Area: Package-A. For this purpose, a project-specific SPV namely Vemagiri Transmission System Limited (VTSL) was incorporated on April 21, 2011, as a Wholly Owned Subsidiary of RECTPCL, for development of above project. RECTPCL invited global invitation for Request for Qualification (RfQ) for short-listing of bidders as Transmission Service Provider. Upon successful completion of the selection process, the Letter of Intent (LoI) was issued to Power Grid Corporation of India Limited on 20.03.2012 who emerged as successful bidder with lowest levelised transmission tariff of Rs. 119.74 crore per annum. Power Grid Corporation of India Limited acquired 100% shares of Vemagiri Transmission System Limited on 18.04.2012 on payment of acquisition price amounting to Rs. 18.28 crore which includes professional fee of Rs. 15.00 crore.

The Ministry of Power, GoI, on October 7, 2011 allocated another project namely, 'Evacuation System for Vizag-Vemagiri Projects-Hinduja (1040 MW)' to RECTPCL to act as Bid Process Coordinator for selection of developer for the project. For this purpose, a project-specific SPV namely Vizag Transmission Limited (VTL) was incorporated on November 30, 2011, as wholly owned subsidiary of RECTPCL. RECTPCL had invited global invitation for Response to Request for Qualification (RfQ) for shortlisting of bidders as Transmission Service Provider on December 7, 2011. The process of selection of developer for this project has been however kept in abeyance till further notice as advised by Central Transmission Utility (CTU). The bidding process in respect of other two projects viz. Transmission System associated with IPPs of Vemagiri Area: Package B and Package-C shall commence once the associated generation projects have made significant progress.

During the year ended 31<sup>st</sup> March, 2012, REC Transmission Projects Company Limited has been able to generate an income of Rs. 18.10 crore. The Profit Before Tax and Profit After Tax for the year is Rs. 18.09 crore and Rs. 11.71 crore respectively. The Net Worth of RECTPCL has reached Rs. 42.36 crore against initial capital of Rs. 0.05 crore injected by REC. For the year, the Board of Directors has recommended a dividend @ Rs. 20/- per share for the financial year 2011-12, subject to approval of shareholders of the Company in the Annual General Meeting.

## 26.2 REC Power Distribution Company Limited

During the year, REC Power Distribution Company Limited (RECPDCL) completed milestone of Third Party Inspection (TPI) of 9634 villages and 1489 feeders under Rajiv Gandhi Gramen Vidyutikaran Yojna (RGGVY) and Feeder Renovation Programme (FRP) / High Voltage Distribution System (HVDS) works respectively. The company has carried out the material inspection under RGGVY under XI Five Year plan in 15 DISCOMs and material inspection of HVDS project of Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL).

RECPDCL has carried out the Lenders Engineer Assignment for 1 MW Solar Power Generation Plant installed in Bolangir

District of Odisha by Raajratna Energy Holding Private Limited, Five MW Solar Power Generation Plant installed in Tinwari Village, Jodhpur, Rajasthan by Swiss Park Vanijya Private Limited and one MW Solar Power Generation Plant installed in Anantpur District of Andhra Pradesh by Amrit Jal Ventures Private Limited. The Company has widened its business horizon by taking up the new initiatives viz., MRI based Billing and Data Analysis, Revised Cost Estimation works of RGGVY Phase-II and start participating in Tenders.

During the financial year 2011-12, RECPDCL has been able to generate gross income of Rs. 23.28 crore and Profit Before Tax (PBT) and Profit After Tax (PAT) of Rs. 12.86 crore and Rs. 8.67 crore respectively. The net worth of the Company has doubled this year and reached Rs. 16.12 crore against initial capital injected by REC of Rs. 0.05 crore. For the year, Board of Directors has recommended a dividend @ Rs. 10/- per equity share for the financial year 2011-12, subject to approval of shareholders of the Company in the Annual General Meeting.

## 27. PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956

During the financial year 2011-12, no employee of the Company was drawing remuneration either on monthly or annual basis exceeding the limit as prescribed under Section 217(2A) of the Companies Act, 1956, read with Companies (Particular of Employees) Rules, 1975.

## 28. DIRECTORS' RESPONSIBILITY STATEMENT

With reference to Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:-

- (i) in the preparation of the Annual Accounts for the period ended 31.03.2012, the applicable Accounting Standards had been followed and no material departures have been made from the same;
- (ii) such accounting policies have been selected and applied consistently and judgements and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) proper and sufficient care is taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts have been prepared on a going concern basis.

## 29. GREEN INITIATIVE IN CORPORATE GOVERNANCE

As part of the Green Initiative in Corporate Governance, the Ministry of Corporate Affairs (MCA), Government of India, through its Circular Nos. 17/2011 and 18/2011, dated April 21, 2011 and April 29, 2011 respectively, has also allowed companies to send official Notices/documents to their shareholders electronically.

As a responsible Corporate Citizen, your Company has actively supported the implementation of 'Green Initiative' circulars issued by Ministry of Corporate Affairs (MCA) last year and effected electronic delivery of Notice of Annual General Meeting (AGM) and Annual Report for the year ended March 31, 2012 to those shareholders whose email addresses were already registered with the respective Depository Participants (DPs) and downloaded from the depositories viz. NSDL/CDSL and who have not opted for receiving Annual Report in

physical form, as done in previous year and the same shall also be available on REC website [www.recindia.nic.in](http://www.recindia.nic.in). The intimation of final/Interim Dividend paid during the Financial Year 2011-12 to those shareholders whose email addresses were registered was also made electronically.

Shareholders are requested to support the “THINK GREEN, GO GREEN” initiative of your Company by registering/ updating e-mail addresses for receiving electronic communications.

It is reiterated that upon receipt of requisition from the member including the members who have exercised the option of electronic delivery of these documents, every member of the Company is entitled to be furnished free of cost, with a copy of the Balance Sheet of the Company and all other documents required by law to be attached thereto, including the Statement of Profit and Loss and Auditors’ Report etc.

### 30. BOARD OF DIRECTORS

**30.1** The current composition of the Board of Directors of your Company is under:-

Sl. No.	Name of Director	Designation	Date of present Appointment
1.	Shri Rajeev Sharma	Chairman & Managing Director	29.11.2011
2.	Shri Prakash Thakkar	Director ( Technical)	02.05.2011
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	01.08.2012
4.	Shri Devender Singh	Government Nominee Director	29.08.2007
5.	Dr. Devi Singh	Part-Time Non-official Independent Director	10.06.2011
6.	Dr. Govinda Marapalli Rao	Part-Time Non-official Independent Director	10.06.2011
7.	Shri Venkataraman Subramanian	Part-Time Non-official Independent Director	10.06.2011
8.	Dr. Sunil Kumar Gupta	Part-Time Non-official Independent Director	16.03.2012

**30.2** The following changes took place in the Board of Directors of your Company during the year:

**30.2.1** Shri Rajeev Sharma took over the charge of Chairman and Managing Director of the Company w.e.f. November 29, 2011(A/N) pursuant to Ministry of Power (MoP) Order No. 46/8/2011-RE dated November 29, 2011;

**30.2.2** Dr. J.M. Phatak who took over the charge as CMD, REC on June 15, 2010 relinquished charge on April 16, 2011 (F/N). Shri Hari Das Khunteta, Director (Finance), REC was holding additional charge as CMD, REC from April 16, 2011 to November 29, 2011(F/N);

**30.2.3** Shri Prakash Thakkar has been appointed as Director (Technical) on the Board of REC w.e.f. May 2, 2011 vide Ministry of Power (MoP) Order No. 46/9/2010-RE dated May 2, 2011;

**30.2.4** Dr. Devi Singh, Dr. Govinda Marapalli Rao and Shri Venkataraman Subramanian were appointed as Part-time Non-official Independent Directors on the Board of the Company for a period of three years w.e.f. the date of their appointment or until further orders, whichever is earlier, pursuant to MoP Order No. 46/2/2010-RE dated June 10, 2011;

**30.2.5** Services of Shri Rakesh Jain, Joint Secretary & Financial Advisor, MoP, who was appointed as Government Nominee Director on the Board of the Company on 20<sup>th</sup> January, 2011, were withdrawn by the MoP w.e.f. July 5, 2011, from the Board of REC;

**30.2.6** Dr. Sunil Kumar Gupta has been appointed as Part-time Non-official Independent Director on the Board of the Company for a period of three years w.e.f. the date of notification of his appointment or until further orders, whichever is earlier pursuant to MoP Order No. 46/2/2010-RE dated March 16, 2012;

**30.2.7** The tenure of Shri Hari Das Khunteta, Director (Finance) ended on July 31, 2012 on attaining the age of superannuation (i.e. 60 years); and

**30.2.8** Shri Ajeet Kumar Agarwal, has been appointed as Director (Finance) on the Board of the Company, for a period of five years with effect from the date of his taking over charge of the post on or after August 1, 2012, or until the date of superannuation, or until further orders, whichever event occurs the earliest pursuant to MoP Order No. 46/9/2011-RE dated May 17, 2012.

**30.3** In accordance with the provisions of Articles 82 (4) of the Articles of Association of the Company, Shri Prakash Thakkar and Dr. Devi Singh, Directors shall retire by rotation at the ensuing Annual General Meeting of the Company and, being eligible, offer themselves for re-appointment.

### 31. RIGHT TO INFORMATION ACT, 2005

The Company has taken necessary steps for the Implementation of “Right To Information Act, 2005 (RTI)” in REC and independent RTI Cell has been set up for coordinating the work relating to receipt of applications and furnishing information thereto. RTI Handbook, both in English and Hindi, has been placed on REC website which is updated periodically. The status of RTI applications for the financial year 2011-12 is given under:

Sl.No.	Particulars	Nos.
1.	Applications received	104
2.	Applications disposed off	101
3.	Applications disposed off subsequently	2
4.	Appeals received by AA, REC	5
5.	Appeals disposed off by AA, REC	5
6.	Appeals received from CIC	1
7.	Appeals disposed off by CIC	Pending before CIC and notice from CIC is yet to be received.

### RTI MACHINERY IN REC

#### CORPORATE OFFICE:

- (A) **Assistant Public Information Officer**  
Ms. Suraksha,  
Manager
- (B) **Public Information Officer**  
Shri R.K. Mittal,  
General Manager
- (C) **Appellate Authority**  
Shri Vinod Behari,  
Executive Director

## 32. COMMENTS OF C&AG OF INDIA

The Comptroller and Auditor General (C&AG) of India, through letter dated 24<sup>th</sup> July, 2012 has given 'NIL' Comments on the Audited Financial Statements of your Company for the year ended March 31, 2012 under Section 619 (4) of the Companies Act, 1956. The Comments of C&AG for the financial year 2011-12 have been placed along with the report of Statutory Auditors of your Company elsewhere in this Annual Report.

## 33. STATUTORY AND OTHER INFORMATION REQUIREMENTS

Information required to be furnished as per the Companies Act, 1956, Listing Agreement with Stock Exchanges, Government Guidelines etc. is annexed to this report as under:-

Particulars	Annexure
Management Discussion & Analysis Report	I
Report on Corporate Governance	II
Certificate from Joint Statutory Auditors of the Company regarding compliance of conditions of Corporate Governance	III
Secretarial Audit Report issued by the Secretarial Auditors of the Company	IV
Statement pursuant to Section 212 (1) (e) of the Companies Act, 1956 relating to subsidiary companies.	V

## 34. STATUTORY AUDITORS

M/s Bansal & Co. Chartered Accountants, New Delhi and M/s P.K. Chopra & Co., Chartered Accountants, New Delhi, were appointed as Joint Statutory Auditors of your Company for the financial year 2011-12 by the Comptroller and Auditor General (C&AG) of India. The Joint Statutory Auditors have audited the Annual Financial Statements of the Company for the financial year ended 31<sup>st</sup> March, 2012. Following documents are annexed to this Report:

- Auditors' Report on the Standalone Financial Statements of the Company for the financial year ended 31<sup>st</sup> March, 2012;
- Auditors' Report on the Consolidated Financial Statements of the Company and its Subsidiaries;
- Non-Banking Financial Companies Auditors' Report;
- Audited Standalone Financial Statements and Cash Flow Statement of the Company for the financial year ended 31<sup>st</sup> March, 2012;
- Annexure to be enclosed with the audited Balance Sheet as prescribed by RBI; and
- Audited Consolidated Financial Statements and Cash Flow Statement of the Company for the financial year ended 31<sup>st</sup> March, 2012.

## 34.1 Replies to the Observations/Comments of Joint Statutory Auditors

In terms of Section 217(3) of the Companies Act, 1956, the information / explanations to the observations of Joint Statutory Auditors in para (iv) of Annexure to the Auditors Report referred in Point No. 3 of Auditors' Report are submitted as under:

Observation of Joint Statutory Auditors	Management Reply
"In our opinion and according to information & explanations given to us, internal controls are generally commensurate with the size of the Corporation and the nature of its business. However, in certain areas internal control needs further strengthening like Utilization of grants/ subsidies received under various schemes; Monitoring and supervision of loans given to various SEBs/DISCOMs/ TRANSCOs/ GENCOs including obtaining search reports for charges created against the loans given, regular updating of Loan Module and generation of various reports from loan module in ERP to have better control over loan assets. During the course of audit we have not come across any major failure in internal control system".	Continuous efforts are being made to further strengthen the internal control in the said areas.

## 35. SECRETARIAL AUDITORS

M/s Chandrasekaran Associates, Company Secretaries, New Delhi was appointed as Secretarial Auditors of your Company for carrying out Secretarial Audit for the financial year ended 31<sup>st</sup> March 2012. A copy of the Secretarial Audit Report is annexed to this report.

## 36. ACKNOWLEDGEMENTS

The Directors are grateful to the Government of India particularly the Ministry of Power & Ministry of Finance, the Planning Commission and the Reserve Bank of India for their continued co-operation, support and guidance in effective management of Company's affairs and resources.

The Directors thank the State Governments, State Electricity Boards, State Power Utilities and other Borrowers for their continued interest and trust in the Company.

The Directors also place on record their sincere appreciation for the continued support and goodwill of the esteemed Shareholders, Investors in REC Bonds, domestic and overseas Banks, Life Insurance Corporation of India, KfW of Germany and JICA of Japan in the fund raising programmes of the Company.

The Directors also thank Joint Statutory Auditors M/s Bansal & Co. and M/s P.K. Chopra & Co., the Secretarial Auditors M/s Chandrasekaran Associates and the Comptroller & Auditor General of India for their valued cooperation.

The Directors also sincerely appreciate and thank all the employees of the Company for their valuable contribution and dedicated efforts in steering the Company to excellent performance for yet another year in succession.

For and on behalf of the Board of Directors

  
(Rajeev Sharma)  
Chairman & Managing Director

New Delhi  
August 3, 2012

**TABLE - 1 : PROJECTS SANCTIONED DURING 2011-12 UNDER REC FINANCED SCHEMES**

(Rs. in Lacs)

Sl. No.	State	No. of Projects	Loan Amount
<b>A.</b>	<b>T&amp; D Projects</b>		
1	Andhra Pradesh	161	279258
2	Haryana	41	71984
3	Himachal Pradesh	28	57144
4	Jammu and Kashmir	4	1092
5	Karnataka	79	69246
6	Chhattisgarh	4	15489
7	Madhya Pradesh	60	132516
8	Maharashtra	157	545817
9	Nagaland	14	9634
10	Punjab	13	175736
11	Rajasthan	118	343110
12	Tamil Nadu	134	214849
13	Uttar Pradesh	181	278755
14	Uttaranchal	7	2773
15	West Bengal	32	153261
	<b>Sub-Total-(A)</b>	<b>1033</b>	<b>2350664</b>
<b>B</b>	<b>Generation Projects</b>		
1	Andhra Pradesh	1	272958
2	Bihar	2	967500
3	Chhattisgarh	2	239000
4	Gujarat	2	192000
5	Jharkhand	2	180000
6	Maharashtra	2	197626
7	Madhya Pradesh	1	85000
8	Punjab*	0	*538
9	Tamil Nadu	2	48812
10	West Bengal	1	100000
	<b>Sub-Total-(B)</b>	<b>15</b>	<b>2283434</b>
<b>C</b>	<b>Renewable Energy Projects</b>		
1	Andhra Pradesh*	2	*5326
2	Gujarat	2	10200
3	Haryana	1	3644
4	Himachal Pradesh*	1	*10118
5	Maharashtra	1	3920
6	Tamil Nadu	1	1011
	<b>Sub-Total-(C)</b>	<b>8</b>	<b>34219</b>
<b>D</b>	<b>Short Term Loan</b>		
1	Andhra Pradesh	1	8000
2	Haryana	4	75000
3	Maharashtra	2	25000
4	Punjab	3	50000
5	Rajasthan	7	105000
6	Tamil Nadu	2	30000
7	Uttar Pradesh	13	105000
8	Uttaranchal	1	10000
9	West Bengal	2	50000
	<b>Sub-Total-(D)</b>	<b>35</b>	<b>458000</b>
<b>E</b>	<b>IC&amp;D Projects</b>		
1	Haryana*	0	*3360
	<b>Sub-Total-(E)</b>	<b>0</b>	<b>3360</b>
	<b>Grand Total (A+B+C+D+E)</b>	<b>1091</b>	<b>5129677</b>

\* It includes additional loan against already sanctioned projects

**TABLE-2 : CATEGORY-WISE PROJECTS SANCTIONED DURING 2011-12 UNDER REC FINANCED SCHEMES**

(Rs. in Lacs)

Sl. No.	Category	Category Code	No. of Projects	Loan Amount
<b>A</b>	<b>T&amp;D Projects</b>			
1	Project: Intensive Electrification	P:IE	54	159707
2	Special Project Agriculture: Pumpset Energisation	SPA:PE	149	191142
3	Project: System Improvement	P:SI-Distribution	101	263486
4	Project: System Improvement	P:SI-Distribution (HVDS)	24	74224
5	APDRP	APDRP	369	589870
6	System Improvement: BULK	BULK	63	220391
7	Project: System Improvement	P:SI-Transmission	273	851844
	<b>Sub-Total (A)</b>		<b>1033</b>	<b>2350664</b>
<b>B</b>	<b>Project : Generation</b>	<b>P:Gen</b>	<b>15</b>	<b>2283434</b>
<b>C</b>	<b>Project: Renewable Energy</b>	<b>P: REN</b>		
1	Biomass / Bagasse	P:REN (Biomass/Bagasse)	2	7564
2	Small Hydro	P:REN (Small Hydro)	1	10118
3	Solar	P:REN (Solar)	5	16537
	<b>Sub-Total (C)</b>		<b>8</b>	<b>34219</b>
<b>D</b>	<b>Short Term Loan</b>	<b>STL</b>	<b>35</b>	<b>458000</b>
<b>E</b>	<b>Project : IC&amp;D</b>	<b>P: IC&amp;D</b>	<b>0</b>	<b>3360</b>
	<b>Grand Total (A+B+C+D+E)</b>		<b>1091</b>	<b>5129677</b>

**TABLE- 3: CUMULATIVE STATE WISE PROJECTS SANCTIONED UPTO 2011-12 UNDER REC FINANCED SCHEMES** (Rs. in Lacs)

Sl. No.	STATE	Upto 2001-02		X Five Year Plan		XI Five Year Plan		Cumulative upto 2011-12	
		No. of Projects	Sanctioned Amount	No. of Projects	Sanctioned amount	No. of Projects	Sanctioned Amount	No. of Projects	Sanctioned amount
1	Andhra Pradesh	4810	440263	1104	1209532	558	1300954	6472	2950750
2	Arunachal Pradesh	159	29954	54	104020	16	73949	229	207923
3	Assam	393	32984	33	30404	20	150197	446	213585
4	Bihar	1664	55272	73	189857	78	1671582	1815	1916710
5	Chhattisgarh	0	0	22	516315	63	486756	85	1003071
6	Delhi	2	817	6	47323	1	363707	9	411847
7	Goa	16	2007	0	0	0	0	16	2007
8	Gujarat	1784	253470	124	527966	42	726832	1950	1508268
9	Haryana	1209	116989	148	395304	253	957795	1610	1470088
10	Himachal Pradesh	419	52240	37	116177	125	215489	581	383906
11	Jammu & Kashmir	500	67243	34	93792	69	162057	603	323091
12	Jharkhand	0	0	27	147602	12	255581	39	403183
13	Karnataka	2384	307390	472	388445	213	1276890	3069	1972726
14	Kerala	1454	242741	297	241884	20	104897	1771	589522
15	Madhya Pradesh	5111	236175	133	235711	255	971789	5499	1443675
16	Maharashtra	4602	440595	833	1516910	418	2753167	5853	4710672
17	Manipur	146	20696	3	9463	2	9169	151	39328
18	Meghalaya	105	19351	4	31571	10	44645	119	95567
19	Mizoram	46	7879	24	20360	7	14343	77	42582
20	Nagaland	71	7791	23	5648	36	28108	130	41547
21	Orissa	1624	77691	21	120627	55	408199	1700	606517
22	Punjab	1303	259737	216	657148	125	1161462	1644	2078347
23	Rajasthan	3012	382940	597	556042	449	2902506	4058	3841487
24	Sikkim	36	2910	4	5626	2	3101	42	11637
25	Tamil Nadu & Pondicherry	3003	175458	597	380610	364	2604368	3964	3160436
26	Tripura	172	15732	6	36374	3	11189	181	63295
27	Uttar Pradesh	3027	223840	102	670277	557	2146380	3686	3040497
28	Uttaranchal	0	0	84	306792	20	172884	104	479676
29	West Bengal	1256	59750	198	442875	78	1126536	1532	1629161
30	Puducherry - UT	0	0	0	0	2	12507	2	12507
31	T&D Private	0	0	9	4955	10	107085	19	112040
32	Generation Pvt.	6	3347	19	602003	64	5066680	89	5672030
	<b>TOTAL</b>	<b>38314</b>	<b>3535262</b>	<b>5304</b>	<b>9611614</b>	<b>3927</b>	<b>27290803</b>	<b>47545</b>	<b>40437679</b>

Note: Sanctioned amount includes RGGVY and DDG project cost (capital subsidy and Loan)



**TABLE- 4: STATEMENT SHOWING STATE-WISE AND PROGRAMME-WISE DISBURSEMENTS AND REPAYMENT BY BORROWERS DURING THE YEAR 2011-12 AND OUTSTANDINGS AS ON 31.03.2012**

(Rs. in Lacs)

Sl. No.	Name of State	Transmission & Distribution	Generation	RGGVY	STL/Debt Ref	Total disbursement for the year 2011-12	Disbursed upto the end of the year	Repayments During the year	Repayments upto the end of year	Outstanding at the end of the year 2011-12
1	Andhra Pradesh	99237	94332	578	8000	202147	1772654	86331	806746	965908
2	Arunachal Pradesh	280	633	0	0	913	24302	1961	15990	8312
3	Assam	0	0	5392	0	5392	50238	0	26477	23761
4	Bihar	0	15000	2968	0	17968	89055	5034	29750	59304
5	Chhattisgarh	9775	158160	0	0	167935	502223	32729	139644	362578
6	Delhi	0	1093	0	0	1093	1093	0	0	1093
7	Goa	0	0	0	0	0	1479	0	1479	0
8	Gujarat	0	3200	352	0	3552	646704	4481	618640	28063
9	Haryana	48345	103353	182	70000	221880	982907	37803	269318	713590
10	Himachal Pradesh	20286	6884	214	0	27384	277704	74493	179452	98253
11	Jammu & Kashmir	3482	0	714	0	4196	122753	7204	61465	61289
12	Jharkhand	0	29320	498	0	29818	200492	3919	19253	181239
13	Karnataka	502	0	580	0	1082	421645	14674	311075	110570
14	Kerala	0	0	0	0	0	371723	6015	341736	29987
15	Madhya Pradesh	61956	65987	4669	0	132612	496237	10153	167167	329070
16	Maharashtra	293145	228117	556	15000	536818	2586427	86936	747978	1838449
17	Manipur	0	0	864	0	864	18308	660	3786	14523
18	Meghalaya	0	1136	1099	0	2235	45794	63	12342	33452
19	Mizoram	0	0	0	0	0	26519	5494	23558	2961
20	Nagaland	1677	0	265	0	1942	21270	968	8456	12814
21	Orissa	8016	75016	2998	0	86030	240312	2070	94542	145771
22	Punjab	171240	9025	0	50000	230265	1274147	57919	544700	729447
23	Rajasthan	179267	48201	2142	78000	307610	1785048	114340	695236	1089812
24	Sikkim	0	39798	398	0	40196	236815	126	3257	233558
25	Tamil Nadu	56014	229986	509	30000	316508	1786503	63022	428817	1357686
26	Tripura	0	0	410	0	410	12751	0	11055	1696
27	Uttar Pradesh	165968	84890	955	105000	356813	1601140	118217	673880	927260
28	Uttanchal	5448	23361	0	10000	38809	370970	36722	121141	249829
29	West Bengal	18786	17422	1370	10000	47578	617065	40637	86436	530630
30	Wind Energy	0	0	0	0	0	3013	0	1291	1722
	<b>TOTAL</b>	<b>1143423</b>	<b>1234912</b>	<b>27714</b>	<b>376000</b>	<b>2782050</b>	<b>16587291</b>	<b>811969</b>	<b>6444665</b>	<b>10142626</b>
	<b>RGGVY SUBSIDY</b>					<b>277281</b>				
	<b>GRAND TOTAL</b>					<b>3059330</b>				



**TABLE-5 : PUMPSETS ENERGISED UNDER THE PROJECTS FINANCED BY REC DURING 2011-12 AND CUMULATIVE POSITION UPTO 31.03.2012**

(Provisional)

Sl.No.	State	Achievement during 2011-12 (Nos.)	Cumulative Achievement upto 31.3.2012 (Nos.)
1	Andhra Pradesh	137297	2033727
2	Arunachal Pradesh	–	–
3	Assam	–	1922
4	Bihar	–	113354
5	Delhi	–	–
6	Goa	–	–
7	Gujarat	–	420456
8	Haryana	2389	233570
9	Himachal Pradesh	–	5935
10	Jammu & Kashmir	577	14090
11	Jharkhand	–	–
12	Karnataka	–	862387
13	Kerala	–	340882
14	Madhya Pradesh	–	1054106
15	Chhattisgarh	–	–
16	Maharashtra	154960	2259570
17	Manipur	–	29
18	Meghalaya	–	58
19	Mizoram	–	–
20	Nagaland	–	164
21	Orissa	–	63015
22	Punjab	–	501913
23	Rajasthan	2279	496707
24	Sikkim	–	–
25	Tamil Nadu	31520	1132287
26	Tripura	–	1530
27	Uttar Pradesh	–	379544
28	Uttarakhand	–	–
29	West Bengal	–	82202
	<b>Total</b>	<b>329022</b>	<b>9997448</b>

**TABLE-6 : DETAILS OF PROJECTS SANCTIONED UNDER RGGVY**

As on 31.03.2012

Sl. No.	State	Total Projects Sanctioned (Xth and XIth Plan together)					
		No. of Projects	No. of Districts	No. of un-electrified villages covered	No. of BPL HH covered	Total Awarded/ Revised project cost (Rs. in Crore)	No. of electrified h/h covered (Incl. BPL)
1	Andhra Pradesh	26	22	0	2592140	902.40	3954128
2	Arunachal Pradesh	16	16	2129	40810	944.33	76407
3	Assam	23	23	8525	991656	2754.59	1414828
4	Bihar	43	38	23211	2762455	4495.82	6022036
5	Chhattisgarh	16	14	1188	799735	1172.73	1285545
6	Gujarat	25	25	0	955150	352.24	1595853
7	Haryana	18	18	0	224073	223.42	569686
8	Himachal Pradesh	12	12	93	12448	342.03	36479
9	J & K	14	14	283	136730	917.02	295221
10	Jharkhand	22	22	19737	1691797	3380.82	2926260
11	Karnataka	25	25	132	891939	890.13	1932797
12	Kerala	7	7	0	56351	149.52	92736
13	Madhya Pradesh	32	32	806	1376242	1853.60	2653536
14	Maharashtra	34	34	6	1876391	807.93	2633742
15	Manipur	9	9	882	107369	381.83	192148
16	Meghalaya	7	7	1943	116447	441.99	188648
17	Mizoram	8	8	137	27417	268.58	44334
18	Nagaland	11	11	105	69900	264.71	142992
19	Orissa	32	30	17895	3242789	3690.34	4858292
20	Punjab	17	17	0	148860	183.91	405023
21	Rajasthan	40	33	4454	1750118	1331.75	2229442
22	Sikkim	4	4	25	11458	196.54	28166
23	Tamil Nadu	26	26	0	545511	447.41	1692235
24	Tripura	4	4	160	194730	199.49	228759
25	Uttar Pradesh	64	65	30802	1120648	3822.05	1694075
26	Uttanchal	13	13	1469	281615	767.34	357309
27	West Bengal	28	17	4573	2699734	2738.48	3974005
	<b>Total</b>	<b>576</b>	<b>546</b>	<b>118555</b>	<b>24724513</b>	<b>33921.00</b>	<b>41524682</b>

**New Projects Sanctioned Under Phase-II of RGGVY**

1	Chhattisgarh	2	2	126	84334	175.03	126554
2	Haryana	3	3	0	21432	17.02	21432
3	Karnataka	2	2	0	27782	81.04	41733
4	Kerala	7	7	0	18839	89.83	76427
5	Madhya Pradesh	16	16	41	440049	734.96	1040977
6	Tamil Nadu	3	3	0	24369	37.27	122236
	<b>Sub-Total</b>	<b>33</b>	<b>33</b>	<b>167</b>	<b>616805</b>	<b>1135.15</b>	<b>1429359</b>

**Supplementary Projects Sanctioned Under Phase-II of RGGVY**

1	Bihar	8	8	1016	1993750	2187.67	1993750
1	Madhya Pradesh	4	4	142	56665	107.40	132280
2	Maharashtra	1	1	0	19279	35.00	39407
3	West Bengal	1	1	17	24423	103.38	50746
4	Uttar Pradesh	22	22	245	943641	3453.35	4427545
	<b>Sub-Total</b>	<b>36</b>	<b>36</b>	<b>1420</b>	<b>3037758</b>	<b>5886.80</b>	<b>6643728</b>
	<b>Total</b>	<b>69</b>	<b>69</b>	<b>1587</b>	<b>3654563</b>	<b>7021.95</b>	<b>8073087</b>
	<b>Grand Total</b>	<b>645</b>	<b>581</b>	<b>120142</b>	<b>28379076</b>	<b>40942.95</b>	

**TABLE - 7 : STATE-WISE DETAIL OF CUMULATIVE ACHIEVEMENT UNDER RGGVY**

As on 31.03.2012

Sl. No.	State	Achievement upto 2010-11		Achievement in FY 2011-12		Cumulative Achievement	
		un-electrified villages	BPL households	un-electrified villages	BPL households	un-electrified villages	BPL households
1	Andhra Pradesh	0	2604041	0	98232	0	2702273
2	Arunachal Pradesh	679	10172	634	11474	1313	21646
3	Assam	6019	574771	1810	232519	7829	807290
4	Bihar	20981	1744098	1048	405736	22029	2149834
5	Chhattisgarh	175	433436	682	481971	857	915407
6	Gujarat	0	700684	0	102134	0	802818
7	Haryana	0	183825	0	10617	0	194442
8	Himachal Pradesh	26	4177	52	5901	78	10078
9	J & K	113	30601	35	13413	148	44014
10	Jharkhand	17181	1161158	724	111597	17905	1272755
11	Karnataka	59	784592	2	49604	61	834196
12	Kerala	0	17238	0	0	0	17238
13	Madhya Pradesh	276	364418	228	352976	504	717394
14	Maharashtra	0	1034415	0	126317	0	1160732
15	Manipur	271	9393	345	19421	616	28814
16	Meghalaya	150	31976	1022	30792	1172	62768
17	Mizoram	36	8507	53	6236	89	14743
18	Nagaland	57	17802	22	10712	79	28514
19	Orissa	13187	2229813	1039	518324	14226	2748137
20	Punjab	0	48397	0	5528	0	53925
21	Rajasthan	3817	957739	182	85783	3999	1043522
22	Sikkim	20	7187	5	2179	25	9366
23	Tamil Nadu	0	498873	0	4083	0	502956
24	Tripura	78	58971	49	22015	127	80986
25	Uttar Pradesh	27759	871920	0	172574	27759	1044494
26	Uttarachal	1509	225270	2	5288	1511	230558
27	West Bengal	4169	1366907	0	559476	4169	1926383
	<b>Total</b>	<b>96562</b>	<b>15980381</b>	<b>7934</b>	<b>3444902</b>	<b>104496</b>	<b>19425283</b>

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

[Pursuant to Clause 49 (IV) (F) of the Listing Agreement]

The Management of the Company is pleased to present its report on Industry Scenario including Company's performance during the financial year 2011-12.

### 1. INDUSTRY STRUCTURE AND DEVELOPMENT

#### Industry Overview

The year witnessed the highest capacity addition in the XI Five Year Plan and electricity generation during the year surpassed the target of 855 BUs set for the year by 2.5%. Electricity generation during the fiscal 2012 grew by 8.1% over fiscal 2011 which was 55% higher than the long term annual average growth rate [CAGR of 5.21% during the period 2001-02 to 2011-12]. Actual electric energy generation during the fiscal 2012 was 876.8 BUs against the generation of 811.1 BUs in the previous fiscal.

The total energy deficit during the fiscal 2012 was 10.2% whereas the peak power deficit stood at 11.1%. In fiscal 2011, total energy deficit was 7.5% which was 10.1% and 11.1% in fiscal 2010 and fiscal 2009, respectively. Similarly peak energy deficit in fiscal 2011 was 10.3% compared to 12.7% in fiscal 2010 and 12.0% in fiscal 2009.

At the end of XI Five Year Plan period, the total installed capacity was 199877 MW, of which 54964 MW was added during the plan period. During the fiscal 2012, 20501 MW was added, of which 5482 MW was added in March, 2012 alone. As per the Planning Commission, in order to deliver a sustained economic growth rate of 8.0% through to fiscal 2032, India needs to increase its electricity generation several times over for which the power generation capacity must increase to around 8,00,000 MW by fiscal 2032.

The power generation capacity has increased substantially in recent years, however the level of achievement vis-à-vis targets till X Five Year Plan has been quite low. During the IX Five Year Plan (1997-2002), capacity addition achieved was 19,015 MW (47.5% of target) and during the X Five Year Plan (2002 to 2007) capacity addition achieved was 21,180 MW (51.6% of target). However, the achievement made in the XI Five Year Plan was much higher than the achievements in previous two five year plans put together. The capacity addition target for the XI Five Year Plan (2007-2012) was revised to 62,374 MW from 78,700 MW by Planning Commission during Mid Term Review. An addition of 54,964 MW (88.1% of target) has been achieved as on March 31, 2012. The XII Five Year Plan targets for power envisage adding around 88,425 MW of capacity. In light of the fact that the sector has demonstrated that it can add 20000 MW in a year, these targets seem to be achievable. The overall requirement of funds for the power sector for XII Five Year Plan period (fiscal 2013-2017) has been estimated at around Rs. 16 Lakh Crore. For the XIII Plan period, Planning Commission estimates that in order to meet the projected demand requirement by 2022 at a GDP growth rate of 9%, capacity addition of 94,000 MW would be required along with matching expansion required in transmission and distribution systems.

#### Industry Structure

##### Generation

The installed generation capacity in the Country stood at 1,99,877 MW as on March 31, 2012 with 85,918 MW (42.99%) in the State Sector, 59,683 MW (29.86%) in the Central Sector and 54,276 MW (27.15%) in the Private Sector.

In terms of the generation capacity by type as on March 31, 2012, 1,31,603 MW (65.8%) was in Thermal, 4,780 MW (2.4%) was in Nuclear, 38,990 MW (19.5%) was in Hydro and 24,504 (12.3%) MW was in Renewable Energy Sources.

Notwithstanding the increase in capacity, the Indian power generation sector is struggling to meet burgeoning demand due to major bottlenecks like slippages of long term coal linkages to the projects identified, failure to achieve planned targets from captive coal mine blocks, rising imported fuel prices, land acquisition, R & R and environmental issues etc.

The Planning Commission has projected that about 88.4 GW of generation capacity has to be added by 2017 to support economic growth in the XII Five Year Plan. In order to maintain a sustained economic growth of 8% power generation capacity needs to reach around 800GW by 2032.

##### Transmission and Distribution

##### Transmission

The transmission system planning in the country, in the past, has traditionally been linked to generation projects as part of the evacuation system. Ability of the power system to safely withstand a contingency without generation rescheduling or load-shedding was the main criteria for planning the transmission system. However, due to various reasons such as spatial development of load in the network, non-commissioning of load centre generating units originally planned and deficit in reactive compensation, certain pockets in the power system could not safely operate even under normal conditions. This had necessitated backing down of generation and operating at a lower load generation balance in the past. Transmission planning has therefore moved away from the earlier generation evacuation system planning to integrated system planning keeping in view the long term power perspective.

In India, the transmission and distribution system is a three-tier structure comprised of regional grids, State grids and distribution networks. The five regional grids, configured on a geographical contiguity basis, enable transfer of power from a power surplus State to a power deficit State. The regional grids also facilitate the optimal scheduling of maintenance outages and better co-ordination between power plants. These regional grids except southern grid have since been integrated to form a national grid, with an inter-regional transfer capacity of 28,000 MW, whereby surplus power from a region could be redirected to another region facing power deficits, thus allowing a more optimal utilization of the national generating capacity.

At the end of fiscal 2012 the total length of transmission lines aggregated about 2.68 lakh ckm as compared to about 2.54 lakh ckm at the end of previous year.

The breakup of installed transmission line system is as per the following table:

Transmission Lines	As on 31.03.2012 (ckm)	As on 31.03.2011 (ckm)	Increase (ckm)
765 kV	5730	4641	1089
400 kV	113367	106333	7034
220 kV	140164	134638	5526
+/- 500 kV HVDC	9432	8924	508
<b>Total</b>	<b>268693</b>	<b>254536</b>	<b>14157</b>

At the end of fiscal 2012, the aggregated substation transformation capacity at 765 kV, 400 kV and 220 kV level stood at 3.99 lakh MVA. The aggregated capacity was 3.45 lakh MVA at the end of fiscal 2011. The XI plan period witnessed addition of 1,36,000 MVA of transformation capacity.

Expenditure for Transmission System development and related schemes during the XI Five Year Plan period are estimated at around Rs.1.23 lakh crore as against Rs.1.4 lakh crore allocated for Central Sector and State Sector. Further, as per Planning Commission estimates for the XII Five Year Plan, the funds requirement for Transmission System development would be about Rs. 1.8 lakh crore including Central and State Sector share. The aim is to build a robust integrated grid network that will allow large transfers of power from one part of the country to another. In the Inter-State Transmission Sector (ISTS), the Tariff Based Competitive Bidding Process has become mandatory for selection of developers including State Owned Utilities like Power Grid. Further, Government of India has envisaged to make the Competitive Bidding Route mandatory for intra-state sector from January, 2013.

### Distribution

As the Indian power generation sector is struggling to meet burgeoning demand the state of Distribution sector has been a real cause of concern in recent times.

Worsening financial condition of power distribution utilities owing to high Aggregate Technical & Commercial (AT&C) losses as an offshoot of pilferage and low tariffs on account of tariffs staying unrevised since long in most of the states, billing inefficiencies and more importantly need to buy expensive power to tide over short-term deficits are eating away the benefits of the policy initiatives. Distribution Utilities in the Country today suffer about 30 % losses due to unmetered and unaccounted supply. While consumer metering in eight states is below 80 % of all households, agricultural consumers metering in a majority of the states lies between 5 % to 50 %. The combined annual losses of all SEBs add up to about 1 % of India's gross domestic product.

The Power Distribution Sector, the revenue generating link in the Generation - Transmission-Distribution chain is clearly the weakest link in the power sector and is threatening to derail the entire process of power sector reforms as also jeopardize the India's growth story. Distribution sector is responsible for collecting revenue from consumers and thereby plays a significant role for sustenance of the Power sector. A weak and dilapidated distribution sector would decelerate investments both in power generation and transmission sector. Therefore, it is necessary that all the interventions are dovetailed and integrated to overcome the major challenges like exorbitantly high transmission and distribution losses, suboptimal internal functioning of regulatory institutions, mismatch in tariffs, cross subsidization by the industry to domestic consumer and farmers, etc so as to help turn around the power distribution sector.

Efficient management and planning will ensure safe and reliable delivery of power with minimal losses and at reduced costs. Installation of inexpensive Smart energy meters such as Automatic Meter Reading (AMRs) with 100 % coverage having two-way real-time digital communication and facility of remote metering and termination of connection is one such step. The SEBs are encouraged for implementation of Feeder separation scheme, High Voltage Distribution Systems (HVDS) in the distribution network, usage of information technology in operation & maintenance and best management interventions.

The other measures are timely reporting and audit of accounts, annual filing of Tariff petition regularly, devising utility wise turnaround plan and monitoring its implementation at the highest level. In this direction, Ministry of Power has developed an integrated rating methodology covering the State Power Distribution Utilities. The objective is to rate all utilities on the basis of their performance and their ability to sustain commercially viable operations in the long run. The methodology focuses on rewarding efforts of distribution utilities and therefore stimulating and improving operational and financial performance of distribution entities. Marks would be assigned for both current levels of performance and relative improvement over the baseline parameters. It would also rank the utilities on the basis of performance. This integrated rating methodology is expected to facilitate realistic assessment by Banks/FIs of the risks associated with lending exposures to various state distribution utilities. It would enable funding with appropriate loan covenants for improving operational, financial and managerial performance. New guidelines have been put in place for short term procurement of power in order to cut down on expenses inflated by unplanned purchases.

To help Power utilities access funds, the policy of subsidizing the interest on loans taken by them for cutting distribution losses as well as to incentivize investment in improvement of distribution infrastructure in the country, National Electricity Fund, an Interest Subsidy Scheme has been launched. The utilities/DISCOMs will get discount on interest rates depending on performance.

Harnessing intelligent Smart-grid technologies for providing two way communications between the consumer and the utility would completely change the way electricity is used and delivered. Since Indian distribution sector is a weak link in the power value chain, the Smart-Grid projects to be implemented by the utilities for efficient, reliable and delivery of quality power would be a long term business opportunity.

For the sub-transmission and distribution system development, inclusive of R-APDRP and RGGVY schemes, against an outlay of Rs. 3.26 lakh crore under the XI Five Year Plan, approximately 33 % only has been utilised. For the XII Five Year Plan, the Planning Commission estimates investment of Rs. 3.22 lakh crore for the sector.

The enormous capital expenditure together with equally huge operational infrastructure create a very optimistic business outlook for the Company in the distribution sector. Further, the performance orientation built into the R-APDRP and NEF is expected to incentivise and accelerate investments in distribution infrastructure, and result in faster accomplishment of loss reduction goals.

### Power Sector Policy Environment

In past few years, owing to persistent power shortages and given the estimated rate of increase in demand for electricity in India, the GoI has taken significant measures to restructure the power sector, increase capacity, improve transmission, and sub-transmission & distribution network. These major policy initiatives taken by Government of India have helped in



enabling and redefining the power sector for making it an attractive investment destination.

With the advent of Electricity Act 2003 in its new shape and modified legal framework governing the Electricity sector, arranging capital and establishing large Power projects became a reality. The Act replaced the multiple legislations that previously governed the Indian electricity sector and introduced a multi-buyer and a multi-seller system. Furthermore, the regulatory regime was granted more autonomy in determining tariffs, without being constrained by rate-of-return regulations. This was followed by the notification of National Electricity policy. Subsequently, National Tariff Policy, RE Policy, National Hydro Policy and Mega Power Policy were notified.

With the objective of developing large capacity power projects in India, the GoI has introduced the concept of Ultra Mega Power Projects (UMPPs) involving each contracted capacity of 3,500 MW or above. The economies of scale in terms of large generation capacities based at a single location, utilization of super critical technology for reducing emissions and tariff based on international competitive bidding process adopted for the selection of developers have driven the electricity generating tariffs potentially downwards. To expedite the activities starting from preliminary site investigation to obtaining appropriate regulatory and other approvals (including for land, water, the environment and for power selling), conducting bidding process and finally handing over these projects, Special Purpose Vehicle (SPVs) are created. The role of the SPVs ends once the project is transferred to successful bidders. Four of these SPVs have already been transferred to successful bidders. Ministry of Power has also initiated a tariff based competitive bidding process for Independent Power Transmission Companies (IPTCs) for the development of Inter-state and Intra-state transmission systems on similar lines to that followed for UMPPs. The IPTCs aim to evacuate power from generating stations and transmit the power from pooling stations to other grid stations, resulting in system strengthening across India. A number of transmission projects have been transferred to the developers in last 2-3 years.

In a bid to attract private funds in the development of hydroelectric projects, the Hydro Power Policy was implemented in the year 2008. The policy aimed at attracting private funds by encouraging joint ventures with private developers and the use of the IPP model, in addition to promoting power trading and speeding up the availability of statutory clearances. The policy provides guidelines for accelerated development of the hydropower industry in India, particularly in the Himalayan States.

National Electricity Fund, an Interest Subsidy Scheme has been set up by Ministry of Power to provide interest subsidy on loans disbursed to the State Power Utilities, Distribution Companies (DISCOMs) – both in public and private sector, to improve the infrastructure in distribution sector. Under NEF scheme, interest subsidy would be provided on loans taken by private and public power utilities in distribution sector for all Distribution Sector Infrastructure capital projects provided that the proposed works have not been funded through the R-APDRP or RGGVY schemes. National Electricity Fund would provide interest subsidy aggregating Rs. 8466 crore spread over 14 years for loan disbursement amounting to Rs. 25,000 crore for distribution schemes sanctioned during the 2 years viz., 2012-13 and 2013-14. Our Company is the designated nodal agency to operationalise the scheme for channelizing the interest subsidy amounts to the utilities, with the approval of Steering Committee constituted for National Electricity Fund (NEF) scheme. For financial assistance from NEF Scheme, the States have been categorized as “Special category and focused states”, and “States other than special category and focused states”. The preconditions for eligibility are linked to reform measures

taken by the States and the amount of interest subsidy is linked to the progress achieved in reforms linked parameters.

Against the backdrop of severe fuel shortage as well as funding issues hurting the power sector, which is expected to see a capacity addition of over 88,000 MW in the XII Five Year Plan (2012-17), the GoI has announced, in the Budget 2012-13, a slew of steps including customs duty exemption on imported fuel and lower levy on overseas funds for projects to provide relief to the power sector. Permitting power companies to tap External Commercial Borrowing (ECB) route to part re-finance rupee debt on power plants and increasing power sector's tax-free bonds limit are also among the Budget proposals. Further, in a move that would reduce overall debt cost, withholding tax on ECB was cut to 5 % from 20 % for three years. Additional depreciation of 20 % in the initial year has been extended to new assets acquired by power generation companies. The budget proposals would go a long way in incentivising the power sector and benefitting the end consumer on one hand, and create more robust business opportunities for your company in the medium term.

## Renewable Energy Sources

To mitigate the challenges posed on climate, National Action Plan for Climate change (NAPCC) was announced in June 2008. The effort is to increase the share of renewable energy in total electricity consumption in the Country. To bring momentum to the initiative, purchase obligation of Renewable Energy Certificates (RECs) has been imposed mandatorily on the State Utilities. The mechanism will enable sale and purchase of renewable energy component across the State boundaries without being linked to carbon credits.

## National Solar Mission

The MNRE has approved a new policy on development of solar energy in India by the Jawaharlal Nehru National Solar Mission. The mission recommends the implementation of an installed capacity of 20,000 MW in three stages by the end of the XIII Five Year Plan (2017-2022). It proposes to establish a single window investor-friendly mechanism, which reduces risk and at the same time, provides an attractive, predictable and sufficiently adequate tariff for the purchase of solar power from the grid. The key driver for promoting solar power would be through a renewable purchase obligation mandated for power utilities, with a specific solar component.

## Accelerated Power Development & Reforms Programme

The GoI approved a scheme called “Accelerated Power Development and Reforms Programme (APDRP)” in March 2003 which has been re-launched as Restructured APDRP (R-APDRP) by making it more performance-based and financially attractive.

The APDRP programme has been restructured by the Government of India, in order that reliable and verifiable baseline data of revenue and energy in APDRP Project areas is attained over an IT platform and that AT & C loss reduction is achieved on a sustained basis. The R-APDRP was launched by MoP, GoI in July 2008 as a central sector scheme for the XI Five Year Plan.

The Rural Electrification Policy was notified in August 2006, with the objective of improving access and quality of electricity supply in rural areas to ensure rapid economic development by providing electricity as an input for productive uses in agriculture, rural industries etc.

## RGGVY

The Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) which was launched by the Government of India in April 2005 aimed to establish (i) Rural Electricity Distribution Backbone (REDB) with at least a 33/11 KV sub-station; (ii) Village Electrification Infrastructure (VEI) with at least one Distribution transformer

in a village or hamlet; and (iii) Stand alone grids with generation where grid supply is not feasible. Subsidy towards capital expenditure to the tune of 90 % is canalised through REC, which is a nodal agency for implementation of the scheme. Electrification of un-electrified Below Poverty Line (BPL) households is financed with 100 % capital subsidy. The Management of Rural Distribution is undertaken through franchisees. A three-tier quality monitoring has been built into the scheme. RGGVY has thus resulted in huge investments in providing electricity connections in rural India.

## 2. OPPORTUNITIES

The XII plan period target of investments in power infrastructure stand at an estimated Rs. 16 lakh Crore covering capacity addition of 88,425 MW with associated Transmission and Distribution network. Further, green energy of 30,000 MW capacity is planned to be added in the period. An addition of almost 94,000 MW in Generation capacity (this apart from 30,000 MW green energy) with back to back expansion in T&D network for handling the increased capacity is envisaged in the XIII Five Year Plan. The National Electricity Fund, an Interest Subsidy Scheme has been launched and would be a potential source of income in future. As a nodal agency for monitoring and channelizing funds under the RGGVY programme the company continues to take up the socio-economic responsibility of village electrification and contribute to the mission of 'Power for all by 2012' with the main objectives being sufficient power to achieve GDP growth rate of 8 %, optimum power cost and power for all. Therefore the power sector is expected to remain vibrant and offer significant investment opportunities in the foreseeable future.

Further, Infrastructure Finance Company (IFC) status has put your Company in a better position than some of its competitors and has granted more flexibility to it in its operations. It has enhanced our Company's ability to raise funds on cost-competitive basis and increased its lending exposures to individual entities, corporations and groups etc. This classification would further enable your Company to effectively capitalize on the available financing opportunities in the power sector in India.

## 3. THREATS, RISKS AND CONCERNS

The Power Sector financing industry has become increasingly competitive and broad based with entry of new players and Banks (mostly as Consortium) giving tough challenge to our Company.

The risks of financing power projects are quite high. The financial health of the State Electricity Boards and State Power utilities across the country, barring a few, is in very bad shape. As the Company has a significant concentration of outstanding loans to these entities, the risk perception for our company is high. The failure of the entities in meeting their debt related obligations may adversely impact our company's ability to mobilise low cost funds.

Our Company is concerned about prevailing exposure norms, limit constraint of raising money from tax saving Bonds, financial position of State Distribution Utilities, entry of new players and competition from banks and multilateral agencies, unstable business environment, rising interest rates scenario, fluctuation in rupee and likely increase in cost of capital due to volatile market conditions/ large requirement of funds.

Due to long gestation periods, large capital outlay, changes in various factors such as interest rates, statutory regulations and policies, the cost and availability of raw materials, other key inputs and general economic conditions may adversely affect

projects' viability in the implementation and operational stages which may impact the ability of borrowers to service the loans.

In light of the above, efficient and innovative raising of resources at a low effective cost and ensuring most productive deployment of these funds would be a key determinant in sustaining our Company's profitability and growth.

## 4. SEGMENT WISE OR PRODUCT-WISE PERFORMANCE

The principal products of REC as a leading Public Financial Institution are interest bearing loans to SEBs, State Power Utilities/State Power Departments and Private sector for all segments of Power infrastructure. Our Company does not have any separate reportable segment.

During the fiscal 2012, the Company sanctioned loan assistance of Rs. 51296.77 crore. Sanctions of Loans to the Generation sector were Rs. 23176.53 crore. This included sanction in Renewable Energy (RE) to the extent of Rs. 342.19 crore. Decentralised Distributed Generation (DDG) Projects under RGGVY were sanctioned loans aggregating Rs. 151.8 crore. Under the Transmission and Distribution Sector, aggregate sanctions achieved were Rs. 23,540.24 crore including additional sanction of Rs. 33.60 crore under International Cooperation and Development (IC&D). Further, under the Short Term Loan product, Rs. 4,580 crore was sanctioned.

Aggregate disbursement of Rs. 30,593.30 crore (including subsidy of Rs. 2,772.81 crore under RGGVY) was achieved during the fiscal 2012. This included Rs. 12,349.12 crore under Generation, Rs. 11,434.23 crore under T&D schemes, Rs. 3,760 crore under Short Term Loan and Rs. 3,049.95 crore (including subsidy of Rs. 2,772.81 crore) under RGGVY.

## 5. OUTLOOK

Considering the continued shortages in electricity generation in the country, low levels of per capita energy consumption and significant growth projections for the Indian economy over the long term, it is felt that the power infrastructure sector will be a significant beneficiary. Estimated, aggregate capacity addition of 180 GW during the XII and XIII Five Year Plans put together (fiscal 2013-2022) with estimated investments of over Rs. 34 lakh crore will continue to drive the prospects of power sector in the country. Thrust in rural electrification, renewable energy and decentralised distributed generation (DDG) will inter-alia increase the penetration of electricity in the country thereby driving the demand further. With the timely interventions by the Govt. of India in addressing the nagging issues affecting the Power Industry, the outlook for the sector is quite optimistic with ample market opportunities available for financial products.

## 6. INTERNAL CONTROL SYSTEM AND ITS ADEQUACY

The Company maintains an adequate system of Internal Control including suitable monitoring procedures which ensures accurate and timely financial reporting of various transactions, efficiency of operations and compliance with statutory laws, regulations and Company policies. Suitable delegation of power and guidelines for accounting have been issued for uniform compliance. In order to ensure that adequate checks and balances are in place and internal control systems are in order, regular and exhaustive Internal Audit of various Divisions / offices are conducted by In-house Internal Audit Division and for some selected Project Offices by experienced firms of Chartered Accountants. The Internal Audit Division covers all the major areas of operations including identified critical / risk areas as per the Annual Internal Audit Programme. Audit Committee of Board of Directors periodically reviews the

significant findings of different Audits as prescribed in the Companies Act and in the Listing Agreement.

## 7. FINANCIAL AND OPERATIONAL PERFORMANCE

The loan sanctioned during the year 2011-12 was Rs. 51296.77 crore as compared to Rs. 66419.98 crore during the year 2010-11 (excluding subsidy under RGGVY). The disbursement during the year also increased to Rs. 30593.30 crore as compared to Rs. 28517.11 crore during the year 2010-11 (including subsidy under RGGVY).

The amount due for recovery during the year 2011-12 was Rs. 18528.61 crore as compared to Rs. 16979.84 crore during the previous year. The overdues from defaulting Borrowers was Rs. 283.64 crore as on 31.3.2012. The Company recovered a total sum of Rs.18440.09 crore during the year 2011-12 as against Rs.16951.31 crore during the previous year.

During the financial year, the Company registered an increase of Rs. 2080.68 crore in operational income which went up to Rs.10337.59 crore in 2011-12 from Rs. 8256.91 crore during the year 2010-11. Profit before tax was at Rs. 3792.86 crore in 2011-12 in comparison to Rs.3476.63 crore in 2010-11. Net profit of the Company in 2011-12 is Rs. 2817.03 crore, an increase of Rs. 247.10 crore over the previous year. Net worth of the Company as on 31st March, 2012 is Rs.14744.92 crore.

## 8. HUMAN RESOURCES / INDUSTRIAL RELATIONS

In order to professionalize the Executive strength of REC and also to infuse fresh blood, 10 Executives were appointed through open advertisement and 12 Executives through campus recruitment drawn from premier Institutions empanelled for the purpose during the year under review.

The total manpower at the close of the financial year 2011-12 i.e. on 31.03.2012 was 678 which includes 432 executives and 246 Non-executives.

Based on the assessed needs and as means to satisfy them, the Company sponsored 211 employees to various training programmes, workshop etc. within the country and abroad. In addition, 20 training programmes were conducted in house, which were attended by 381 employees. In order to enable them develop global exposure several officers were sent to attend various programmes abroad to countries viz. Italy, France, United States of America etc. Taken together, these initiatives enabled the Company to significantly out-perform MoU targets.

The Industrial Relations continued to be cordial and harmonious. Sound industrial relations are based on participative decision making between employees and management which help in establishment of industrial democracy in the organization. The year was also significant in terms of the Company undertaking a major initiative for review of HR policies which resulted in introduction of number of employee centric welfare policies like House Building Advance and Conveyance Advance Insurance, Group Personnel Accident Insurance etc. The overall impact is that REC has a self motivated workforce which works as a team to achieve Organization's objectives and hence we are able to set new standards of excellence in performance.

## 9. CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) initiatives were pursued actively. Accordingly, CSR Budget @ 0.5% of Profit after Tax (PAT) was allocated for FY 2011-12, amounting to Rs.12.85 crore. Some viable and sustainable CSR projects were identified and sanctioned assistance aggregating to Rs.14.10 crore. Disbursement of an amount of Rs 12.99 crore has been achieved during the financial year 2011-12 against the MoU target of

Rs 12.85 crore, thereby achieving the targets set under excellent category for CSR initiatives.

## Disclosure of Environmental Protection and Conservation, Technological Conservation, Renewable Energy Developments and Foreign Exchange Conservation.

### Green Initiative in Corporate Governance

As a responsible Corporate Citizen, our Company has actively supported the implementation of 'Green Initiative' circulars issued by Ministry of Corporate Affairs (MCA) and effected electronic delivery of Notice of Annual General Meeting (AGM) and Annual Report for the year ended March 31, 2012 to those shareholders whose e-mail addresses were already registered with Registrar & Share Transfer Agent (R&TA) of REC/Depository Participant and who have not opted for receiving Annual Report in physical form, as done in previous year. The intimation of final/Interim Dividend paid during the financial year 2011-12 to those shareholders whose email addresses were registered was also made electronically.

### Technological Conservation

There are no significant particulars relating to conservation of energy, technology absorption as your Company does not own any manufacturing facility. However, the Company has made intensive use of technology in its operations during year under review.

### Foreign Exchange Conservation

No foreign exchange was earned during the year under review. The particulars regarding foreign exchange outgo during the year are as under:

(Rs. in crore)	
Particulars	As on 31.03.2012
Royalty, Know-how, Professional Consultation Fees	1.34
Interest	192.95
Finance Charges	65.45
Other Expenses	0.69
<b>Total</b>	<b>260.43</b>

### Other initiatives

### Technology intervention and evolution of smart grids in Power Distribution Sector

Technology enables the electric system to become "smart." Development of intelligent grid at local distribution level shall however be crucial for ensuring efficient & seamless flow of power, for last mile access by embedding IT/Internet/Communication Technologies in the existing grid to ensure real-time data acquisition and supervisory control throughout the network. This will include integrated communication system, sensing and measurement technology, Advance components for control & determining electrical behavior & on line grid management up to Distribution Transformer level and eventually up to consumer point.

### Cautionary Note

Certain statements in "Management Discussion and Analysis" section may be forward looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Management envisages in terms of future performance and outlook.

## ANNEXURE-II

## REPORT ON CORPORATE GOVERNANCE

*As a listed company and a good corporate entity, the Company is committed to sound corporate practices based on conscience, openness, fairness, professionalism and accountability paving the way in building confidence among all its stakeholders for achieving sustainable long term growth and profitability.*

Besides adhering to the provisions of Listing Agreement, we are also following Guidelines on Corporate Governance issued by Department of Public Enterprises (DPE), Ministry of Heavy Industries and Public Enterprises, Government of India. A brief report on Corporate Governance is given below and the Auditors' Certificate in compliance with the provisions of Corporate Governance is also enclosed separately:-

### 1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Corporate Governance at Rural Electrification Corporation Limited (REC), is managing the business in an ethical and responsible manner geared to sustainable value creation for 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. The Company has strong legacy of fair, transparent and ethical Government practices. REC is also committed to facilitate availability of electricity for accelerated growth and for enrichment of quality of life of rural and urban population and act as a competitive, client-friendly and development-oriented organization for financing and promoting projects covering power generation, power conservation, power transmission and power distribution network in the country.



Hon'ble Prime Minister of India presenting MoU Excellence award 2009-10 for "Best Listed CPSE" to Shri Rajeev Sharma, CMD, REC on January 31, 2012.

The premise of Corporate Governance framework at REC is based on the following guiding principles:

- Compliance of law, rules & regulations in true letter and spirit;
- Appropriate transparent systems and practices to protect, promote and safeguard the interests of all its stakeholders; and
- Establishing a climate of trust and confidence among various stakeholders by means of transparent and timely disclosure of all material information.

### 2. BOARD OF DIRECTORS

#### (A) Size of the Board

We are a Government Company within the meaning of Section 617 of the Companies Act, 1956 as the President of India

presently holds 66.80 % of the total paid- up share capital. As per Articles of Association, the power to appoint Directors vests in the President of India. The Board of Directors provide leadership and strategic guidance, objective judgment independent of management and at the same time monitor the strategic direction of the Company.

In terms of Articles of Association of the Company, the number of Directors of the Company shall not be less than three and not more than fifteen.

#### (B) Composition of the Board

The Board of Directors have an optimum combination of executive and non-executive Directors. As on March 31, 2012, the Board of the Company comprises of eight Members out of which three are executive Directors including the Chairman and Managing Director, four Part-time Non-official Independent Directors and one Government Nominee Director.

The current composition of the Board is as under:

Sl. No.	Name	Position
<b>Whole Time Directors</b>		
1	Shri Rajeev Sharma	Chairman and Managing Director
2	Shri Prakash Thakkar	Director (Technical)
3	Shri Ajeet Kumar Agarwal	Director (Finance)
<b>Government Nominee Director</b>		
4	Shri Devender Singh	Director (Government Nominee)
<b>Part-time Non-official Independent Directors</b>		
5	Dr. Devi Singh	Independent Director
6	Dr. Govinda Marapalli Rao	Independent Director
7	Shri Venkataraman Subramanian	Independent Director
8	Dr. Sunil Kumar Gupta	Independent Director

We are in compliance with the provisions of the Listing Agreement and Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 issued by the Department of Public Enterprises, regarding composition of the Board of Directors.

#### (C) Other provisions as to Board and its Committees

##### (i) Details of Board Meetings held during the Financial Year 2011-12

The Company follows a methodized process of decision-making by the Board and its Committees. The meeting dates are usually finalised in consultation with all Directors in order to ensure presence of full Board in their Meeting. Agenda and Explanatory Notes thereon of the ensuing Board Meeting are circulated well in advance from the date of the Board Meeting. To address specific urgent needs, Meetings are also called at shorter notice but utmost efforts are made to adhere to the minimum notice period. In some instances, resolutions are passed by circulation. Such resolutions are noted in the next Board Meeting. The Chairman & Managing Director of the Company decides inclusion of any matter in the Agenda for discussion in the Meeting of the Board. Head of Divisions (HoDs)/Senior Management officials are also called to provide additional inputs on the matters being discussed in the Meetings of the Board/ Committee of the Board. The Board is also given detailed



presentation on certain Agenda Items, if required. The Meetings of the Board of Directors are normally held at Registered Office of the Company.

During the Financial Year 2011-12, nine meetings of Board of Directors of the Company were held viz. May 24, 2011, July 4, 2011, August 10, 2011, November 10, 2011, December 16, 2011, January 25, 2012, February 16, 2012, March 2, 2012 and March 30, 2012.

The minimum and maximum interval between any two Board Meetings was 14 days and 91 days respectively. The maximum

gap between the two Meetings should not be more than 3 months as per Guidelines on Corporate Governance for CPSEs. The Board has complete access to all relevant information of the Company. The quantum and quality of information supplied by the Management to the Board goes well beyond the minimum requirement stipulated in Clause 49 of the Listing Agreement. All information, except certain critical price sensitive information is given to the Directors well in advance of the Meetings of the Board and its Committees.

- (ii) **Details of Number of Board Meetings attended by Directors, attendance at last Annual General Meeting (AGM), number of other Directorships (in Public Limited Companies) / Committee Memberships (viz Audit Committee and Shareholders/Investors Grievance Committee) (other than REC), held by Directors during the Financial Year 2011-12 are tabled below:-**

Sl. No.	Name of Director	Board Meetings			Attendance at Last AGM (held on 17.09.2011)	As on March 31, 2012		
		Held during the tenure	Attended	Percentage		No. of other Directorships	No. of other Committee Memberships <sup>§</sup>	
							As Chairman	As Member
1.	Shri Rajeev Sharma	5	5	100	*N.A.	3	Nil	Nil
2.	Shri Hari Das Khunteta	9	9	100	Yes	Nil	Nil	Nil
3.	Shri Prakash Thakkar	9	8	88.88	Yes	2	Nil	Nil
4.	Shri Devender Singh	9	9	100	Yes	1	Nil	Nil
5.	Shri Rakesh Jain	2	2	100	N.A.	N.A.	N.A.	N.A.
6.	Dr. Devi Singh	8	8	100	Yes	4	1	1
7.	Dr. Govinda Marapalli Rao	8	6	75	Yes	1	Nil	Nil
8.	Shri Venkataraman Subramanian	8	6	75	Yes	5	2	5
9.	Dr. Sunil Kumar Gupta	1	1	100	N.A.	3	Nil	1

**Notes:**

- Shri Rajeev Sharma took over the charge of Chairman and Managing Director of the Company w.e.f. November 29, 2011(A/N) pursuant to Ministry of Power (MoP) Order No. 46/8/2011-RE dated November 29, 2011;
- Dr. J.M. Phatak who took over the charge as CMD, REC on June 15, 2010 relinquished charge on April 16, 2011 (F/N). Shri Hari Das Khunteta, Director (Finance) was holding additional charge as CMD of the Company from April 16, 2011 (A/N) to November 29, 2011 (F/N);
- Shri Prakash Thakkar took over the charge of Director (Technical) on the Board of the Company w.e.f. May 2, 2011 pursuant to MoP Order No. 46/9/2010-RE dated May 2, 2011;
- Services of Shri Rakesh Jain, Joint Secretary & Financial Advisor, MoP, who was appointed as Government Nominee Director on the Board of the Company on January 20, 2011 were withdrawn by the MoP w.e.f. July 5, 2011, from the Board of REC;
- Dr. Devi Singh, Dr. Govinda Marapalli Rao and Shri Venkataraman Subramanian were appointed as Part-time Non-official Independent Directors on the Board of the Company for a period of three years w.e.f. the date of their appointment or until further orders, whichever is earlier, pursuant to MoP Order No. 46/2/2010-RE dated June 10, 2011.
- Dr. Sunil Kumar Gupta has been appointed as Part-time Non-official Independent Director on the Board of the Company for a period of three years w.e.f. the date of notification of his appointment or until further orders, whichever is earlier pursuant to MoP Order No. 46/2/2010-RE dated March 16, 2012.
- The tenure of Shri Hari Das Khunteta, Director (Finance) ended on July 31, 2012 on attaining the age of superannuation (i.e. 60 years).
- Shri Ajeet Kumar Agarwal, has been appointed as Director (Finance) on the Board of the Company, for a period of five years with effect from the date of his taking over charge of the post on or after August 1, 2012, or until the date of superannuation, or until further orders, whichever event occurs the earliest pursuant to MoP Order No. 46/9/2011-RE dated May 17, 2012.

\*N.A. indicates that concerned person was not a Director on REC's Board on the relevant date;

<sup>§</sup>In line with Clause 49 of Listing Agreement, only the Audit Committee and Shareholders/ Investors Grievance Committee have been taken into consideration in reckoning the number of committee memberships of Directors as Chairman or as Member and the Directorships/ Committee Memberships are based on the latest disclosure received from respective Director.

Does not include Directorship in Private Companies, Section 25 Companies and Foreign Companies.

None of the Directors is a member of more than 10 Board-level Committees of Indian Public Limited Companies nor are they Chairman of more than five Committees of such Companies in which they are Members.

None of the Directors of the Company are in any way related to each other.



**(iii) Compliance with Applicable Laws**

The Board of Directors in its Meeting held on March 29, 2007 perused an indicative list of laws applicable to the Company and identified the Officers responsible for compliance with such applicable laws. Further, in the Board Meeting held on February 21, 2009, the Board reviewed the format thereby including the factual details of nature of statutory compliance as applicable and the dates/details of the compliance of the same during the particular period of the Report. The Board also reviews the Compliance Report of the Subsidiary Companies of REC. During the Financial year 2011-12, the Board reviewed the compliance with the applicable laws based on quarterly report submitted to it and there have been Nil cases of non-compliance as on March 31, 2012.

**(D) Code of Business Conduct and Ethics for Board Members and Senior Management**

The Board of Directors at its 367<sup>th</sup> Meeting held on September 8, 2010, has approved Code of Business Conduct and Ethics for the Board Members and Senior Management in supersession of the existing Code of Conduct for Board Members and Senior Management at that time, after incorporating suggested list of items contained in DPE Guidelines and referring the Model Code of Business Conduct and Ethics for Board Members and Senior Management provided therein.

The Code of Business conduct and Ethics for the Board Members and Senior Management has been laid down in alignment with Company's mission and objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company. A copy of the Code of Business Conduct and Ethics is available on the website of the Company i.e. [www.recindia.nic.in](http://www.recindia.nic.in). Based on the affirmation received from the Board members and Senior Management Personnel, declaration regarding Compliance of Code of Conduct is as under:

**Declaration required under Clause 49 of the Listing Agreement**

All Board Members and Senior Management have affirmed compliance with the Company's 'Code of Business Conduct and Ethics for Board Members and Senior Management' for the Financial Year ended March 31, 2012.

Sd/-  
(Rajeev Sharma)  
Chairman and Managing Director

**(E) Code for Prevention of Insider Trading in REC Equity Shares/Securities**

In terms of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, the Company has formulated a comprehensive Code for Prevention of Insider Trading in REC Equity Shares/Securities to preserve the confidentiality and to prevent misuse of unpublished price sensitive information. Every Director, officer and designated employee of the Company has a duty to safeguard the confidentiality of all such information obtained in course of his or her work at the Company and not to misuse his or her position or information regarding the Company to gain personal benefit or to provide benefit to any third party. The Code lays down guidelines and procedures to be followed and disclosures to be made while dealing with the shares/securities of the Company and the consequences of non-compliance. The Company Secretary has been appointed as Compliance Officer and is responsible for the adherence to 'Code of Prevention of Insider Trading in REC Equity Shares/Securities'. A Copy of the Code has been posted on the Company's website i.e. [www.recindia.nic.in](http://www.recindia.nic.in).

In line with the requirement of the said Code, the trading window was closed from time to time, whenever some price sensitive information was submitted to the Board. Notice of the Closure of trading window was issued to all employees well in advance and proper announcements were also made, restraining the designated employees under the Code not to deal in shares of the Company when the window is closed.

**"Designated Employee"** under the Code for Prevention of Insider Trading in REC Equity Shares/Securities mean:-

- The Chairman and Managing Director, Whole-time and Part-time Directors (Official and Non-official) and Chief Vigilance Officer.
- All Executives and Non-Executives of the Company.
- The Directors and Employees of the Subsidiary Companies.
- Such other employees of the Company including Subsidiary Companies, temporary/adhoc employees designated by the Board from time to time to whom trading restrictions shall be applicable.

In case any of the Designated Employee leaves the services of the Company, he/she shall continue to be considered as Designated Employee for a further period of six months subsequent to the date of his/her leaving the Company, as envisaged under SEBI (Prohibition of Insider Trading) Regulations, 1992.

**3. COMMITTEES OF THE BOARD OF DIRECTORS**

The Board Committees focus on specific areas and make informed decisions within the authority delegated to them. Each Committee of the Board is guided by its terms of reference, which defines the composition, scope and powers of the Committee. The Committees also make specific recommendations to the Board on related matters from time to time.

The Committees constituted by the Board as on the date of the Report are as follows:

- Audit Committee;
- Sub-Committee for Borrowings other than Debentures;
- Sub-Committee for review of lending rates for Short Term/ Term Loans;
- Shareholders/Investors Grievance Committee;
- Loan Committee;
- Sub-Committee for review and updation of HR Policies;
- Remuneration Committee;
- Risk Management Committee;
- Executive Committee;
- Bond Committee;
- Sub-committee on Renewable Projects;
- Committee for review of CSR initiatives; and
- Designated Committee of Directors on Sustainable Development

The Minutes of the Meetings of the Committees are placed before the Board for information in terms of Article 93 of the Articles of Association of the Company.

### 3.1 Audit Committee

- (i) The current composition of Audit Committee of the Board of Directors is as under:

Sl. No.	Name of the Committee Members	Designation	Position in Committee
1.	Dr. Govinda Marapalli Rao	Part-time Non-official Independent Director	Chairman
2.	Dr. Devi Singh	Part-time Non-official Independent Director	Member
3.	Shri Venkataraman Subramanian	Part-time Non-official Independent Director	Member

The quorum of the Audit Committee is two members including Chairman of the Committee, Director (Finance), Head of Internal Audit and the Joint Statutory Auditors are invitees in the Meetings of Audit Committee. Senior Functional Executives are also invited as and when required to provide inputs to the Committee. Shri Rakesh Kumar Arora, GM (F&A) & Company Secretary is the Secretary to the Audit Committee.

- (ii) The terms of reference of the Audit Committee are as under:

- to comply with the requirements in accordance with Section 292A of the Companies Act, 1956;
- to comply with the requirements relating to Audit Committee as envisaged in Clause 49 of the Listing Agreement;
- to comply with the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010, as notified by the DPE; and
- to comply with any other applicable provisions relating to the Audit Committee.

During the Financial Year 2011-12, Eight Meetings of the Audit Committee were held on May 24, 2011, July 4, 2011, August 10, 2011, August 30, 2011, November 10, 2011, December 16, 2011, January 25, 2012 and February 16, 2012. The maximum gaps between the two Meetings should not be more than 4 months as per statutory requirement. Meetings attended by individual member during the year 2011-12 are detailed below:-

Name of the Committee Members/Attendees	Position in the Committee	Meeting			Attendance at last AGM
		Held during tenure of Director/ Invitee	Attended	Percentage of total	
Dr. Govinda Marapalli Rao (since July 5, 2011)	Chairman	6	5	83.33	Yes
Dr. Devi Singh (since July 5, 2011)	Member	6	6	100	Yes
Shri Venkataraman Subramanian (since July 5, 2011)	Member	6	5	83.33	Yes
Shri Rakesh Jain (upto July 4, 2011)	Chairman	2	2	100	N.A.
Shri Devender Singh (upto July 4, 2011)	Member	2	2	100	Yes
Shri Prakash Thakkar (upto July 4, 2011)	Member	2	2	100	Yes

Dr. Govinda Marapalli Rao, Chairman of the Audit Committee, was present at the last AGM held on September 17, 2011 to answer Shareholders queries.

### 3.2 Sub-Committee for Borrowings other than Debentures

The Sub-Committee of Board of Directors for Borrowings other than Debentures was constituted by the Board of Directors in their Meeting held on April 29, 2005. The current composition of Sub-Committee of the Board of Directors for Borrowings other than Debentures is as under:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Shri Rajeev Sharma	CMD	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member

The quorum of the meeting of the Sub-Committee for Borrowings other than Debentures is two Members including CMD. During the financial year no meeting was held.

### 3.3 Sub-Committee for review of lending rates for Short Term Loans/ Term Loans.

The Sub-Committee for review of lending rates for Short Term Loans/ Term Loans was constituted by the Board of Directors in their Meeting held on July 21, 2006 for reviewing the lending rates of Short Term Loans. Further the scope of work of the Sub-Committee was enlarged by the Board of Directors in their meeting held on October 26, 2006 to review the lending rates on Term Loans also. The current composition of Sub-Committee

of the Board of Directors for review of lending rates for Short Term Loans/ Term Loans is as under:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Shri Rajeev Sharma	CMD	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member

The quorum for the meeting of Sub-Committee for review of lending rates for Short Term Loans/ Term Loans is two Members including CMD. During the Financial Year 2011-12, nine Meetings of Sub-Committee for review of lending rates for Short Term Loans/ Term Loans were held viz. May 19, 2011, June 6, 2011, June 22, 2011, August 8, 2011, September 2, 2011, October 24, 2011, December 7, 2011, January 31, 2012 and March 20, 2012.

### 3.4 Shareholders/Investors Grievance Committee

- (i) **Constitution of Shareholders / Investors Grievance Committee**

The Shareholders/Investors Grievance Committee was constituted by the Board of Directors in its Meeting held on July 30, 2004. This Committee specifically looks into the redressal of Shareholders and Investors complaints like transfer of shares, non- receipt of Balance Sheet and declared dividend etc. The Committee is chaired by Shri Devender Singh, Government

Nominee Director. The current composition of Shareholders/ Investors Grievance Committee of the Board of Directors is as under:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Shri Devender Singh	Government Nominee Director	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member

The quorum of meeting of the Shareholders/Investors Grievance Committee is two members including the Chairman of the Committee. Further, Registrar & Share Transfer Agents (R&TAs) appointed by the Company are standing invitees at the Meetings of Shareholders/Investors Grievance Committee. During the Financial Year 2011-12, four Meetings of Shareholders/Investors Grievance Committee were held on May 24, 2011, August 10, 2011, November 10, 2011 and January 25, 2012 to review the grievance procedure and status of pending Shareholders/ Investors grievances. Shri Rakesh Kumar Arora, GM (F&A) & Company Secretary is the Convener of the Meetings of the Shareholders/Investors Grievance Committee and is the Compliance Officer of the Company in terms of Clause 47(a) of the Listing Agreement.

(ii) **Guidelines on Investor Relations for Listed Central Public Sector Enterprises issued by Department of Disinvestment, Ministry of Finance, Government of India.**

Department of Disinvestment, Ministry of Finance has issued Guidelines on Investor Relations for Listed Central Public Sector Enterprises. The Board of the Company in its 381<sup>st</sup> Meeting held on December 16, 2011 was apprised about the status of compliance of these guidelines.

(iii) **Status of Shareholders/Investors Grievances**

During the financial year ended March 31, 2012, Company has attended to investors grievances expeditiously and promptly. Status of Shareholders/ Investors Grievances for the period from 01.04.2011 to 31.03.2012 related to Equity Shares/Listed Debt Securities is as follows:-

Pending at the beginning of the Financial Year.	Nil
Received during the Financial Year.	727
Disposed during the Financial Year.	726
Remaining unresolved as on March 31, 2012.*	1

\*Necessary action has been taken to settle the investor complaint received through SEBI.

### 3.5 Loan Committee

The Loan Committee was constituted by the Board of Directors in its Meeting held on May 26, 2008. It has been constituted for sanction of loans:

- to Central/State Government Power utilities or Central/State PSUs in excess of Rs. 150 crore but upto Rs. 500 crore in each case, with an annual ceiling of upto Rs. 25,000 crore (Annual Financial Ceiling enhanced from earlier Rs. 20000 crore to Rs. 25000 crore by the Board of Directors in its 385<sup>th</sup> Meeting held on March 30, 2012); and
- to Private Sector Power utilities in excess of Rs. 100 crore but upto Rs. 500 crore in each case, with an annual ceiling of upto Rs. 6000 crore (Annual Financial Ceiling enhanced from earlier Rs. 4000 crore to Rs. 6000 crore by the Board of Directors in its 385<sup>th</sup> Meeting held on March 30, 2012).

The current composition of Loan Committee of the Board of Directors is as under:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Shri Rajeev Sharma	CMD	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member
4.	Shri Devender Singh	Government Nominee Director	Member

The quorum of meeting of the Loan Committee is three Members including CMD and Government Nominee Director. During the Financial Year 2011-12, nine meetings of Loan Committee were held viz. May 3, 2011, June 1, 2011, June 29, 2011, August 10, 2011, September 30, 2011, November 10, 2011, January 25, 2012, March 2, 2012; and March 30, 2012.

### 3.6 Sub-Committee for review and updation of HR Policies

The Sub-Committee for review and updation of HR Policies was constituted by the Board of Directors in its Meeting held on July 9, 2008. It has been constituted for development, review and revision of Human Resources Policies including benefits / facilities of employees broadly in line with comparable Public Sector Enterprises and to submit the recommendations for approval of the Board.

The current composition of Sub- Committee of the Board of Directors for review and updation of HR Policies is as under:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Shri Ajeet Kumar Agarwal	Director (Finance)	Chairman
2.	Dr. Devi Singh	Part-time Non-official Independent Director	Member
3.	Shri Venkataraman Subramanian	Part-time Non-official Independent Director	Member

The quorum for the committee is two Members including Chairman of the Committee and ED (HR)/AGM (HR) are the standing invitee to the Meetings of the Sub- Committee for review and updation of HR Policies. During the Financial Year 2011-12, one Meeting of the Sub- Committee of the Board of Directors for review and updation of HR Policies was held on July 25, 2011.

### 3.7 Remuneration Committee

#### (i) Remuneration Committee as per Listing Agreement

REC, being a Central Public Sector Undertaking, the appointment, tenure and remuneration of Directors are determined by the Government of India through its Administrative Ministry, Ministry of Power as per the provisions of the Articles of Association of the Company. Therefore, the Board does not decide the remuneration of Directors. Hence, the Remuneration Committee as per Listing Agreement is not constituted in the Company.

The Directors do not have any pecuniary relationships or transactions with the Company. Brief profile of the Directors is set out elsewhere in the Annual Report.

However, as required under the Corporate Governance Code, necessary disclosures with regard to remuneration of directors are made as follows:

- Details of remuneration of Executive Directors of the Company during the Financial Year 2011-12 as under:

(Amount in Rs.)

Sl. No.	Name	Salary & Allowances	Other Benefits	Performance linked Incentive/ Ex-gratia	Total
1.	Shri Jairaj Moreshwar Phatak, CMD (upto April 16, 2011)	67598	9894	0	77492
2.	Shri Rajeev Sharma, CMD (Since November 29, 2011)	778483	168583	0	947066
3.	Shri Hari Das Khunteta, Director (Finance)	2569919	516021	2834539	5920479
4.	Shri Prakash Thakkar, Director (Technical) (Since May 2, 2011)	1993424	322603	1736736	4052763

- (b) Part-time Non-official Independent Directors are paid only sitting fees at the rate of Rs. 15000/- for each Meeting of the Board/Committee thereof as fixed by the Board in its 347<sup>th</sup> Meeting held on March 29, 2009 within the ceiling prescribed under the Companies Act, 1956 for attending the Board Meetings as well as Committee Meetings. Details of Payments towards sitting fees to Part-time Non-official Independent Directors during the Financial Year 2011-12 as under:

(Amount in Rs.)

Sl. No.	Name of Part-time Non-official Independent Director	Sitting Fees		Total
		Board Meeting	Committee Meeting	
1.	Dr. Devi Singh	1,20,000	2,10,000	3,30,000
2.	Dr. Govinda Marapalli Rao	90,000	90,000	1,80,000
3.	Shri Venkataraman Subramanian	90,000	1,35,000	2,25,000
4.	Dr. Sunil Kumar Gupta	15,000	Nil	15,000

- (c) The Government Nominee Director is not entitled to any remuneration/ sitting fee from the Company.

#### (ii) Remuneration Committee as per DPE:

The Department of Public Enterprises (DPE) has vide Office Memorandum dated November 26, 2008, February 9, 2009 and April 2, 2009 notified the revision of pay scales for Board level and below Board level executives and Non-unionised Supervisors w.e.f. January 1, 2007. DPE vide its aforesaid Office Memorandums has also directed that each CPSE will constitute a Remuneration Committee headed by a Part-time Non-official Independent Director which will decide the annual bonus/ variable pool and policy for its distribution across the executives and Non-unionised Supervisors within the prescribed limits.

In accordance with the directions of DPE, the Board of REC has constituted a Remuneration Committee on April 20, 2009 to decide the Performance Related Payment for the year 2009-10 onwards.

The current composition of this Remuneration Committee of the Board of Directors is as under:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Dr. Devi Singh	Part-time Non-official Independent Director	Chairman
2.	Dr. Govinda Marapalli Rao	Part-time Non-official Independent Director	Member
3.	Shri Venkataraman Subramanian	Part-time Non-official Independent Director	Member

Quorum of the Remuneration Committee is two members including Chairman. Director (Finance), Director (Technical) and ED (HR)/AGM (HR) are Standing Invitees to the Meetings of the Remuneration Committee. During the Financial Year 2011-12, two Meetings of the Remuneration Committee were held on July 25, 2011 and December 16, 2011.

### 3.8 Risk Management Committee

The Risk Management Committee was constituted by the Board of Directors in its 377<sup>th</sup> Meeting held on May 24, 2011. It has been constituted to manage the Integrated Risk. The main function of Risk Management Committee is to monitor various risks likely to arise and to examine the various Risk management policies and practices adopted by the Company and to initiate action for mitigation of risks arising in the operation and other related matters of the Company.

The current composition of the Risk Management Committee of the Board of Directors is as under:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Shri Prakash Thakkar	Director (Technical)	Member
2.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member
3.	Dr. Devi Singh	Part-time Non-official Independent Director	Member

The Operational Heads of Finance Division (Resource Mobilization) and Asset Liability Management Division are the Standing Invitees at Risk Management Committee Meeting. During the Financial Year 2011-12 one Meeting of the Risk Management Committee was held on August 30, 2011.

### 3.9 Executive Committee

The Executive Committee of the Board has been constituted for sanction of loans up to Rs. 150 crore in each case for Central / State Government Power Utilities or Central / State PSUs, with Annual Financial Ceiling of up to Rs. 20000 crore (Annual Financial Ceiling enhanced from earlier Rs. 16000 crore to Rs. 20000 crore by the Board of Directors in its 385<sup>th</sup> Meeting held on March 30, 2012) and for sanction up to Rs. 100 crore in each case to Private Sector Power Utilities, with Annual Financial Ceiling being up to Rs. 5000 crore (Annual Financial Ceiling enhanced from earlier Rs. 4000 crore to Rs. 5000 crore by the Board of Directors in its 385<sup>th</sup> Meeting held on March 30, 2012). These powers for sanction of loans are subject to recommendation of the Screening Committee constituted for the purpose. The Board of Directors at its meeting held on July 4, 2011 approved the re-constitution of the Executive Committee of the Board with Functional Directors only.

The current composition of the Executive Committee of the Board of Directors is as under:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Shri Rajeev Sharma	CMD	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member

The quorum of the Executive Committee of the Board of Directors is two Members including CMD. During the Financial Year 2011-12, eight meetings of the Executive Committee were held viz. October 15, 2011, October 31, 2011, November 16, 2011, January 13, 2012, February 17, 2012, February 28, 2012, March 22, 2012 and March 31, 2012.

### 3.10 Bond Committee

The Bond Committee was constituted by the Board of Directors in its 383rd Meeting held on February 16, 2012. The Bond Committee was authorised by the Board to finalize the Prospectus, including the detailed terms and conditions, for Public Issue of Tax Free Secured Redeemable Non-convertible Bonds of the Company in the Financial Year 2011-12.

The current composition of the Bond Committee of the Board of Directors is as under:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Shri Rajeev Sharma	CMD	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member

Quorum of the Bond Committee of the Board of Directors is two members. During the Financial Year 2011-12, four Meetings of the Bond Committee of the Board of Directors were held on February 23, 2012, February 28, 2012, March 6, 2012 and March 27, 2012.

### 3.11 Sub-Committee on Renewable Energy Projects

The Sub-Committee of the Board of Directors was constituted by the Board in its 382nd Meeting held on January 25, 2012 to finalize the guidelines for project appraisal, financing and implementation of Renewable Energy Projects.

The current composition of the Sub-Committee on Renewable Energy Projects is as under:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Shri Venkataraman Subramanian	Part-time Non-official Independent Director	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member

During the Financial Year 2011-12, one meeting of the Sub-Committee of the Board of Directors on Renewable Energy Projects was held on February 22, 2012.

With the purpose for which the Sub-Committee of the Board of Directors on Renewable Energy Projects was constituted having been completed during the year, the Board of Directors in its 384th Meeting held on March 2, 2012 dissolved the Sub-Committee of the Board of Directors on Renewable Energy Projects.

### 3.12 Committee of Directors for review of CSR Initiatives/Projects

The Committee of Directors for review of CSR Initiatives/Projects was constituted by the Board in its 385<sup>th</sup> Meeting held on March 30, 2012 to review the initiatives taken in CSR on periodical basis.

The current composition of the Committee of Directors for review of CSR Initiatives/Projects is as under:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Dr. Sunil Kumar Gupta	Part-time Non-official Independent Director	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member

### 3.13 Designated Committee of Directors on Sustainable Development

The Designated Committee of Directors on Sustainable Development was constituted by the Board in its 386th Meeting held on May 23, 2012 as per applicable DPE guidelines.

The current composition of the Designated Committee of Directors on Sustainable Development is as under:

Sl. No.	Name of the Committee Members	Designation	Position in the Committee
1.	Dr. Devi Singh	Part-time Non-official Independent Director	Chairman
2.	Shri Prakash Thakkar	Director (Technical)	Member
3.	Shri Ajeet Kumar Agarwal	Director (Finance)	Member

### 4. SHARE TRANSFER COMMITTEE

In addition to the Committees of the Board as detailed from 3.1 to 3.13 above, there is a Share Transfer Committee comprising of Senior Officers. The Share Transfer Committee was reconstituted by Board of Directors in its 377th Meeting held on May 24, 2011. The Committee has been constituted to consider and approve requests received from shareholders for splitting/consolidation and transfer of physical shares exceeding 500 equity shares per individual in each case.

The current composition of Share Transfer Committee is as under:

Sl. No.	Name of the Committee Members	Designation
1.	Shri Rakesh Kumar Arora	Company Secretary
2.	Shri B.K. Johar	DGM (F&A) Resources

Registrar and Share Transfer Agent (R&TA) has been authorized to consider and approve requests received from shareholders for splitting/consolidation and transfer of physical shares upto 500 equity shares per individual in each case.

### 5. MANAGEMENT DISCUSSION AND ANALYSIS

A detailed report on the Management Discussion and Analysis is provided as a separate section in the Annual Report.



## 6. SUBSIDIARY COMPANIES

The Company does not have any "material non-listed Indian subsidiary" as defined in Clause 49 of the Listing Agreement. The Minutes of the Board Meetings of Unlisted Subsidiary Companies were placed before the Board of the Company for information. The Financial Results of Subsidiary Companies were reviewed by the Audit Committee of Board of Directors of the Company. Further all significant transactions and arrangements entered into by the Subsidiary Companies were brought to the attention of Board of Directors of the Company. The Company has following Unlisted Subsidiary Companies as on March 31, 2012:

- i. REC Power Distribution Company Limited (RECPDCL); and
- ii. REC Transmission Projects Company Limited (RECTPCL)

RECTPCL has two Project Specific Special Purpose Vehicles (SPVs) namely Vemagiri Transmission System Limited (VTSL) and Vizag Transmission Limited (VTL). Out of these two SPVs, Vemagiri Transmission System Limited (VTSL) was transferred along with all assets and liabilities to M/s Power Grid Corporation of India Limited (PGCIL) and their nominees, substantially upon the terms & conditions as detailed in the Share Purchase Agreement executed on April 18, 2012 between RECTPCL, VTSL and M/s PGCIL for establishment of "Transmission System Associated with IPPs of Vemagiri Area- Package A- Vemagiri Pooling Station-Khammam 765 kV 1xD/c (1st ckt.) line and Khammam - Hyderabad 765 kV D/C (1st ckt.) line"

As per Section 212 of the Companies Act, 1956, a Company is required to attach the Directors' Report, Balance Sheet, Statement of Profit and Loss, Auditors' Report etc. of the Subsidiary Companies to its Annual Report. However, the Ministry of Corporate Affairs, Government of India vide its Circular No. 2/2011 (No: 51/12/2007-CL-III) dated February 8, 2011 has provided general exemption to companies from complying with Section 212, subject to the compliance of certain conditions as stipulated in the aforesaid Circular. The Board of Directors of the Company in their Meeting held on March 30, 2012 has given their consent for not attaching Financial Statements of Subsidiary Companies with the Balance Sheet of the Company for the Financial Year 2011-12. Accordingly, the Annual Report 2011-12 does not contain the Financial Statements of our subsidiary companies. The Audited Financial Statements and related information of our subsidiaries, where applicable, will be made available for inspection during business hours at our Registered Office at New Delhi, India. The same will also be available on the website of the Company [www.recindia.nic.in](http://www.recindia.nic.in) under the head 'Financial Highlights'.

## 7. ANNUAL GENERAL MEETINGS

The last three Annual General Meetings of the Company were held at Air Force Auditorium, Subroto Park, Dhaura Kuan, New Delhi-110010 as per details given below:

Meeting No.	Financial Year	Date	Time	Whether any Special Resolution passed
40th	2008-09	September 19, 2009	11.00 A.M.	Yes
41st	2009-10	September 8, 2010	11.00 A.M.	Yes
42nd	2010-11	September 17, 2011	11.00 A.M.	Yes

No Resolution was passed through Postal Ballot in the Financial Year 2011-12. Also, none of the business in the ensuing Annual

General Meeting requires a Special Resolution to be passed through Postal Ballot.

## 8. INITIATIVES IN CORPORATE GOVERNANCE

### (i) Green Initiative in Corporate Governance

As a responsible Corporate Citizen, your Company has actively supported the implementation of 'Green Initiative' circulars issued by Ministry of Corporate Affairs (MCA) last year and effected electronic delivery of Notice of Annual General Meeting (AGM) and Annual Report for the year ended March 31, 2012 to those shareholders whose email ids were already registered with the respective Depository Participants (DPs) and downloaded from the depositories viz. NSDL/CDSL and who have not opted for receiving Annual Report in physical form, as done in previous year. The intimation of final/Interim Dividend paid during the Financial Year 2011-12 to those shareholders whose email ids were registered was also made electronically.

Shareholders are requested to support the "THINK GREEN, GO GREEN" initiative of your Company by registering/ updating e-mails addresses for receiving electronic communications.

### (ii) Secretarial Audit

The Secretarial Audit for the Financial Year ended March 31, 2012 has been conducted by M/s Chandrasekaran Associates, Practicing Company Secretaries, Delhi and they have submitted their Secretarial Audit Report dated June 11, 2012 to the Company. A copy of Secretarial Audit Report is set out elsewhere in the Annual Report for information of the shareholders.

## 9. DISCLOSURES

- (i) The Company has not entered into any material financial or commercial transactions with the Directors or the Management or their relatives or the companies and firms, etc., in which they are either directly or through their relatives interested as Directors and/or Partners except a letter of intent for empanelment as lenders' engineer issued to M/s Energy Infotech Private Limited (EIPL) where Dr. Devi Singh, Part-time Non-official Independent Director, REC Limited is also an Independent Director.
- (ii) All members of Senior Management have made disclosures to the Board relating to all material financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the Company at large (e.g. dealing in company shares, commercial dealings with bodies which have shareholding of management and their relatives etc).
- (iii) There were also no instances of non-compliance on any matter related to the Capital Markets during the last three years. There were no penalties imposed or strictures imposed on the Company by any statutory authorities in this regard. All returns/ reports were filed within stipulated time with stock exchanges/ other authorities.
- (iv) There are no materially significant transactions with related parties i.e. Promoters, Directors or the management, conflicting with the Company's interest.
- (v) The Company has laid down the procedure to inform the Board about the risk assessment and minimization. The Board of Directors of the Company review the procedures to ensure that the integrated risk are managed through a properly defined framework.
- (vi) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement for the Financial Year 2011-12 have been prepared as per the Accounting Standards referred to in Sub-section (3C) of Section 211 of the Companies Act, 1956.

- (vii) Company has adopted a Whistle Blower Policy in terms of Non-mandatory requirement of Listing Agreement.
- (viii) The Company affirms that no personnel have been denied access to the Audit Committee.
- (ix) The Company has adopted all suggested items to be included in the Report on Corporate Governance.
- (x) There is no inter-se relationship between Directors of the Company, as per declarations received.

**Additional Disclosures as required under the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 issued by the Department of Public Enterprises:**

- (i) During the financial year 2011-12, no Presidential Directives were issued by the Central Government to the Company. Presidential Directive issued on April 30, 2009 directing CMD, REC to implement revision of pay & allowances of Board Level & below Board Level Executives in REC strictly in accordance with DPE Guidelines has been duly complied with and the pay scales & allowances of Board Level & below Board Level Executives have been provisionally revised w.e.f. January 01, 2007;
- (ii) Items of expenditure debited in books of accounts, which are not for the purpose of the business - NIL
- (iii) Expenses incurred which are personal in nature and incurred for the Board of Directors and top Management - NIL
- (iv) Administrative and office expenses as a percentage of total expenses for the Financial Year 2011-12 is 0.87 % (Previous year 0.68 %) and as a percentage of financial expenses for the Financial Year 2011-12 is 0.91 % (Previous year 0.70 %).

The increase in Administrative and office expenses in Financial Year 2011-12 as compared to Financial Year 2010-11 is mainly on account of CSR expenditure of Rs. 12.99 crore, reversal of service tax credit Rs. 5.04 crore booked in Rates & Taxes due to change in Cenvat Credit Rules applicable from April 1, 2011 and higher RGGVY monitoring expenses of Rs. 3.42 crore. Under various other heads there is marginal increase or reduction in the expenses.

**10. FEE PAID/PAYABLE TO JOINT STATUTORY AUDITORS**

For the financial year under Report, details of fee paid/payable to Joint Statutory Auditors are as under:

Sl No.	Particulars	Amount (in Rs.)
1.	Statutory Audit Fees-Annual	17,00,000
2.	Half yearly Audit Fees	8,50,000
3.	Tax Audit Fees	5,00,000
4.	Limited Review Report	5,25,000
5.	Payment to Statutory Auditors for Certification and any Other Matters #	25,48,189
	<b>Total</b>	<b>61,23,189</b>

# Includes Rs 15,00,000 for Certification of Prospectus dated March 2, 2012 for Public Issue of Tax Free Bonds and Rs. 9,00,000 for certification of ECB Documentation.

**11. ADOPTION OF NON-MANDATORY REQUIREMENTS UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

**i. The Board:**

- (a) The Company is headed by an Executive Chairman;
- (b) Dr. Govinda Marapalli Rao and Dr. Devi Singh, Part-time Non-official Independent Directors on the Board of the Company were appointed for the first time on December 20, 2007 and January 7, 2008 respectively for a period of three years or until further orders, whichever is earlier and they were re-appointed on the Board of the Company on June 10, 2011 for a period of three years or until further orders, whichever is earlier;
- (c) Shri Venkataraman Subramanian and Dr. Sunil Kumar Gupta Part-time Non-official Independent Directors were appointed on the Board of the Company on June 10, 2011 and March 16, 2012 respectively;
- (d) None of the Part-time Non-official Independent Director has held office of Director in the Company for a period of nine years or more; and
- (e) All Part-time Non-official Independent Directors have adequate qualifications, expertise and experience which enable them to contribute effectively to the management of the Company.

**ii. Remuneration Committee:** The appointment of Directors on the Board of Company and payment of their remuneration are decided by the Government of India through Administrative Ministry i.e. Ministry of Power as per the Articles of Association of the Company. Accordingly, there was no Remuneration Committee of the Company as per Listing Agreement in the Financial Year 2011-12. However in accordance with the directions of DPE vide O.M. dated November 26, 2008, February 9, 2009 and April 2, 2009, the Board of REC has constituted a Remuneration Committee on April 20, 2009 to decide the annual bonus/variable pool and policy for its distribution across the executives and Non-Unionised Supervisors within the prescribed limits.

**iii. Shareholders Rights:** The quarterly financial results of the Company are published in leading newspapers as mentioned under the heading 'Means of Communication' of the Report on Corporate Governance and also posted on the website of the Company. These results are not separately circulated to the shareholders.

**iv. Audit Qualification:** The audit observations/comments and reply of the management for the financial year 2011-12 has been given in para 34.1 of Directors' Report.

**v. Training to Board Members:** It is need based.

**vi. Mechanism for evaluating non-executive Board Members:** Not yet adopted by the Company.

**vii. Policy for Prevention of Fraud**

Policy for Prevention of Frauds in REC has been framed to provide a system for detection and prevention of fraud, reporting of any fraud that is detected or suspected and fair dealing of matters pertaining to fraud. The policy covers the following provisions:-

- i. to ensure that management is aware of its responsibilities for detection and prevention of fraud and for establishing procedures for preventing fraud and/or detecting fraud when it occurs;

- ii. to provide a clear guidance to employees and others dealing with REC forbidding them from involvement in any fraudulent activity and the action to be taken by them where they suspect any fraudulent activity;
  - iii. to conduct investigations into fraudulent activities; and
  - iv. to provide assurances that any and all suspected fraudulent activity will be fully investigated.
- viii. **Whistle Blower Policy:** REC has adopted Whistle Blower Policy (PIDPI Resolution) as issued by Central Vigilance Commission vide Office Order No.33/5/2004 dated 17th May, 2004 and the same has also been incorporated in "Vigilance Hand Book" issued by Vigilance Division in October, 2010.

Further, in terms of Clause 49 of the Listing Agreement and Clause 8 of Guidelines on Corporate Governance for CPSEs issued by DPE, the Board of Directors of the Company in its 380th Meeting held on November 10, 2011 approved the Whistle Blower Policy of the Company, to support "The Code of Business Conduct and Ethics for Board Members and Senior Management". This policy is designated to enable Employees, Directors, Auditors, Consultants and Contractors ("individuals") to raise "concerns" internally to disclose information which the individual believes to be alleged malpractice or wrongdoing which could affect the business or reputation of the Company.

A declaration by the Chairman and Managing Director that he has not denied any personnel access to the Competent Authority, and that he has provided protection to Complainant from adverse personnel action for the Financial Year ended March 31, 2012 is as under:

**Annual Affirmation by the Chairman & Managing Director in terms of Whistle Blower Policy of the Company**

During the financial year 2011-12, no person has been denied access to the Competent Authority and necessary system has been put in place, to provide protection to the complainant, wherever required.

Sd/-

(Rajeev Sharma)  
Chairman and Managing Director

## 12. MEANS OF COMMUNICATION

The Company recognizes communications as key elements of the overall Corporate Governance framework and therefore emphasizes on continuous, efficient and relevant communication.

The Company communicates with its shareholders through its Annual Report, General Meetings and disclosures through website. All important information pertaining to the Company is also mentioned in the Annual Report for each financial year containing inter alia Audited Financial Statements, Directors' Report, Auditors' Report, Report on Corporate Governance and Non-Banking Financial Companies Auditors' Report which is circulated to the members and others entitled thereto.

The Company also communicates with its institutional shareholders through investor conferences.

Quarterly/Half yearly/Annual Financial Results of the Company are communicated to the Stock Exchange and published in financial and national newspapers like The Economic Times, Hindustan Times, Business Standard (English & Hindi), Mint, Indian etc. These results are also made available on Company's Website at [www.recindia.nic.in](http://www.recindia.nic.in).

## 13. CEO/CFO CERTIFICATION

In terms of Clause 49 of the Listing Agreement, a Certificate duly signed by Shri Rajeev Sharma, Chairman and Managing Director and Shri Hari Das Khunteta, Director (Finance) was placed before the Board of Directors in its 386th Meeting held on May 23, 2012 while consideration of the Annual Financial Statements of the Company for the Financial Year ended March 31, 2012.

## 14. GENERAL SHAREHOLDER INFORMATION

### i. Annual General Meeting for the Financial Year 2011-12.

Date	Time	Venue
September 20, 2012	11.00 A.M.	Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi- 110010

### ii. Financial Calendar for Financial Year 2012-13 vis-à-vis Financial Year 2011-12

Particulars	Financial Year 2011-12		Financial Year 2012-13	
Accounting Period	April 1, 2011 to March 31, 2012.		April 1, 2012 to March 31, 2013.	
Payment of Interim Dividend	February 7, 2012		February, 2013 (Tentative)	
Announcement of Financial Results	1st Quarter	August 10, 2011	First three Quarters	Announcement within 45 days from the end of each quarter.
	2nd Quarter	November 10, 2011		
	3rd Quarter	January 25, 2012		
	4th Quarter & Annual Financial Results	May 23, 2012	4th Quarter & Annual Financial Results	Announcement within 60 days from the end of Financial Year.
Annual General Meeting	September 20, 2012		September, 2013 (Tentative)	

### iii. Payment of Dividend

#### A. Dividend for the Financial Year 2011-12

##### (1) Interim Dividend Details:

In pursuance of Article 104 of the Articles of Association of the Company read with Section 205 of the Companies Act, 1956 and Companies (Transfer of Profits to Reserves) Rules, 1975 the Company paid an Interim Dividend of Rs. 5/- per Equity Share (on the face value of Rs. 10/- each) in the month of February, 2012 for the Financial Year 2011-12.

##### (2) Final Dividend Details:

The Board of Directors in its meeting held on May 23, 2012 has recommended a Final Dividend of Rs. 2.50 per Equity Share (on the face value of Rs. 10/-each) for the Financial Year 2011-12 for approval of the shareholders in the ensuing Annual General Meeting to be held on September 20, 2012. The total dividend (including Interim Dividend) for the Financial Year 2011-12 will be Rs. 7.50 per Equity Share (on the face value of Rs. 10/- each).

#### B. Dividend History for the last five Financial Years

(Rs. in Crore)

Financial Year	Total Paid-up Capital	Total Amount of Dividend Paid	Rate of Dividend (%)	Date of Payment	
				Interim	Final
2006-07	780.60	177.00	22.67	N.A.	October 5, 2007
2007-08	858.66	257.60	30	N.A.	October 1, 2008
2008-09	858.66	386.40	45	March 5, 2009	September 25, 2009
2009-10	987.46	603.21	65	January 12, 2010	September 15, 2010
2010-11	987.46	740.59	75	February 24, 2011	September 28, 2011

#### iv. Date of Book Closure

The Register of Members and Share Transfer Books of the Company will remain closed from September 6, 2012 to September 20, 2012 (both days inclusive).

#### v. Pay-out Date for Payment of Final Dividend

The Final Dividend on equity shares, as recommended by the Board of Directors, subject to the provisions of Section 206A of the Companies Act, 1956, if approved by the members at the

ensuing Annual General Meeting, will be paid on October 4, 2012 to the Members or their mandates whose names appear on the Company's Register of Members on September 20, 2012 in respect of physical shares. In respect of Dematerialised shares, the dividend will be payable to the "beneficial owners" of the shares whose name appear in the Statement of Beneficial Ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited at the close of business hours on September 5, 2012.

#### vi. Listing on Equity Shares

REC shares are listed on the following Stock Exchanges:

Name & Address	Telephone / Fax / E-mail ID / Website	Scrip Code
<b>National Stock Exchange of India Limited (NSE)</b> Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051.	Telephone: (022) 26598100 - 8114 Fax: (022) 26598120 E-mail ID: <a href="mailto:cc_nse@nse.co.in">cc_nse@nse.co.in</a> Website: <a href="http://www.nseindia.com">www.nseindia.com</a>	RECLTD
<b>BSE Limited (BSE)</b> Phiroze Jeejeebhoy Towers Dalal Street, Mumbai - 400 001.	Telephone: (022) 22721233/4 Fax: (022) 22721919 E-mail ID: <a href="mailto:info@bseindia.com">info@bseindia.com</a> Website: <a href="http://www.bseindia.com">www.bseindia.com</a>	532955

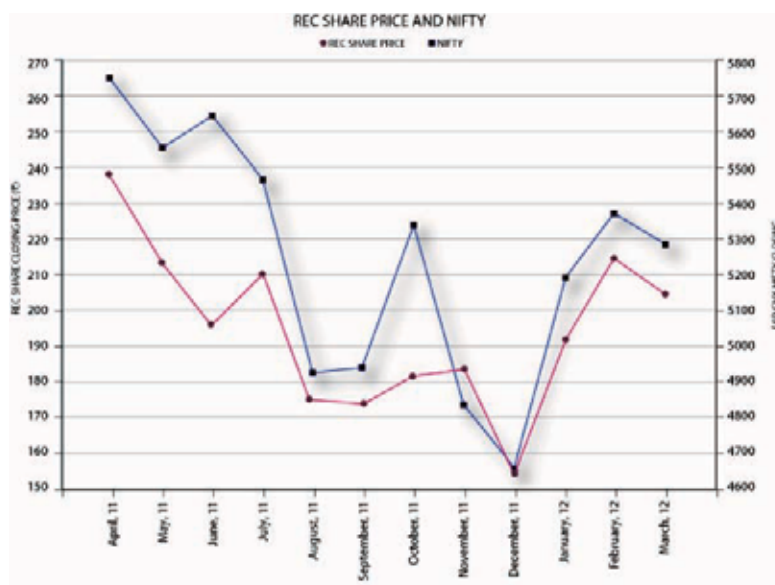
#### vii. International Securities Identification Number (ISIN)

ISIN is a unique identification number of traded scrip. This number has to be quoted in each transaction relating to the dematerialized securities of the Company. ISIN of Equity Shares of the Company is INE020B01018.

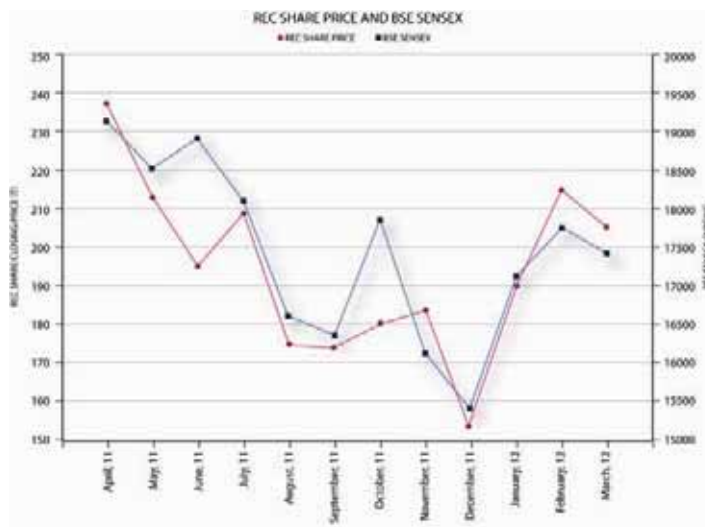
## viii. Market Price Data for the Financial Year 2011-12.

Performance of REC Share at NSE					NIFTY		
Month	High (Rs.)	Low (Rs.)	Month Close (Rs.)	Total Traded Quantity	High	Low	Month Close
April, 11	269.60	232.00	238.60	5,21,16,121	5944.45	5693.25	5749.50
May, 11	240.65	191.15	212.85	4,63,71,659	5775.25	5328.70	5560.15
June, 11	218.60	177.35	195.90	4,86,62,021	5657.90	5195.90	5647.40
July, 11	231.45	194.60	209.70	6,68,85,138	5740.40	5453.95	5482.00
August, 11	214.50	162.15	174.60	4,46,90,869	5551.90	4720.00	4919.60
September, 11	191.85	163.10	173.90	4,20,01,182	5169.25	4758.85	4943.25
October, 11	187.00	153.60	180.55	3,42,03,475	5399.70	4728.30	5326.60
November, 11	208.45	173.00	183.35	59,825,585	5326.45	4639.10	4832.05
December, 11	203.40	143.50	153.75	5,49,50,486	5099.25	4531.15	4624.30
January, 12	205.80	149.65	190.50	4,58,60,989	5217.00	4588.05	5199.25
February, 12	252.00	189.50	215.70	6,34,91,699	5629.95	5159.00	5385.20
March, 12	229.40	184.20	205.40	5,89,57,716	5499.40	5135.95	5295.55

Performance of REC Share at BSE					SENSEX		
Month	High (Rs.)	Low (Rs.)	Month Close (Rs.)	Total Traded Quantity	High	Low	Month Close
April, 11	269.85	232.35	238.75	61,06,973	19,811.14	18,976.19	19,135.96
May, 11	240.65	191.15	212.75	72,34,607	19,253.87	17,786.13	18,503.28
June, 11	220.00	178.50	195.80	69,73,738	18,873.39	17,314.38	18,845.87
July, 11	231.85	194.70	209.45	1,02,63,415	19,131.70	18,131.86	18,197.20
August, 11	214.50	162.50	174.35	69,01,333	18,440.07	15,765.53	16,676.75
September, 11	191.70	163.35	173.10	63,04,253	17,211.80	15,801.01	16,453.76
October, 11	187.00	155.00	180.00	51,34,960	17,908.13	15,745.43	17,705.01
November, 11	208.25	175.00	183.85	81,44,700	17,702.26	15,478.69	16,123.46
December, 11	203.05	143.50	153.50	94,16,375	17,003.71	15,135.86	15,454.92
January, 12	205.40	149.20	190.30	75,79,581	17,258.97	15,358.02	17,193.55
February, 12	251.40	189.30	215.85	83,50,136	18,523.78	17,061.55	17,752.68
March, 12	229.40	190.20	205.55	1,03,98,670	18,040.69	16,920.61	17,404.20







#### ix. Registrar and Share Transfer Agent

Karvy Computershare Private Limited  
 Plot 17 to 24, Vittal Rao Nagar,  
 Madhapur, Hyderabad- 500081, India,  
 Tel: +91 40 44655141/4465513  
 Fax: +91 40 23420814  
 E-mail: [svraju@karvy.com](mailto:svraju@karvy.com)  
[sbreddy@karvy.com](mailto:sbreddy@karvy.com)  
[einward.ris@karvy.com](mailto:einward.ris@karvy.com)  
 Website: [www.karvy.com](http://www.karvy.com)

#### x. Share Transfer System

The shares under physical segment are transferred through Karvy Computershare Private Limited. Karvy receives the shares to be transferred along with the transfer deed from transferee, verifies

it, prepares the Memorandum of transfer etc. Request for splitting/ consolidation and transfer of physical shares upto 500 equity shares per individual in each case are approved directly by Karvy Computershare Private Limited.

Pursuant to Clause 49 of the Listing Agreement, a Share Transfer Committee has also been constituted to consider and approve requests received from shareholders for splitting/consolidation transfer of physical shares, **exceeding 500 equity shares per individual in each case.**

Further pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, Certificate on half yearly basis confirming due compliance of share transfer formalities by the Company from Practicing Company Secretary have been submitted to Stock Exchanges within stipulated time.

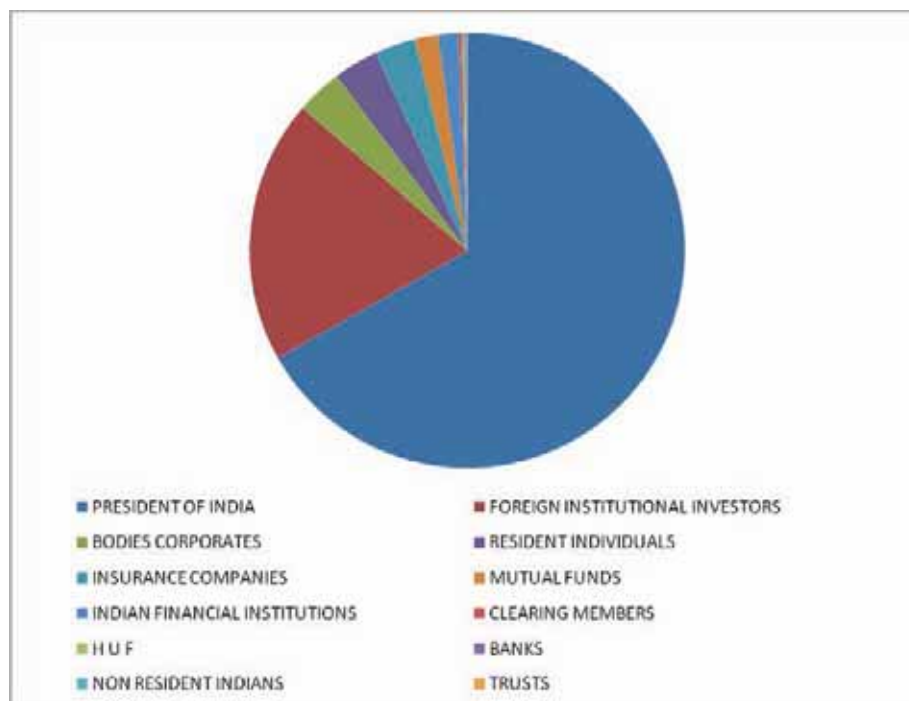
#### xi Distribution of Shareholding

##### DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2012

Number of shares	Number of shareholders	Percentage of shareholders	Amount (Rs.)	Percentage of shares
1-5000	264467	96.99	245443590.00	2.49
5001-10000	4971	1.82	35703980.00	0.36
10001-20000	1437	0.53	20893890.00	0.21
20001-30000	498	0.18	12516280.00	0.13
30001-40000	214	0.08	7578430.00	0.08
40001-50000	196	0.07	9133110.00	0.09
50001-100000	291	0.11	20992850.00	0.21
100001 & Above	605	0.22	9522327870.00	96.43
<b>Total</b>	<b>272679</b>	<b>100</b>	<b>9874590000.00</b>	<b>100.00</b>

## SHAREHOLDING PATTERN ON THE BASIS OF OWNERSHIP

Category	As on March 31, 2012		As on March 31, 2011		Change
	Number of Shares	Percentage of total	Number of Shares	Percentage of total	
President of India	659607000	66.80	659607000	66.80	Nil
Foreign Institutional Investors	192803883	19.53	205084533	20.77	(1.24)
Bodies Corporate	34004753	3.44	43226161	4.38	(0.94)
Resident Individuals	32765736	3.32	30814356	3.12	0.20
Insurance Companies	30049436	3.04	23794291	2.41	0.63
Mutual Funds	16845852	1.71	17297827	1.75	(0.04)
Indian Financial Institutions	15141623	1.53	1102901	0.11	1.42
Clearing Members	2321284	0.24	1568880	0.16	0.08
H U F	1456227	0.15	1367388	0.14	0.01
Banks	1149900	0.12	2650546	0.27	(0.15)
Non Resident Indians	811852	0.08	737328	0.07	0.01
Trusts	501454	0.05	207589	0.02	0.03
Foreign Nationals	Nil	Nil	200	Negligible	-
<b>Total</b>	<b>987459000</b>	<b>100</b>	<b>987459000</b>	<b>100</b>	<b>0.00</b>



### xii. Dematerialization of shares

The shares of the Company are in compulsory dematerialized segment and available for trading system of both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).

The Details of Number of shares held in dematerialized and physical mode as on March 31, 2012 was as under:

Category	Number of Shareholders	Number of Shares	Percentage of total Shares issued
Physical	6744	10241	Negligible
NSDL	188300	977351884	98.97
CDSL	77635	10096875	1.03
<b>Total</b>	<b>272679</b>	<b>987459000</b>	<b>100.00</b>

#### xiii. Reconciliation of Share Capital Audit Report

For every quarter of the Financial Year 2011-12, M/s Savita Jyoti Associates, Company Secretaries carried out audit to reconcile the total admitted, issued and listed share capital with NSDL and CDSL. The Reconciliation of Share Capital Audit Report of every quarter of the Financial Year 2011-12, confirms that the total issued / paid up share capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL. These reports were submitted to the Stock Exchanges within the stipulated time.

#### xiv. Details of unclaimed shares

The Company went for a Initial Public Offer of 15,61,20,000 equity shares in February, 2008, which comprised fresh issue of 7,80,60,000 equity shares by the Company and an offer for sale of another equal number of shares by the President of India.

Further, the Company went for a Follow on Public Offer of 17,17,32,000 equity shares in February, 2010 which comprised fresh issue of 12,87,99,000 equity shares by the Company and offer for sale of 4,29,33,000 by the President of India.

As per Clause 5A of the Listing Agreement, the details of unclaimed shares as on March 31, 2012 is given as under:-

SI No.	Particulars	Number of cases	Number of shares involved
<b>Initial Public Offer – April 1, 2011 to March 31, 2012</b>			
1.	Aggregate number of shareholders and the outstanding unclaimed shares as on April 1, 2011.	318	26023
2.	No. of shareholders who approached for transfer of unclaimed shares during the Financial Year.	12	1086
3.	Number of shareholders to whom unclaimed share were transferred.	12	1086
4.	Aggregate number of shareholders and the outstanding unclaimed shares as on March 31, 2012.	306	24937

SI No.	Particulars	Number of cases	Number of shares involved
--------	-------------	-----------------	---------------------------

#### Further Public Offer – April 1, 2011 to March 31, 2012

1.	Aggregate number of shareholders and the outstanding unclaimed shares as on April 1, 2011.	8	690
2.	No. of shareholders who approached for transfer of unclaimed shares during the year.	2	180
3.	Number of shareholders to whom unclaimed share were transferred.	2	180
4.	Aggregate number of shareholders and the outstanding unclaimed shares as on March 31, 2012.	6	510

The voting rights in respect of the said shares will be frozen till the time rightful owner claims such shares.

#### xv. Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversions date and likely impact on equity.

No GDRs/ADRs/Warrants or any Convertible instruments has been issued by the Company.

#### xvi. Annual Listing Fee to Stock Exchanges

The Company has paid Annual Listing Fee for the Financial Year 2012-13 to NSE & BSE.

#### xvii. Annual Custodial Fee to Depositories

The Company has paid Annual Custodial Fee for the Financial Year 2012-13 to NSDL and CDSL.

#### xviii. Plant Locations: Not applicable. However, there are 5 Zonal Offices, 18 Project Offices, 2 Sub-Offices and 1 Training Centre.

#### xix. Address for correspondence

Rural Electrification Corporation Limited,  
Core-IV, SCOPE Complex,  
7, Lodhi Road,  
New Delhi-110003, India.

#### xx. Compliance Officer and Public Spokesperson

Shri Rakesh Kumar Arora  
GM (F&A) & Company Secretary  
Tel: +91 11 24367305  
Fax: +91 11 24362039  
E-mail: [rkarora@recl.nic.in](mailto:rkarora@recl.nic.in)

## ANNEXURE-III

### AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Members

Rural Electrification Corporation Limited,

We have examined the compliance of conditions of Corporate Governance by Rural Electrification Corporation Limited ("The Company") for the financial year ended 31st March, 2012 as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges and Clause 8.2.1 of Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs), 2010 issued by the Department of Public Enterprises (DPE), Ministry of Heavy Industries and Public Enterprises, Government of India.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to review of the procedures and implementation thereof, adopted by the Company, for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and DPE Guidelines on Corporate Governance for CPSE. However the composition of the Board of Directors during the period April 1, 2011 to July 4, 2011 and from November 29, 2011 to March 15, 2012 and Audit Committee during the period April 1, 2011 to July 4, 2011 was not as per the provisions of sub-clause (I) (A) & (II) (A) of Clause 49 of the Listing Agreement and Clause 3.1.4 and 4.1.1 of DPE Guidelines on Corporate Governance for CPSE issued by DPE due to retirement of Part-time Non-official Independent Directors in previous year.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For Bansal & Co.**

Chartered Accountants

Firm Regn No. 001113N

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

Chartered Accountants

Firm Regn No. 006747N

**(R.C. Pandey)**

Partner

M. No. 070811

**(K.S. Ponnuswami)**

Partner

M. No. 070276

Place: New Delhi

Date: 25<sup>th</sup> June 2012

## SECRETARIAL AUDIT REPORT

The Shareholders  
 Rural Electrification Corporation Limited  
 Core 4 Scope Complex  
 7 Lodi Road  
 New Delhi

We have examined the registers, records and documents of Rural Electrification Corporation Limited (the Company) for the financial year ended 31<sup>st</sup> March, 2012 in the light of the provisions contained in-

- The Companies Act, 1956 and the Rules made thereunder.
  - The Depositories Act, 1996 and the Rules made thereunder and the bye-laws of the Depositories who have been given the requisite Certificates of Registration under the Securities and Exchange Board of India Act, 1992
  - The Securities Contracts (Regulation) Act, 1956 and the rules made thereunder.
  - The Securities and Exchange Board of India Act, 1992 and the Rules, Guidelines and Regulations made thereunder including:
    - The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
    - The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992
  - The listing agreement with the Bombay Stock Exchange and National Stock Exchange
- A. Based on our examination and verification of the records made available to us and according to the clarifications and explanations given to us by the Company, we report that the Company has, in our opinion, complied with the applicable provisions of the Companies Act, 1956 and the rules made thereunder, listing agreement and of the Memorandum and Articles of Association of the Company, with regard to:
1. Maintenance of various statutory registers and documents and making necessary changes therein as and when the occasion demands.
  2. Filing with the Registrar of Companies the Forms, returns and resolutions.
  3. Service of the requisite documents by the Company on its members and Stock Exchanges.
  4. Composition of the Board, appointment, retirement and resignation of directors.
  5. Remuneration of executive and non executive directors.
  6. Service of notice and agenda of Board Meetings and Meetings of the committee of directors.

7. Meetings of the Board and its Committees.
  8. Holding Annual General Meeting and production of the various registers thereat.
  9. Recording the minutes of proceedings of Board meetings, Committee meetings and General Meetings.
  10. Appointment and remuneration of Auditors.
  11. Registration of transfer of shares held in physical mode.
  12. Dematerialisation and Rematerialisation of shares.
  13. The Company has declared dividend and paid to the eligible shareholders in compliance with the provisions of section 205 of the Act during the year.
  14. The Company has transferred the unclaimed/unpaid dividend to Investor Education and Protection Fund in compliance with the provisions of section 205C of the Act during the year.
  15. Requirements of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
  16. Requirements of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.
  17. Requirements set out in the listing agreement with the aforementioned Stock Exchange.
- B. We further report that during the year-
- (i) the Company has complied with various requirements relating to disclosures, declarations made by the Directors with respect to directorships, memberships of committees of the Board of Companies of which they are directors, their shareholding and interest of concern in the contracts entered into by the Company in the pursuing its normal business, and
  - (ii) There was no prosecution initiated against or show cause notice received by the Company and no fine or penalties were imposed on the company under the aforementioned Acts, Rules, Regulations and guidelines made thereunder or on its directors and officers.

For Chandrasekaran Associates  
 Company Secretaries

Dr. S Chandrasekaran  
 Senior Partner  
 FCS: 1644  
 CP : 715

New Delhi  
 Date : 11.06.2012



**ANNEXURE-V**
**STATEMENT PURSUANT TO SECTION 212 (1) (E) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES**

(Amount in Rs.)

Sl. No.	Particulars	REC Transmission Projects Company Limited	REC Power Distribution Company Limited	Vemagiri Transmission System Limited	Vizag Transmission Limited
1.	Financial Year of the Subsidiary ended on	March 31, 2012	March 31, 2012	March 31, 2012	March 31, 2012
2.	Date from which they became subsidiary	January 8, 2007	July 12, 2007	April 21, 2011	November 30, 2011
3.	Shares of the Subsidiary held by the Company as on March 31, 2012.				
a)	Number & face value	50,000 equity shares of Rs. 10/- each	50,000 equity shares of Rs. 10/- each	50,000 equity shares of Rs. 10/- each	50,000 equity shares of Rs. 10/- each
b)	Extent of holding	100 %	100 %	100 %	100 %
4.	The net aggregate amount of the Subsidiary Companies Profit/(Loss) so far as it concerns the members of the Holding Company.				
(a)	Not dealt with in the Holding Company's accounts:-				
	(i) For the Financial Year ended March 31, 2012.	11,69,00,977	8,66,09,900	(28,033)	(28,543)
	(ii) Up to the previous Financial Year of the Subsidiary Company.	30,72,38,592	8,10,12,275	-	-
(a)	Dealt with in the Holding Company's accounts:-				
	(i) For the Financial Year ended March 31, 2012.	Nil	Nil	Nil	Nil
	(ii) For the previous Financial Year of the Subsidiary Company since they became the holding Company's Subsidiaries.	Nil	15,00,000	Nil	Nil

Notes:

- 100 % equity shares of Vemagiri Transmission System Limited (VTSL) and Vizag Transmission Limited (VTL) are held by REC Transmission Projects Company Limited (RECTPCL) which is a wholly owned subsidiary of the Rural Electrification Corporation Limited (REC). In terms of Section 4 (1) (c) of the Companies Act, 1956, these Companies are also Subsidiary Companies of REC as on March 31, 2012.
- VTSL has been transferred on April 18, 2012 to M/s. Power Grid Corporation of India Limited (PGCIL), substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, VTSL and PGCIL.

(Rakesh Kumar Arora)

GM (F&amp;A) &amp; Company Secretary

(Hari Das Khunteta)

Director (Finance)

(Rajeev Sharma)

Chairman and Managing Director

## AUDITORS' REPORT

To

The Members,  
Rural Electrification Corporation Limited

1. We have audited the attached Balance Sheet of **RURAL ELECTRIFICATION CORPORATION LIMITED** as at 31<sup>st</sup> March 2012 and also the Statement of Profit & Loss and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable to the Corporation.
4. Further to our comments in the Annexure referred in paragraph 3 above, we report that:
  - i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) In our opinion, proper books of account as required by law have been kept by the Corporation so far as appears from our examination of such books;
  - iii) The Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;

- iv) In our opinion, the Balance Sheet, Statement of Profit & Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent possible.
- v) Vide notification No. 2/5/2001-CL.V dated 22.03.2002 of the Department of Corporate Affairs, Government of India, Government Companies have been exempted from applicability of the provisions of Section 274(1)(g) of the Companies Act, 1956.
- vi) In our opinion and to the best of our information and according to explanations given to us, the said financial statements read together with notes and accounting policies thereon, give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In the case of the Balance Sheet of the State of Affairs of the Company as at 31<sup>th</sup> March 2012.
  - b) In the case of Statement of Profit & Loss, of the Profit of the Company for the year ended on that date; and
  - c) In the case of the Cash Flow Statement, of the Cash flows for the year ended on that date.

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

**(K.S. Ponnuswami)**  
Partner  
M. No. 070276

Place: New Delhi  
Date: 23<sup>rd</sup> May 2012

**For Bansal & Co.**  
Chartered Accountants  
Firm Regn No. 001113N

**(R.C. Pandey)**  
Partner  
M. No. 070811

## ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN PARAGRAPH (3) OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF RURAL ELECTRIFICATION CORPORATION LIMITED FOR THE YEAR ENDED ON 31<sup>st</sup> MARCH, 2012

- (i) (a) The Corporation has maintained fixed assets records to show full particulars including quantitative details and situation of its fixed assets.
- (b) The fixed assets of the corporation were physically verified by the management during the year ended on 31<sup>st</sup> March, 2012; as certified by the management, no material discrepancies has been found on such physical verification.
- (c) In our opinion and according to the explanations given to us, during the year, the Corporation has not disposed off substantial part of fixed assets therefore going concern is not affected. Hence this clause of the order is not applicable.
- (ii) The Corporation being Non Banking Financial Company, does not has any inventory; as such this clause is not applicable.
- (iii) (a) According to the information and explanations given to us, the Corporation has not granted any loans secured or unsecured to any Corporation, firm or other parties covered in register maintained under section 301 of Companies Act, 1956. Accordingly clause 4(iii)(a), the clause 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the order are not applicable.
- (b) According to the information and explanations given to us, the Corporation has not taken any loans, secured or unsecured, from any Corporation, firm, or other parties covered in the register maintained under section 301 of the Companies Act 1956. Accordingly clause 4(iii)(e), the clause 4(iii)(f) and 4(iii)(g) of the order are not applicable.
- (iv) In our opinion and according to information & explanations given to us, internal controls are generally commensurate with the size of the Corporation and the nature of its business. *However in certain areas internal control needs further strengthening like utilization of grants/subsidy received under various schemes; monitoring and supervision of loans given to various SEBs/DISCOMS/TRANSCOS/GENCOS including obtaining search reports for charges created against the loans given, regular updating of Loan module and generation of various reports from loan module in ERP to have better control over loan assets.* During the course of audit we have not come across any major failure in internal control system.
- (v) According to information and explanations given to us, the Corporation has not entered into any contract with the Companies or Entities covered u/s 301 of the Companies Act, 1956. Accordingly this clause of the order is not applicable.
- (vi) According to the information and explanations given to us, the Corporation has not accepted any deposit from public to which the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules framed there under, apply.
- (vii) In our opinion the Corporation has an internal audit system generally commensurate with its size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub section (1) of section 209 of the Companies Act, 1956, for the products/services of the Corporation. Accordingly, this clause of the order is not applicable to the Corporation.
- (ix) (a) The Corporation is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investor's education protection fund, employees state insurance, income tax, wealth tax, service tax and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, service tax, wealth tax were in arrears as at 31<sup>st</sup> March 2012 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of income tax, wealth tax, service tax and cess which has not been deposited on account of dispute.
- (x) The Corporation does not have any accumulated losses as at 31<sup>st</sup> March, 2012. The Corporation has also not incurred cash losses during the financial year covered by our audit and in the immediate preceding financial year. Accordingly, this clause of the order is not applicable.
- (xi) In our opinion and according to the information and explanations given to us, the Corporation has not defaulted in repayment of dues to a financial institution, bank or bond holders as at the Balance Sheet date.
- (xii) In our opinion and according to the information and explanations given to us, the Corporation has maintained records and documents in respect of loan granted by it to various State Electricity Board, Transmission, Distribution and Generation Companies including independent power producers on the basis of security including collateral security by way of pledge of shares and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Corporation is not a chit fund or a nidhi or mutual benefit fund or society, therefore, this clause of the order is not applicable to the Corporation.
- (xiv) In our opinion and according to the information and explanations given to us, the Corporation is not dealing or trading in shares, securities, debenture and other investment, therefore this clause of the order is not applicable to the Corporation.
- (xv) In our opinion and according to the information and explanations given to us, the Corporation 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 Corporation.
- (xvi) In our opinion and according to the information and explanations given to us the term loans were applied for the purpose for which they were raised.

- (xvii) According to the information and explanations given to us and on the overall examination of the balance sheet of the Corporation, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, during the year the Corporation has not made any preferential allotment of shares to companies, firms or other parties needs to be listed in the register maintained u/s 301 of the Companies Act.
- (xix) According to the information and explanations given to us, the corporation has created security in respect of Institutional Bonds, Tax Free Secured Bonds and Capital Gain Bonds in the form of charge on receivables and Registered Mortgage on the immovable properties of the Corporation at Maharashtra, Delhi & Chennai.
- (xx) The Corporation has made a public issue of Tax Free Bonds of face value of Rs. 1000/- each aggregating to Rs. 3000.00 Crores during the financial year 2011-12. The bonds have been allotted on 27.03.2012 and the issue proceeds had been kept in designated Public Issue accounts. The issue proceeds could not be utilized till the Balance Sheet date as the proceeds of the funds raised became available to the corporation only on the listing of the bonds on Bombay Stock Exchange (BSE) on 04.04.2012.

- (xxi) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Corporation, noticed or reported during the year, nor have we been informed of such case by the management.

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

**(K.S. Ponnuswami)**  
Partner  
M. No. 070276

Place: New Delhi  
Date: 23<sup>rd</sup> May 2012

**For Bansal & Co.**  
Chartered Accountants  
Firm Regn No. 001113N

**(R.C. Pandey)**  
Partner  
M. No. 070811

## BALANCE SHEET AS AT 31ST MARCH 2012

(₹ in Crores)			
Particulars	Note No.	As at 31.03.2012	As at 31.03.2011
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	1	987.46	987.46
(b) Reserves and Surplus	2	13,757.46	11,801.16
<b>Sub-total (1)</b>		<b>14,744.92</b>	<b>12,788.62</b>
<b>(2) Non-current Liabilities</b>			
(a) Long-term Borrowings	3	76,553.68	61,173.02
(b) Other Long-term Liabilities	4	26.19	-
(c) Long-term Provisions	5	61.78	49.76
<b>Sub-total (2)</b>		<b>76,641.65</b>	<b>61,222.78</b>
<b>(3) Current Liabilities</b>			
(a) Short-term Borrowings	6	2,500.00	375.00
(b) Other current liabilities	7	14,502.37	11,625.58
(c) Short-term Provisions	5	339.65	500.69
<b>Sub-total (3)</b>		<b>17,342.02</b>	<b>12,501.27</b>
<b>Total (1+2+3)</b>		<b>108,728.59</b>	<b>86,512.67</b>
<b>II. ASSETS</b>			
<b>(1) Non-current Assets</b>			
(a) Fixed assets	8		
(i) Tangible Assets		68.24	62.17
(ii) Intangible Assets		2.22	3.08
(iii) Capital work-in-progress		7.92	3.01
(iv) Intangible Assets under Development		0.10	-
		<b>78.48</b>	<b>68.26</b>
(b) Non-current Investments	9	710.43	789.65
(c) Deferred Tax Assets (Net)	10	10.05	12.77
(d) Foreign Currency Monetary Item Translation Difference Account	11	181.88	-
(e) Long-term Loans & Advances	12	89,985.31	73,206.57
(f) Other Non-current Assets	13	247.92	364.18
<b>Sub-total (1)</b>		<b>91,214.07</b>	<b>74,441.43</b>
<b>(2) Current Assets</b>			
(a) Current Investments	9	47.16	47.16
(b) Cash & Cash Equivalents	14	5,311.48	2,831.89
(c) Short-term Loans & Advances	15	2,967.50	1,200.00
(d) Other Current Assets	16	9,188.38	7,992.19
<b>Sub-total (2)</b>		<b>17,514.52</b>	<b>12,071.24</b>
<b>Total (1+2)</b>		<b>108,728.59</b>	<b>86,512.67</b>

### Contingent Liabilities and Commitments

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The Significant Accounting Policies and Notes to Accounts 1 to 46 are an integral part of these financial statements.

#### In terms of our Report of even date

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

K.S. Ponnuswami  
Partner  
M.No. : 070276

For Bansal & Co.  
Chartered Accountants  
Firm Reg. No.: 001113N

R.C.Pandey  
Partner  
M.No. : 070811

#### For and on behalf of the Board

Rakesh Kumar Arora  
GM (F&A) and Company Secretary

Hari Das Khunteta  
Director (Finance)

Rajeev Sharma  
Chairman and Managing Director

Place: New Delhi  
Date: 23<sup>rd</sup> May 2012



## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012

(₹ in Crores)

Particulars	Note No.	Year ended 31.03.2012	Year ended 31.03.2011
I. Revenue from Operations	18	10,337.59	8,256.91
II. Other Income	19	171.48	238.35
III. Total Revenue (I+II)		10,509.07	8,495.26
IV. Expenses			
(i) Finance Costs	20	6,378.80	4,851.01
(ii) Employee Benefits Expense	21	170.97	127.47
(iii) Depreciation & Amortization	8	3.27	3.03
(iv) Other Expenses	22	58.35	34.02
(v) Allowance for Bad & Doubtful Debts		49.09	0.22
(vi) Allowance for Rescheduled Loans		3.18	-
(vii) Foreign Currency Exchange Fluctuation Loss		52.55	-
Total Expenses (IV)		6,716.21	5,015.75
V. Profit before Prior Period Items & Tax (III-IV)		3,792.86	3,479.51
VI. Prior Period Items	23	-	3.23
VII. Profit before Tax (V-VI)		3,792.86	3,476.28
VIII. Tax Expense :			
(i) Current Year		974.59	908.12
(ii) Earlier Years/ (Refunds)		-1.48	3.64
(iii) Deferred Tax		2.72	-5.41
Total Tax Expense (i+ii+iii)		975.83	906.35
IX. Profit for the period from Continuing Operations (VII-VIII)		2,817.03	2,569.93
X. Profit from Discontinuing Operations (after tax)		-	-
XI. Profit for the period (IX+X)		2,817.03	2,569.93
XII. Earnings per Equity Share (in ₹ for an equity share of ₹ 10 each)			
(1) Basic	24	28.53	26.03
(2) Diluted	24	28.53	26.03

The Significant Accounting Policies and Notes to Accounts 1 to 46 are an integral part of these financial statements.

In terms of our Report of even date

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

K.S. Ponnuswami  
Partner  
M.No. : 070276

Place: New Delhi  
Date: 23<sup>rd</sup> May 2012

For Bansal & Co.  
Chartered Accountants  
Firm Reg. No.: 001113N

R.C.Pandey  
Partner  
M.No. : 070811

For and on behalf of the Board

Rakesh Kumar Arora  
GM (F&A) and Company Secretary

Hari Das Khunteta  
Director (Finance)

Rajeev Sharma  
Chairman and Managing Director

## SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31.03.2012

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

- (a) **Accounting Convention:** The financial statements are prepared under the historical cost convention on accrual basis and in accordance with generally accepted accounting principles and applicable accounting standard in India. The financial statements adhere to the relevant presentational requirement of the Companies Act, 1956.
- (b) **Use of Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure thereof at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which results materialize.

### 2. REVENUE RECOGNITION.

The Corporation has formulated its own detailed Prudential Norms. Accounting is done in accordance with these Prudential Norms of REC and the salient features of the same for Income Recognition, Asset classification and Provisioning are as under:

#### 2.1. Income Recognition

- a. Income on Non Performing Assets where interest/ principal has become overdue for two quarters or more is recognized as and when received and appropriated. Any such income recognized before the asset becomes non-performing and remaining unrealized is reversed.  
Unless otherwise agreed, the recoveries from the borrowers are appropriated in the order of (i) costs and expenses of REC (ii) penal interest including interest tax, if any (iii) overdue interest including interest tax, if any and (iv) repayment of principal, the oldest being adjusted first.  
In respect of loans whose terms are renegotiated / rescheduled / restructured, income is recognized on accrual basis when it is reasonably expected that there is no uncertainty of receipt of dues from the borrowers and a legally binding Memorandum of Agreement has been executed and there has been satisfactory performance under the renegotiated or rescheduled or restructured terms till a period of at least one year from the effective date of the corresponding MOU.
- b. Income of agency charges on RGGVY Schemes is recognized on the basis of the services rendered and amount sanctioned by the Ministry of Power.
- c. Income under the head processing fee, upfront fee, lead fee, fees/ charges received under the mutatis-mutandis clause and pre-payment premium is accounted for in the year in which it is received by the company.
- d. **Income from investments:**
  - (1) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis:  
Provided that the income from dividend on shares of corporate bodies may be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and REC's right to receive payment is established.
  - (2) Income from bonds and debentures of corporate bodies and from Government securities/bonds shall be taken into account on accrual basis:  
Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.
  - (3) Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government shall be taken into account on accrual basis.

#### 2.2 Assets Classification

Loans and advances and any other form of credit are classified into the following classes, namely:

- (i) **Standard Assets:** 'Standard assets' means an asset which is not an NPA and in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business.
- (ii) **Sub-Standard Assets:** 'Sub-standard asset' means:
  - (a) an asset which has been classified as non-performing asset for a period not exceeding 18 months;
  - (b) an asset where the terms of the agreement regarding interest and / or principal have been renegotiated or rescheduled or restructured, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.
  - (c) The rescheduling or restructuring or renegotiation of a standard infrastructure loan asset shall not cause it to be reclassified if the revised project is found to be viable by the competent authority.
- (iii) **Doubtful Assets:** Doubtful asset means an asset which remains a substandard asset for a period exceeding 18 months.
- (iv) **Loss Assets:** Loss assets means –
  - a) An asset which has been identified as loss asset by REC to the extent it is not written off by REC or the asset remains doubtful for a period exceeding 5 years, whichever is earlier.
  - b) An asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non availability of security or due to any fraudulent act or omission on the part of the borrower.

## SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31.03.2012

For the purpose of application of Prudential Norms and provisioning Norms,

- i. Facilities granted to State/Central Sector entities are considered loan wise.
- ii. Facilities granted to other entities are considered borrower wise.

### 2.3 Provisioning against Loans

The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted shall be as under:

- (i) **Loss Assets** – The entire asset shall be written off. If the assets are permitted to remain in the books for any reason, 100 % of the outstanding shall be provided for:
- (ii) **Doubtful assets** –
  - (a) 100 % provision to the extent to which the advance is not covered by the realizable value of the security to which REC has a valid recourse shall be made. The realizable value is to be estimated on a realistic basis; Loans covered by Central/State Govt. guarantee or State Govt. Undertaking for deduction from Central Plan Allocation or loans to any State Govt. shall be treated as secured;
  - (b) In addition to item(a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20 % to 50 % of the secured portion (i.e. estimated realizable value of the outstanding) shall be made on the following basis :-

Period for which the asset has been considered as doubtful	% of provision
Up to one year	20 %
1 to 3 years	30 %
More than 3 years	50 %

- (iii) **Sub-standard assets** - A provision of 10 % shall be made.

An asset which has been renegotiated or rescheduled or restructured shall be a sub-standard asset or continue to remain in the same category in which it was prior to its renegotiation or re-schedulement or restructuring, as a doubtful asset or a loss asset as the case may be. Necessary provision is required to be made as applicable to such asset till it is upgraded.

### 3. FIXED ASSETS

Fixed Assets are shown at historical cost less accumulated depreciation. The cost includes any cost attributable of bringing the assets to its working condition for its intended use.

### 4. DEPRECIATION

- 4.1. Depreciation on assets is provided on straight-line method at the rates prescribed under Schedule XIV to the Companies Act, 1956. In terms of option available under the Companies Act, 1956, depreciation on assets capitalized prior to 16.12.93 is charged at the rates then prevailing on the straight-line method.
- 4.2. Depreciation on assets purchased / sold during the year is charged for the full month if the asset is in use for more than 15 days, instead of charging the same on pro-rata basis from the date of purchase/sale.
- 4.3. Depreciation on assets purchased during the year up to Rs 5,000/- is provided @ 100 %.
- 4.4. Leasehold land is amortized over the lease period.

### 5. INTANGIBLE ASSETS

An Intangible Assets is recognized where it is probable that the future economic benefits attributable to the assets will flow to the company. These Assets are amortized over a period of 5 years.

### 6. INVESTMENTS

Long term investments are carried at cost less provisions, if any (except mutual funds which are valued at NAV) for diminutions in the value of such investment. Current investments are carried at the cost or fair value whichever is lower.

### 7. CURRENT TAX AND DEFERRED TAX

Income Tax expenses comprises current Income Tax (Amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) is determined in accordance with Accounting Standard- 22 of the Institute of Chartered Accountants of India. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially established by the Balance Sheet date. Deferred Tax Assets are recognized and carry forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

### 8. IMPAIRMENT OF ASSETS

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of assets net selling prices and value in use.

## SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31.03.2012

### 9. PROVISIONS

A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of amount of the obligation can be made. Provisions are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

### 10. BOND / DEBT ISSUE

- 10.1. Expenditure on raising of funds by way of bonds is charged to revenue in the year of issue of such bonds.
- 10.2. The Corporation discharges its obligation towards payment of interest warrants relating to bonds by depositing the amount in the designated Interest Warrant Bank Accounts. Accordingly, the payments are treated as final payments and these designated accounts are not exhibited in the books but reconciliation thereof is carried out.
- 10.3. Expenditure incurred on raising of funds is charged to the Profit and Loss Account in the year in which it is incurred except the discount/ interest on the Commercial Papers/ Reg-S-Bonds (External Commercial Borrowings), which is amortized proportionately over the period of its tenure.

### 11. CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular operating, financing and investing activities of the Company are segregated.

### 12. PRIOR PERIOD/ PREPAID ADJUSTMENTS

- 12.1. Considering the nature of business, interest income/expenditure for the earlier years ascertained and determined during the year is accounted for in the year in which it is so ascertained/determined.
- 12.2. Other items not exceeding Rs. 5,00,000/- in each case are accounted for under natural heads of account.

### 13. EMPLOYEES BENEFITS

- 13.1 The liability for employees benefit in respect of Gratuity is ascertained on actuarial valuation is provided and funded to a separate trust.
- 13.2 Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employees has rendered services. The expense is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit & loss account.

### 14. TRANSACTION IN FOREIGN CURRENCY

- 14.1 Foreign Currency transactions are initially recorded at the exchange rate prevailing on the date of transaction.

In respect of accounting periods commencing on or after the 1st April, 2011, the exchange differences arising on reporting of long-term foreign currency monetary items (having a term of twelve months or more at the date of origination) at RBI reference rates prevailing at the end of each reporting period or where the RBI reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg, different from those at which they were initially recorded during the period, or reported in previous financial statements, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortized over the balance period of such long term monetary item, by recognition as income or expense in each of such periods.

Short-term foreign currency monetary items (having a term of less than twelve months at the date of origination) are translated at RBI reference rates prevailing at the end of each reporting period or where the RBI reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg. The resultant exchange fluctuation is recognized as income or expense in each of such periods.

- 14.2 The portion of Foreign Currency loans swapped into Indian rupees is stated at the rate fixed in the swap transaction, and not translated at the year end rate.

### 15. GRANTS/FUNDS FROM GOVERNMENT

Un-disbursed funds of grant received for further disbursements are classified as current liabilities. Interest wherever earned on such funds is either credited to respective grant account if terms of the grant so requires or to "other income".

### 16. DERIVATIVE TRANSACTIONS

- 16.1 Derivative transactions include forwards, interest rate swaps, cross currency swaps and currency and cross currency options to hedge assets and liabilities.
- 16.2 These derivative transactions are done for hedging purpose and not for trading or speculative purpose. These are accounted for on accrual basis and are not marked to market.

## NOTES TO ACCOUNTS

### 1. Share Capital

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	No. of Shares	Amount	No. of Shares	Amount
<b>Authorised :</b>				
Equity shares of ₹ 10 each	1,200,000,000	1,200.00	1,200,000,000	1,200.00
<b>Issued, Subscribed and Paid up :</b>				
Fully paid up Equity shares of ₹ 10 each	987,459,000	987.46	987,459,000	987.46
<b>Total</b>	<b>987,459,000</b>	<b>987.46</b>	<b>987,459,000</b>	<b>987.46</b>

- 1.1 The shareholders of the equity shares of the company are entitled to receive dividends as and when declared by the company and enjoy proportionate voting rights in case any resolution is put to vote. Further, the shareholders have all such rights, as may be available to a shareholder of a listed public company, under the Companies Act, the terms of the listing agreements executed with the Stock Exchanges, and our Memorandum of Association and Articles of Association.

### 1.2 Shareholders holding more than 5% of fully paid-up equity shares :

Name	As at 31.03.2012		As at 31.03.2011	
	No. of Shares	Percentage	No. of Shares	Percentage
The President of India	659,607,000	66.80	659,607,000	66.80

### 2. Reserves and Surplus

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
		Amount		Amount
<b>Capital Reserve</b>		<b>105.00</b>		<b>105.00</b>
<b>Securities Premium Account (Refer Note 2.1)</b>				
Balance as at the beginning of the year		3,222.43		3,222.02
Add: Additions during the year		-		0.46
Less: Deductions/ Adjustments during the year		-		0.05
<b>Balance as at the end of the year</b>		<b>3,222.43</b>		<b>3,222.43</b>
<b>Debenture Redemption Reserve (Refer Note 2.2)</b>				
Balance as at the beginning of the year		-		-
Add: Amount transferred from Surplus Account		113.99		-
<b>Balance as at the end of the year</b>		<b>113.99</b>		<b>-</b>
<b>Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961</b>				
Balance as at the beginning of the year		3,905.94		3,295.83
Add: Amount transferred from Surplus Account		681.70		610.11
<b>Balance as at the end of the year</b>		<b>4,587.64</b>		<b>3,905.94</b>
<b>Reserve for Bad and doubtful debts u/s 36(1)(viii) of the Income Tax Act, 1961</b>				
Balance as at the beginning of the year		595.38		451.29
Add: Amount transferred from Surplus Account		159.59		144.09
<b>Balance as at the end of the year</b>		<b>754.97</b>		<b>595.38</b>



## NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2012 Amount	As at 31.03.2011 Amount
<b>General Reserve</b>		
Balance as at the beginning of the year	2,447.67	2,187.67
Add: Amount transferred from Surplus Account	281.73	260.00
<b>Balance as at the end of the year</b>	<b>2,729.40</b>	<b>2,447.67</b>
<b>Surplus Account</b>		
Balance as at the beginning of the year	1,524.74	831.07
Add: Profit during the year	2,817.03	2,569.93
<b>Less : Appropriations</b>		
- Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	681.70	610.11
- Transfer to Reserve u/s for Bad & Doubtful Debts u/s 36(1)(viia) of the Income Tax Act, 1961	159.59	144.09
- Dividend		
- Interim Dividend	493.73	345.61
- Proposed Dividend (Final)	246.86	394.98
- Dividend Distribution Tax		
- Interim Dividend	80.09	57.39
- Proposed Dividend (Final)	40.05	64.08
- Transfer to Debenture Redemption Reserve	113.99	-
- Transfer to General Reserve	281.73	260.00
<b>Balance as at the end of the year</b>	<b>2,244.03</b>	<b>1,524.74</b>
<b>Total Reserves and Surplus</b>	<b>13,757.46</b>	<b>11,801.16</b>

2.1 During the year 2011-12, there is a deduction of ₹29,791.50/- representing the amount of fees/ commission incurred during the year relating to the earlier Further Public Offering of equity shares, which has got eliminated in the movement shown above due to the rounding off in crores. Additions in Securities Premium Account for the financial year 2010-11 represent REC's share of Issue expenses which were earlier provided and now adjusted/ refunds received from NSE/ BSE/SEBI relating to Further Public Offering of shares and deductions for the financial year 2010-11 represent the amount of fees/ commission incurred during the year relating to Further Public Offering of equity shares.

2.2 Pursuant to Regulation 16 of the SEBI Debt Regulations and Section 117C of the Companies Act, the company creates Debenture Redemption Reserve (DRR) upto 50 % of the value of bonds/ debentures issued through public issue under SEBI Guidelines, during the maturity period of such bonds/ debentures. Accordingly, during the year, the company has created DRR amounting to ₹ 113.99 Crores (Previous year Nil).

The Company is not required to create Debenture redemption reserve in case of privately placed debentures in terms of clarifications issued by the Department of Company Affairs, Govt. of India vide no.6/3/2001-CL.V dated 18.4.2002.

### 2.3 Proposed Dividend

The final dividend proposed for the year is as follows :

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
On Equity Shares of ₹ 10 each		
- Amount of Dividend proposed (₹ in Crores)	246.86	394.98
- Rate of Dividend	25.00%	40.00 %
- Dividend per equity share (₹)	2.50	4.00

## NOTES TO ACCOUNTS

### 3. Long-Term Borrowings

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>(A) Secured Borrowings</b>		
(a) Bonds		
- Institutional Bonds	21,123.70	26,699.52
- 54EC Capital Gain Tax Exemption Bonds	10,283.25	8,101.53
- Tax Free Bonds	3,000.00	-
(b) Term Loans		
- from Banks	38.80	547.08
- from Financial Institutions	4,020.00	4,370.00
(c) Other Loans & Advances		
- Bond Application Money	-	1.72
<b>Total Secured Long-Term Borrowings (a+b+c)</b>	<b>38,465.75</b>	<b>39,719.85</b>
<b>(B) Unsecured Borrowings</b>		
(a) Bonds		
- Institutional Bonds	25,756.10	9,770.50
- Infrastructure Bonds	376.32	216.80
(b) Term Loans		
- from Banks	750.00	4,161.01
- from Govt. of India	15.14	24.65
(c) Other Loans & Advances		
- Foreign Currency Borrowings	10,471.14	6,616.08
- Zero Coupon Bonds	719.23	663.77
- Bond Application Money	-	0.36
<b>Total Unsecured Long-Term Borrowings (a+b+c)</b>	<b>38,087.93</b>	<b>21,453.17</b>
<b>Total Long-Term Borrowings (A+B)</b>	<b>76,553.68</b>	<b>61,173.02</b>

#### 3.1 Details of Borrowings :

Non-current portion of the borrowings has been classified as long-term borrowings above and the current portion of the borrowings has been classified as "Current Maturities of Long-term debt" in Note-7 ₹ Other Current Liabilities'.

##### Details of secured long-term borrowings :

(For details of security, refer Note 3.3)

## NOTES TO ACCOUNTS

### 3.1.1 Bonds (Cumulative & Non-Cumulative)

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>3.1.1.1 Institutional Bonds</b>				
<b>92-II Series</b> 8.65 % redeemable at par on 22.01.2020	945.30	-	945.30	-
<b>91-II Series</b> 8.80 % Redeemable at par on 17.11.2019	995.90	-	995.90	-
<b>90-C-II Series</b> 8.80 % Redeemable at par on 06.10.2019	1,040.00	-	1,040.00	-
<b>90-B-II Series</b> 8.72 % Redeemable at par on 04.09.2019	868.20	-	868.20	-
<b>90th Series</b> 8.80 % Redeemable at par on 03.08.2019	2,000.00	-	2,000.00	-
<b>88th Series</b> 8.65 % Redeemable at par on 15.01.2019	1,495.00	-	1,495.00	-
<b>87-A-II Series</b> 11.20 % Redeemable at par on 24.10.2018	36.40	-	36.40	-
<b>87-A-III Series</b> 11.15 % Redeemable at par on 24.10.2018	61.80	-	61.80	-
<b>87-II Series</b> 10.85 % Redeemable at par on 30.09.2018	657.40	-	657.40	-
<b>86-B-III Series</b> 10.85 % Redeemable at par on 14.08.2018	432.00	-	432.00	-
<b>86-A Series</b> 10.70 % Redeemable at par on 29.07.2018	500.00	-	500.00	-
<b>85th Series</b> 9.68 % Redeemable at par on 13.06.2018	500.00	-	500.00	-
<b>83rd Series</b> 9.07 % Redeemable at par on 28.02.2018	685.20	-	685.20	-
<b>82nd Series</b> 9.85 % Redeemable at par on 28.09.2017	883.10	-	883.10	-
<b>81st Series</b> 8.85 % Redeemable at par on 20.01.2017	314.80	-	314.80	-
<b>80th Series</b> 8.20 % Redeemable at par on 20.03.2016	500.00	-	500.00	-
<b>79th Series</b> 7.85 % Redeemable at par on 14.03.2016	500.00	-	500.00	-
<b>78th Series</b> 7.65 % Redeemable at par on 31.01.2016	1,795.70	-	1,795.70	-
<b>93-II Series</b> 8.45 % Redeemable at par on 19.02.2015	443.10	-	443.10	-
<b>90-B-I Series</b> 8.35 % Redeemable at par on 04.09.2014	883.90	-	883.90	-

## NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>90-A-II Series</b> 8.00 % Redeemable at par on 05.08.2014	1,000.00	-	1,000.00	-
<b>89-II Series</b> 7.70 % Redeemable at par on 02.06.2014	255.00	-	255.00	-
<b>87-C-III Series</b> 11.50 % Redeemable at par on 26.11.2013	860.00	-	860.00	-
<b>87-I Series</b> 10.90 % Redeemable at par on 30.09.2013	370.20	-	370.20	-
<b>86-B-II Series</b> 10.90 % Redeemable at par on 14.08.2013	354.10	-	354.10	-
<b>86th Series</b> 10.75 % Redeemable at par on 24.07.2013	727.90	-	727.90	-
<b>84th Series</b> 9.45 % Redeemable at par on 04.04.2013	1,000.00	-	1,000.00	-
<b>93-I Series</b> 7.65 % Redeemable at par on 19.02.2013	-	141.50	141.50	-
<b>69th Series</b> 6.05 % Redeemable at par in equal annual instalments of ₹133.84 Crores, next instalment due on 23.01.2013.	133.84	133.84	267.68	133.84
<b>92-I Series</b> 7.60 % Redeemable at par on 22.01.2013.	-	924.60	924.60	-
<b>91-I Series</b> 7.75 % Redeemable at par on 17.11.2012	-	943.00	943.00	-
<b>73rd Series</b> 6.90 % Redeemable at par in equal annual instalments of ₹46.78 Crores, next instalment due on 08.10.2012	93.56	46.78	140.34	46.78
<b>90-C-I Series</b> 7.90 % Redeemable at par on 06.10.2012	-	1,417.50	1,417.50	-
<b>75th Series</b> 7.20 % Redeemable at par in equal half-yearly instalments of ₹50.00 Crores, next instalment due on 17.09.2012	200.00	100.00	300.00	100.00
<b>90-A-I Series</b> 7.15 % Redeemable at par on 05.08.2012	-	1,000.00	1,000.00	-
<b>77th Series</b> 7.30 % Redeemable at par in equal annual instalments of ₹197.10 Crores, next instalment due on 30.06.2012	591.30	197.10	788.40	197.10
<b>89-I Series</b> 7.00 % Redeemable at par on 02.06.2012	-	671.50	671.50	-
<b>87-B Series</b> 11.75 % Redeemed at par on 03.11.2011	-	-	-	940.90
<b>72nd Series</b> 6.60 % Redeemed at par on 18.08.2011	-	-	-	113.70
<b>86-B-I Series</b> 10.95 % Redeemed at par on 14.08.2011	-	-	-	924.20
<b>87-A-I Series</b> 11.35 % Redeemed at par on 14.08.2011	-	-	-	249.70
<b>Total - Institutional Bonds</b>	<b>21,123.70</b>	<b>5,575.82</b>	<b>26,699.52</b>	<b>2,706.22</b>

## NOTES TO ACCOUNTS

### 3.1.1.2 54EC Capital Gain Tax Exemption Bonds (See Note 3.4)

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>Series VIII (2011-12)</b> 6.00 % Redeemable at par during financial year 2014-15	5,239.36	-	-	-
<b>Series VIII (2010-11)</b> 6.00 % Redeemable at par during financial year 2013-14	5,043.89	-	5,043.75	-
<b>Series-VIII (2009-10)</b> 6.25 % Redeemable at par during financial year 2012-13	-	3,057.78	3,057.78	-
<b>Series-VIII</b> 5.75 % / 6.25 % Redeemed at par during financial year 2011-12	-	-	-	2,525.23
<b>Series-IV</b> 5.60 % Redeemed at par during financial year 2011-12	-	-	-	0.97
<b>Series-VI</b> 5.50 % Redeemed at par during financial year 2011-12	-	-	-	468.91
<b>Total - 54EC Capital Gain Tax Exemption Bonds</b>	<b>10,283.25</b>	<b>3,057.78</b>	<b>8,101.53</b>	<b>2,995.11</b>
<b>3.1.1.3 Tax Free Bonds</b>				
<b>Series 2011-12</b> Redeemable at par. Bonds amounting to ₹ 839.67 Crores are redeemable on 27.03.2022 and bonds amounting to ₹ 2,160.33 Crores are redeemable on 27.03.2027 with interest rates varying from 7.93 % to 8.32 % payable annually	3,000.00	-	-	-
<b>Total - Tax Free Bonds</b>	<b>3,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 3.1.2 Term Loans

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>Term Loan from Banks</b>				
- State Bank of Saurashtra	38.80	19.40	58.20	19.40
Repayable in equal half-yearly instalments of ₹ 9.70 Crores, next instalment due on 24.09.2012				
- Central Bank of India	-	50.00	50.00	50.00
Repayable in equal annual instalments of ₹50.00 Crores, next instalment due in Dec. 2012				
- Bank of Maharashtra	-	33.34	33.34	33.33
Repayable in equal annual instalments of ₹33.34 Crores, next instalment due on 12.12.2012				
- State Bank of Travancore	-	-	97.50	57.50
- Syndicate Bank	-	-	37.50	50.00
- Canara Bank	-	-	100.00	150.00
- Union Bank of India	-	-	56.25	106.25
- State Bank of Patiala	-	-	114.29	28.57
<b>Term Loan from Financial Institutions</b>				
- LIC of India	2,150.00	350.00	2,500.00	350.00
The Loan of ₹1500.00 Crores (present outstanding ₹900.00 Crores) & ₹2000.00 Crores (present outstanding ₹1,600.00 Crores) repayable in 10 equal annual installments commencing from 01.10.2008 and 01.10.2010 respectively .				
- IIFCL	1,870.00	-	1,870.00	-
The Loan of ₹870.00 Crores & ₹1,000.00 Crores repayable on 19.03.2014 and 21.01.2014 respectively				
<b>Total - Term Loans</b>	<b>4,058.80</b>	<b>452.74</b>	<b>4,917.08</b>	<b>845.05</b>



## NOTES TO ACCOUNTS

### 3.1.3 Other Loans & Advances

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
Bond Application Money				
Capital Gain Bonds	-	-	1.72	-
<b>Total - Bond Application Money</b>	-	-	1.72	-

### 3.2 Details of Unsecured long-term borrowings :

#### 3.2.1 Bonds

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>3.2.1.1 Institutional Bonds</b>				
<b>95-II Series</b> 8.75 % Redeemable at par on 12.07.2025	1,800.00	-	1,800.00	-
<b>94th Series</b> 8.75 % Redeemable at par on 08.06.2025	1,250.00	-	1,250.00	-
<b>105th Series</b> 9.75 % Redeemable at par on 11.11.2021	3,922.20	-	-	-
<b>101-III Series</b> 9.48 % Redeemable at par on 10.08.2021	3,171.80	-	-	-
<b>100th Series</b> 9.63 % Redeemable at par on 15.07.2021	1,500.00	-	-	-
<b>98th Series</b> 9.18 % Redeemable at par on 15.03.2021	3,000.00	-	3,000.00	-
<b>97th Series</b> 8.80 % Redeemable at par on 29.11.2020	2,120.50	-	2,120.50	-
<b>96th Series</b> 8.80 % Redeemable at par on 25.10.2020	1,150.00	-	1,150.00	-
<b>95-I Series</b> 8.70 % Redeemable at par on 12.07.2019	200.00	-	200.00	-
<b>106th Series</b> 9.28 % Redeemable at par on 15.02.2017	1,500.00	-	-	-
<b>104th Series</b> 9.30 % Redeemable at par on 03.11.2016 with put-call option on 03.05.2013	1,025.00	-	-	-
<b>103-I Series</b> 9.35 % Redeemable at par on 19.10.2016 with put-call option on 19.10.2013	915.00	-	-	-
<b>103-II Series</b> 9.35 % Redeemable at par on 19.10.2016 with put-call option on 19.10.2013	500.00	-	-	-
<b>102nd Series</b> 9.38 % Redeemable at par on 06.09.2016	2,216.20	-	-	-
<b>101-II Series</b> 9.45 % Redeemable at par on 10.08.2016	394.60	-	-	-
<b>74th Series</b> 7.22 % Redeemable at par on 31.12.2014	250.00	-	250.00	-

## NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>101-I Series</b> 9.43 % Redeemable at par on 10.08.2014	395.60	-	-	-
<b>99-II Series</b> 9.75 % Redeemable at par on 07.06.2014	445.20	-	-	-
<b>99-I Series</b> 9.70 % Redeemable at par on 08.06.2012	-	1,480.00	-	-
<b>23-II Series</b> 12.00 % Redeemed at par on 21.02.2012	-	-	-	30.35
<b>23-I Series</b> 12.00 % Redeemed at par on 05.12.2011	-	-	-	22.65
<b>Total - Institutional Bonds</b>	<b>25,756.10</b>	<b>1,480.00</b>	<b>9,770.50</b>	<b>53.00</b>
<b>3.2.1.2 Infrastructure Bonds</b>				
<b>Series-II</b> Redeemable at par. See Note 3.5	157.59	-	-	-
<b>Series-I</b> Redeemable at par. See Note 3.5	218.73	-	216.80	-
<b>Total - Infrastructure Bonds</b>	<b>376.32</b>	<b>-</b>	<b>216.80</b>	<b>-</b>

### 3.2.2 Term Loans

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>3.2.2.1 Term Loans from Banks</b>				
- Central Bank Repayable on 27.02.2014	500.00	-	500.00	-
- Bank of Maharashtra Two term loans of ₹100.00 Crores each repayable on 18.08.2012 & 31.10.2012, a term loan of ₹50.00 Crores repayable in equal annual installments on 29.06.2014 & 29.06.2015 and a term loan of ₹200.00 Crores repayable in two equal annual installments on 27.07.2014 & 27.07.2015	250.00	200.00	450.00	-
- Canara Bank	-	-	-	40.00
- Bank of Baroda	-	-	1,000.00	175.00
- UCO Bank	-	-	350.00	-
- Allahabad Bank	-	-	76.01	76.00
- HDFC Bank	-	-	-	500.00
- Andhra Bank	-	-	-	100.00
- Punjab and Sind Bank	-	-	435.00	-
- United Bank of India	-	-	850.00	-
- Bank of India	-	-	500.00	-
<b>3.2.2.2 - from Govt. of India</b>	<b>15.14</b>	<b>9.50</b>	<b>24.65</b>	<b>11.48</b>
Loans in various tranches with original tenor of 30 years with a moratorium of five years for the principal amount and repayable in 25 equal annual installments commencing from the sixth anniversary of the drawdown				
<b>Total - Term Loans</b>	<b>765.14</b>	<b>209.50</b>	<b>4,185.66</b>	<b>902.48</b>

## NOTES TO ACCOUNTS

## 3.2.3 Other Loans &amp; Advances

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>3.2.3.1 Foreign Currency Borrowings</b>				
<b>CHF Bonds - CHF 200 Mn</b> 3.50 % Redeemable at par on 07.03.2017	1,132.56	-	-	-
<b>Reg S Bonds - \$500 Mn</b> 4.25 % Redeemable at par on 25.01.2016	2,417.73	-	2,232.50	-
<b>JICA Loan - Guaranteed by Govt. of India</b> JICA-I loan repayable in equal half-yearly instalments of ₹982.33 Mn till 20.03.2021, next instalment falling due on 20.09.2012 and JICA-II loan repayable in equal half-yearly instalments of ₹995.33 Mn till 20.03.2023, starting from 20.03.2013	1,059.02	128.26	1,080.07	45.20
<b>KfW Loan - Guaranteed by Govt. of India</b> Repayable in half-yearly instalments of €3.68 Mn till 30.12.2018, next instalment due on 30.06.2012	294.09	45.55	310.48	74.36
<b>ECB - Syndicated Loans from Banks - II - \$400 Mn</b> Repayable on 22.09.2015	1,788.96	-	1,787.48	-
<b>Bilateral Term Loan - Mauritius - US \$70 Mn</b> Repayable on 28.10.2015	311.36	-	312.55	-
<b>Bilateral Term Loan - Mizuho - US \$100 Mn</b> Repayable on 30.03.2016	446.50	-	446.50	-
<b>Bilateral Term Loan - BTMU - US \$100 Mn</b> Repayable on 30.03.2016	446.50	-	446.50	-
<b>Syndicated Loan- Unsecured- \$300 Mn</b> Repayable on 19.08.2016	1,367.24	-	-	-
<b>KfW-II Loan - Guaranteed by Govt. of India</b> Repayable in 18 half-yearly instalments, starting from 30.06.2012	425.24	53.14	-	-
<b>Syndicated Loan- Unsecured- ₹12.525 Bn</b> Repayable on 27.03.2017	781.94	-	-	-
<b>ECB - Syndicated Loans from Banks</b> Repaid on 26.03.2012	-	-	-	870.26
<b>Total - Foreign Currency Borrowings</b>	<b>10,471.14</b>	<b>226.95</b>	<b>6,616.08</b>	<b>989.82</b>
<b>3.2.3.2 Zero Coupon Bonds</b>				
<b>ZCB - Series II - Redeemable on 03.02.2021</b> (Net of unamortised discount, 89,510 bonds with face value of ₹ 30,000 each redeemable at par on 03.02.2021)	127.97	-	117.66	-
<b>ZCB - Series I - Redeemable on 15.12.2020</b> (Net of unamortised discount, 3,92,700 bonds with face value of ₹ 30,000 each redeemable at par on 15.12.2020)	591.26	-	546.11	-
<b>Total - Zero Coupon Bonds</b>	<b>719.23</b>	<b>-</b>	<b>663.77</b>	<b>-</b>
<b>3.2.3.3 Bond Application Money</b>				
Infrastructure Bonds	-	-	0.36	-
<b>Total - Bond Application Money</b>	<b>-</b>	<b>-</b>	<b>0.36</b>	<b>-</b>

## 3.3 Security Details of the Secured Borrowings

The Bond Series 69, 73, 75 of Institutional Bonds are secured by a (a) mortgage of premises at 51 and 52/58-B, 5th floor, Mittal Tower, Block II, Backbay Scheme, Nariman Point, Colaba, Mumbai 400 005, Maharashtra, India and (b) charge on the receivables, both present and future, of our Company on the basis of joint hypothecation agreement dated September 24, 2010.

## NOTES TO ACCOUNTS

The Bond Series 77 to 93 of Institutional Bonds and all 54EC Capital Gain Tax Exemption Bonds are secured by a charge on a (a) mortgage of Flat no. 640, Asiad Games Village, New Delhi 110 049, India and (b) charge on the receivables of our Company, both present and future, save and except receivables hypothecated to IL&FS Trust Company Limited on the basis of joint hypothecation agreement dated September 24, 2010.

Tax Free Bonds are secured by first pari passu charge on premises at Shop No. 12, Ground Floor, Block No. 35, Church Road, Mylapore, Chennai 600 004 and hypothecation of certain specific receivables of ₹4,998.66 Crores (Previous year Nil) in favour of IL&FS Trust Company Ltd.

All the term loans are secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to IL&FS Trust Company Limited on the basis of joint hypothecation agreement last updated on September 24, 2010.

- 3.4 54EC Capital Gain Tax Exemption Bonds are issued for a tenure of 3/5/7 years at interest rates of 5.50 % to 6.25 % payable annually. These bonds have put/call option at the end of 3/5 years. In the current year 2011-12, 54EC Capital Gain Tax Exemption Bonds Series VIII 2011-12 was issued with a 3 years' tenor at interest rate of 6.00 % payable annually. These bonds will be redeemed automatically at the end of lock-in period of 3 years.

### 3.5 Details of Infrastructure Bonds Issued are as under :

(₹ in Crores)

#### Series 2010-11 allotted on 31.03.2011

Rate of Interest	Amount	Redemption Details
8.00 %	61.60	Redeemable on the date falling 10 years from the date of allotment with buyback option by bondholders after 5 years
8.20 %	151.74	
8.10 %	1.61	Redeemable on the date falling 10 years from the date of allotment
8.20 %	3.78	
	218.73	

#### Series 2011-12 allotted on 15.02.2012

Rate of Interest	Amount	Redemption Details
8.95 % Cumulative	95.23	Redeemable on the date falling 10 years from the date of allotment with buyback option by bondholders after 5 years
8.95 % Annual	32.85	
9.15 % Cumulative	13.43	Redeemable on the date falling 15 years from the date of allotment with buyback option by bondholders after 7 years
9.15 % Annual	5.01	
8.95 % Cumulative	5.73	Redeemable on the date falling 10 years from the date of allotment
8.95 % Annual	1.38	
9.15 % Cumulative	2.83	Redeemable on the date falling 15 years from the date of allotment
9.15 % Annual	1.13	
	157.59	

### 4. Other Long-term Liabilities

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
- Non-Current Portion of Interest accrued but not due on borrowings	23.01	-
- Allowance for Rescheduled Loans	3.18	-
<b>Total</b>	<b>26.19</b>	<b>-</b>

- 4.1 As a prudent measure, an additional allowance of ₹3.18 Crores has been made in respect of two rescheduled infrastructure loans classified as standard assets.

## NOTES TO ACCOUNTS

## 5. Long-term and Short-term Provisions

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>(A) Provisions for Employee Benefits</b>				
Provision for Leave Encashment	-	23.45	-	21.50
Provision for Post Retirement Health Scheme	45.39	1.43	36.06	1.35
Provision for Medical Leave	10.84	1.15	9.60	1.02
Provision for Settlement Allowance	1.02	0.10	0.19	0.02
Provision for Economic Rehabilitation Scheme	1.95	0.24	1.84	0.22
Provision for Long Service Award	2.58	0.43	2.07	0.30
<b>Sub-total</b>	<b>61.78</b>	<b>26.80</b>	<b>49.76</b>	<b>24.41</b>
<b>(B) Others</b>				
Provision for Incentive	-	25.10	-	16.40
Provision for Ex-gratia	-	0.10	-	0.10
Provision for Wealth Tax	-	0.38	-	0.36
Provision for FBT	-	0.36	-	0.36
Provision for Proposed Dividend	-	246.86	-	394.98
Provision for Corporate Dividend Tax	-	40.05	-	64.08
<b>Sub-total</b>	<b>-</b>	<b>312.85</b>	<b>-</b>	<b>476.28</b>
<b>Total</b>	<b>61.78</b>	<b>339.65</b>	<b>49.76</b>	<b>500.69</b>

## 5.1 Details of Provisions as required under AS-29 are as under :

(₹ in Crores)

Provision for	Opening Balance	Additions During the Year	Paid/ Adjusted during the year	Closing Balance
Provision for Leave Encashment	21.50	5.00	3.05	23.45
Previous year	18.34	4.70	1.54	21.50
Provision for Post Retirement Health Scheme	37.40	12.18	2.76	46.82
Previous year	27.41	12.42	2.43	37.40
Provision for Medical Leave	10.62	2.18	0.81	11.99
Previous year	8.65	2.16	0.19	10.62
Provision for Settlement Allowance	0.22	0.94	0.04	1.12
Previous year	0.19	0.05	0.02	0.22
Provision for Pension Scheme for REC Employees	13.31	2.96	13.00	3.27
Previous year	-	13.31	-	13.31
Provision for Economic Rehabilitation Scheme	2.06	0.27	0.14	2.19
Previous year	-	2.06	-	2.06
Provision for Long Service Award	2.37	3.91	3.27	3.01
Previous year	-	2.37	-	2.37
Provision for Gratuity Payable	2.90	2.38	2.90	2.38
Previous year	4.65	2.90	4.65	2.90
Provision for Incentive	16.40	23.60	14.90	25.10
Previous year	33.36	16.40	33.36	16.40
Provision for Ex-gratia	0.10	-	-	0.10
Previous year	6.39	-	6.29	0.10
Provision for Wealth Tax	0.36	0.40	0.38	0.38
Previous year	0.36	0.35	0.35	0.36
Provision for FBT	0.36	-	-	0.36
Previous year	0.36	-	-	0.36



## NOTES TO ACCOUNTS

(₹ in Crores)

Provision for	Opening Balance	Additions During the Year	Paid/ Adjusted during the year	Closing Balance
Provision for Interim Dividend	-	493.73	493.73	-
Previous year	-	345.61	345.61	-
Provision for Proposed Dividend	394.98	246.86	394.98	<b>246.86</b>
Previous year	345.61	394.98	345.61	<b>394.98</b>
Provision for Corporate Dividend Tax	64.08	120.14	144.17	<b>40.05</b>
Previous year	57.40	121.48	114.80	<b>64.08</b>
Provision for Income Tax	2,699.82	974.84	1,786.92	<b>1,887.74</b>
Previous year	1,791.71	908.11	-	<b>2,699.82</b>
Provision for CSR Expenditure	-	12.99	12.99	-
Previous year	-	-	-	-

### 6. Short-term Borrowings

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
(A) Short-term Loan from Banks, unsecured	2,500.00	375.00
<b>Total</b>	<b>2,500.00</b>	<b>375.00</b>

### 7. Other Current Liabilities

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
(A) Current maturities of long-term debt		
- Institutional Bonds	7,055.82	2,759.22
- Capital Gains Bonds	3,057.78	2,995.11
- Term Loans from Banks & Others	662.24	1,747.53
- Foreign Currency Borrowings	226.95	989.82
<b>Sub-total (A)</b>	<b>11,002.79</b>	<b>8,491.68</b>
(B) Interest accrued but not due on borrowings	2,934.39	2,043.09
(C) Interest accrued and due on borrowings	1.24	1.20
(D) Income Received in Advance	0.01	1.48
(E) Unpaid Dividends	1.25	1.23
(F) Unpaid Matured Debentures & Interest Accrued thereon	113.98	153.24
(G) Other payables		
- Subsidy/ Grant Received from Govt. of India	26,661.76	24,445.22
Add: Interest on Subsidy/ Grant	82.79	61.05
Less: Disbursed to Beneficiaries	-26,390.56	-23,623.63
<b>Undisbursed Subsidy/Grant</b>	<b>353.99</b>	<b>882.64</b>
- Statutory Dues payable including PF and TDS	10.56	8.82
- Payable towards funded staff benefits	5.65	16.21
- Other Liabilities	78.51	25.99
<b>Sub-total (G)</b>	<b>448.71</b>	<b>933.66</b>
<b>Total (A+B+C+D+E+F+G)</b>	<b>14,502.37</b>	<b>11,625.58</b>

## NOTES TO ACCOUNTS

### 7.1 Subsidy Under Accelerated Generation & Supply Programme (AG&SP):

The Corporation is maintaining an Interest Subsidy Fund Account and was given AG&SP subsidy (for disbursement to the eligible borrowers) by Govt. of India at net present value calculated at indicative rates and year in accordance with GOI's letter vide D.O.No. 32024/17/97-PFC dated 23.09.1997 and O.M.No.32024/23/2001-PFC dated 07.03.03 irrespective of the actual repayment schedule, moratorium year and duration of repayment of the eligible schemes. The impact of difference between the indicative rate and year considered at the time of drawl and the actual can be ascertained only after the end of the respective schemes.

Net amount of ₹ 4.24 Crores as on 31.03.2012 (Previous Year ₹ 5.53 Crores) under the heads "Grant- (AG&SP) Interest Subsidy Received" and "Grant- (AG&SP) Interest Subsidy Disbursed" represents the balance amount of interest subsidy received from Ministry of Power, Government of India, which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following : -

(₹ in Crores)		
Particulars	Year ended 31.03.2012	Year ended 31.03.2011
Opening Balance of Interest Subsidy Fund	5.53	32.06
Add: Received during the year	-	-
Refund by the borrower due to non-commissioning of the project in time	-	-
Less: Interest subsidy passed on to the borrower	1.29	2.15
Subsidy refund to MoP	-	24.38
<b>Closing Balance of Interest Subsidy Fund</b>	<b>4.24</b>	<b>5.53</b>

- 7.2 Government of India has appointed REC as a nodal agency for implementation of Rajiv Gandhi Gramin Vidyutikaran Yojna (RGGVY). The funds received for disbursement to various agencies under such schemes are kept in a separate bank account. The undisbursed funds for such schemes and other grants and interest earned thereto are classified as current liabilities.

During the current year, interest earned of ₹22.59 Crores (Previous year ₹11.43 Crores) including TDS Nil (Previous year Nil) has been taken to RGGVY Subsidy account.

## NOTES TO ACCOUNTS

### 8. Fixed Assets as at 31st March, 2012

(₹ in Crores)

FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2011	Additions during the year ending 31.03.2012	Sales/ adjustment during the year ending 31.03.2012	Closing as on 31-03-2012	Upto 31-03-2011	Depreciation during the year ending 31.03.2012	Depreciation adjustment during the year ending 31.03.2012	Depreciation as on 31.03.2012	As at 31.03.2012	As at 31.03.2011
<b>Tangible Assets</b>										
Freehold Land	34.17	0.58	-	34.75	-	-	-	-	34.75	34.17
Leasehold Land	1.45	-	-	1.45	0.17	0.01	-	0.18	1.27	1.28
Buildings	22.27	2.17	-	24.44	5.67	0.38	-	6.05	18.39	16.60
Furniture & Fixtures	6.19	1.33	0.22	7.30	3.63	0.52	0.19	3.96	3.34	2.56
Vehicles	0.68	-	0.11	0.57	0.53	0.02	0.10	0.45	0.12	0.15
EDP Equipments	11.27	3.03	0.55	13.75	5.61	1.32	0.31	6.62	7.13	5.66
Office Equipments	4.14	1.71	0.09	5.76	2.39	0.15	0.02	2.52	3.24	1.75
<b>Total</b>	<b>80.17</b>	<b>8.82</b>	<b>0.97</b>	<b>88.02</b>	<b>18.00</b>	<b>2.40</b>	<b>0.62</b>	<b>19.78</b>	<b>68.24</b>	<b>62.17</b>
Previous Year	79.05	1.21	0.09	80.17	18.04	2.17	2.21	18.00	62.17	
<b>Intangible Assets</b>										
Computer Software	4.33	0.01	-	4.34	1.25	0.87	-	2.12	2.22	3.08
<b>Total</b>	<b>4.33</b>	<b>0.01</b>	<b>-</b>	<b>4.34</b>	<b>1.25</b>	<b>0.87</b>	<b>-</b>	<b>2.12</b>	<b>2.22</b>	<b>3.08</b>
Previous Year	4.33	-	-	4.33	0.39	0.86	-	1.25	3.08	
<b>Capital WIP</b>	<b>3.01</b>	<b>5.49</b>	<b>0.58</b>	<b>7.92</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7.92</b>	<b>3.01</b>
Previous Year	3.01	-	-	3.01	-	-	-	-	3.01	
<b>Intangible Assets under Development</b>	<b>-</b>	<b>0.10</b>	<b>-</b>	<b>0.10</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.10</b>	<b>-</b>
Previous Year	-	-	-	-	-	-	-	-	-	

8.1 The formalities regarding registration of one conveyance deed in respect of the Land & Building acquired by the Corporation amounting to ₹ 4.59 Crores (Previous year ₹ 4.59 Crores) are in the process of completion.

## NOTES TO ACCOUNTS

## 9. Investments

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	No.	Amount	No.	Amount
Valued at Cost				
(1) Non-Current Investments				
(A) Trade Investments (Unquoted)				
(i) Investment in Equity Instruments				
- Subsidiaries				
- REC Power Distribution Co.Ltd.	50,000	0.05	50,000	0.05
Equity shares of ₹10 each, fully paid up				
- REC Transmission Projects Co. Ltd.	50,000	0.05	50,000	0.05
Equity shares of ₹10 each, fully paid up				
- Joint Ventures				
- Energy Efficiency Services Ltd.	625,000	0.63	625,000	0.63
Equity shares of ₹10 each, fully paid up				
- Others				
- India Energy Exchange Ltd.	1,250,000	1.25	1,250,000	1.25
Equity shares of ₹10 each, fully paid up				
- Universal Commodity Exchange Ltd.	16,000,000	16.00	-	-
Equity shares of ₹10 each, fully paid up				
(ii) Investment in Government Securities				
- 8% Government of Madhya Pradesh Power Bonds-II	14	660.24	16	754.56
Maturing in 30 equal half yearly Instalments				
of one bond each w.e.f. 01.04.05				
(Bonds of Face Value of ₹ 47.16 Crores each)*				
(iii) Investment in Mutual Funds				
- KSK Energy Ventures Limited				
Units of "Small is Beautiful" Fund at face value				
of ₹ 10.00 per unit	7,825,127	7.83	8,733,787	8.73
NAV of ₹ 10.33 per unit (Previous year ₹10.08)				
(iv) Application money pending allotment		24.38		24.38
Energy Efficiency Services Ltd.				
<b>Total - Non-Current Investments (1)</b>		<b>710.43</b>		<b>789.65</b>
(2) Current Investments				
(A) Investment in Government Securities (Unquoted)				
- 8% Government of Madhya Pradesh Power Bonds-II				
Maturing in 30 equal half yearly Instalments				
of one bond each w.e.f. 01.04.05	1	47.16	1	47.16
(Bonds of Face Value of ₹ 47.16 Crores each)*				
<b>Total - Current Investments (2)</b>		<b>47.16</b>		<b>47.16</b>
<b>Total</b>		<b>757.59</b>		<b>836.81</b>

\* The number of bonds and the amount of the investment in current portion represents the investments maturing within the next 12 months and the balance is the non-current portion.

## NOTES TO ACCOUNTS

### - Additional disclosures required in respect of the investments

(₹ in Crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
(i) Aggregate amount of Quoted Investments and market value thereof	-	-
(ii) Aggregate amount of Unquoted Investments		
- Non-Current investments	710.43	789.65
- Current investments	47.16	47.16
(iii) Aggregate provision for diminution in value of investments	-	-

- 9.1 Investments include ₹ 7.83 Crores (Previous year ₹ 8.73 Crores) representing company's contribution in the units of "Small is Beautiful (SIB ) Venture Capital fund" promoted by KSK Energy Ventures Limited. During the year, 9,08,660 units (Previous year 33,51,613 units) were redeemed.

Name of the Company	Contribution towards Fund	Country of Residence	Percentage of Share
SIB Fund of KSK Energy Ventures Ltd	₹ 7.83 Crores	India	9.74 %

- 9.2 Information in relation to the interest of the Corporation in Joint Venture as required under Accounting Standard – 27 issued by the Institute of Chartered Accountants of India :

#### 1. Energy Efficiency Services Ltd.

Proportion of Interest	25 %
Country of Incorporation	India

The Company's share of assets, liabilities, contingent liabilities and capital commitments as at 31.03.2012 and income and expenses for the year in respect of joint venture based on its audited accounts are given below :

(₹ in Crores)

Total Assets	31.17
Total Liabilities	4.37
Total Reserves & Surplus	1.80
Contingent Liabilities	Nil
Capital Commitments	Nil
Total Income	3.17
Total Expenses	1.17

Corporation has also made an application for allotment of further equity shares amounting to ₹ 24.38 Crores for which shares are yet to be allotted.

### 10. Deferred Tax Asset (Net)

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Deferred Tax Assets</b>		
Provision for Earned Leave Encashment	7.61	7.14
Provision for Sick Leave	3.48	3.11
Provision for Post Retirement Medical Benefits	2.51	2.57
Provision for Pension Scheme	1.06	4.42
<b>Total</b>	<b>14.66</b>	<b>17.24</b>
<b>Deferred Tax Liabilities</b>		
Depreciation	4.61	4.47
<b>Total</b>	<b>4.61</b>	<b>4.47</b>
<b>Deferred Tax Asset (Net)</b>	<b>10.05</b>	<b>12.77</b>

- 10.1 The Corporation has no intention to make withdrawal from the special reserve created and maintained under section 36(1)(viii) of the Income Tax Act 1961. Hence, the special reserve created and maintained is not capable of being reversed and thus it becomes a permanent difference as per AS-22 issued by the Institute of Chartered Accountants of India (ICAI). Accordingly, Company is not creating any deferred tax liability on the said reserves.



## NOTES TO ACCOUNTS

### 11. Foreign Currency Monetary Item Translation Difference Account

The company has opted towards an irrevocable option for amortising the foreign exchange fluctuation loss/(gain) on the long term foreign currency monetary items over the balance period of such items in accordance with Para 46A of Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates'. Amount remaining to be amortised in 'Foreign Currency Monetary Item Translation Difference Account' is ₹ 181.88 Crores.

### 12. Long-term Loans & Advances

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
(A) Capital Advances (Unsecured, considered good)	24.54	24.24
(B) Security Deposits (Unsecured, considered good)	3.87	0.76
(C) Loans & Advances to Related Parties		
- To Directors	0.05	0.05
	0.05	0.05
(D) Other Loans & Advances		
- Staff Loans & Advances (except to Directors)	12.74	3.29
- Loan Assets	89,944.11	73,178.23
	89,956.85	73,181.52
<b>Total (A+B+C+D)</b>	<b>89,985.31</b>	<b>73,206.57</b>

Details of Loans & Advances to Related Parties and Other Loans & Advances :

#### 12.1 Staff Loans & Advances

Non-current portion of the staff loans & advances has been classified under 'Long-term Loans & Advances' above and the current portion of the staff loans & advances has been classified under Note-16' Other Current Assets'.

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
Loans & Advances to Staff (Secured, considered good)				
- To Employees (Other than directors)	1.64	0.64	2.12	0.53
<b>Sub-total</b>	<b>1.64</b>	<b>0.64</b>	<b>2.12</b>	<b>0.53</b>
Loans & Advances to Staff (Unsecured, considered good)				
- To Directors	0.05	0.04	0.05	0.03
- To Employees (Other than directors)	11.10	5.95	1.17	1.93
<b>Sub-total</b>	<b>11.15</b>	<b>5.99</b>	<b>1.22</b>	<b>1.96</b>
<b>Total</b>	<b>12.79</b>	<b>6.63</b>	<b>3.34</b>	<b>2.49</b>

## NOTES TO ACCOUNTS

### 12.2 Loan Assets

Non-current portion of the loan assets has been classified under 'Long-term Loans & Advances' above and the current portion of the loan assets has been classified under Note-16 'Other Current Assets'.

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>(A) Secured Loans</b>				
<b>(A1) Loans to State Power Utilities/ State Electricity Boards/Corpn., (Secured by hypothecation of materials/ assets with respective State Power Utilities/SEBs/Corpn.)</b>				
(a) Considered Good	57,402.83	4,814.02	45,778.95	3,964.49
<b>(A2) Loans to Others (Secured by hypothecation of tangible assets)</b>				
(a) Considered Good	10,803.99	1,099.90	7,014.43	827.58
(b) Classified Doubtful	427.71	62.69	-	17.22
Less: Allowance for bad & doubtful debts	42.77	21.77	-	17.22
	384.94	40.92	-	-
<b>Sub-total (A1+ A2)</b>	<b>68,591.76</b>	<b>5,954.84</b>	<b>52,793.38</b>	<b>4,792.07</b>
<b>(B) Unsecured Loans</b>				
<b>(B1) Loans to State Power Utilities/ State Electricity Boards/ Corpn., Co-operatives (Guaranteed by respective State Governments)</b>				
(a) Considered good	17,664.20	2,266.46	16,194.56	2,242.71
(b) Classified Doubtful	-	-	-	2.21
Less: Allowance for bad & doubtful debts	-	-	-	0.44
	-	-	-	1.77
<b>(B2) Loans to State Governments</b>				
(a) Considered good	3,350.91	223.60	3,294.45	172.43
(b) Classified Doubtful	-	-	-	0.10
Less: Allowance for bad & doubtful debts	-	-	-	0.10
	-	-	-	-
<b>(B3) Loans to Others</b>				
(a) Considered Good	337.24	5.23	895.84	120.48
<b>Sub-total (B1+ B2+B3)</b>	<b>21,352.35</b>	<b>2,495.29</b>	<b>20,384.85</b>	<b>2,537.39</b>
<b>Grand Total (A+B)</b>	<b>89,944.11</b>	<b>8,450.13</b>	<b>73,178.23</b>	<b>7,329.46</b>

### 13. Other Non-Current Assets

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>(A) Non-Current Portion of Interest Accrued on Staff Advances</b>	2.24	2.21
<b>(B) Interest Accrued on Rescheduled Loans</b>	231.88	344.08
<b>(C) Non-current Portion of Unamortized Expenses :</b>		
- Discount on Issue of Bonds	13.80	17.89
<b>Total (A+B+C)</b>	<b>247.92</b>	<b>364.18</b>

## NOTES TO ACCOUNTS

## 14. Cash and Cash Equivalents

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
(A) Balances with Banks	3,685.48	685.41
(B) Cheques/ Drafts in Hand	-	626.06
(C) Cash on Hand (including postage & imprest)	-	0.01
(D) Others		
- Term Deposits with Scheduled Banks	1,626.00	1,520.41
<b>Total (A+B+C+D)</b>	<b>5,311.48</b>	<b>2,831.89</b>
Balances with Banks include:		
- Earmarked Balances with Banks		
- For unpaid dividends	1.25	1.23
- For RGGVY grant	325.50	246.11
- For AG & SP grant	4.81	7.52
- For other grants	3.96	3.98
- Tax Free Bonds Public Issue Account	3,000.00	-

Cheques in hand include Nil (Previous year ₹ 626.06 Crores) towards earmarked funds for RGGVY Grant.

- 14.1 The Company has made a public issue of Tax Free Bonds of face value of ₹1,000/- each aggregating to ₹3,000 Crores during the financial year 2011-12. The bonds have been allotted on 27.03.2012 and the issue proceeds had been kept in designated Public Issue accounts. The issue proceeds could not be utilized till the Balance Sheet date as the proceeds of the funds raised became available to the company only on the listing of the bonds on Bombay Stock Exchange Limited (BSE) on 04.04.2012.

## 15. Short-term Loans &amp; Advances

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>- Other Loans &amp; Advances</b>		
(A) Secured Loans		
- Loans to State Power Utilities/ State Electricity Boards/Corpn., (Secured by hypothecation of materials/ assets with respective State Power Utilities/SEBs/Corpn.)		
(a) Considered Good	1,737.50	900.00
<b>Sub-total</b>	<b>1,737.50</b>	<b>900.00</b>
(B) Unsecured Loans		
- Loans to State Power Utilities/ State Electricity Boards/ Corpn., Co-operatives (Guaranteed by respective State Governments)		
(a) Considered Good	830.00	-
- Loans to Others		
(a) Considered Good	400.00	300.00
<b>Sub-total</b>	<b>1,230.00</b>	<b>300.00</b>
<b>Grand Total (A+B)</b>	<b>2,967.50</b>	<b>1,200.00</b>

## NOTES TO ACCOUNTS

### 16. Other Current Assets

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
(A) Current recoverable of Long-term Loan Assets	8,450.13	7,329.46
(B) Current recoverable of Staff Advances	6.63	2.49
(C) Interest Accrued & Not Due on:		
- Term Deposits	27.90	9.22
<b>Sub-total</b>	<b>27.90</b>	<b>9.22</b>
(D) Interest Accrued & Due on Loan Assets	86.11	80.29
(E) Interest Accrued & Not Due on Loan Assets	549.61	493.45
(F) Current Portion of Interest Accrued on Staff Advances	0.36	0.29
(G) Recoverable from GOI		
- RGGVY Expenses	6.78	4.64
<b>Sub-total</b>	<b>6.78</b>	<b>4.64</b>
(H) Advances recoverable in cash or in kind or value to be received *	5.25	15.17
(I) Recoverable from SEBs/ Govt. Deptt/Others	21.58	5.06
(J) Advance Income-tax & TDS	1,916.94	2,722.65
Less : Provision for Income Tax	1,887.74	2,699.82
	29.20	22.83
(K) Income Tax Recoverable	-	24.59
(L) Current Portion of Unamortized Expenses		
- Discount on Issue of Bonds	4.83	4.70
<b>Total (A+B+C+D+E+F+G+H+I+J+K+L)</b>	<b>9,188.38</b>	<b>7,992.19</b>

\*Amount under (H) above includes ₹ 2.09 Crores (Previous year ₹ 0.44 Crores) due from subsidiaries. Also see Note 36.

### 17. Contingent Liabilities and Commitments :

#### 17.1 Contingent Liabilities not provided for in respect of:

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
A-Claims against the Company not acknowledged as debts	59.84	26.88
B-Others		
- Letters of Comfort	4,696.95	1,352.70

The amount referred to in 'A' above includes ₹ 7.75 Crores (Previous year ₹ 4.99 Crores) which is pending in various courts including arbitration cases and is dependent upon the outcome of settlement of court/arbitration cases and also includes ₹ 52.09 Crores (Previous year ₹ 21.75 Crores) against various demands raised by the Income Tax Department including the cases pending in Delhi High Court.

#### 17.2 Commitments not provided for in respect of:

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
- Contracts remaining to be executed on capital account	8.02	13.32
- Other Commitments		
- Undisbursed CSR Commitments	5.91	4.79
- Lease Commitments	12.72	13.72

## NOTES TO ACCOUNTS

## 18. Revenue from Operations

(₹ in Crores)

Particulars	Year ended 31.03.2012		Year ended 31.03.2011	
<b>(A) Interest on Loan Assets</b>				
(i) Long term financing	9,684.32		7,673.20	
Less: Rebate for timely payments/ completion etc.	6.17	9,678.15	7.85	7,665.35
(ii) Short term financing		585.87		443.42
<b>Total - Interest Income on Loan Assets (A)</b>		<b>10,264.02</b>		<b>8,108.77</b>
<b>(B) Revenue from Other Financial Services</b>				
(i) Processing, Upfront, Lead fees, LC Commission etc		47.15		60.38
(ii) Prepayment Premium		3.02		40.55
(iii) Agency/ handling charges for RGGVY Implementation/ others		23.40		47.21
<b>Total - Other Operating Income (B)</b>		<b>73.57</b>		<b>148.14</b>
<b>Total (A+B)</b>		<b>10,337.59</b>		<b>8,256.91</b>

## 19. Other Income

(₹ in Crores)

Particulars	Year ended 31.03.2012		Year ended 31.03.2011	
<b>(A) Interest Income (Other than Operating Income)</b>				
- Interest from Deposits		86.16		44.76
- Interest from Govt. Securities		62.25		69.80
- Interest from Income Tax Refund		4.02		-
- Interest from Staff Advances		0.53		0.28
- Interest from Subsidiary Companies		0.12		0.18
<b>Sub-Total (A)</b>		<b>153.08</b>		<b>115.02</b>
<b>(B) Dividend Income</b>				
- Dividend from Subsidiary Companies		0.05		0.05
- Dividend on Mutual Funds		-		3.47
- Dividend from Long-Term Investments		0.13		0.12
<b>Sub-Total (B)</b>		<b>0.18</b>		<b>3.64</b>
<b>(C) Net Gain on Sale of Investments</b>				
- Gain on Sale of Long Term Investments		0.84		1.78
- Gain on Sale of Current Investments		10.91		0.50
<b>Sub-Total (C)</b>		<b>11.75</b>		<b>2.28</b>
<b>(D) Other Non-Operating Income</b>				
- Foreign Currency Exchange Fluctuation Gain		-		85.33
- Profit on sale of assets		0.05		0.01
- Provision Written Back		4.44		29.24
- Miscellaneous Income		1.98		2.83
<b>Sub-Total (D)</b>		<b>6.47</b>		<b>117.41</b>
<b>Total (A+B+C+D)</b>		<b>171.48</b>		<b>238.35</b>



## NOTES TO ACCOUNTS

### 20. Finance Costs

(₹ in Crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
<b>(A) Interest Expense</b>		
- On Govt. Loans	2.31	3.17
- On REC Bonds	5,064.14	3,643.88
- On Loans from Banks/ Financial Institutions	611.59	838.51
- On External Commercial Borrowings	578.71	203.80
- On Commercial Paper	-	83.28
- On AREP Subsidy	0.33	0.41
- Interest on Advance Income Tax	0.25	-
<b>Sub-Total (A)</b>	<b>6,257.33</b>	<b>4,773.05</b>
<b>(B) Other Borrowing Costs</b>		
- Guarantee Fee	11.46	7.87
- Public Issue Expenses	14.25	-
- Bonds Handling Charges	1.12	1.98
- Bonds Brokerage	15.99	9.00
- Stamp Duty on Bonds	0.04	0.31
- Debt Issue and Other Finance Charges	78.61	58.80
<b>Sub-Total (B)</b>	<b>121.47</b>	<b>77.96</b>
<b>Total (A+B)</b>	<b>6,378.80</b>	<b>4,851.01</b>

### 21. Employee Benefits Expense

(₹ in Crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
(A) Salaries and Allowances	134.34	81.65
(B) Contribution to Provident Fund and Other Funds	8.41	19.07
(C) Gratuity	2.38	2.91
(D) Expenses towards Post Retirement Medical Facility	12.17	12.42
(E) Staff Welfare Expenses	13.67	11.42
<b>Total (A+B+C+D+E)</b>	<b>170.97</b>	<b>127.47</b>

### 22. Other Expenses

(₹ in Crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
- Rent & Hiring Charges	2.02	1.80
- Rates and Taxes	5.95	1.86
- Power & Fuel	0.87	0.70
- Insurance Charges	0.04	0.03
- Repairs and Maintenance		
- Building	1.27	1.46
- Machinery - ERP & Data Centre	3.10	1.71
- Others	0.43	0.95
- Printing and Stationery	0.09	1.46
- Travelling and Conveyance	7.88	6.61
- Postage, Telegram and Telephone	1.22	1.01
- Publicity & Promotion Expenses	4.59	4.40
- Auditors' Remuneration	0.61	0.44
- Consultancy Charges	1.46	1.33
- Corporate Social Responsibility	12.99	1.23
- Donations & Charity	0.06	0.22
- Loss on Sale of Assets	0.23	0.02
- Miscellaneous Expenses	15.54	8.79
<b>Total</b>	<b>58.35</b>	<b>34.02</b>

## NOTES TO ACCOUNTS

### 22.1 Auditors' Remuneration includes :

(₹ in Crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
- Audit Fees	0.26	0.19
- Tax Audit Fees	0.05	0.04
- Limited Review Fees	0.05	0.03
- Payment for Other Services #	0.25	0.17
- Reimbursement of Expenses	-	0.02
<b>Total</b>	<b>0.61</b>	<b>0.45</b>

# Inclusive of Certification Fee of ₹ 0.15 Crores for Certification of Prospectus for Tax Free Bonds Public Issue and ₹ 0.09 Crores for certification of ECB Documentation for FY 2011-12 and certification fee of ₹ 0.15 Crores for ECB documentation for FY 2010-11.

### 22.2 Earnings and Expenditure in Foreign Currency :

(₹ in Crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
<b>Earnings</b>	-	-
<b>Expenditure</b>		
- Royalty, Know-how, Professional, Consultation Fees	1.34	-
- Interest	192.95	31.27
- Finance Charges	65.45	50.24
- Other Expenses	0.69	0.77
<b>Total</b>	<b>260.43</b>	<b>82.28</b>

22.3 The Corporation has taken office space, accommodations for staff and space for ERP Data Centre on lease. These are classified as operating lease. Lease payments in respect of office space and data centre amounting to ₹2.38 Crores is shown under the head 'Other Expenses'. Lease payments in respect of accommodations for staff amounting to ₹ 1.27 Crores form part of Note 21 'Employees Benefit Expense.' Future lease payments in respect of these lease agreements are as under:

(₹ in Crores)

Future minimum lease rent payments	Year ended 31.03.2012		Year ended 31.03.2011	
	Data Centre	Office & Accomodations	Data Centre	Office & Accomodations
Not later than one year	0.39	2.30	0.50	1.41
Later than one year and not later than 5 years	0.77	7.08	1.16	6.50
Later than 5 years	-	2.18	-	4.15
<b>Total</b>	<b>1.16</b>	<b>11.56</b>	<b>1.66</b>	<b>12.06</b>

### 23. Prior Period Items

(₹ in Crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
- Interest and Finance Exp	-	3.23
<b>Total</b>	<b>-</b>	<b>3.23</b>

### 24. Earnings per Share

(₹ in Crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
<b>Numerator</b>		
Profit after Tax as per Profit and Loss Account (₹ in Crores)	2,817.03	2,569.93
<b>Denominator</b>		
Weighted average Number of equity shares	98,74,59,000	98,74,59,000
Basic & Diluted Earnings per share of ₹10 each (in ₹)	28.53	26.03

## NOTES TO ACCOUNTS

25. On December 13, 2006, our Board of Directors approved Corporation's Prudential Norms and amendments thereto were approved on February 21, 2009 and September 25, 2010. However, in order to bring all "systemically important" government-owned NBFCs within the framework of the prudential norms, the RBI had advised our Corporation on December 12, 2006 to submit a 'road map' for compliance with various elements of the regulations governing NBFCs. The Corporation submitted the road map to RBI through the Ministry of Power and RBI, vide its letter dated June 29, 2010 had granted exemption to REC from Prudential Exposure Norms in respect of Central and State entities in Power Sector till March 31, 2012. In response to the Corporation's submission for further extending the exemption period till atleast the end of XII plan, forwarded to RBI by Ministry of Power (MoP) vide letter dated January 16, 2012, RBI, vide its letter dated April 4, 2012 has agreed to extend the exemption from adhering to RBI Prudential Norms till March 31, 2013, subject to furnishing a Roadmap upto June 30, 2012 for compliance with the RBI Prudential Norms as laid down in Non Banking Financial Companies (Non Deposit Accepting or Holding) Prudential Norms (Reserve Bank) Directions, 2007 as amended from time to time, within three years beginning April 1, 2013.

Further, RBI, vide its letter dated September 17, 2010, had categorized REC as an Infrastructure Finance Company (IFC) in terms of instructions contained in RBI Circular CC No.168 dated February 12, 2010. As an IFC, the total permissible exposure for lending in the private sector would be 25 % of owned funds in case of a single borrower and 40 % in case of a single group of borrowers and exposure for lending and investing taken together can be upto 30 % and 50 % of owned funds, respectively. REC is also required to maintain a Capital to Risk Weighted Assets Ratio (CRAR) of 15 % (with a minimum Tier I Capital of 10 %). Accordingly, the Prudential Norms have been modified with the approval of our Board on September 25, 2010. In view of the exemption granted by RBI in respect of Central and State Entities in power sector, our maximum credit exposure limits to such Utilities varies from 50 % to 250 % of our net worth, depending upon entity appraisal and status of unbundling of the respective State Utilities.

26. The Corporation is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company (NBFC) since 1997-98. As per notification No. DNBS (PD), CC No. 12/D2.01/99-2000 dated 13.1.2000 of RBI, Govt. Companies conforming to Section 617 of the Companies Act have been exempted from applicability of the provisions of RBI Act 1934 relating to maintenance of liquid assets and creation of Reserve Funds and the Directions relating to acceptance of public deposits and prudential norms. The said notification is also applicable to REC, being a Govt. Company conforming to Section 617 of the Companies Act, 1956. Moreover in view of the non applicability of the provisions of section 45 (I) C of the RBI Act, 1934 regarding creation of Reserve Fund, the Reserve Fund is not created.

### 27. Changes in Accounting Policy

- 27.1 The company has adopted to account for gain or loss on interest rate swaps on domestic borrowings on accrual basis in conformity to the Significant Accounting Policy 1.(a) as against the earlier accounting policy of adjusting the interest cost as on the settlement date. Due to this change in accounting policy, the profit for the year ended 31.03.2012 is higher by ₹ 2.42 Crores (net of taxes).
- 27.2 The company has changed its Significant Accounting Policy 14.1 w.e.f. 01.04.2011 with respect to the accounting treatment of foreign currency translation differences in accordance with Para 46A of Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates' and has opted for amortising the foreign exchange fluctuation loss/(gain) on the long term foreign currency monetary items over the balance period of such items. Accordingly, the amortisation of foreign exchange fluctuation loss of ₹ 27.14 Crores is included under the head 'Foreign Currency Exchange Fluctuation Loss' in the Statement of Profit and Loss. Due to this change in accounting policy, the profit for the year ended 31.03.2012 is higher by ₹ 135.50 Crores (net of taxes).
- 27.3 Modifications have been made in Significant Accounting Policy No. 4.1 to make it more clarificatory/ explicit. However, there is no financial impact of such modification.
28. There has been shortfall (gross) in creation of Special Fund by some of the RE Cooperative Societies amounting to ₹ 5.71 Crores (Previous year ₹ 5.68 Crores) and the societies are pursued to create the required Special Fund.
29. Balance confirmation has been received from most of the borrowers of the Corporation.
30. Income Tax as applicable in respect of Interest accrued on bonds is deducted at source at the time of actual payment of interest to the bond holders since such bonds are freely transferable.
31. In terms of Accounting Policy No. 10.2, the balances in respect of Interest Warrants Accounts as on 31.03.2012 held in specified banks are ₹ 14.10 Crores (Previous year ₹ 23.76 Crores).
32. In the opinion of the management, the current assets, loans and advances appearing in the balance sheet have a value equivalent to the amount stated therein if realized during the ordinary course of business and all known liabilities have been provided.
33. Provision for impairment loss as required under Accounting Standard-28 'Impairment of Assets' is not necessary as in the opinion of management there is no impairment of the assets of the Corporation in terms of AS-28.
34. The Corporation has no outstanding liability towards Micro, Small and Medium undertakings.
35. As part of hedging strategy, the company has executed, in some cases, interest rate swaps from fixed rate of interest to floating rate of interest. The INR value of outstanding borrowing on which such swap has been exercised is ₹ 7,150.00 Crores. During the year ended 31.03.2012, the Corporation has reduced cost of borrowing to the extent of ₹ 20.03 Crores (Previous year ₹ 41.15 Crores) on account of these swap transactions linked to rupee borrowing.

## NOTES TO ACCOUNTS

In respect of foreign currency borrowings, the company has also executed cross currency swaps to hedge the Foreign Currency Exposure. The outstanding position of Foreign Currency Exposure on 31.03.2012 is as under:

(Foreign Currency amounts in Millions, INR amounts in Crores)

Currency	Total		Hedged Portion (Currency & Interest rate)		Unhedged	
	Foreign Currency	INR Equivalent	Foreign Currency	INR Equivalent*	Foreign Currency	INR Equivalent *
<b>JPY ¥</b>	35,669.38	1,969.21	23,144.38	1,187.28	12,525.00	781.93
Previous Year	47,697.36	1,995.53	44,316.43	1,812.90	3,380.93	182.63
<b>EURO €</b>	121.58	818.03	51.58	339.65	70.00	478.38
Previous Year	58.95	384.84	58.95	384.84	-	-
<b>USD \$</b>	1,470.00	6,778.29	1,220.00	5,499.38	250.00	1,278.91
Previous Year	1,170.00	5,225.53	200.00	894.48	970.00	4,331.05
<b>CHF (Swiss Franc)</b>	200.00	1,132.56	-	-	200.00	1,132.56
Previous Year	-	-	-	-	-	-
<b>Total</b>		10,698.09		7,026.31		3,671.78
Previous year		7,605.90		3,092.22		4,513.68

\*The portion of the foreign currency borrowings swapped into Indian Rupee is stated at the rate fixed in the swap transactions, and not translated at the year end rate. The unhedged portion of the foreign currency borrowings has been translated at the year end rate.

35.1 In terms of Accounting Policy 14.1, the foreign currency monetary items as at the year end have been translated at the following rates:

SI.No.	Exchange Rates	As at 31.03.2012	As at 31.03.2011
1	USD/INR	51.1565	44.6500
2	JPY/INR	0.6243	0.5402
3	EURO/INR	68.3403	63.2400
4	CHF/INR	56.6279	-

### 36. Related Party Disclosures :

#### (1) Key Management Personnel

Dr. J. M. Phatak	Chairman & Managing Director (till 16.04.2011 F/N)
Sh. H.D. Khunteta	Chairman & Managing Director (from 16.04.2011 A/N till 29.11.2011 F/N) and Director (Finance)
Sh. Rajeev Sharma	Chairman & Managing Director (from 29.11.2011 A/N)
Sh. P.J. Thakkar	Director (Technical) (from 02.05.2011 A/N)

#### (2) Other Related Parties

##### 1. Subsidiary Companies

REC Transmission Projects Company Limited  
 REC Power Distribution Company Limited

##### 2. Wholly owned Subsidiaries of REC Transmission Projects Company Limited

Vemagiri Transmission System Limited - Incorporated on 21.04.2011  
 Vizag Transmission Limited - Incorporated on 30.11.2011

##### 3. Joint Ventures

Energy Efficiency Services Limited

Details of amount due from/ to (-) the related parties as on 31.03.2012 are :

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
REC Transmission Projects Company Limited	1.57	-
REC Power Distribution Company Limited	0.52	0.44

## NOTES TO ACCOUNTS

### Transactions during the year with Related Parties :

(₹ in Crores)

Name	Subsidiaries		Key Managerial Personnel	
	For the year ended 31.03.12	For the year ended 31.03.11	For the year ended 31.03.12	For the year ended 31.03.11
Advances recoverable in cash/in kind/value to be received	4.71	14.88	-	-
Loans and Advances	-	-	0.01	0.08
Remuneration	-	-	1.36	1.75

### 37. Disclosure in respect of Intangible Assets as required in AS-26 "Intangible Assets" :

Amortisation Rate	20 % 100 % in case the total cost of the asset is ₹5,000 or less
Amortisation Method	Straight Line

The reconciliation of the intangible assets has already been disclosed in Note 8. Further, no impairment loss on intangible assets has been recognised/reversed during the year ended 31.03.2012.

### 38. The Corporation has adopted AS 15 (revised 2005) 'Employees Benefit'. Defined employee benefit schemes are as follows:

#### A. Provident Fund

Corporation pays fixed contribution of Provident Fund at pre-determined rates to a separate trust which invests the funds in permitted securities. The trust fixes the rate of interest on contribution to the members of the trust. As per the management estimates, the fair value of the assets of the Provident fund including the returns of the assets thereof, as at 31.03.2012 is greater than the obligation under the defined contribution plan.

#### B. Defined Contribution Superannuation Scheme

Corporation pays fixed contribution towards superannuation scheme at pre-determined rates to a separate trust which invests the funds with an Insurer. The Insurer fixes the rate of interest on the balance standing to the credit of the accounts of the members of the trust. When the pension becomes payable to the member, the Insurer shall appropriate the member's accumulation towards various annuities, as opted for by the member. The expenditure is recognized in the Profit & Loss account on the basis of defined contribution payable by the Corporation.

#### C. Gratuity

The Corporation has a defined benefit gratuity plan. Every employee is entitled to gratuity as per the provisions of the Payment of Gratuity Act. The scheme is funded by the Corporation and is managed by separate trust. The liability of Gratuity is recognized on the basis of actuarial valuation.

#### D. Post Retirement Medical Facility (PRMF)

The corporation has Post Retirement Medical Facility under which the entitled retired employees (including his/her spouse) are covered as per Corporation's rule. The expenditure is recognized in the profit & loss account on the basis of actuarial valuation.

#### E. Employees Family Economic Rehabilitation Scheme

The Corporation has a scheme to provide monetary benefit and support to the family of an employee in case of his/her permanent total disablement/ death if the same takes place while the employee is in service of the Corporation. The expenditure is recognized in the Profit & Loss account on the basis of actuarial valuation.

#### F. Scheme for Long Service Award to the Employees

The Corporation has a scheme for Long service Award to the employees on completion of milestones of continuous service of 10 years, 20 years and 30 years in the corporation. The expenditure is recognized in the profit & loss account on the basis of actuarial valuation.

#### G. Other Defined Retirement Benefit (ODRB)

The Corporation has a scheme for settlement of the employee and their dependents at the time of superannuation at home town. The expenditure is recognized in the profit & loss account on the basis of actuarial valuation.



## NOTES TO ACCOUNTS

The summarized position of various defined benefits recognized in the Profit & Loss Account, Balance Sheet and the funded status are as under:

### Expense recognised in Statement of Profit & Loss:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Current Service Cost	1.69	1.55	0.62	0.60	0.04	0.01
Interest Cost	2.90	2.59	3.18	2.19	0.02	0.01
Expected Return on Plan Assets	2.82	2.77	-	-	-	-
Actuarial (Gain) Loss recognized in P&L A/c	0.61	1.53	8.37	9.63	0.88	0.02
Past Service Cost	-	-	-	-	-	-
Expensed recognized in P&L A/c	2.38	2.90	12.17	12.42	0.94	0.04

### Amounts recognised in Balance Sheet:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Present value of obligation as at the end of the year	36.47	34.15	46.82	37.41	1.12	0.21
Fair value of Plan Assets as at the end of the year	31.24	31.30	-	-	-	-
Net Assets/ (Liability) recognized (For gratuity - of gratuity trust)	(5.23)	(2.85)	(46.82)	(37.41)	(1.12)	(0.21)

### Changes in the Present value of defined benefit/ Obligation:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Present value of obligation as at the beginning of the year	34.15	32.44	37.41	27.42	0.21	0.19
Interest Cost	2.90	2.59	3.18	2.19	0.02	0.01
Past Service Cost	-	-	-	-	-	-
Current Service Cost	1.69	1.55	0.62	0.60	0.04	0.01
Benefit Paid	2.88	3.61	2.76	2.43	0.03	0.03
Actuarial Gain/ Loss on obligation	0.61	1.17	8.37	9.63	0.88	0.02
Present Value of defined benefit obligation at the end of the year	36.47	34.15	46.82	37.42	1.12	0.21

### Changes in the Fair Value of Plan Assets:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Fair value of Plan Assets as at the beginning of the year (For gratuity - of the gratuity trust)	31.30	32.44	-	-	-	-
Expected return on Plan Assets	2.81	2.77	-	-	-	-
Actual Company Contribution	0.01	0.05	-	-	-	-
Benefit Paid	2.88	3.61	-	-	-	-
Actuarial Gain (Loss) on Plan Assets	-	(0.35)	-	-	-	-
Fair value of Plan Assets as at the end of the year (For gratuity - of the gratuity trust)	31.24	31.30	-	-	-	-

During the year, the Corporation has provided Liability towards Contribution to the Gratuity Trust of ₹2.38 Crores (Previous year ₹2.90 Crores), PRMF of ₹12.17 Crores (Previous year ₹12.42 Crores) and ODRB of ₹0.94 Crores (Previous year ₹0.04 Crores).

## NOTES TO ACCOUNTS

### Other Employee Benefits

During the year, provision for earned leave encashment amounting to ₹ 5.00 Crores (Previous year ₹ 4.70 Crores), provision for sick leave amounting to ₹ 2.18 Crores (Previous year ₹ 2.16 Crores), provision for economic rehabilitation scheme amounting to ₹ 0.27 Crores (Previous year ₹ 2.06 Crores) and provision for long service award amounting to ₹ 3.91 Crores (Previous year ₹ 2.37 Crores) have been made on the basis of actuarial valuation and charged to P&L A/c.

The effect of an increase/ decrease of one percent point in inflation rate on PRMF:

(₹ in Crores)

Particulars	1% (+)		1% (-)	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Service & Interest Cost	0.66	0.41	(0.60)	(0.35)
PBO (Closing)	5.80	5.01	(5.31)	(4.38)

Actuarial Assumptions:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Method Used	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)
Discount Rate	8.50%	8.00 %	8.50%	8.00 %	8.50%	8.00 %
Expected Rate of Return on Plan Assets	9.00%	8.54 %	-	-	-	-
Future Salary Increase	6.50%	6.00 %	6.50%	6.00 %	6.50%	6.00 %

- The Expected Rate of Return on Assets over the accounting year is assumed rate of return.
- The Principle assumptions are the discount rate and salary growth rate. The discount rate is generally based on the market yields available on govt. bonds at the accounting date with a term that matches the liabilities and the salary Growth rate takes account of inflation, seniority, promotions and other relevant factors as long term basis. The above information is certified by the Actuary.

39. Some of the erstwhile State Electricity Boards (SEBs) against whom loans were outstanding or on whose behalf guarantees were given, were restructured by the respective State Governments and new entities were formed in the past. Consequently, the liabilities of the erstwhile SEBs stand transferred to new entities and transfer agreements in some of the cases are to be executed amongst the Corporation, new entities and the State Governments.

40. The movement of Loans rescheduled are as under:

(₹ in Crores)

Particulars	No. of Accounts	As at 31.03.2012	No. of Accounts	As at 31.03.2011
<b>Opening balance</b>	16		14	
Principal		8,223.94		7,005.02
Interest		717.37		784.46
<b>Additions during the year (New Accounts)</b>	4		3	
<b>Opening Balance</b>				
Principal		8,565.48		1,011.46
Interest Accrued		1.18		8.31
<b>Additions during the year</b>				
Principal		4,145.01		590.50
Interest Accrued		2,169.67		995.62
<b>Received during the Year *</b>				
Principal		553.14		383.03
Interest		2,217.31		1,071.01
<b>Closing balance</b>	20		16	
Principal		20,381.29		8,223.94
Interest		670.91		717.37

\* Also includes Nil (previous year one) fully prepaid case.

## NOTES TO ACCOUNTS

41. The Corporation's main business is to provide finance to power sector. Accordingly, the Corporation does not have more than one segment eligible for reporting in terms of Accounting Standard No.17 issued by the Institute of Chartered Accountants of India.
42. The Capital Adequacy Ratio of the Corporation as on 31.03.2012 is 16.00 % (Previous year 19.09 %).
43. The Company has no exposure to real estate sector as on 31.03.2012 (Previous year Nil).
44. Maturity Profile of Loan Assets and Borrowings as on 31.03.2012:

(₹ in Crores)

Financial Year	Recovery of Loan Assets	Repayments of Borrowings
2012-13	11,439	13,503
2013-14	10,123	13,325
2014-15	9,920	10,063
2015-16	9,669	9,410
2016-17	9,413	9,525
2017-18	8,862	2,171
2018-19	8,260	4,055
2019-20	7,650	6,303
2020-21	7,106	7,048
2021-22	5,872	9,440
2022-23	4,507	-
Beyond 2022-23	8,541	5,213
<b>Total</b>	<b>101,362</b>	<b>90,056</b>

45. The financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31.03.2012 have been prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification.
46. Figures in Rupees have been rounded off to the nearest crores with two decimals, unless expressly stated. The figures in rupees in financial statements for the financial year ended 31.03.2011 were rounded off to the nearest lakhs. Therefore, to make the figures comparable, the previous year figures in Rupees have also been rounded off to the nearest crore with rounding off adjustment, wherever required

Signatures to the Significant Accounting Policies and Notes to Accounts forming part of the financial statements.

### In terms of our Report of even date

**For P.K. Chopra & Co.**  
Chartered Accountants  
Firm Reg. No.: 006747N

**K.S. Ponnuswami**  
Partner  
M.No. : 070276

**For Bansal & Co.**  
Chartered Accountants  
Firm Reg. No.: 001113N

**R.C.Pandey**  
Partner  
M.No. : 070811

### For and on behalf of the Board

**Rakesh Kumar Arora**  
GM (F&A) and Company Secretary

**Hari Das Khunteta**  
Director (Finance)

**Rajeev Sharma**  
Chairman and Managing Director

Place: New Delhi  
Date: 23<sup>rd</sup> May 2012

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

(₹ in Crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
<b>A. Cash Flow from Operating Activities :</b>		
Net Profit before Tax	3,792.86	3,476.28
<b>Adjustments for:</b>		
1. Profit / Loss on Sale of Fixed Assets	0.18	0.01
2. Depreciation	3.27	3.03
3. Allowance for bad & doubtful debts	49.09	0.22
4. Allowance for Rescheduled Loans	3.18	-
5. Excess Provision written back	-	-29.21
6. Profit on sale/redemption of investments	-11.75	-2.28
7. Loss/ Gain(-) on Exchange Rate fluctuation	52.55	-85.33
8. Dividend from Subsidiary Co.	-0.05	-0.05
9. Dividend from Investments	-0.13	-3.59
10. Provision made for Interest on Advance Income Tax	0.25	-
11. Discount on Bonds written off	4.71	0.85
12. Interest Accrued on Zero Coupon Bonds	55.46	14.48
13. Dividend & Dividend Tax paid in excess of provision	-	0.01
<b>Operating profit before Changes in Operating Assets &amp; Liabilities:</b>	<b>3,949.62</b>	<b>3,374.42</b>
<b>Increase / Decrease :</b>		
1. <b>Loan Assets</b>	<b>-19,703.14</b>	<b>-15,746.71</b>
2. Other Operating Assets	30.29	171.98
3. Operating Liabilities	940.47	377.99
Cash flow from Operations	-14,782.76	-11,822.32
1. Income Tax Paid (including TDS)	-981.21	-964.23
2. Income Tax refund	1.48	-
<b>Net Cash Flow from Operating Activities</b>	<b>-15,762.49</b>	<b>-12,786.55</b>
<b>B. Cash Flow from Investing Activities</b>		
1. Sale of Fixed Assets	0.17	0.02
2. Purchase of Fixed Assets (incl. CWIP & Intangible Assets under development)	-13.84	-1.22
3. Redemption of 8 % Government of Madhya Pradesh Power Bonds-II	94.32	94.32
4. Redemption of units of "Small is Beautiful" Fund	0.90	3.11
5. Profit on sale/redemption of investments	11.75	2.28
6. Investment in Shares of Energy Efficiency Services Ltd.	-	-24.38
7. Investment in Shares of Universal Commodity Exchange Ltd.	-16.00	-
8. Dividend from Subsidiary Co.	0.05	0.05
9. Dividend from Investments	0.13	3.59
<b>Net Cash Flow from Investing Activities</b>	<b>77.48</b>	<b>77.77</b>
<b>C. Cash Flow from Financing Activities</b>		
1. Issue of Bonds (Net of redemptions)	20,108.21	10,334.23
2. Raising of Term Loans/ STL from Banks/ FIs (Net of repayments)	-3,227.60	677.71
3. Raising of Foreign Currency Loan (Net of redemptions)	2,857.01	5,591.43
4. Grants received from GOI including interest ( Net of refund)	2,238.28	4,841.31
5. Disbursement of grants	-2,766.93	-4,025.42
6. Repayment of Govt. Loan	-11.49	-13.29
7. Payment of Final Dividend	-394.98	-345.61
8. Payment of Interim Dividend	-493.73	-345.61
9. Payment of Corporate Dividend Tax	-144.17	-114.80
10. Security Premium on issue of shares	-	0.41
11. Repayment of Commercial Paper	-	-2,450.00
<b>Net Cash flow from Financing Activities</b>	<b>18,164.60</b>	<b>14,150.36</b>
<b>Net Increase/Decrease in Cash &amp; Cash Equivalents</b>	<b>2,479.59</b>	<b>1,441.58</b>
Cash & Cash Equivalents as at the beginning of the year	2,831.89	1,390.31
Cash & Cash Equivalents as at the end of the year	5,311.48	2,831.89
<b>Net Increase/Decrease in Cash &amp; Cash Equivalents</b>	<b>2,479.59</b>	<b>1,441.58</b>

Note : Previous period figures have been rearranged and regrouped wherever necessary.

In terms of our Report of even date

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

K.S. Ponnuswami  
Partner  
M.No. : 070276

Place: New Delhi  
Date: 23<sup>rd</sup> May 2012

For Bansal & Co.  
Chartered Accountants  
Firm Reg. No.: 001113N

R.C.Pandey  
Partner  
M.No. : 070811

Rakesh Kumar Arora  
GM (F&A) and Company Secretary

For and on behalf of the Board

Hari Das Khunteta  
Director (Finance)

Rajeev Sharma  
Chairman and Managing Director

**ANNEXURE TO BE ENCLOSED WITH BALANCE SHEET AS AT 31ST MARCH 2012****(As prescribed by RBI)**

(Particulars as required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, in so far as they are applicable to REC Limited)

**(₹ in Crores)**

Particulars	Amount Outstanding	Amount Overdue
<b>LIABILITY SIDE:</b>		
Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:		
(a) Debentures/ Bonds :		
(i) Secured	43,041.79	-
(ii) Unsecured	28,331.65	-
(b) Foreign Currency Loan	10,679.46	-
(c) Term Loan from Govt. of India	24.64	-
(d) Term Loan from Financial Institution	4,370.00	-
(e) Term Loan from Banks	1,091.54	-
(f) Overdrafts from Bank	-	-
(g) Cash Credit from Banks	2,500.00	-
(h) Commercial Paper	-	-
<b>ASSET SIDE :</b>		
Break-up of Loans and Advances including bills receivables		
(a) Secured	76,283.20	
(b) Unsecured	25,328.75	
<b>INVESTMENTS :</b>		
Long Term Investments:		
Unquoted:		
(i) Shares : (a) Equity	42.36	
(b) Preference	-	
(ii) Debentures and Bonds	-	
(iii) Units of mutual funds	7.83	
(iv) Government Securities	707.40	
(v) Others		

**Borrower Group-wise classification of all leased assets, stock-on-hire and loans and advances :****(₹ In Crores)**

Category	AMOUNT NET OF PROVISIONS		
	Secured	Unsecured	Total
<b>1. Related Parties</b>			
(a) Subsidiaries	-	2.09	2.09
(b) Companies in the same Group	-	-	-
(c) Other related Parties	-	0.09	0.09
<b>2. Other than Related Parties</b>	76,283.20	25,326.57	101,609.77
<b>Total</b>	76,283.20	25,328.75	101,611.95

Investor group-wise classification of investments (current and long term) in shares and securities (both quoted and unquoted) :

(₹ In Crores)

Category	AMOUNT NET OF PROVISIONS	
	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
<b>1. Related Parties</b>		
(a) Subsidiaries	0.10	0.10
(b) Companies in the same Group	-	-
(c) Other related Parties	25.00	25.00
<b>2. Other than Related Parties</b>	732.49	732.49
<b>Total</b>	<b>757.59</b>	<b>757.59</b>

## Other Information

Particulars	(₹ In Crores)
<b>(i) Gross Non-Performing Assets</b>	
(a) Related Parties	
(b) Other than related Parties	490.40
<b>(ii) Net Non-Performing Assets</b>	
(a) Related Parties	-
(b) Other than related Parties	425.86
<b>(iii) Asset acquired in satisfaction of debts</b>	-

In terms of our Report of even date

For and on behalf of the Board

**For P.K. Chopra & Co.**  
Chartered Accountants  
Firm Reg. No.: 006747N

**For Bansal & Co.**  
Chartered Accountants  
Firm Reg. No.: 001113N

**Rakesh Kumar Arora**  
GM (F&A) and Company Secretary

**Hari Das Khunteta**  
Director (Finance)

**Rajeev Sharma**  
Chairman and Managing Director

**K.S. Ponnuswami**  
Partner  
M.No. : 070276

**R.C.Pandey**  
Partner  
M.No. : 070811

Place: New Delhi  
Date: 23<sup>rd</sup> May 2012



## NON-BANKING FINANCIAL COMPANIES AUDITORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2012

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 Corporation 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 10/02/1998 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 March 31, 2012.
2. As per para 2(iv) of RBI Cir No. RBI / 2010-11 /22 DNBS.PD. CC.No.228 /03. 02.004 / 2011-12 dated July 1, 2011, Sections 45-IB and 45-IC of the Reserve Bank of India Act, 1934 of 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 13 A 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. RBI, vide its letter dated June 29, 2010 has also granted exemption to REC from prudential exposure norms in respect of Central and State entities in Power Sector till March 31, 2012.
3. According to information and explanation given to us, the RBI Directions as to deposits are not applicable to corporation. Therefore, the Board of Directors of the Corporation has not passed a resolution for non acceptance of any public deposits.
4. The Corporation has not accepted any public deposits during the year 2011-12.
5. For the financial year 31st March 2012, the corporation 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 31st March, 2012.

**For Bansal & Co.**  
Chartered Accountants  
Firm Regn No. 001113N

**(R.C. Pandey)**  
Partner  
M. No. 070811

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

**(K.S. Ponnuswami)**  
Partner  
M. No. 070276

Place: New Delhi  
Date: 25<sup>th</sup> June, 2012

## COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF RURAL ELECTRIFICATION CORPORATION LIMITED, NEW DELHI, FOR THE YEAR ENDED 31 MARCH, 2012

The preparation of financial statements of Rural Electrification Corporation Limited, New Delhi, for the year ended 31 March 2011 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 23 May, 2012.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of Rural Electrification Corporation Limited, New Delhi, for the year ended 31 March 2012. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors as is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplementary to Statutory Auditors report under Section 619(4) of the Companies Act, 1956.

For and on behalf of the  
Comptroller and Auditor General of India

**Praveen Kumar Singh**

Principal Director of Commercial Audit &  
Ex-officio Member Audit Board-III,  
New Delhi

Place : New Delhi  
Dated : 24 July, 2012

## AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS OF RURAL ELECTRIFICATION LIMITED AND ITS SUBSIDIARIES & JOINT VENTURE

To

The Board of Directors,  
Rural Electrification Corporation Limited

1. We have audited the attached Consolidated Balance Sheet of **M/s RURAL ELECTRIFICATION CORPORATION LIMITED (THE COMPANY), ITS SUBSIDIARIES AND JOINT VENTURE** as at 31st March 2012 and also the Consolidated Statement of Profit & Loss and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the Consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21 'Consolidated Financial Statements' & Accounting Standard (AS) 27 'Financial Reporting of Interests in Joint Ventures', of the Companies (Accounting Standard), Rules 2006.
4. We did not audit the financial statements of subsidiaries and joint ventures of the Company. These companies are audited by other auditors whose reports were furnished to us. The audited financial statements of these companies reflects total assets of ₹ 82.01 Crores ( Previous year ₹ 57.73 Crores) as at March 31st 2012, total revenue of ₹ 44.55 Crores ( Previous year ₹ 36.94 Crores) for the year ended on that date. Our opinion, in so far as it relates to the amounts included in respects of these subsidiaries and joint venture, is based solely on the audit reports of the auditors of the subsidiaries and joint venture companies.

5. Subject to our comments, and based on our audit and on consolidation of report of other auditors on separate financial statements of the subsidiaries and joint venture and to the best of our information and according to explanations given to us, we are of the opinion that the attached consolidated financial statements of Rural Electrification Corporation Limited and its Subsidiary and joint venture Companies read together with the notes and accounting policies thereon, give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) In the case of the Consolidated Balance Sheet of the State of Affairs of the Rural Electrification Corporation Limited and its Subsidiaries and Joint Venture Companies as at 31st March 2012.
  - b) In the case of Consolidated Statement of Profit & Loss, of the Profit of the Rural Electrification Corporation Limited and its Subsidiaries and Joint Venture Companies for the year ended on that date; and
  - c) In the case of the Consolidated Cash Flow Statement, of the Cash flows of Rural Electrification Corporation Limited and its Subsidiaries and Joint Venture Companies for the year ended on that date.

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

(K.S. Ponnuswami)  
Partner  
M. No. 070276

Place: New Delhi  
Date: 23<sup>rd</sup> May 2012

For Bansal & Co.  
Chartered Accountants  
Firm Regn No. 001113N

(R.C. Pandey)  
Partner  
M. No. 070811

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2012

(₹ in Crores)

Particulars	Note No.	As at 31.03.2012	As at 31.03.2011
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	2	987.46	987.46
(b) Reserves and Surplus	3	13,818.42	11,839.98
<b>Sub-total (1)</b>		<b>14,805.88</b>	<b>12,827.44</b>
<b>(2) Non-current Liabilities</b>			
(a) Long-term Borrowings	4	76,553.68	61,173.02
(b) Other Long-term Liabilities	5	26.50	0.29
(c) Long-term Provisions	6	61.78	49.76
<b>Sub-total (2)</b>		<b>76,641.96</b>	<b>61,223.07</b>
<b>(3) Current Liabilities</b>			
(a) Short-term Borrowings	7	2,501.71	375.00
(b) Trade Payables	8	4.23	3.87
(c) Other current liabilities	9	14,517.14	11,640.27
(d) Short-term Provisions	6	339.68	500.75
<b>Sub-total (3)</b>		<b>17,362.76</b>	<b>12,519.89</b>
<b>Total (1+2+3)</b>		<b>108,810.60</b>	<b>86,570.40</b>
<b>II. ASSETS</b>			
<b>(1) Non-current Assets</b>			
(a) Fixed assets	10		
(i) Tangible Assets		68.60	62.49
(ii) Intangible Assets		2.24	3.09
(iii) Capital work-in-progress		7.92	3.01
(iv) Intangible Assets under Development		0.10	-
		<b>78.86</b>	<b>68.59</b>
(b) Non-current Investments	11	685.32	789.55
(c) Deferred Tax Assets (Net)	12	10.02	12.76
(d) Foreign Currency Monetary Item Translation Difference Account	13	181.88	-
(e) Long-term Loans & Advances	14	89,985.40	73,206.66
(f) Other Non-current Assets	15	247.92	364.18
<b>Sub-total (1)</b>		<b>91,189.40</b>	<b>74,441.74</b>
<b>(2) Current Assets</b>			
(a) Current Investments	11	47.26	47.16
(b) Trade Receivables	16	38.01	18.10
(c) Cash & Cash Equivalents	17	5,375.36	2,866.79
(d) Short-term Loans & Advances	18	2,967.50	1,200.00
(e) Other Current Assets	19	9,193.07	7,996.61
<b>Sub-total (2)</b>		<b>17,621.20</b>	<b>12,128.66</b>
<b>Total (1+2)</b>		<b>108,810.60</b>	<b>86,570.40</b>
<b>Contingent Liabilities and Commitments</b>	20		

The Significant Accounting Policies and Notes to Accounts 1 to 50 are an integral part of these financial statements.

In terms of our Report of even date

For and on behalf of the Board

**For P.K. Chopra & Co.**  
Chartered Accountants  
Firm Reg. No.: 006747N

**For Bansal & Co.**  
Chartered Accountants  
Firm Reg. No.: 001113N

**Rakesh Kumar Arora**  
GM (F&A) and Company Secretary

**Hari Das Khunteta**  
Director (Finance)

**Rajeev Sharma**  
Chairman and Managing Director

**K.S. Ponnuswami**  
Partner  
M.No. : 070276

**R.C.Pandey**  
Partner  
M.No. : 070811

Place: New Delhi  
Date: 23<sup>rd</sup> May 2012

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2012

(₹ in Crores)

Particulars	Sch. No.	Year ended 31.03.2012	Year ended 31.03.2011
I. Revenue from Operations	21	10,337.59	8,256.91
II. Other Income	22	216.03	275.29
III. Total Revenue (I+II)		10,553.62	8,532.20
IV. Expenses			
(i) Finance Costs	23	6,378.84	4,851.11
(ii) Employee Benefits Expense	24	174.62	130.21
(iii) Depreciation & Amortization	10	3.34	3.06
(iv) Other Expenses	25	66.02	45.52
(v) Allowance for Bad & Doubtful Debts		49.09	0.22
(vi) Allowance for Rescheduled Loans		3.18	-
(vii) Foreign Currency Exchange Fluctuation Loss		52.55	-
Total Expenses (IV)		6,727.64	5,030.12
V. Profit before Prior Period Items & Tax (III-IV)		3,825.98	3,502.08
VI. Prior Period Items	26	0.18	3.28
VII. Profit before Tax (V-VI)		3,825.80	3,498.80
VIII. Tax Expense :			
(i) Current Year		985.33	915.62
(ii) Earlier Years/ (Refunds)		-0.97	3.70
(iii) Deferred Tax		2.78	-5.41
Total Tax Expense (i+ii+iii)		987.14	913.91
IX. Profit for the period from Continuing Operations (VII-VIII)		2,838.66	2,584.89
X. Profit from Discontinuing Operations (after tax)		-	-
XI. Profit for the period (IX+X)		2,838.66	2,584.89
XII. Earnings per Equity Share (in ₹ for an equity share of ₹ 10 each)			
(1) Basic	27	28.75	26.18
(2) Diluted	27	28.75	26.18

The Significant Accounting Policies and Notes to Accounts 1 to 50 are an integral part of these financial statements.

In terms of our Report of even date

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

K.S. Ponnuswami  
Partner  
M.No. : 070276

Place: New Delhi  
Date: 23<sup>rd</sup> May 2012

For Bansal & Co.  
Chartered Accountants  
Firm Reg. No.: 001113N

R.C. Pandey  
Partner  
M.No. : 070811

For and on behalf of the Board

Rakesh Kumar Arora  
GM (F&A) and Company Secretary

Hari Das Khunteta  
Director (Finance)

Rajeev Sharma  
Chairman and Managing Director

## CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31.03.2012

### 1. Principles of Consolidation

The Consolidated Financial Statements relate to Rural Electrification Corporation Limited ('the Company'), its subsidiary companies and joint venture. The consolidated financial statements have been prepared on the following basis:

The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements."

The Financial Statements of Joint Venture entity has been combined by applying proportionate consolidation method on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating proportionate share of unrealized profits or losses in accordance with Accounting Standard (AS) 27 - Financial Reporting of Interests in Joint Ventures.

As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Corporation's separate financial statements.

### 2. Other Significant Accounting Policies

These are set out under "Significant Accounting Policies" as given in the standalone Financial Statements of Rural Electrification Corporation Ltd., its subsidiaries and its joint venture.



## CONSOLIDATED NOTES TO ACCOUNTS

1. The consolidated financial statements represent consolidation of accounts of the company (Rural Electrification Corporation Limited), its subsidiary companies and joint venture entity as detailed below:

Name of the Subsidiary Company/ Joint Venture	Country of Incorporation	Proportion of ownership Interest	Status of Accounts
<b>Name of the Subsidiaries</b>			
- REC Transmission Projects Company Limited	India	100 %	Audited
- REC Power Distribution Company Limited	India	100 %	Audited
<b>Name of the Joint Ventures</b>			
- Energy Efficiency Services Limited	India	25 %	Audited

REC Transmission Projects Company Limited (REC TPCL) forms wholly owned subsidiaries to act as SPVs for transmission projects with an intention that these SPVs will be handed over to the successful bidder on completion of the bidding process. As per Para 11 of AS-21, a subsidiary should be excluded from consolidation when control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future. Therefore, the financial statements of the subsidiaries of REC Transmission Projects Company Limited (namely Vemagiri Transmission System Limited and Vizag Transmission System Limited) have not been consolidated with the financial statements of the Company.

## 2. Share Capital

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	No. of Shares	Amount	No. of Shares	Amount
<b>Authorised :</b>				
Equity shares of ₹ 10 each	1,200,000,000	1,200.00	1,200,000,000	1,200.00
<b>Issued, Subscribed and Paid up :</b>				
Fully paid up Equity shares of ₹ 10 each	987,459,000	987.46	987,459,000	987.46
<b>Total</b>	<b>987,459,000</b>	<b>987.46</b>	<b>987,459,000</b>	<b>987.46</b>

- 2.1 The shareholders of the equity shares of the company are entitled to receive dividends as and when declared by the company and enjoy proportionate voting rights in case any resolution is put to vote. Further, the shareholders have all such rights, as may be available to a shareholder of a listed public company, under the Companies Act, the terms of the listing agreements executed with the Stock Exchanges, and our Memorandum of Association and Articles of Association.

## 2.2 Shareholders holding more than 5% of fully paid-up equity shares :

Name	As at 31.03.2012		As at 31.03.2011	
	No. of Shares	Percentage	No. of Shares	Percentage
The President of India	659,607,000	66.80 %	659,607,000	66.80 %

## 3. Reserves and Surplus

(₹ in Crores)

Particulars	As at 31.03.2012 Amount	As at 31.03.2011 Amount
<b>Capital Reserve</b>	<b>105.00</b>	<b>105.00</b>
<b>Securities Premium Account (See Note 3.1)</b>		
Balance as at the beginning of the year	3,222.43	3,222.02
Add: Additions during the year	-	0.46
Less: Deductions/ Adjustments during the year	-	0.05
<b>Balance as at the end of the year</b>	<b>3,222.43</b>	<b>3,222.43</b>
<b>Debenture Redemption Reserve (See Note 3.2)</b>		
Balance as at the beginning of the year	-	-
Add: Amount transferred from Surplus Account	113.99	-
<b>Balance as at the end of the year</b>	<b>113.99</b>	<b>-</b>
<b>Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961</b>		
Balance as at the beginning of the year	3,905.94	3,295.83
Add: Amount transferred from Surplus Account	681.70	610.11
<b>Balance as at the end of the year</b>	<b>4,587.64</b>	<b>3,905.94</b>

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2012 Amount	As at 31.03.2011 Amount
<b>Reserve for Bad and doubtful debts u/s 36(1)(viiia) of the Income Tax Act, 1961</b>		
Balance as at the beginning of the year	595.38	451.29
Add: Amount transferred from Surplus Account	159.59	144.09
<b>Balance as at the end of the year</b>	<b>754.97</b>	<b>595.38</b>
<b>General Reserve</b>		
Balance as at the beginning of the year	2,452.42	2,189.42
Add: Amount transferred from Surplus Account	289.73	263.00
<b>Balance as at the end of the year</b>	<b>2,742.15</b>	<b>2,452.42</b>
<b>Reserve for doubtful debts</b>		
Balance as at the beginning of the year	0.20	-
Add: Amount transferred from Surplus Account	0.43	0.20
<b>Balance as at the end of the year</b>	<b>0.63</b>	<b>0.20</b>
<b>Surplus Account</b>		
Balance as at the beginning of the year	1,559.15	853.24
Add: Profit during the year	2,838.66	2,584.89
<b>Less : Appropriations</b>		
- Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	681.70	610.11
- Transfer to Reserve u/s for Bad & Doubtful Debts u/s 36(1) (viiia) of the Income Tax Act, 1961	159.59	144.09
- Dividend		
- Interim Dividend	493.73	345.61
- Proposed Dividend (Final)	246.86	395.03
- Dividend Distribution Tax		
- Interim Dividend	80.09	57.39
- Proposed Dividend (Final)	40.08	64.09
- Transfer to Debenture Redemption Reserve	113.99	-
- Transfer to Reserve for doubtful debts	0.43	0.20
- Transfer to General Reserve	289.73	263.00
<b>Balance as at the end of the year</b>	<b>2,291.61</b>	<b>1,558.61</b>
<b>Total Reserves and Surplus</b>	<b>13,818.42</b>	<b>11,839.98</b>

- 3.1 During the year 2011-12, there is a deduction of ₹ 29,791.50/- representing the amount of fees/ commission incurred during the year relating to the earlier Further Public Offering of equity shares, which has got eliminated in the movement shown above due to the rounding off in crores. Additions in Securities Premium Account for the financial year 2010-11 represent REC's share of Issue expenses which were earlier provided and now adjusted/ refunds received from NSE/ BSE/SEBI relating to Further Public Offering of shares and deductions for the financial year 2010-11 represent the amount of fees/ commission incurred during the year relating to Further Public Offering of equity shares.

- 3.2 Pursuant to Regulation 16 of the SEBI Debt Regulations and Section 117C of the Companies Act, the company creates Debenture Redemption Reserve (DRR) upto 50 % of the value of bonds/ debentures issued through public issue under SEBI Guidelines, during the maturity period of such bonds/ debentures. Accordingly, during the year, the company has created DRR amounting to ₹ 113.99 Crores (Previous year Nil).

The Company is not required to create Debenture redemption reserve in case of privately placed debentures in terms of clarifications issued by the Department of Company Affairs, Govt. of India vide no.6/3/2001-CL.V dated 18.4.2002."

### 3.3 Proposed Dividend

The final dividend proposed for the year is as follows :

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
On Equity Shares of ₹ 10 each		
- Amount of Dividend proposed (₹ in Crores)	246.86	394.98
- Rate of Dividend	25.00%	40.00 %
- Dividend per equity share (₹)	2.50	4.00

## CONSOLIDATED NOTES TO ACCOUNTS

### 4. Long-Term Borrowings

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>(A) Secured Borrowings</b>		
(a) Bonds		
- Institutional Bonds	21,123.70	26,699.52
- 54EC Capital Gain Tax Exemption Bonds	10,283.25	8,101.53
- Tax Free Bonds	3,000.00	-
(b) Term Loans		
- from Banks	38.80	547.08
- from Financial Institutions	4,020.00	4,370.00
(c) Other Loans & Advances		
- Bond Application Money	-	1.72
<b>Total Secured Long-Term Borrowings (a+b+c)</b>	<b>38,465.75</b>	<b>39,719.85</b>
<b>(B) Unsecured Borrowings</b>		
(a) Bonds		
- Institutional Bonds	25,756.10	9,770.50
- Infrastructure Bonds	376.32	216.80
(b) Term Loans		
- from Banks	750.00	4,161.01
- from Govt. of India	15.14	24.65
(c) Other Loans & Advances		
- Foreign Currency Borrowings	10,471.14	6,616.08
- Zero Coupon Bonds	719.23	663.77
- Bond Application Money	-	0.36
<b>Total Unsecured Long-Term Borrowings (a+b+c)</b>	<b>38,087.93</b>	<b>21,453.17</b>
<b>Total Long-Term Borrowings (A+B)</b>	<b>76,553.68</b>	<b>61,173.02</b>

#### 4.1 Details of Borrowings :

Non-current portion of the borrowings has been classified as long-term borrowings above and the current portion of the borrowings has been classified as "Current Maturities of Long-term debt" in Note-9 'Other Current Liabilities'.

#### Details of secured long-term borrowings :

(For details of security, refer Note 4.3)

## CONSOLIDATED NOTES TO ACCOUNTS

### 4.1.1 Bonds (Cumulative & Non-Cumulative)

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>4.1.1.1 Institutional Bonds</b>				
<b>92-II Series</b> 8.65 % redeemable at par on 22.01.2020	945.30	-	945.30	-
<b>91-II Series</b> 8.80 % Redeemable at par on 17.11.2019	995.90	-	995.90	-
<b>90-C-II Series</b> 8.80 % Redeemable at par on 06.10.2019	1,040.00	-	1,040.00	-
<b>90-B-II Series</b> 8.72 % Redeemable at par on 04.09.2019	868.20	-	868.20	-
<b>90th Series</b> 8.80 % Redeemable at par on 03.08.2019	2,000.00	-	2,000.00	-
<b>88th Series</b> 8.65 % Redeemable at par on 15.01.2019	1,495.00	-	1,495.00	-
<b>87-A-II Series</b> 11.20 % Redeemable at par on 24.10.2018	36.40	-	36.40	-
<b>87-A-III Series</b> 11.15 % Redeemable at par on 24.10.2018	61.80	-	61.80	-
<b>87-II Series</b> 10.85 % Redeemable at par on 30.09.2018	657.40	-	657.40	-
<b>86-B-III Series</b> 10.85 % Redeemable at par on 14.08.2018	432.00	-	432.00	-
<b>86-A Series</b> 10.70 % Redeemable at par on 29.07.2018	500.00	-	500.00	-
<b>85th Series</b> 9.68 % Redeemable at par on 13.06.2018	500.00	-	500.00	-
<b>83rd Series</b> 9.07 % Redeemable at par on 28.02.2018	685.20	-	685.20	-
<b>82nd Series</b> 9.85 % Redeemable at par on 28.09.2017	883.10	-	883.10	-
<b>81st Series</b> 8.85 % Redeemable at par on 20.01.2017	314.80	-	314.80	-
<b>80th Series</b> 8.20 % Redeemable at par on 20.03.2016	500.00	-	500.00	-
<b>79th Series</b> 7.85 % Redeemable at par on 14.03.2016	500.00	-	500.00	-
<b>78th Series</b> 7.65 % Redeemable at par on 31.01.2016	1,795.70	-	1,795.70	-
<b>93-II Series</b> 8.45 % Redeemable at par on 19.02.2015	443.10	-	443.10	-
<b>90-B-I Series</b> 8.35 % Redeemable at par on 04.09.2014	883.90	-	883.90	-
<b>90-A-II Series</b> 8.00 % Redeemable at par on 05.08.2014	1,000.00	-	1,000.00	-

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>89-II Series</b> 7.70 % Redeemable at par on 02.06.2014	255.00	-	255.00	-
<b>87-C-III Series</b> 11.50 % Redeemable at par on 26.11.2013	860.00	-	860.00	-
<b>87-I Series</b> 10.90 % Redeemable at par on 30.09.2013	370.20	-	370.20	-
<b>86-B-II Series</b> 10.90 % Redeemable at par on 14.08.2013	354.10	-	354.10	-
<b>86th Series</b> 10.75 % Redeemable at par on 24.07.2013	727.90	-	727.90	-
<b>84th Series</b> 9.45 % Redeemable at par on 04.04.2013	1,000.00	-	1,000.00	-
<b>93-I Series</b> 7.65 % Redeemable at par on 19.02.2013	-	141.50	141.50	-
<b>69th Series</b> 6.05 % Redeemable at par in equal annual instalments of ₹133.84 Crores, next instalment due on 23.01.2013.	133.84	133.84	267.68	133.84
<b>92-I Series</b> 7.60 % Redeemable at par on 22.01.2013	-	924.60	924.60	-
<b>91-I Series</b> 7.75 % Redeemable at par on 17.11.2012	-	943.00	943.00	-
<b>73rd Series</b> 6.90 % Redeemable at par in equal annual instalments of ₹ 46.78 Crores, next instalment due on 08.10.2012	93.56	46.78	140.34	46.78
<b>90-C-I Series</b> 7.90 % Redeemable at par on 06.10.2012	-	1,417.50	1,417.50	-
<b>75th Series</b> 7.20 % Redeemable at par in equal half-yearly instalments of ₹ 50.00 Crores, next instalment due on 17.09.2012	200.00	100.00	300.00	100.00
<b>90-A-I Series</b> 7.15 % Redeemable at par on 05.08.2012	-	1,000.00	1,000.00	-
<b>77th Series</b> 7.30 % Redeemable at par in equal annual instalments of ₹ 197.10 Crores, next instalment due on 30.06.2012	591.30	197.10	788.40	197.10
<b>89-I Series</b> 7.00 % Redeemable at par on 02.06.2012	-	671.50	671.50	-
<b>87-B Series</b> 11.75 % Redeemed at par on 03.11.2011	-	-	-	940.90
<b>72nd Series</b> 6.60 % Redeemed at par on 18.08.2011	-	-	-	113.70
<b>86-B-I Series</b> 10.95 % Redeemed at par on 14.08.2011	-	-	-	924.20
<b>87-A-I Series</b> 11.35 % Redeemed at par on 14.08.2011	-	-	-	249.70
<b>Total - Institutional Bonds</b>	<b>21,123.70</b>	<b>5,575.82</b>	<b>26,699.52</b>	<b>2,706.22</b>

## CONSOLIDATED NOTES TO ACCOUNTS

### 4.1.1.2 54EC Capital Gain Tax Exemption Bonds (See Note 4.4)

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>Series VIII (2011-12)</b> 6.00 % Redeemable at par during financial year 2014-15	5,239.36	-	-	-
<b>Series VIII (2010-11)</b> 6.00 % Redeemable at par during financial year 2013-14	5,043.89	-	5,043.75	-
<b>Series-VIII (2009-10)</b> 6.25 % Redeemable at par during financial year 2012-13	-	3,057.78	3,057.78	-
<b>Series-VIII</b> 5.75 % / 6.25 % Redeemed at par during financial year 2011-12	-	-	-	2,525.23
<b>Series-IV</b> 5.60 % Redeemed at par during financial year 2011-12	-	-	-	0.97
<b>Series-VI</b> 5.50 % Redeemed at par during financial year 2011-12	-	-	-	468.91
<b>Total - 54EC Capital Gain Tax Exemption Bonds</b>	<b>10,283.25</b>	<b>3,057.78</b>	<b>8,101.53</b>	<b>2,995.11</b>

### 4.1.1.3 Tax Free Bonds

<b>Series 2011-12</b> Redeemable at par. Bonds amounting to ₹ 839.67 Crores are redeemable on 27.03.2022 and bonds amounting to ₹ 2,160.33 Crores are redeemable on 27.03.2027 with interest rates varying from 7.93 % to 8.32 % payable annually	3,000.00	-	-	-
<b>Total - Tax Free Bonds</b>	<b>3,000.00</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 4.1.2 Term Loans

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>Term Loan from Banks</b>				
- State Bank of Saurashtra	38.80	19.40	58.20	19.40
Repayable in equal half-yearly instalments of ₹ 9.70 Crores, next instalment due on 24.09.2012				
- Central Bank of India	-	50.00	50.00	50.00
Repayable in equal annual instalments of ₹50.00 Crores, next instalment due in Dec. 2012				
- Bank of Maharashtra	-	33.34	33.34	33.33
Repayable in equal annual instalments of ₹33.34 Crores, next instalment due on 12.12.2012				
- State Bank of Travancore	-	-	97.50	57.50
- Syndicate Bank	-	-	37.50	50.00
- Canara Bank	-	-	100.00	150.00
- Union Bank of India	-	-	56.25	106.25
- State Bank of Patiala	-	-	114.29	28.57
<b>Term Loan from Financial Institutions</b>				
- LIC of India	2,150.00	350.00	2,500.00	350.00
The Loan of ₹1500.00 Crores (present outstanding ₹900.00 Crores) & ₹2000.00 Crores (present outstanding ₹1,600.00 Crores) repayable in 10 equal annual installments commencing from 01.10.2008 and 01.10.2010 respectively .				
- IIFCL	1,870.00	-	1,870.00	-
The Loan of ₹870.00 Crores & ₹1,000.00 Crores repayable on 19.03.2014 and 21.01.2014 respectively				
<b>Total - Term Loans</b>	<b>4,058.80</b>	<b>452.74</b>	<b>4,917.08</b>	<b>845.05</b>



## CONSOLIDATED NOTES TO ACCOUNTS

### 4.1.3 Other Loans & Advances

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
Bond Application Money				
Capital Gain Bonds	-	-	1.72	-
<b>Total - Bond Application Money</b>	<b>-</b>	<b>-</b>	<b>1.72</b>	<b>-</b>

### 4.2 Details of Unsecured long-term borrowings :

#### 4.2.1 Bonds

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>4.2.1.1 Institutional Bonds</b>				
<b>95-II Series</b> 8.75 % Redeemable at par on 12.07.2025	1,800.00	-	1,800.00	-
<b>94th Series</b> 8.75 % Redeemable at par on 08.06.2025	1,250.00	-	1,250.00	-
<b>105th Series</b> 9.75 % Redeemable at par on 11.11.2021	3,922.20	-	-	-
<b>101-III Series</b> 9.48 % Redeemable at par on 10.08.2021	3,171.80	-	-	-
<b>100th Series</b> 9.63 % Redeemable at par on 15.07.2021	1,500.00	-	-	-
<b>98th Series</b> 9.18 % Redeemable at par on 15.03.2021	3,000.00	-	3,000.00	-
<b>97th Series</b> 8.80 % Redeemable at par on 29.11.2020	2,120.50	-	2,120.50	-
<b>96th Series</b> 8.80 % Redeemable at par on 25.10.2020	1,150.00	-	1,150.00	-
<b>95-I Series</b> 8.70 % Redeemable at par on 12.07.2019	200.00	-	200.00	-
<b>106th Series</b> 9.28 % Redeemable at par on 15.02.2017	1,500.00	-	-	-
<b>104th Series</b> 9.30 % Redeemable at par on 03.11.2016 with put-call option on 03.05.2013	1,025.00	-	-	-
<b>103-I Series</b> 9.35 % Redeemable at par on 19.10.2016 with put-call option on 19.10.2013	915.00	-	-	-
<b>103-II Series</b> 9.35 % Redeemable at par on 19.10.2016 with put-call option on 19.10.2013	500.00	-	-	-
<b>102nd Series</b> 9.38 % Redeemable at par on 06.09.2016	2,216.20	-	-	-
<b>101-II Series</b> 9.45 % Redeemable at par on 10.08.2016	394.60	-	-	-
<b>74th Series</b> 7.22 % Redeemable at par on 31.12.2014	250.00	-	250.00	-
<b>101-I Series</b> 9.43 % Redeemable at par on 10.08.2014	395.60	-	-	-
<b>99-II Series</b> 9.75 % Redeemable at par on 07.06.2014	445.20	-	-	-
<b>99-I Series</b> 9.70 % Redeemable at par on 08.06.2012	-	1,480.00	-	-
<b>23-II Series</b> 12.00 % Redeemed at par on 21.02.2012	-	-	-	30.35
<b>23-I Series</b> 12.00 % Redeemed at par on 05.12.2011	-	-	-	22.65
<b>Total - Institutional Bonds</b>	<b>25,756.10</b>	<b>1,480.00</b>	<b>9,770.50</b>	<b>53.00</b>

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>4.2.1.2 Infrastructure Bonds</b>				
Series-II	157.59	-	-	-
Redeemable at par. See Note 4.5				
Series-I	218.73	-	216.80	-
Redeemable at par. See Note 4.5				
<b>Total - Infrastructure Bonds</b>	<b>376.32</b>	<b>-</b>	<b>216.80</b>	<b>-</b>

### 4.2.2 Term Loans

₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>4.2.2.1 Term Loans from Banks</b>				
- Central Bank	500.00	-	500.00	-
Repayable on 27.02.2014				
- Bank of Maharashtra	250.00	200.00	450.00	-
Two term loans of ₹100.00 Crores each repayable on 18.08.2012 & 31.10.2012, a term loan of ₹50.00 Crores repayable in equal annual installments on 29.06.2014 & 29.06.2015 and a term loan of ₹200.00 Crores repayable in two equal annual installments on 27.07.2014 & 27.07.2015				
- Canara Bank	-	-	-	40.00
- Bank of Baroda	-	-	1,000.00	175.00
- UCO Bank	-	-	350.00	-
- Allahabad Bank	-	-	76.01	76.00
- HDFC Bank	-	-	-	500.00
- Andhra Bank	-	-	-	100.00
- Punjab and Sind Bank	-	-	435.00	-
- United Bank of India	-	-	850.00	-
- Bank of India	-	-	500.00	-
<b>4.2.2.2 - from Govt. of India</b>	<b>15.14</b>	<b>9.50</b>	<b>24.65</b>	<b>11.48</b>
Loans in various tranches with original tenor of 30 years with a moratorium of five years for the principal amount and repayable in 25 equal annual installments commencing from the sixth anniversary of the drawdown				
<b>Total - Term Loans</b>	<b>765.14</b>	<b>209.50</b>	<b>4,185.66</b>	<b>902.48</b>

## CONSOLIDATED NOTES TO ACCOUNTS

### 4.2.3 Other Loans & Advances

₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>4.2.3.1 Foreign Currency Borrowings</b>				
<b>CHF Bonds - CHF 200 Mn</b> 3.50 % Redeemable at par on 07.03.2017	1,132.56	-	-	-
<b>Reg S Bonds - \$500 Mn</b> 4.25 % Redeemable at par on 25.01.2016	2,417.73	-	2,232.50	-
<b>JICA Loan - Guaranteed by Govt. of India</b> JICA-I loan repayable in equal half-yearly instalments of ₹982.33 Mn till 20.03.2021, next instalment falling due on 20.09.2012 and JICA-II loan repayable in equal half-yearly instalments of ₹995.33 Mn till 20.03.2023, starting from 20.03.2013	1,059.02	128.26	1,080.07	45.20
<b>KfW Loan - Guaranteed by Govt. of India</b> Repayable in half-yearly instalments of €3.68 Mn till 30.12.2018, next instalment due on 30.06.2012	294.09	45.55	310.48	74.36
<b>ECB - Syndicated Loans from Banks - II - \$400 Mn</b> Repayable on 22.09.2015	1,788.96	-	1,787.48	-
<b>Bilateral Term Loan - Mauritius - US \$70 Mn</b> Repayable on 28.10.2015	311.36	-	312.55	-
<b>Bilateral Term Loan - Mizuho - US \$100 Mn</b> Repayable on 30.03.2016	446.50	-	446.50	-
<b>Bilateral Term Loan - BTMU - US \$100 Mn</b> Repayable on 30.03.2016	446.50	-	446.50	-
<b>Syndicated Loan- Unsecured- \$300 Mn</b> Repayable on 19.08.2016	1,367.24	-	-	-
<b>KfW-II Loan - Guaranteed by Govt. of India</b> Repayable in 18 half-yearly instalments, starting from 30.06.2012	425.24	53.14	-	-
<b>Syndicated Loan- Unsecured- ₹12.525 Bn</b> Repayable on 27.03.2017	781.94	-	-	-
<b>ECB - Syndicated Loans from Banks</b> Repaid on 26.03.2012	-	-	-	870.26
<b>Total - Foreign Currency Borrowings</b>	<b>10,471.14</b>	<b>226.95</b>	<b>6,616.08</b>	<b>989.82</b>
<b>4.2.3.2 Zero Coupon Bonds</b>				
<b>ZCB - Series II - Redeemable on 03.02.2021</b> (Net of unamortised discount, 89,510 bonds with face value of ₹ 30,000 each redeemable at par on 03.02.2021)	127.97	-	117.66	-
<b>ZCB - Series I - Redeemable on 15.12.2020</b> (Net of unamortised discount, 3,92,700 bonds with face value of ₹ 30,000 each redeemable at par on 15.12.2020)	591.26	-	546.11	-
<b>Total - Zero Coupon Bonds</b>	<b>719.23</b>	<b>-</b>	<b>663.77</b>	<b>-</b>
<b>4.2.3.3 Bond Application Money</b>				
Infrastructure Bonds	-	-	0.36	-
<b>Total - Bond Application Money</b>	<b>-</b>	<b>-</b>	<b>0.36</b>	<b>-</b>

## CONSOLIDATED NOTES TO ACCOUNTS

### 4.3 Security Details of the Secured Borrowings

The Bond Series 69, 73, 75 of Institutional Bonds are secured by a (a) mortgage of premises at 51 and 52/58-B, 5th floor, Mittal Tower, Block II, Backbay Scheme, Nariman Point, Colaba, Mumbai 400 005, Maharashtra, India and (b) charge on the receivables, both present and future, of our Company on the basis of joint hypothecation agreement dated September 24, 2010.

The Bond Series 77 to 93 of Institutional Bonds and all 54EC Capital Gain Tax Exemption Bonds are secured by a charge on a (a) mortgage of Flat no. 640, Asiad Games Village, New Delhi 110 049, India and (b) charge on the receivables of our Company, both present and future, save and except receivables hypothecated to IL&FS Trust Company Limited on the basis of joint hypothecation agreement dated September 24, 2010.

Tax Free Bonds are secured by first pari passu charge on premises at Shop No. 12, Ground Floor, Block No. 35, Church Road, Mylapore, Chennai 600 004 and hypothecation of certain specific receivables of ₹ 4,998.66 Crores (Previous year Nil) in favour of IL&FS Trust Company Ltd.

All the term loans are secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to IL&FS Trust Company Limited on the basis of joint hypothecation agreement last updated on September 24, 2010.

- 4.4 54EC Capital Gain Tax Exemption Bonds are issued for a tenure of 3/5/7 years at interest rates of 5.50 % to 6.25 % payable annually. These bonds have put/call option at the end of 3/5 years. In the current year 2011-12, 54EC Capital Gain Tax Exemption Bonds Series VIII 2011-12 was issued with a 3 years' tenor at interest rate of 6.00 % payable annually. These bonds will be redeemed automatically at the end of lock-in period of 3 years.

### 4.5 Details of Infrastructure Bonds Issued are as under :

(₹ in Crores)

#### Series 2010-11 allotted on 31.03.2011

Rate of Interest	Amount	Redemption Details
8.00 %	61.60	Redeemable on the date falling 10 years from the date of allotment with buyback option by bondholders after 5 years
8.20 %	151.74	
8.10 %	1.61	Redeemable on the date falling 10 years from the date of allotment
8.20 %	3.78	
	218.73	

#### Series 2011-12 allotted on 15.02.2012

Rate of Interest	Amount	Redemption Details
8.95 % Cumulative	95.23	Redeemable on the date falling 10 years from the date of allotment with buyback option by bondholders after 5 years
8.95 % Annual	32.85	
9.15 % Cumulative	13.43	Redeemable on the date falling 15 years from the date of allotment with buyback option by bondholders after 7 years
9.15 % Annual	5.01	
8.95 % Cumulative	5.73	Redeemable on the date falling 10 years from the date of allotment
8.95 % Annual	1.38	
9.15 % Cumulative	2.83	Redeemable on the date falling 15 years from the date of allotment
9.15 % Annual	1.13	
	157.59	

### 5. Other Long-term Liabilities

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
- Non-Current Portion of Interest accrued but not due on borrowings	23.01	-
- Allowance for Rescheduled Loans	3.18	-
- Others	0.31	0.29
<b>Total</b>	<b>26.50</b>	<b>0.29</b>

- 5.1 As a prudent measure, an additional allowance of ₹3.18 Crores has been made in respect of two rescheduled infrastructure loans classified as standard assets.

## CONSOLIDATED NOTES TO ACCOUNTS

### 6. Long-term and Short-term Provisions

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>(A) Provisions for Employee Benefits</b>				
Provision for Leave Encashment	-	23.45	-	21.50
Provision for Post Retirement Health Scheme	45.39	1.43	36.06	1.35
Provision for Medical Leave	10.84	1.15	9.60	1.02
Provision for Settlement Allowance	1.02	0.10	0.19	0.02
Provision for Economic Rehabilitation Scheme	1.95	0.24	1.84	0.22
Provision for Long Service Award	2.58	0.43	2.07	0.30
<b>Sub-total</b>	<b>61.78</b>	<b>26.80</b>	<b>49.76</b>	<b>24.41</b>
<b>(B) Others</b>				
Provision for Incentive	-	25.10	-	16.40
Provision for Ex-gratia	-	0.10	-	0.10
Provision for Wealth Tax	-	0.38	-	0.36
Provision for FBT	-	0.36	-	0.36
Provision for Proposed Dividend	-	246.86	-	395.03
Provision for Corporate Dividend Tax	-	40.05	-	64.09
<b>Sub-total</b>	<b>-</b>	<b>312.88</b>	<b>-</b>	<b>476.34</b>
<b>Total</b>	<b>61.78</b>	<b>339.68</b>	<b>49.76</b>	<b>500.75</b>

#### 6.1 Details of Provisions as required under AS-29 are as under :

(₹ in Crores)

Provision for	Opening Balance	Additions During the Year	Paid/ Adjusted during the year	Closing Balance
Provision for Leave Encashment	21.50	5.00	3.05	23.45
Previous year	18.34	4.70	1.54	21.50
Provision for Post Retirement Health Scheme	37.40	12.18	2.76	46.82
Previous year	27.41	12.42	2.43	37.40
Provision for Medical Leave	10.62	2.18	0.81	11.99
Previous year	8.65	2.16	0.19	10.62
Provision for Settlement Allowance	0.22	0.94	0.04	1.12
Previous year	0.19	0.05	0.02	0.22
Provision for Pension Scheme for REC Employees	13.31	2.96	13.00	3.27
Previous year	-	13.31	-	13.31
Provision for Economic Rehabilitation Scheme	2.06	0.27	0.14	2.19
Previous year	-	2.06	-	2.06
Provision for Long Service Award	2.37	3.91	3.27	3.01
Previous year	-	2.37	-	2.37
Provision for Gratuity Payable	2.90	2.38	2.90	2.38
Previous year	4.65	2.90	4.65	2.90
Provision for Incentive	16.40	23.60	14.90	25.10
Previous year	33.36	16.40	33.36	16.40
Provision for Ex-gratia	0.10	-	-	0.10
Previous year	6.39	-	6.29	0.10
Provision for Wealth Tax	0.36	0.40	0.38	0.38
Previous year	0.36	0.35	0.35	0.36

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Provision for	Opening Balance	Additions During the Year	Paid/ Adjusted during the year	Closing Balance
Provision for FBT	0.36	-	-	0.36
Previous year	0.36	-	-	0.36
Provision for Interim Dividend	-	493.73	493.73	-
Previous year	-	345.61	345.61	-
Provision for Proposed Dividend	395.03	246.86	395.03	246.86
Previous year	345.66	395.03	345.66	395.03
Provision for Corporate Dividend Tax	64.09	120.15	144.19	40.05
Previous year	57.40	121.48	114.80	64.08
Provision for Income Tax	2,717.85	986.13	1,789.35	1,914.63
Previous year	1,802.44	915.67	0.59	2,717.52
Provision for CSR Expenditure	-	12.99	12.99	-
Previous year	-	-	-	-

### 7. Short-term Borrowings

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
(A) Short-term Loan from Banks, Secured (Secured against term deposits)	1.71	-
(B) Short-term Loan from Banks, unsecured	2,500.00	375.00
<b>Total (A+B)</b>	<b>2,501.71</b>	<b>375.00</b>

### 8. Trade Payables

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
Trade Payables	4.23	3.87
<b>Total</b>	<b>4.23</b>	<b>3.87</b>

### 9. Other Current Liabilities

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
(A) Current maturities of long-term debt		
- Institutional Bonds	7,055.82	2,759.22
- Capital Gains Bonds	3,057.78	2,995.11
- Term Loans from Banks & Others	662.24	1,747.53
- Foreign Currency Borrowings	226.95	989.82
<b>Sub-total (A)</b>	<b>11,002.79</b>	<b>8,491.68</b>
(B) Interest accrued but not due on borrowings	2,934.39	2,043.09
(C) Interest accrued and due on borrowings	1.24	1.20
(D) Income Received in Advance	10.10	13.95
(E) Unpaid Dividends	1.25	1.23
(F) Unpaid Matured Debentures & Interest Accrued thereon	113.98	153.24
(G) Other payables		
- Subsidy/ Grant Received from Govt. of India	26,661.76	24,445.22
Add: Interest on Subsidy/ Grant	82.79	61.05
Less: Disbursed to Beneficiaries	-26,390.56	-23,623.63
<b>Undisbursed Subsidy/Grant</b>	<b>353.99</b>	<b>882.64</b>
- Statutory Dues payable including PF and TDS	11.87	10.96
- Payable towards funded staff benefits	5.65	16.21
- Other Liabilities	81.88	26.07
<b>Sub-total (G)</b>	<b>453.39</b>	<b>935.88</b>
<b>Total (A+B+C+D+E+F+G)</b>	<b>14,517.14</b>	<b>11,640.27</b>



## CONSOLIDATED NOTES TO ACCOUNTS

### 9.1 Subsidy Under Accelerated Generation & Supply Programme (AG&SP):

The Corporation is maintaining an Interest Subsidy Fund Account and was given AG&SP subsidy (for disbursement to the eligible borrowers) by Govt. of India at net present value calculated at indicative rates and year in accordance with GOI's letter vide D.O.No. 32024/17/97-PFC dated 23.09.1997 and O.M.No.32024/23/2001-PFC dated 07.03.03 irrespective of the actual repayment schedule, moratorium year and duration of repayment of the eligible schemes. The impact of difference between the indicative rate and year considered at the time of drawl and the actual can be ascertained only after the end of the respective schemes.

Net amount of ₹ 4.24 Crores (Previous Year ₹ 5.53 Crores) under the heads "Grant- (AG&SP) Interest Subsidy Received" and "Grant- (AG&SP) Interest Subsidy Disbursed" represents the balance amount of interest subsidy received from Ministry of Power, Government of India, which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following :-

Particulars	(₹ in Crores)	
	Year ended 31.03.2012	Year ended 31.03.2011
Opening Balance of Interest Subsidy Fund	5.53	32.06
Add: Received during the year	-	-
Refund by the borrower due to non-commissioning of the project in time	-	-
Less: Interest subsidy passed on to the borrower	1.29	2.15
Subsidy refund to MoP	-	24.38
<b>Closing Balance of Interest Subsidy Fund</b>	<b>4.24</b>	<b>5.53</b>

- 9.2 Government of India has appointed REC as a nodal agency for implementation of Rajiv Gandhi Gramin Vidyutikaran Yojna (RGGVY). The funds received for disbursement to various agencies under such schemes are kept in a separate bank account. The undisbursed funds for such schemes and other grants and interest earned thereto are classified as current liabilities.

During the current year, interest earned of ₹22.59 Crores (Previous year ₹11.43 Crores) including TDS Nil (Previous year Nil) has been taken to RGGVY Subsidy account.

## CONSOLIDATED NOTES TO ACCOUNTS

### 10. Fixed Assets as at 31st March, 2012

(₹ in Crores)

FIXED ASSETS	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As on 01.04.2011	Additions during the year ending 31.03.2012	Sales/adjustment during the year ending 31.03.2012	Closing as on 31.03.2012	Upto 31.03.2011	Depreciation during the year ending 31.03.2012	Depreciation adjustment during the year ending 31.03.2012	As at 31.03.2012	As at 31.03.2011
<b>Tangible Assets</b>									
Freehold Land	34.17	0.58	-	34.75	-	-	-	34.75	34.17
Leasehold Land	1.45	-	-	1.45	0.17	0.01	-	1.27	1.28
Buildings	22.27	2.17	-	24.44	5.67	0.38	-	18.39	16.60
Furniture & Fixtures	6.21	1.33	0.22	7.32	3.65	0.52	0.19	3.34	2.56
Vehicles	0.68	-	0.11	0.57	0.53	0.02	0.10	0.12	0.15
EDP Equipments	11.40	3.05	0.56	13.89	5.63	1.35	0.31	7.22	5.72
Office Equipments	4.42	1.76	0.10	6.08	2.41	0.18	0.02	3.51	2.01
<b>Total</b>	<b>80.60</b>	<b>8.89</b>	<b>0.99</b>	<b>88.50</b>	<b>18.06</b>	<b>2.46</b>	<b>0.62</b>	<b>68.60</b>	<b>62.49</b>
Previous Year	79.34	1.29	0.10	80.53	18.07	2.20	2.21	62.47	0.26
<b>Intangible Assets</b>									
Computer Software	4.36	0.01	-	4.37	1.25	0.88	-	2.24	3.09
<b>Total</b>	<b>4.36</b>	<b>0.01</b>	<b>-</b>	<b>4.37</b>	<b>1.25</b>	<b>0.88</b>	<b>-</b>	<b>2.24</b>	<b>3.09</b>
Previous Year	4.34	-	-	4.34	0.39	0.86	-	3.09	0.01
Capital WIP	3.01	5.49	0.58	7.92	-	-	-	7.92	3.01
Previous Year	3.01	-	-	3.01	-	-	-	3.01	-
<b>Intangible Assets under Development</b>									
Previous Year	-	0.10	-	0.10	-	-	-	0.10	-
	-	-	-	-	-	-	-	-	-

10.1 The formalities regarding registration of one conveyance deed in respect of the Land & Building acquired by the Corporation amounting to ₹ 4.59 Crores (Previous year ₹ 4.59 Crores) are in the process of completion.

## CONSOLIDATED NOTES TO ACCOUNTS

## 11. Investments

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	No.	Amount	No.	Amount
Valued at Cost				
(1) Non-Current Investments				
(A) Trade Investments (Unquoted)				
(i) Investment in Equity Instruments				
- Joint Ventures				
- Energy Efficiency Services Limited	625,000	-	625,000	0.63
Equity shares of ₹ 10 each, fully paid up				
- Others				
- India Energy Exchange Limited	1,250,000	1.25	1,250,000	1.25
Equity shares of ₹ 10 each, fully paid up				
- Universal Commodity Exchange Limited	16,000,000	16.00	-	-
Equity shares of ₹ 10 each, fully paid up				
(ii) Investment in Government Securities				
- 8% Government of Madhya Pradesh Power Bonds-II	14	660.24	16	754.56
Maturing in 30 equal half yearly Instalments of one bond each w.e.f. 01.04.05				
(Bonds of Face Value of ₹ 47.16 Crores each)*				
(iii) Investment in Mutual Funds				
- KSK Energy Ventures Limited				
Units of "Small is Beautiful" Fund at face value of ₹ 10.00 per unit	7,825,127	7.83	8,733,787	8.73
NAV of ₹ 10.33 per unit (Previous year ₹ 10.08)				
(iv) Application money pending allotment		-		24.38
Energy Efficiency Services Limited				
<b>Total - Non-Current Investments (1)</b>		<b>685.32</b>		<b>789.55</b>
(2) Current Investments				
(A) Investment in Equity Instruments (Unquoted)				
- Fellow Subsidiaries				
- Vemagiri Transmission System Limited	50,000	0.05	-	
Equity shares of ₹ 10 each, fully paid up				
- Vizag Transmission Limited	50,000	0.05	-	
Equity shares of ₹ 10 each, fully paid up				
(B) Investment in Government Securities (Unquoted)				
- 8% Government of Madhya Pradesh Power Bonds-II				
Maturing in 30 equal half yearly Instalments of one bond each w.e.f. 01.04.05	1	47.16	1	47.16
(Bonds of Face Value of ₹ 47.16 Crores each)*				
<b>Total - Current Investments (2)</b>		<b>47.26</b>		<b>47.16</b>
<b>Total</b>		<b>732.58</b>		<b>836.71</b>

\* The number of bonds and the amount of the investment in current portion represents the investments maturing within the next 12 months and the balance is the non-current portion.

## CONSOLIDATED NOTES TO ACCOUNTS

### - Additional disclosures required in respect of the investments

(₹ in Crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
(i) Aggregate amount of Quoted Investments and market value thereof	-	-
(ii) Aggregate amount of Unquoted Investments		
- Non-Current investments	685.32	789.65
- Current investments	47.16	47.16
(iii) Aggregate provision for diminution in value of investments	-	-

- 11.1 Investments include ₹ 7.83 Crores (Previous year ₹ 8.73 Crores) representing company's contribution in the units of 'Small is Beautiful (SIB) Venture Capital fund' promoted by KSK Energy Ventures Limited. During the year, 9,08,660 units (Previous year 33,51,613 units) were redeemed.

Name of the Company	Contribution towards Fund	Country of Residence	Percentage of Share
SIB Fund of KSK Energy	₹ 7.83 Crores	India	9.74 %

- 11.2 Information in relation to the interest of the Corporation in Joint Venture as required under Accounting Standard – 27 issued by the Institute of Chartered Accountants of India :

#### 1. Energy Efficiency Services Ltd.

Proportion of Interest 25 %

Country of Incorporation India

The Company's share of assets, liabilities, contingent liabilities and capital commitments as at 31.03.2012 and income and expenses for the year in respect of joint venture based on its audited accounts are given below :

(₹ in Crores)

Total Assets	31.17
Total Liabilities	4.37
Total Reserves & Surplus	1.80
Contingent Liabilities	Nil
Capital Commitments	Nil
Total Income	3.17
Total Expenses	1.17

Corporation has also made an application for allotment of further equity shares amounting to ₹ 24.38 Crores for which shares are yet to be allotted.

### 12. Deferred Tax Asset (Net)

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>Deferred Tax Assets</b>		
Provision for Earned Leave Encashment	7.61	7.14
Provision for Sick Leave	3.48	3.11
Provision for Post Retirement Medical Benefits	2.51	2.57
Provision for Pension Scheme	1.06	4.42
<b>Total</b>	<b>14.66</b>	<b>17.24</b>
<b>Deferred Tax Liabilities</b>		
Depreciation	4.64	4.48
<b>Total</b>	<b>4.64</b>	<b>4.48</b>
<b>Deferred Tax Asset (Net)</b>	<b>10.02</b>	<b>12.76</b>

- 12.1 The Corporation has no intention to make withdrawal from the special reserve created and maintained under section 36(1)(viii) of the Income Tax Act 1961. Hence, the special reserve created and maintained is not capable of being reversed and thus it becomes a permanent difference as per AS-22 issued by the Institute of Chartered Accountants of India (ICAI). Accordingly, Company is not creating any deferred tax liability on the said reserves.

## CONSOLIDATED NOTES TO ACCOUNTS

### 13. Foreign Currency Monetary Item Translation Difference Account

The company has opted towards an irrevocable option for amortising the foreign exchange fluctuation loss/(gain) on the long term foreign currency monetary items over the balance period of such items in accordance with Para 46A of Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates'. Amount remaining to be amortised in 'Foreign Currency Monetary Item Translation Difference Account' is ₹ 181.88 Crores.

### 14. Long-term Loans & Advances

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
(A) Capital Advances (Unsecured, considered good)	24.54	24.24
(B) Security Deposits (Unsecured, considered good)	3.96	0.85
(C) Loans & Advances to Related Parties		
- To Directors	0.05	0.05
	0.05	0.05
(D) Other Loans & Advances		
- Staff Loans & Advances (except to Directors)	12.74	3.29
- Long-term Loan Assets	89,944.11	73,178.23
	89,956.85	73,181.52
<b>Total (A+B+C+D)</b>	<b>89,985.40</b>	<b>73,206.66</b>

Details of Loans & Advances to Related Parties and Other Loans & Advances :

#### 14.1 Staff Loans & Advances

Non-current portion of the staff loans & advances has been classified under 'Long-term Loans & Advances' above and the current portion of the staff loans & advances has been classified under Note-19' Other Current Assets'.

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
Loans & Advances to Staff (Secured, considered good)				
- To Employees (Other than directors)	1.64	0.64	2.12	0.53
<b>Sub-total</b>	<b>1.64</b>	<b>0.64</b>	<b>2.12</b>	<b>0.53</b>
Loans & Advances to Staff (Unsecured, considered good)				
- To Directors	0.05	0.04	0.05	0.03
- To Employees (Other than directors)	11.10	5.95	1.17	1.93
<b>Sub-total</b>	<b>11.15</b>	<b>5.99</b>	<b>1.22</b>	<b>1.96</b>
<b>Total</b>	<b>12.79</b>	<b>6.63</b>	<b>3.34</b>	<b>2.49</b>

## CONSOLIDATED NOTES TO ACCOUNTS

### 14.2 Long-term Loan Assets

Non-current portion of the long-term loan assets has been classified under 'Long-term Loans & Advances' above and the current portion of the long-term loan assets has been classified under Note-19 'Other Current Assets'.

(₹ in Crores)

Particulars	As at 31.03.2012		As at 31.03.2011	
	Non-Current	Current	Non-Current	Current
<b>(A) Secured Loans</b>				
<b>(A1) Loans to State Power Utilities/ State Electricity Boards/Corpn., (Secured by hypothecation of materials/ assets with respective State Power Utilities/SEBs/Corpn.)</b>				
(a) Considered Good	57,402.83	4,814.02	45,778.95	3,964.49
<b>(A2) Loans to Others (Secured by hypothecation of tangible assets)</b>				
(a) Considered Good	10,803.99	1,099.90	7,014.43	827.58
(b) Classified Doubtful	427.71	62.69	-	17.22
Less: Allowance for bad & doubtful debts	42.77	21.77	-	17.22
	384.94	40.92	-	-
<b>Sub-total (A1+ A2)</b>	<b>68,591.76</b>	<b>5,954.84</b>	<b>52,793.38</b>	<b>4,792.07</b>
<b>(B) Unsecured Loans</b>				
<b>(B1) Loans to State Power Utilities/ State Electricity Boards/ Corpn., Co-operatives (Guaranteed by respective State Governments)</b>				
(a) Considered good	17,664.20	2,266.46	16,194.56	2,242.71
(b) Classified Doubtful	-	-	-	2.21
Less: Allowance for bad & doubtful debts	-	-	-	0.44
	-	-	-	1.77
<b>(B2) Loans to State Governments</b>				
(a) Considered good	3,350.91	223.60	3,294.45	172.43
(b) Classified Doubtful	-	-	-	0.10
Less: Allowance for bad & doubtful debts	-	-	-	0.10
	-	-	-	-
<b>(B3) Loans to Others</b>				
(a) Considered Good	337.24	5.23	895.84	120.48
<b>Sub-total (B1+ B2+B3)</b>	<b>21,352.35</b>	<b>2,495.29</b>	<b>20,384.85</b>	<b>2,537.39</b>
<b>Grand Total (A+B)</b>	<b>89,944.11</b>	<b>8,450.13</b>	<b>73,178.23</b>	<b>7,329.46</b>

### 15. Other Non-Current Assets

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>(A) Non-Current Portion of Interest Accrued on Staff Advances</b>	<b>2.24</b>	<b>2.21</b>
<b>(B) Interest Accrued on Rescheduled Loans</b>	<b>231.88</b>	<b>344.08</b>
<b>(C) Non-current Portion of Unamortized Expenses :</b>		
- Discount on Issue of Bonds	13.80	17.89
<b>Total (A+B+C)</b>	<b>247.92</b>	<b>364.18</b>

## CONSOLIDATED NOTES TO ACCOUNTS

### 16. Trade Receivables

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
(A) Outstanding for a period exceeding six months from the date they are due for payment		
- Unsecured, considered good	9.71	1.90
(B) Outstanding for a period less than six months from the date they are due for payment		
- Unsecured, considered good	28.30	16.20
<b>Total (A+B)</b>	<b>38.01</b>	<b>18.10</b>

### 17. Cash and Cash Equivalents

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
(A) Balances with Banks	3,690.74	686.24
(B) Cheques/ Drafts in Hand	0.89	626.06
(C) Cash on Hand (including postage & imprest)	-	0.01
(D) Others		
- Term Deposits with Scheduled Banks	1,683.73	1,554.48
<b>Total (A+B+C+D)</b>	<b>5,375.36</b>	<b>2,866.79</b>
Balances with Banks include:		
- Earmarked Balances with Banks		
- For unpaid dividends	1.25	1.23
- For RGGVY grant	325.50	246.11
- For AG & SP grant	4.81	7.52
- For other grants	3.96	3.98
- Tax Free Bonds Public Issue Account	3,000.00	-

Term Deposits with Scheduled Banks with more than twelve months maturity

- 13.91

Cheques in hand include Nil (Previous year ₹ 626.06 Crores) towards earmarked funds for RGGVY Grant.

- 17.1 The Company has made a public issue of Tax Free Bonds of face value of ₹1,000/- each aggregating to ₹ 3,000 Crores during the financial year 2011-12. The bonds have been allotted on 27.03.2012 and the issue proceeds had been kept in designated Public Issue accounts. The issue proceeds could not be utilized till the Balance Sheet date as the proceeds of the funds raised became available to the company only on the listing of the bonds on Bombay Stock Exchange Limited (BSE) on 04.04.2012.

### 18. Short-term Loans & Advances

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
<b>- Other Loans &amp; Advances</b>		
(A) Secured Loans		
- Loans to State Power Utilities/ State Electricity Boards/Corpn., (Secured by hypothecation of materials/ assets with respective State Power Utilities/SEBs/Corpn.)		
(a) Considered Good	1,737.50	900.00
<b>Sub-total</b>	<b>1,737.50</b>	<b>900.00</b>
(B) Unsecured Loans		
- Loans to State Power Utilities/ State Electricity Boards/ Corpn., Co-operatives (Guaranteed by respective State Governments)		
(a) Considered Good	830.00	-
- Loans to Others		
(a) Considered Good	400.00	300.00
<b>Sub-total</b>	<b>1,230.00</b>	<b>300.00</b>
<b>Grand Total (A+B)</b>	<b>2,967.50</b>	<b>1,200.00</b>



## CONSOLIDATED NOTES TO ACCOUNTS

### 19. Other Current Assets

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
(A) Current recoverable of Long-term Loan Assets	8,450.13	7,329.46
(B) Current recoverable of Staff Advances	6.63	2.49
(C) Interest Accrued & Not Due on:		
- Term Deposits	30.59	10.36
<b>Sub-total</b>	<b>30.59</b>	<b>10.36</b>
(D) Interest Accrued & Due on Loan Assets	86.11	80.29
(E) Interest Accrued & Not Due on Loan Assets	549.61	493.45
(F) Current Portion of Interest Accrued on Staff Advances	0.36	0.29
(G) Recoverable from GOI		
- RGGVY Expenses	6.78	4.64
<b>Sub-total</b>	<b>6.78</b>	<b>4.64</b>
(H) Advances recoverable in cash or in kind or value to be received	4.70	16.50
(I) Recoverable from Govt. Deptt/Others	22.07	5.50
(J) Advance Income-tax & TDS	1,945.89	2,741.86
Less : Provision for Income Tax	1,914.63	2,717.52
	31.26	24.34
(K) Income Tax Recoverable	-	24.59
(L) Current Portion of Unamortized Expenses		
- Discount on Issue of Bonds	4.83	4.70
<b>Total (A+B+C+D+E+F+G+H+I+J+K+L)</b>	<b>9,193.07</b>	<b>7,996.61</b>

### 20. Contingent Liabilities and Commitments :

#### 20.1 Contingent Liabilities not provided for in respect of:

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
A-Claims against the Company not acknowledged as debts	59.84	26.88
B-Others		
- Letters of Comfort	4,696.95	1,352.70

The amount referred to in 'A' above includes ₹ 7.75 Crores (Previous year ₹ 4.99 Crores) which is pending in various courts including arbitration cases and is dependent upon the outcome of settlement of court/arbitration cases and also includes ₹ 52.09 Crores (Previous year ₹ 21.75 Crores) against various demands raised by the Income Tax Department including the cases pending in Delhi High Court.

#### 20.2 Commitments not provided for in respect of:

(₹ in Crores)

Particulars	As at 31.03.2012	As at 31.03.2011
- Contracts remaining to be executed on capital account	8.02	13.32
- Other Commitments		
- Undisbursed CSR Commitments	5.91	4.79
- Lease Commitments	12.72	13.72

## CONSOLIDATED NOTES TO ACCOUNTS

### 21. Revenue from Operations

(₹ in Crores)

Particulars	Year ended 31.03.2012		Year ended 31.03.2011	
<b>(A) Interest on Loan Assets</b>				
(i) Long term financing	9,684.32		7,673.20	
Less: Rebate for timely payments/ completion etc.	6.17	9,678.15	7.85	7,665.35
(ii) Short term financing		585.87		443.42
<b>Total - Interest Income on Loan Assets (A)</b>		<b>10,264.02</b>		<b>8,108.77</b>
<b>(B) Revenue from Other Financial Services</b>				
(i) Processing, Upfront, Lead fees, LC Commission etc		47.15		60.38
(ii) Prepayment Premium		3.02		40.55
(iii) Agency/ handling charges for RGGVY Implementation/ others		23.40		47.21
<b>Total - Other Operating Income (B)</b>		<b>73.57</b>		<b>148.14</b>
<b>Total (A+B)</b>		<b>10,337.59</b>		<b>8,256.91</b>

### 22. Other Income

(₹ in Crores)

Particulars	Year ended 31.03.2012		Year ended 31.03.2011	
<b>(A) Interest Income (Other than Operating Income)</b>				
- Interest from Deposits		91.53		45.99
- Interest from Govt. Securities		62.25		69.80
- Interest from Income Tax Refund		4.02		-
- Interest from Staff Advances		0.53		0.28
- Interest from Subsidiary Companies		0.13		0.25
<b>Sub-Total (A)</b>		<b>158.46</b>		<b>116.32</b>
<b>(B) Dividend Income</b>				
- Dividend from Subsidiary Companies		0.05		0.05
- Dividend on Mutual Funds		-		3.47
- Dividend from Long-Term Investments		0.13		0.12
<b>Sub-Total (B)</b>		<b>0.18</b>		<b>3.64</b>
<b>(C) Net Gain on Sale of Investments</b>				
- Gain on Sale of Long Term Investments		0.84		1.78
- Gain on Sale of Current Investments		10.91		0.50
<b>Sub-Total (C)</b>		<b>11.75</b>		<b>2.28</b>
<b>(D) Other Non-Operating Income</b>				
- Foreign Currency Exchange Fluctuation Gain		-		85.33
- Profit on sale of assets		0.05		0.01
- Provision Written Back		4.44		29.24
- Miscellaneous Income		41.15		38.47
<b>Sub-Total (D)</b>		<b>45.64</b>		<b>153.05</b>
<b>Total (A+B+C+D)</b>		<b>216.03</b>		<b>275.29</b>

## CONSOLIDATED NOTES TO ACCOUNTS

### 23. Finance Costs

(₹ in Crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
<b>(A) Interest Expense</b>		
- On Govt. Loans	2.31	3.17
- On REC Bonds	5,064.14	3,643.88
- On Loans from Banks/ Financial Institutions	611.63	838.61
- On External Commercial Borrowings	578.71	203.80
- On Commercial Paper	-	83.28
- On AREP Subsidy	0.33	0.41
- Interest on Advance Income Tax	0.25	-
<b>Sub-Total (A)</b>	<b>6,257.337</b>	<b>4,773.15</b>
<b>(B) Other Borrowing Costs</b>		
- Guarantee Fee	11.46	7.87
- Public Issue Expenses	14.25	-
- Bonds Handling Charges	1.12	1.98
- Bonds Brokerage	15.99	9.00
- Stamp Duty on Bonds	0.04	0.31
- Other Bonds/Debt Instrument Issue Expenses	-	-
- Debt Issue and Other Finance Charges	78.61	58.80
<b>Sub-Total (B)</b>	<b>121.47</b>	<b>77.96</b>
<b>Total (A+B)</b>	<b>6,378.84</b>	<b>4,851.11</b>

### 24. Employee Benefits Expense

(₹ in Crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
(A) Salaries and Allowances	137.97	84.39
(B) Contribution to Provident Fund and Other Funds	8.43	19.07
(C) Gratuity	2.38	2.91
(D) Expenses towards Post Retirement Medical Facility	12.17	12.42
(E) Staff Welfare Expenses	13.67	11.42
<b>Total (A+B+C+D+E)</b>	<b>174.62</b>	<b>130.21</b>

### 25. Other Expenses

(₹ in Crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
- Rent & Hiring Charges	3.26	2.34
- Rates and Taxes	5.96	1.86
- Power & Fuel	0.94	0.76
- Insurance Charges	0.04	0.03
- Repairs and Maintenance		
- Building	1.27	1.46
- Machinery - ERP & Data Centre	3.10	1.71
- Others	0.48	0.95
- Printing and Stationery	0.25	1.73
- Travelling and Conveyance	8.21	7.14
- Postage, Telegram and Telephone	1.24	1.01
- Publicity & Promotion Expenses	4.60	4.40
- Auditors' Remuneration	0.62	0.45
- Consultancy Charges	6.84	10.65
- Corporate Social Responsibility	13.01	1.23
- Donations & Charity	0.06	0.22
- Loss on Sale of Assets	0.24	0.02
- Miscellaneous Expenses	15.90	9.56
<b>Total</b>	<b>66.02</b>	<b>45.52</b>

## CONSOLIDATED NOTES TO ACCOUNTS

### 25.1 Auditors' Remuneration includes

(₹ in Crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
- Audit Fees	0.28	0.21
- Tax Audit Fees	0.05	0.04
- Limited Review Fees	0.05	0.03
- Payment for Other Services #	0.25	0.17
- Reimbursement of Expenses	-	0.02
<b>Total</b>	<b>0.63</b>	<b>0.47</b>

# Inclusive of Certification Fee of ₹ 0.15 Crores for Certification of Prospectus for Tax Free Bonds Public Issue and ₹ 0.09 Crores for certification of ECB Documentation for FY 2011-12 and certification fee of ₹ 0.15 Crores for ECB documentation for FY 2010-11.

### 25.2 Earnings and Expenditure in Foreign Currency

(₹ in Crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
<b>Earnings</b>	0.02	-
<b>Expenditure</b>		
- Royalty, Know-how, Professional, Consultation Fees	1.34	-
- Interest	192.95	31.27
- Finance Charges	65.45	50.24
- Other Expenses	0.69	0.77
<b>Total</b>	<b>260.43</b>	<b>82.28</b>

25.3 The Corporation has taken office space, accommodations for staff and space for ERP Data Centre on lease. These are classified as operating lease. Lease payments in respect of office space and data centre amounting to ₹ 2.35 Crores is shown under the head 'Other Expenses'. Lease payments in respect of accommodations for staff amounting to ₹ 1.27 Crores form part of Note 24 'Employees Benefit Expense.' Future lease payments in respect of these lease agreements are as under:

(₹ in Crores)

Future minimum lease rent payments	Year ended 31.03.2012		Year ended 31.03.2011	
	Data Centre	Office & Accomodations	Data Centre	Office & Accomodations
Not later than one year	0.39	2.30	0.50	1.41
Later than one year and not later than 5 years	0.77	7.08	1.16	6.50
Later than 5 years	-	2.18	-	4.15
<b>Total</b>	<b>1.16</b>	<b>11.56</b>	<b>1.66</b>	<b>12.06</b>

### 26. Prior Period Items

(₹ in Crores)

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
- Interest and Finance Exp	-	3.23
- Others	0.18	0.05
<b>Total</b>	<b>0.18</b>	<b>3.28</b>

### 27. Earnings per Share

Particulars	Year ended 31.03.2012	Year ended 31.03.2011
<b>Numerator</b>		
Profit after Tax as per Profit and Loss Account (₹ in Crores)	2,838.66	2,584.89
<b>Denominator</b>		
Weighted average Number of equity shares	98,74,59,000	98,74,59,000
Basic & Diluted Earnings per share of ₹10 each (in ₹)	28.75	26.18

## CONSOLIDATED NOTES TO ACCOUNTS

28. On December 13, 2006, our Board of Directors approved Corporation's Prudential Norms and amendments thereto were approved on February 21, 2009 and September 25, 2010. However, in order to bring all "systemically important" government-owned NBFCs within the framework of the prudential norms, the RBI had advised our Corporation on December 12, 2006 to submit a 'road map' for compliance with various elements of the regulations governing NBFCs. The Corporation submitted the road map to RBI through the Ministry of Power and RBI, vide its letter dated June 29, 2010 had granted exemption to REC from Prudential Exposure Norms in respect of Central and State entities in Power Sector till March 31, 2012. In response to the Corporation's submission for further extending the exemption period till atleast the end of XII plan, forwarded to RBI by Ministry of Power (MoP) vide letter dated January 16, 2012, RBI, vide its letter dated April 4, 2012 has agreed to extend the exemption from adhering to RBI Prudential Norms till March 31, 2013, subject to furnishing a Roadmap upto June 30, 2012 for compliance with the RBI Prudential Norms as laid down in Non Banking Financial Companies (Non Deposit Accepting or Holding) Prudential Norms (Reserve Bank) Directions, 2007 as amended from time to time, within three years beginning April 1, 2013.

Further, RBI, vide its letter dated September 17, 2010, had categorized REC as an Infrastructure Finance Company (IFC) in terms of instructions contained in RBI Circular CC No.168 dated February 12, 2010. As an IFC, the total permissible exposure for lending in the private sector would be 25 % of owned funds in case of a single borrower and 40 % in case of a single group of borrowers and exposure for lending and investing taken together can be upto 30 % and 50 % of owned funds, respectively. REC is also required to maintain a Capital to Risk Weighted Assets Ratio (CRAR) of 15 % (with a minimum Tier I Capital of 10 %). Accordingly, the Prudential Norms have been modified with the approval of our Board on September 25, 2010. In view of the exemption granted by RBI in respect of Central and State Entities in power sector, our maximum credit exposure limits to such Utilities varies from 50 % to 250 % of our net worth, depending upon entity appraisal and status of unbundling of the respective State Utilities.

29. The Corporation is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company (NBFC) since 1997-98. As per notification No. DNBS (PD), CC No. 12/D2.01/99-2000 dated 13.1.2000 of RBI, Govt. Companies conforming to Section 617 of the Companies Act have been exempted from applicability of the provisions of RBI Act 1934 relating to maintenance of liquid assets and creation of Reserve Funds and the Directions relating to acceptance of public deposits and prudential norms. The said notification is also applicable to REC, being a Govt. Company conforming to Section 617 of the Companies Act, 1956. Moreover in view of the non applicability of the provisions of section 45 (I) C of the RBI Act, 1934 regarding creation of Reserve Fund, the Reserve Fund is not created.

### 30. Changes in Accounting Policy

- 30.1 The company has adopted to account for gain or loss on interest rate swaps on domestic borrowings on accrual basis in conformity to the Significant Accounting Policy 1.(a) as against the earlier accounting policy of adjusting the interest cost as on the settlement date. Due to this change in accounting policy, the profit for the year ended 31.03.2012 is higher by ₹ 2.42 Crores (net of taxes).
- 30.2 The company has changed its Significant Accounting Policy 14.1 w.e.f. 01.04.2011 with respect to the accounting treatment of foreign currency translation differences in accordance with Para 46A of Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates' and has opted for amortising the foreign exchange fluctuation loss/(gain) on the long term foreign currency monetary items over the balance period of such items. Accordingly, the amortisation of foreign exchange fluctuation loss of ₹ 27.14 Crores is included under the head 'Foreign Currency Exchange Fluctuation Loss' in the Statement of Profit and Loss. Due to this change in accounting policy, the profit for the year ended 31.03.2012 is higher by ₹ 135.50 Crores (net of taxes).
- 30.3 Modifications have been made in Significant Accounting Policy No. 4.1 to make it more clarificatory/ explicit. However, there is no financial impact of such modification.
31. There has been shortfall (gross) in creation of Special Fund by some of the RE Cooperative Societies amounting to ₹ 5.71 Crores (Previous year ₹ 5.68 Crores) and the societies are pursued to create the required Special Fund.
32. Balance confirmation has been received from most of the borrowers of the Corporation.
33. Income Tax as applicable in respect of Interest accrued on bonds is deducted at source at the time of actual payment of interest to the bond holders since such bonds are freely transferable.
34. In terms of Accounting Policy No. 10.2, the balances in respect of Interest Warrants Accounts as on 31.03.2012 held in specified banks are ₹ 14.10 Crores (Previous year ₹ 23.76 Crores).
35. In the opinion of the management, the current assets, loans and advances appearing in the balance sheet have a value equivalent to the amount stated therein if realized during the ordinary course of business and all known liabilities have been provided.
36. Provision for impairment loss as required under Accounting Standard-28 'Impairment of Assets' is not necessary as in the opinion of management there is no impairment of the assets of the Corporation in terms of AS-28.
37. The Corporation has no outstanding liability towards Micro, Small and Medium undertakings.
38. As part of hedging strategy, the company has executed, in some cases, interest rate swaps from fixed rate of interest to floating rate of interest. The INR value of outstanding borrowing on which such swap has been exercised is ₹ 7,150.00 Crores. During the year ended 31.03.2012, the Corporation has reduced cost of borrowing to the extent of ₹20.03 Crores (Previous year ₹ 41.15 Crores) on account of these swap transactions linked to rupee borrowing.

## CONSOLIDATED NOTES TO ACCOUNTS

In respect of foreign currency borrowings, the company has also executed cross currency swaps to hedge the Foreign Currency Exposure. The outstanding position of Foreign Currency Exposure on 31.03.2012 is as under:

(Foreign Currency amounts in Millions, INR amounts in Crores)

Currency	Total		Hedged Portion (Currency & Interest rate)		Unhedged	
	Foreign Currency	INR Equivalent	Foreign Currency	INR Equivalent*	Foreign Currency	INR Equivalent *
<b>JPY ¥</b>	35,669.38	1,969.21	23,144.38	1,187.28	12,525.00	781.93
Previous Year	47,697.36	1,995.53	44,316.43	1,812.90	3,380.93	182.63
<b>EURO €</b>	121.58	818.03	51.58	339.65	70.00	478.38
Previous Year	58.95	384.84	58.95	384.84	-	-
<b>USD \$</b>	1,470.00	6,778.29	1,220.00	5,499.38	250.00	1,278.91
Previous Year	1,170.00	5,225.53	200.00	894.48	970.00	4,331.05
<b>CHF (Swiss Franc)</b>	200.00	1,132.56	-	-	200.00	1,132.56
Previous Year	-	-	-	-	-	-
<b>Total</b>		10,698.09		7,026.31		3,671.78
Previous year		7,605.90		3,092.22		4,513.68

\*The portion of the foreign currency borrowings swapped into Indian Rupee is stated at the rate fixed in the swap transactions, and not translated at the year end rate. The unhedged portion of the foreign currency borrowings has been translated at the year end rate.

38.1 In terms of Accounting Policy 14.1, the foreign currency monetary items as at the year end have been translated at the following rates:

Sl.No.	Exchange Rates	As at 31.03.2012	As at 31.03.2011
1	USD/INR	51.1565	44.6500
2	JPY/INR	0.6243	0.5402
3	Euro/INR	68.3403	63.2400
4	CHF/INR	56.6279	-

39. The subsidiary companies are wholly owned by the holding company. The Key Management Personnel of these companies are employees of the holding company deployed on part time basis.

The details of such key management personnel are as follows:

### REC Transmission Projects Company Limited

Sl. No.	Name	Designation	Date of Appointment	Date of Separation
1	Dr. J.M.Phatak	Chairman & Director	15.6.2010	16.4.2011
2	Shri H.D.Khunteta	Chairman & Director	16.4.2011	29.11.2011
3	Shri Rajeev Sharma	Chairman & Director	29.11.2011	Continuing
4	Shri Ajeet Kumar Agarwal	Director	27.12.2008	Continuing
5	Shri Prakash J Thakkar	Director	08.01.2007	Continuing

### REC Power Distribution Company Limited

Sl. No.	Name	Designation	Date of Appointment	Date of Separation
1	Dr. J.M.Phatak	Chairman & Director	15.6.2010	16.4.2011
2	Shri H.D.Khunteta	Chairman & Director	16.4.2011	29.11.2011
3	Shri Rajeev Sharma	Chairman & Director	29.11.2011	Continuing
4	Shri Prakash J Thakkar	Director	23.04.2010	Continuing
5	Shri Sanjiv Garg	Director	27.08.2010	Continuing

## CONSOLIDATED NOTES TO ACCOUNTS

40. REC Transmission Project Company Limited has been appointed by Government of India to act as Bid Process Co-ordinator for selection of the Transmission Service Provider (developer) for four transmission projects. For this purpose, project specific subsidiary companies (SPVs) for two of the transmission projects namely, Vemagiri Transmission System Limited (VTSL) and Vizag Transmission Limited (VTL) have been formed under REC Transmission Project Company. Project specific subsidiary companies for other allotted transmission projects will also be formed in due course of time. The process of selection of the successful bidder pursuant to the bidding process in respect of Vemagiri Transmission System Limited (VTSL) is complete and M/s Power Grid Corporation of India Limited has emerged as successful bidder for the project. The successful bidder has acquired one hundred percent (100 %) of the equity shares of VTSL along with all its related assets and liabilities on the closing date on 18.04.2012.

41. **Disclosure in respect of Intangible Assets as required in AS-26 "Intangible Assets" :**

Amortisation Rate	20 %
	100 % in case the total cost of the asset is ₹ 5,000 or less
Amortisation Method	Straight Line

The reconciliation of the intangible assets has already been disclosed in Note 10. Further, no impairment loss on intangible assets has been recognised/reversed during the year ended 31.03.2012.

42. The Corporation has adopted AS 15 (revised 2005) 'Employees Benefit'. Defined employee benefit schemes are as follows:

**A. Provident Fund**

Corporation pays fixed contribution of Provident Fund at pre-determined rates to a separate trust which invests the funds in permitted securities. The trust fixes the rate of interest on contribution to the members of the trust. As per the management estimates, the fair value of the assets of the Provident fund including the returns of the assets thereof, as at 31.03.2012 is greater than the obligation under the defined contribution plan.

**B. Defined Contribution Superannuation Scheme**

Corporation pays fixed contribution towards superannuation scheme at pre-determined rates to a separate trust which invests the funds with an Insurer. The Insurer fixes the rate of interest on the balance standing to the credit of the accounts of the members of the trust. When the pension becomes payable to the member, the Insurer shall appropriate the member's accumulation towards various annuities, as opted for by the member. The expenditure is recognized in the Profit & Loss account on the basis of defined contribution payable by the Corporation.

**C. Gratuity**

The Corporation has a defined benefit gratuity plan. Every employee is entitled to gratuity as per the provisions of the Payment of Gratuity Act. The scheme is funded by the Corporation and is managed by separate trust. The liability of Gratuity is recognized on the basis of actuarial valuation.

**D. Post Retirement Medical Facility (PRMF)**

The corporation has Post Retirement Medical Facility under which the entitled retired employees (including his/her spouse) are covered as per Corporation's rule. The expenditure is recognized in the profit & loss account on the basis of actuarial valuation.

**E. Employees Family Economic Rehabilitation Scheme**

The Corporation has a scheme to provide monetary benefit and support to the family of an employee in case of his/her permanent total disablement/ death if the same takes place while the employee is in service of the Corporation. The expenditure is recognized in the Profit & Loss account on the basis of actuarial valuation.

**F. Scheme for Long Service Award to the Employees**

The Corporation has a scheme for Long service Award to the employees on completion of milestones of continuous service of 10 years, 20 years and 30 years in the corporation. The expenditure is recognized in the profit & loss account on the basis of actuarial valuation.

**G. Other Defined Retirement Benefit (ODRB)**

The Corporation has a scheme for settlement of the employee and their dependents at the time of superannuation at home town. The expenditure is recognized in the profit & loss account on the basis of actuarial valuation.



## CONSOLIDATED NOTES TO ACCOUNTS

The summarized position of various defined benefits recognized in the Profit & Loss Account, Balance Sheet and the funded status are as under:

### Expense recognised in Statement of Profit & Loss:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Current Service Cost	1.69	1.55	0.62	0.60	0.04	0.01
Interest Cost	2.90	2.59	3.18	2.19	0.02	0.01
Expected Return on Plan Assets	2.82	2.77	-	-	-	-
Actuarial (Gain) Loss recognized in P&L A/c	0.61	1.53	8.37	9.63	0.88	0.02
Past Service Cost	-	-	-	-	-	-
Expensed recognized in P&L A/c	2.38	2.90	12.17	12.42	0.94	0.04

### Amounts recognised in Balance Sheet:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Present value of obligation as at the end of the year	36.47	34.15	46.82	37.41	1.12	0.21
Fair value of Plan Assets as at the end of the year	31.24	31.30	-	-	-	-
Net Assets/ (Liability) recognized (For gratuity - of gratuity trust)	-5.23	-2.85	-46.82	-37.41	-1.12	-0.21

### Changes in the Present value of defined benefit/ Obligation:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Present value of obligation as at the beginning of the year	34.15	32.44	37.41	27.42	0.21	0.19
Interest Cost	2.90	2.59	3.18	2.19	0.02	0.01
Past Service Cost	-	-	-	-	-	-
Current Service Cost	1.69	1.55	0.62	0.60	0.04	0.01
Benefit Paid	2.88	3.61	2.76	2.43	0.03	0.03
Actuarial Gain/ Loss on obligation	0.61	1.17	8.37	9.63	0.88	0.02
Present Value of defined benefit obligation at the end of the year	36.47	34.15	46.82	37.42	1.12	0.21

### Changes in the Fair Value of Plan Assets:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Fair value of Plan Assets as at the beginning of the year (For gratuity - of the gratuity trust)	31.30	32.44	-	-	-	-
Expected return on Plan Assets	2.81	2.77	-	-	-	-
Actual Company Contribution	0.01	0.05	-	-	-	-
Benefit Paid	2.88	3.61	-	-	-	-
Actuarial Gain (Loss) on Plan Assets	-	(0.35)	-	-	-	-
Fair value of Plan Assets as at the end of the year (For gratuity - of the gratuity trust)	31.24	31.30	-	-	-	-

## CONSOLIDATED NOTES TO ACCOUNTS

During the year, the Corporation has provided Liability towards Contribution to the Gratuity Trust of ₹2.38 Crores (Previous year ₹2.90 Crores), PRMF of ₹12.17 Crores (Previous year ₹12.42 Crores) and ODRB of ₹0.94 Crores (Previous year ₹0.04 Crores).

### Other Employee Benefits

During the year, provision for earned leave encashment amounting to ₹ 5.00 Crores (Previous year ₹ 4.70 Crores), provision for sick leave amounting to ₹ 2.18 Crores (Previous year ₹ 2.16 Crores), provision for economic rehabilitation scheme amounting to ₹ 0.27 Crores (Previous year ₹ 2.06 Crores) and provision for long service award amounting to ₹3.91 Crores (Previous year ₹ 2.37 Crores) have been made on the basis of actuarial valuation and charged to P&L A/c.

The effect of an increase/ decrease of one percent point in inflation rate on PRMF:

(₹ in Crores)

Particulars	1% (+)		1% (-)	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Service & Interest Cost	0.66	0.41	(0.60)	(0.35)
PBO (Closing)	5.80	5.01	(5.31)	(4.38)

Actuarial Assumptions:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2012	31.03.2011	31.03.2012	31.03.2011	31.03.2012	31.03.2011
Method Used	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)
Discount Rate	8.50%	8.00 %	8.50%	8.00 %	8.50%	8.00 %
Expected Rate of Return on Plan Assets	9.00%	8.54 %	-	-	-	-
Future Salary Increase	6.50%	6.00 %	6.50%	6.00 %	6.50%	6.00 %

- The Expected Rate of Return on Assets over the accounting year is assumed rate of return.
- The Principle assumptions are the discount rate and salary growth rate. The discount rate is generally based on the market yields available on govt. bonds at the accounting date with a term that matches the liabilities and the salary Growth rate takes account of inflation, seniority, promotions and other relevant factors as long term basis. The above information is certified by the Actuary.

43. Some of the erstwhile State Electricity Boards (SEBs) against whom loans were outstanding or on whose behalf guarantees were given, were restructured by the respective State Governments and new entities were formed in the past. Consequently, the liabilities of the erstwhile SEBs stand transferred to new entities and transfer agreements in some of the cases are to be executed amongst the Corporation, new entities and the State Governments.

## CONSOLIDATED NOTES TO ACCOUNTS

### 44. The movement of Loans rescheduled are as under:

(₹ in Crores)

Particulars	No. of Accounts	As at 31.03.2012	No. of Accounts	As at 31.03.2011
<b>Opening balance</b>	16		14	
Principal		8,223.94		7,005.02
Interest		717.37		784.46
<b>Additions during the year (New Accounts)</b>	4		3	
<b>Opening Balance</b>				
Principal		8,565.48		1,011.46
Interest Accrued		1.18		8.31
<b>Additions during the year</b>				
Principal		4,145.01		590.50
Interest Accrued		2,169.67		995.62
<b>Received during the Year *</b>				
Principal		553.14		383.03
Interest		2,217.31		1,071.01
<b>Closing balance</b>	20		16	
Principal		20,381.29		8,223.94
Interest		670.91		717.37

\* Also includes Nil (previous year one) fully prepaid case.

45. The Corporation's main business is to provide finance to power sector. Accordingly, the Corporation does not have more than one segment eligible for reporting in terms of Accounting Standard No.17 issued by the Institute of Chartered Accountants of India.

46. The Capital Adequacy Ratio of the Corporation as on 31.03.2012 is 16.00 % (Previous year 19.09 %).

47. The Company has no exposure to real estate sector as on 31.03.2012 (Previous year Nil).

48. Maturity Profile of Loan Assets and Borrowings as on 31.03.2012:

(₹ in Crores)

Financial Year	Recovery of Loan Assets	Repayments of Borrowings
2012-13	11,439	13,503
2013-14	10,123	13,325
2014-15	9,920	10,063
2015-16	9,669	9,410
2016-17	9,413	9,525
2017-18	8,862	2,171
2018-19	8,260	4,055
2019-20	7,650	6,303
2020-21	7,106	7,048
2021-22	5,872	9,440
2022-23	4,507	-
Beyond 2022-23	8,541	5,213
<b>Total</b>	<b>101,362</b>	<b>90,056</b>

## CONSOLIDATED NOTES TO ACCOUNTS

49. The financial statements for the year ended March 31, 2011 had been prepared as per the then applicable, pre-revised Schedule VI to the Companies Act, 1956. Consequent to the notification of Revised Schedule VI under the Companies Act, 1956, the financial statements for the year ended 31.03.2012 have been prepared as per Revised Schedule VI. Accordingly, the previous year figures have also been reclassified to conform to this year's classification.
50. Figures in Rupees have been rounded off to the nearest crores with two decimals, unless expressly stated. The figures in rupees in financial statements for the financial year ended 31.03.2011 were rounded off to the nearest lakhs. Therefore, to make the figures comparable, the previous year figures in Rupees have also been rounded off to the nearest crore with rounding off adjustment, wherever required.

Signatures to the Significant Accounting Policies and Notes to Accounts forming part of the financial statements.

### In terms of our Report of even date

**For P.K. Chopra & Co.**  
Chartered Accountants  
Firm Reg. No.: 006747N

**K.S. Ponnuswami**  
Partner  
M.No. : 070276

Place: New Delhi  
Date: 23<sup>rd</sup> May 2012

**For Bansal & Co.**  
Chartered Accountants  
Firm Reg. No.: 001113N

**R.C.Pandey**  
Partner  
M.No. : 070811

### For and on behalf of the Board

**Rakesh Kumar Arora**  
GM (F&A) and Company Secretary

**Hari Das Khunteta**  
Director (Finance)

**Rajeev Sharma**  
Chairman and Managing Director

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

(₹ in Crores)

Particulars	Year ended 31.03.2012		Year ended 31.03.2011	
<b>A. Cash Flow from Operating Activities :</b>				
Net Profit before Tax	3,825.80		3,498.80	
<b>Adjustments for:</b>				
1. Profit / Loss on Sale of Fixed Assets	0.19		0.01	
2. Depreciation	3.33		3.06	
3. Allowance for rescheduled loans	3.18		-	
4. Allowance for Bad & doubtful debts	49.09		0.22	
5. Excess Provision written back	-		-29.21	
6. Profit on sale/redemption of investments	-11.75		-2.28	
7. Loss/ Gain(-) on Exchange Rate fluctuation	52.55		-85.33	
8. Interest Income	-5.65		-1.43	
9. Interest Expenses	0.04		0.10	
10. Dividend from Subsidiary Co.	-0.05		-0.05	
11. Dividend from Investments	-0.13		-3.59	
12. Provision made for Interest on Advance Income Tax	0.25		-	
13. Discount on Bonds written off	4.71		0.85	
14. Interest Accrued on Zero Coupon Bonds	55.46		14.48	
15. Dividend & Dividend Tax paid in excess of provision	-		0.01	
<b>Operating profit before Changes in Operating Assets &amp; Liabilities:</b>	<b>3,977.02</b>		<b>3,395.64</b>	
<b>Increase / Decrease :</b>				
1. Loan Assets	-19,703.14		-15,746.71	
2. Other Operating Assets	9.45		200.25	
3. Operating Liabilities	940.52		365.79	
<b>Cash flow from Operations</b>	<b>-14,776.15</b>		<b>-11,785.03</b>	
1. Income Tax Paid (including TDS)	-993.01		-971.89	
2. Income Tax refund	1.50		-	
<b>Net Cash Flow from Operating Activities</b>		<b>-15,767.66</b>		<b>-12,756.92</b>
<b>B. Cash Flow from Investing Activities</b>				
1. Sale of Fixed Assets	0.17		0.03	
2. Purchase of Fixed Assets (incl. CWIP & Intangible Assets under development)	-13.92		-1.30	
3. Redemption of 8 % Government of Madhya Pradesh Power Bonds-II	94.32		94.32	
4. Redemption of units of "Small is Beautiful" Fund	0.90		3.11	
5. Profit on sale/redemption of investments	11.75		2.28	
6. Investment in Shares of Energy Efficiency Services Ltd.	-		-24.38	
7. Investment in Shares of Universal Commodity Exchange Ltd.	-16.00		-	
8. Investment in Shares of Vemagiri Transmission System Ltd.	-0.05		-	
9. Investment in Shares of Vizag Transmission Ltd.	-0.05		-	
10. Redemption of Shares of Subsidiary Co.	-		0.15	
11. Interest Income	5.65		1.43	
12. Dividend from Subsidiary Co.	0.05		0.05	
13. Dividend from Investments	0.13		3.59	
<b>Net Cash Flow from Investing Activities</b>		<b>82.95</b>		<b>79.28</b>

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2012

(₹ in Crores)

Particulars	Year ended 31.03.2012		Year ended 31.03.2011	
<b>C. Cash Flow from Financing Activities</b>				
1. Issue of Bonds (Net of redemptions)	20,108.21		10,334.23	
2. Raising of Term Loans/ STL from Banks/ FIs (Net of repayments)	-3,225.89		677.71	
3. Raising of Foreign Currency Loan (Net of redemptions)	2,857.01		5,591.43	
4. Grants received from GOI including interest ( Net of refund)	2,238.28		4,841.31	
5. Disbursement of grants	-2,766.93		-4,025.42	
6. Repayment of Govt. Loan	-11.49		-13.29	
7. Payment of Final Dividend	-395.03		-345.66	
8. Payment of Interim Dividend	-493.73		-345.61	
9. Payment of Corporate Dividend Tax	-144.18		-114.81	
10. Security Premium on issue of shares	-		0.41	
11. Repayment of Commercial Paper	-		-2,450.00	
12. Interest Paid	-0.02		-0.10	
<b>Net Cash flow from Financing Activities</b>		<b>18,166.23</b>		<b>14,150.20</b>
<b>Net Increase/Decrease in Cash &amp; Cash Equivalents</b>		<b>2,481.52</b>		<b>1,472.56</b>
Cash & Cash Equivalents as at the beginning of the year		<b>2,893.84</b>		<b>1,394.23</b>
Cash & Cash Equivalents as at the end of the year		<b>5,375.36</b>		<b>2,866.79</b>
<b>Net Increase/Decrease in Cash &amp; Cash Equivalents</b>		<b>2,481.52</b>		<b>1,472.56</b>

Note : Previous period figures have been rearranged and regrouped wherever necessary.

In terms of our Report of even date

For and on behalf of the Board

**For P.K. Chopra & Co.**  
Chartered Accountants  
Firm Reg. No.: 006747N

**For Bansal & Co.**  
Chartered Accountants  
Firm Reg. No.: 001113N

**Rakesh Kumar Arora**  
GM (F&A) and Company Secretary

**Hari Das Khunteta**  
Director (Finance)

**Rajeev Sharma**  
Chairman and Managing Director

**K.S. Ponnuswami**  
Partner  
M.No. : 070276

**R.C.Pandey**  
Partner  
M.No. : 070811

Place: New Delhi  
Date: 23<sup>rd</sup> May 2012

## STATEMENT / INFORMATION IN IN RESPECT OF EACH SUBSIDIARY COMPANY OF RURAL ELECTRIFICATION CORPORATION LIMITED

(Pursuant To Section 212(8) of the Companies Act, 1956)

(As advised by the Ministry of Corporate Affairs vide its General Circular No.2/2011 dated 8th February, 2011 granting General Exemption to Companies from attaching Subsidiary Companies' Annual Accounts to the Balance Sheet of holding Company in its Annual Report under Section 212 (8) of the Companies Act, 1956)

(₹ in Crores)

Sl. No.	Particulars	REC Transmission Projects Company Limited	REC Power Distribution Company Limited	Vemagiri Transmission System Limited	Vizag Transmission Limited
(a)	Capital	0.05	0.05	0.05	0.05
(b)	Reserves	42.31	16.08	-	-
(c)	Total assets	45.93	36.39	17.96	0.41
(d)	Total liabilities	45.93	36.39	17.96	0.41
(e)	Details of investments (except in case of investment in subsidiaries)	-	-	-	-
(f)	Turnover	18.10	23.28	-	-
(g)	Profit before taxation	18.09	12.86	-	-
(h)	Provision for taxation	6.38	4.19	-	-
(i)	Profit after taxation	11.71	8.67	-	-
(j)	Proposed dividend	0.10	0.05	-	-



## ADDRESSES OF REC OFFICES

Sl. No.	REC Offices	Addresses	Telephone numbers	Fax / E-mail
1	2	3	4	5
	<b>Corporate Office</b>	Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003	41020101	Fax : 011-24360644 E-mail : reccorp@recl.nic.in
	<b>Zonal Offices</b>			
Sl. No.	Zone/Location of Zonal Offices/ States & UTs under the jurisdiction of Zonal Offices	Addresses	Telephone numbers	Fax / E-mail
1	<b>Southern Zone Hyderabad</b> Andhra Pradesh, Karnataka, Kerala, Pondicherry & Tamil Nadu	Shivrapally Post NPA, Near Aramghar, National Highway No. 7 Hyderabad - 500052	24014034 24016023 24018587	Fax : 040-24014235 E-mail : zmhyderabad@recl.nic.in
2	<b>Eastern Zone Kolkata</b> West Bengal, North-Eastern States, Andaman & Nicobar Islands, Sikkim & Orissa	ICMARD Building, 7 <sup>th</sup> Floor, Block 14/2, CIT Scheme-VIII(M), Ultadanga Kolkata - 700067	23566989 23567017 23567018	Fax : 033-23566991 E-mail : zmkolkata@recl.nic.in
3	<b>East Central Zone Patna</b> Bihar, Uttar Pradesh, Uttaranchal & Jharkhand	Maurya Lok Complex, Block C, 4 <sup>th</sup> Floor, New Dak Bangalow Road, Patna - 800001	2221131 2224596	Fax : 0612-2224596 E-mail : recpatna@yahoo.co.in popatna@recl.nic.in
4	<b>Western Zone Mumbai</b> Maharashtra, Gujarat, Dadara & Nagar Haveli, Madhya Pradesh, Chattisgarh, Goa, Daman & Diu	51-B, Mittal Tower, 5 <sup>th</sup> Floor, Nariman Point, Mumbai - 400021	22833035 22833068 22833055	Fax : 022-22831004 E-mail : zmmumbai@recl.nic.in
5	<b>Northern Zone Panchkula</b> Haryana, Delhi, Rajasthan, Jammu & Kashmir, Punjab, Himachal Pradesh	BAY No. 7-8, Sector-2, Panchkula - 134112	2563864 2563863 2563822	Fax : 0172-2567692 E-mail : popanchkula@recl.nic.in zmpanchkula@recl.nic.in
	<b>Project Offices</b>			
1	Andhra Pradesh	Shivrapally Post NPA, Near Aramghar, National Highway No. 7, Hyderabad - 500052	24014034 24016023 24018587	Fax : 040-24014235 E-mail : zmhyderabad@recl.nic.in
2	Assam, Nagaland & Arunachal Pradesh	"SRADDHA" M.G. Road-G.S. Road Crossing (SOHUM/ HDFC Point) Christian Basti, Guwahati - 781005	2450485	Fax : 0361-2343712 E-mail : cpmog@sify.com poguwahati@recl.nic.in

Sl. No.	REC Offices	Addresses	Telephone numbers	Fax / E-mail
1	2	3	4	5
3	Bihar	Maurya Lok Complex, Block C, 4 <sup>th</sup> Floor, New Dak Bangalow Road, Patna - 800001	2221131 2224596	Fax : 0612-2224596 E-mail : recpatna@yahoo.co.in popatna@recl.nic.in
4	Jharkhand	A-101 & D-104, Om Shree Enclave, Near Loyola School, Airport Road, HINOO, Ranchi - 834002	2253123	Fax : 0651-2251320 E-mail : rec_ranchi@yahoo.com poranchi@recl.nic.in
5	Gujarat, Dadara & Nagar Haveli	Plot No. 585, T.P. Scheme No. 2, Behind Pusti Complex, Opp. VMC Ward Office, Atma Jyoti Ashram Road, Subhanpura, Vadodara - 390023	2386760 2397487 2387375(R)	Fax : 0265-2397652 E-mail : recvadodara@gmail.com povadodara@recl.nic.in
6	Haryana, Delhi, Chandigarh & Punjab	BAY No. 7-8, Sector-2, Panchkula - 134112	2563864 2563863 2563822	Fax : 0172-2567692 E-mail : popanchkula@recl.nic.in zmpanchkula@recl.nic.in
7	Himachal Pradesh	Pt. Padamdev Commercial Complex, Phase-II, First Floor, The Ridge, Shimla - 171001	2653411 2804077	Fax : 0177-2804077 poshimla@recl.nic.in
8	Jammu & Kashmir	157-A, Gandhi Nagar, Behind Apsara Cinema, Jammu - 180004	2450868 2450800	Fax : 0191-2450868 E-mail : pojammu@recl.nic.in
9	Karnataka	No. 1/5, Ulsore Road, Bangalore - 560042	25598035 25598244 25550240	Fax : 080-25598243 E-mail : pobangalore@recl.nic.in ruralblr_cpm@dataone.in
10	Kerala & Lakshadweep	'O', 4 <sup>th</sup> Floor, "Saphallyam" Commercial Complex, TRIDA Building Palayam, Thiruvananthapuram - 695034	2328662 2328579	Fax : 0471-2328579 E-mail : tvmrec@dataone.in recpotvm@dataone.in potrivandrum@recl.nic.in
11	Madhya Pradesh & Chattisgarh	E-3/15, Arera Colony, Bhopal-462016	2460006 2460061	Fax : 0755-2460008 E-mail : reccentralzone@yahoo.com
12	Maharashtra, Goa, Daman & Diu	51-B, Mittal Tower, 5 <sup>th</sup> Floor, Nariman Point, Mumbai - 400021	22833035 22833068 22833055	Fax : 022-22831004 E-mail : zmmumbai@recl.nic.in
13	Meghalaya, Manipur & Mizoram	Rinadee Old Jowai Road, Lachumire, Shillong - 793001	2210190 2225687 2536860(R)	Fax : 0364-2225687 E-mail : poshillong@recl.nic.in

Sl. No.	REC Offices	Addresses	Telephone numbers	Fax / E-mail
1	2	3	4	5
14	Orissa	Deen Dayal Bhawan, 5 <sup>th</sup> Floor, Ashok Nagar, Janpath, Bhubaneswar - 751009	2536649 2393206	Fax : 0674-2536669 E-mail : recpobbsr@yahoo.co.in pobhubaneswar@recl.nic.in
15	Rajasthan	J-4-A, Jhalana Dungari, Institutional Area, Jaipur - 302004	2706986 2707840	Fax : 0141-2706986 E-mail : pojaipur@recl.nic.in
16	Tamil Nadu & Pondicherry	No. 12 & 13 T.N.H.B Complex, Luz Church Road, 180 (Luz Corner) Mylapore, Chennai - 600004	24672376 24987960	Fax : 044-24670595 E-mail : pochennai@recl.nic.in
17	Uttar Pradesh & Uttaranchal	19/8, Indira Nagar Extension, Ring Road, Lucknow - 226016	2716324 2717376 2716446	Fax : 0522-2716815 E-mail : recuppo@yahoo.in zmlucknow@recl.nic.in
18	West Bengal, Tripura, Sikkim & Andaman & Nicobar Islands	ICMARD Building, 7 <sup>th</sup> Floor, Block 14/2, CIT Scheme-VIII (M), Ultadanga, Kolkata - 700067	23566989 23567017 23567018	Fax : 033-23566991 E-mail : zmkolkata@recl.nic.in
<b>Sub-Offices</b>				
1	Chattisgarh	KH No. 185/17, Shanti Vihar Colony, (Opposite Viveka Nand School), Dauganiya, Raipur - 492013	2241055	Fax : 0771-2241055
2	Dehradun	7, New Road, Opposite MKP College, Dehradun - 248001	2650766 2650799	Fax : 0135-2650799
<b>Training Centre</b>				
	Central Institute for Rural Electrification	Shivrampally, Post NPA, Near Aramghar, National Highway No. 7, Hyderabad - 500052	24018583 24015901	Fax : 040-24015896 E-mail : cire@recl.nic.in

## REC contributes to growth with CSR initiatives...



Shri Rajeev Sharma, CMD, REC, hoisting the “**Saakshar Bharat Flag**” while inaugurating the upgraded model-Adult Education Centre funded with REC-CSR Assistance under Government of India’s “**National Literacy Mission**” (**Saakshar Bharat Abhiyaan**) at Village Nayaparakala, District Mahasamund, Chhattisgarh.





**RURAL ELECTRIFICATION CORPORATION LIMITED**  
Regd. Office: Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003

### PROXY FORM

DP ID No.	<input type="text"/>	Client ID No.	<input type="text"/>
No. of shares held	<input type="text"/>	*Regd. Folio No.	<input type="text"/>

I/We \_\_\_\_\_, s/o, d/o \_\_\_\_\_ in the district of \_\_\_\_\_ being a member/ members of Rural Electrification Corporation Limited, hereby appoint \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to attend and vote for me/us and on my/our behalf at the 43<sup>rd</sup> Annual General Meeting of the Company to be held at 11.00 A.M. on Thursday, the 20th day of September, 2012, and at any adjournment thereof.

Signed this \_\_\_\_\_ Day of \_\_\_\_\_, 2012.

(Signature)

Affix revenue  
stamp of  
appropriate value

\* Applicable for investors holding shares in Physical Form.

**Note:** The Proxy form duly completed and signed should be deposited at the registered office of the Company, not later than 48 hours before the commencement of the Annual General Meeting.



**RURAL ELECTRIFICATION CORPORATION LIMITED**  
Regd. Office: Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003

### ATTENDANCE SLIP

Member or their proxies are requested to present this form for admission, duly signed in accordance with their specimen signature registered with the Company.

NAME OF ATTENDING PERSON : \_\_\_\_\_  
(IN BLOCK LETTERS)

\* Regd. Folio no. : \_\_\_\_\_

No. of Shares held : \_\_\_\_\_

DP ID No. \_\_\_\_\_ Client ID No. \_\_\_\_\_

I, HEREBY RECORD MY PRESENCE AT THE 43<sup>rd</sup> ANNUAL GENERAL MEETING OF THE COMPANY BEING HELD ON THURSDAY, THE 20th DAY OF SEPTEMBER, 2012 AT 11.00 A.M. AT AIR FORCE AUDITORIUM, SUBROTO PARK, DHAULA KUAN, NEW DELHI- 110010.

Please (✓) in the box

☐

Member

☐

Proxy

Member's / Proxy's Signature

\* Applicable for investors holding shares in Physical Form.



**Rural Electrification  
Corporation Limited**  
(A Government of India Enterprise)