



Presenting Rural India in a whole new light

ANNUAL REPORT 2004 - 2005



Rural Electrification Corporation Limited

A Government of India Enterprise

■ **COMPANY SECRETARY**

Shri B.R. Raghunandan

■ **REGISTERED OFFICE**

Core-4, SCOPE Complex,
7, Lodhi Road, New Delhi-110003

■ **STATUTORY AUDITORS**

M/s K.B. Chandna & Co.
Chartered Accountants

■ **BANKERS**

Reserve Bank of India

State Bank of India

State Bank of Hyderabad

Vijaya Bank

Dena Bank

Corporation Bank

Union Bank of India

HDFC Bank

Central Bank of India

ICICI Bank

IDBI Bank

Syndicate Bank

Contents

Board of Directors	2
Mission and Objectives	4
Fifteen years at a Glance	6
Notice	8
Chairman's Speech	12
Directors' Report	18
Statement of Accounts	48
Auditors' Report	66
Non-Banking Financial Companies Auditors' Report	69
Addendum to Directors' Report	70
Errata to Auditors' Report	71
Comments of C&AG of India and Reply by the Management of REC	72
Review of Accounts by C&AG of India	73
Addresses of REC Offices	78

Board of Directors

1. **Shri M.N. Prasad** Chairman & Managing Director (Upto 1.8.2005-F/N)
2. **Shri A.K. Lakhina** Chairman & Managing Director (From 1.8.2005-A/N)
3. **Shri H.D. Khunteta** Director (Finance)
4. **Shri Bal Mukand** Director (Technical)
5. **Shri Ajay Shankar** Director (Upto 6.9.2005)
6. **Shri Arvind Jadhav** Director
7. **Shri M. Sahoo** Director



Shri A.K. Lakhina
Chairman and Managing Director



Shri H.D. Khunteta
Director (Finance)



Shri Bal Mukand
Director (Technical)



Shri Arvind Jadhav
Jt. Secy. MOP and Director REC



Shri M. Sahoo
Jt. Secy. & Financial Adviser,
MOP and Director REC

Mission & Objectives

I. MISSION

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

II. OBJECTIVES

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

1. 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 GOI scheme for electrification of all villages and all households by 2009 and other related works in rural and urban areas.
2. To expand and diversify into other related areas and activities like financing of decentralised power generation projects, use of new and renewable energy sources, consultancy services, transmission, sub-transmission and distribution systems, renovation, maintenance & modernisation etc. for optimization of reliability of power supply to rural and

urban areas including remote, hill, desert, tribal, riverine and other difficult/remote areas.

3. To mobilise funds from different sources including raising of funds from domestic and international agencies and sanction loans to the State Electricity Boards, State Governments Power utilities, Rural Electric Cooperatives, Non-Government Organisations (NGOs) and private developers.
4. To optimise 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.
5. To ensure client satisfaction and safeguard customers' interests through mutual trust and self respect within the organisation as well as with business partners by effecting continuous improvement in operations and providing the requisite services.
6. 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/financially viable schemes and for accelerating the growth of rural and urban areas.

Fifteen years at a glance

Particulars	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
RESOURCES (at the end of the year) (Rs. Lakhs)						
Equity Capital	78060	78060	78060	78060	73060	68060
BORROWINGS (Rs. Lakhs)						
From Govt. of India	14017	118336	220341	480947	566779	559894
By issue of bonds	1360591	1197511	1049404	671927	372068	277573
From LIC	350000	150000	—	—	—	—
Other Banks	213200	44000	20000	21000	—	—
Reserves & Surplus (Net)	299830	248377	208105	168570	141769	121105
FINANCING OPERATIONS (During the year) (Rs. Lakhs)						
Number of projects approved	1523	1322	1060	979	1301	1379
Financial assistance sanctioned	1631636	1597791	1212534	676394	630809	467820
Disbursements	788509	601704	660664	472193	410922	305105
Repayments by borrowers	468324	358732	471594	266998	216262	155259
Outstanding at the end of the year	2106218	1830470	1593565	1418534	1218919	1029368
ACHIEVEMENTS UNDER THE PROJECTS						
Villages electrified						
During the year	765	122	—	207	581	1996
Upto the end of the year	305829	305064	304942	304942	304735	304154
Pumpsets energised						
During the year	175772	132914	134583	139917	206071	252877
Upto the end of the year	8383254	8207482	8074568	7939985	7800068	7593997
Working Results (For the year) (Rs. Lakhs)						
Total income	230209	199671	205389	166466	141961	129401
Personnel & Admn. Expenses	4434	4659	5866	4972	3141	2544
Interest on borrowings	120475	114220	120274	109879	93216	79189
Depreciation	115	103	104	151	621	623
Profit Before Tax	103665	80154	76663	50120	44647	41936
Provision for Tax	23590	18915	18811	11355	10958	10502
Profit After Tax	80075	61239	57852	38765	33690	31434
Dividend on Equity	23450	18300	17400	12000	6700	5000

1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1991-92	1990-91
68060	63060	58260	53460	48660	44260	39010	36260	32260
501749	455591	422402	394369	363936	332669	303740	277651	251571
209102	197517	179901	162456	154501	141353	123760	128008	122757
—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	2491	3541
89827	65307	56843	49522	47967	46074	38905	48282	40351
1468	1261	1290	1224	2286	1623	1169	1320	1990
287873	121368	113645	102822	126402	73687	50223	95415	96183
220260	109381	78721	82893	102797	69198	47426	58784	70909
111024	41483	26574	39188	41764	21226	17429	23692	14322
884231	779923	715081	662897	619192	565463	517491	487524	452615
2502	3045	3274	3728	3541	3217	3354	5574	10219
302158	299661	296616	293342	289713	286172	282955	279601	274027
279201	242173	300792	335446	398877	323429	330827	398837	513400
7341120	70611919	6819746	6518954	6183501	5784631	5461202	5130375	4731538
113631	79596	71428	59040	53898	52687	33021	50340	43861
2400	1792	1647	1261	1088	957	949	861	755
69372	63163	58509	52743	47187	42373	39395	36201	32632
607	601	585	570	2124	25	23	26	21
38454	12073	8552	1987	1927	6702	(-) 9377	12531	10474
8530	2576	1300	—	—	—	—	3890	2984
29924	9497	7252	1987	1927	6702	(-) 9377	8641	7490
5000	1000	—	—	—	—	—	704	664

NOTICE

Notice is hereby given that the **Thirtysixth Annual General Meeting** of the members of Rural Electrification Corporation Limited **will be held on Thursday the 22nd September, 2005, at 3.00 P.M.** at the Registered Office of the Corporation at Core-4, SCOPE Complex, 7, Lodi Road, New Delhi, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005 and the Profit & Loss Account for the period ended on that date and the Report of the Directors and Auditors thereon.
2. To declare Dividend for the year 2004-2005.
3. To fix the remuneration of Auditors.

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification/s, the following resolution **as a Special Resolution**:

“RESOLVED

that, the Articles of Association of the Corporation be altered by substituting the following Article in place of existing Article 84(2) of the Articles of Association of the Corporation :

“**84.** Without prejudice to the general powers conferred by preceding Articles and the other powers conferred by these Articles and subject to the provisions of Section 292, 293, 294 and 297 of the (Companies) Act, the directors shall have the following powers, that is to say powers:-

(2) Work of capital nature – to incur capital expenditure to the extent of Rs.300 crore or equal to the net worth of the Corporation, whichever is lower, without seeking approval of the Government of India”.

5. To consider and if thought fit, to pass with or without modification/s, the following resolution as an Ordinary Resolution:

“RESOLVED

that, the consent of the Members be and is hereby accorded, in pursuance of Section 293(1) (d) of the Companies Act, 1956, to the Board of Directors of the Corporation to increase the total borrowing limit from Rs.25,000 crore (Rupees Twentyfive Thousand crore only) to Rs 35000 crore (Rupees Thirtyfive Thousand crore only) for the purpose of the business of the Corporation notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Corporation (apart from temporary loans obtained from the Bankers in the ordinary course of business) will exceed the aggregate of the paid-up capital of the Corporation and its free reserves.”

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



(B.R. Raghunandan)
GM (Law) & Company Secretary

New Delhi

Dated the 6th September, 2005