



Report  Junction.com



Countless smiles. A single story.

Growth
is Power



Rural Electrification Corporation Limited
A Government of India Enterprise

contents



02 Company Information

03 Board of Directors

05 Chairman's Speech



09 Mission and Objectives

10 Performance Highlights

12 Notice

13 Directors' Report



45 Report on Corporate Governance



52 Certificate on Corporate Governance



54 Statement of Accounts



85 Auditors' Report

91 Non-Banking Financial Companies
Auditors' Report



93 Addendum to Directors Report



97 Comments of C&AG Of India and
reply by the Management of REC

99 Review of Accounts by C&AG of India

111 Implementation of Right to
Information Act 2005 in REC

112 Management Team

114 Addresses of REC Offices

company information

Corporate office

Shri A.K. Lakhina

Chairman & Managing Director

Shri H.D. Khunteta

Director (Finance)

Shri Bal Mukand

Director (Technical)

Shri Arun Kumar

Chief Vigilance Officer

Dr. Dolly Chakrabarty

Executive Director

(CP / PERS / IA / ICD)

Shri Pradeep Jain

Executive Director

(BD / Admn / IT / Law)

Shri K.Vidyasagar

Executive Director

(RGGVY)

Shri Rama Raman

Executive Director

(T&D)

Shri A. Anantha

General Manager

(Generation)

Shri V.K. Arora

General Manager

(Finance)

Shri B.R. Raghunandan

General Manager

(Law) & CS

Shri A.B.L. Srivastava

General Manager

(Finance)

Shri Guljit Kapur

General Manager

(T & D)

Shri P.J. Thakkar

General Manager

(RGGVY)

Shri B.P.Yadav

General Manager

(BD / Admn / IT)

Zonal offices

Central Zone, Jabalpur

Shri T.S.C. Bosh

Zonal Manager

East Central Zone, Lucknow

Shri V.K Sharma

Zonal Manager

Eastern Zone, Kolkata

Shri Ghosh Dastidar

Zonal Manager

Southern Zone, Hyderabad

Shri J.Kalyana Chakravarty

Zonal Manager

Western Zone, Mumbai

Shri Rakesh Arora

Zonal Manager

Registered office

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

Statutory Auditors

M/s G.S. Mathur & Co.
Chartered Accountants

Bankers

Reserve Bank of India
State Bank of India
State Bank of Hyderabad
Vijaya Bank
Dena Bank
Corporation Bank
HDFC Bank
Central Bank of India
ICICI Bank
IDBI Bank
Syndicate Bank

board of directors



Shri A.K. Lakhina
Chairman & Managing Director



Shri H.D. Khunteta
Director (Finance)



Shri Bal Mukand
Director (Technical)



Shri Arvind Jadhav
Director



Shri M. Sahoo
Director

Puran had to rush back home immediately after his school, to finish off his homework. With no electricity, his village will be enveloped in darkness as the sun sets. Thanks to electrification in his village, now Puran can join his friends for a game of cricket, and study till late night. With street lights installed in the village, now he can visit his teacher's house for any help with his homework.



REC: The journey so far

Rural Electrification Corporation, since its conception, has come a long way in realizing its dream of 'Power to All'. It has contributed handsomely to the development of the country, predominantly in the sphere of rural electrification. Its association with the States and States Electricity Boards has been phenomenal and mutually beneficial. The country and each state has travelled a great distance to meet the power needs by way of greater generation, effective transmission and improved distribution.



chairman's speech

Dear Members,

From 1969 till now, Rural Electrification Corporation has traversed an eventful journey spanning almost four decades. Since its humble beginnings, REC has grown into a strong enterprise, committed to provide reliable and affordable power to villages. This has contributed enormously to rural prosperity, as well as to the erstwhile State Electricity Boards.

From funding electrification of two-thirds of all villages and half of all pumpsets, to faithfully partnering the State Utilities in meeting their short and long term financing needs, your Corporation stands tall in terms of its achievements. Great performances such as these have moulded REC into being able to undertake larger and more challenging roles, particularly in the rural area and emerging township landscape.

Looking back on my first year at the helm evokes emotions of great pride and joy. It has been a stimulating experience, without a doubt. After all, braving the complex and dynamic financial market conditions, and steering the Corporation towards continued growth and profitability against the odds, I might add - is a feat that gives me immense satisfaction.

REC has delivered a record performance across most of the operating and financial indicators during 2005-06. It has exceeded all targets set under the Memorandum of Understanding with the Ministry of Power. With a strategic approach, sound management practices, sincere and dedicated employees, and wholehearted support of the Directors to spur us on, the results are bound to be praiseworthy.

From the time REC received its expanded mandate in 2002-03 to finance all kinds of generation projects, from a sanction of Rs. 661 crore and disbursement of Rs. 92 crore in that year, the business has grown to Rs. 6006 crore and Rs. 1553 crore respectively for the year 2005-06.

Macroeconomic setting

We are, fortunately, at the cusp of the old stifled financial system and the incoming global economy. Clearly, myriad growth opportunities lie ahead.

The power sector is one of the prime driving forces of the country's GDP. Reliable power is essential to keep the engines of our economy running. Macroeconomic trends are crystal clear on the need for huge efforts to adopt measures towards increasing generation, improving distribution and extending transmission. This has also underscored the need for developing the transmission sector, whilst reforming the distribution sector. Aging transmission and distribution infrastructure is not only leading to losses, but is also swallowing precious power availability. As it is, surviving with 50% and 35% losses in many rural and urban areas, respectively, is a tough task indeed. REC will be in the forefront to reform and improve these departments. We are determined to help reduce Aggregate Technical & Commercial losses by 10 to 15% to make the utilities viable and our financing secure.

We estimate the improvements and rejuvenation programmes to cost about Rs. 1,50,000 crore. REC will dedicate itself to devise and finance more schemes and help implement them with its force of about 200 professionals, spread over 17 offices across different state capitals. Detailed, district-wise projects will be prepared and a Reforms-to-Results programme for the fortification of rural transmission and distribution infrastructure will be launched so as to facilitate disbursement of Rs. 50,000 crore at least in the next five years.

Performance Highlights

Closer home, REC has quadrupled its sanctions and disbursements in the last 6 to 7 years.

i) Consistent growth

Our operating environment is marked by lower cost of borrowings and continued support of the Capital Gains Tax Exemption Bonds Scheme, under Section 54EC of the Income Tax Act. Sanctions grew by 15% to Rs. 18,771 crore, disbursements to Rs. 8,007 crore, and fund mobilization was up by 13%, touching Rs. 9,063 crore. The operational income of REC rose by 18% to Rs. 1,935 crore during 2005-06. A dividend of Rs. 191.26 crore, representing 30% of Profit after Tax of Rs. 637.51 crore, has been recommended for payment to shareholders. The Corporation has achieved excellent ratings for twelve successive years now and has become eligible to receive this rare honour, yet again, from the Department of Public Enterprises.

ii) Increasing interest spread

The three norms that determine our profit margins are interest spread, volume of business and recoveries. The results of the business done in a particular year come through in the successive years. Our cost of borrowing for the year has averaged to 6.78% and is adorably low. During 2005-06, our interest spread has been 1.86% and has increased by 38% over the previous year.

iii) Generation

From the time REC received its expanded mandate in 2002-03 to finance all kinds of generation projects, from a sanction of Rs. 661 crore and disbursement of Rs. 92 crore in that year, the business has grown to Rs. 6006 crore and Rs. 1553 crore respectively for the year 2005-06. The sanctions have grown almost 10 times and disbursements 17 times in less than four years. The share in private sector has also grown steadily to 36% in the year 2005-06. We are remarkably successful in financing such projects and are negotiating with a number of players to further double the disbursement in generation activity during 2006-07 and treble by 2008.

Rajiv Gandhi Grameen Vidyutikaran Yojana

REC has met the targets set for the creation of rural electricity infrastructure in an all time record 10,000 villages in 2005-06 that is fifteen times the performance of electrification of villages in the previous year. The Ministry of Power consistently reviewed and guided in this achievement. Emboldened, REC has been encouraged to quadruple the previous year's target and provide infrastructure to another 40,000 villages during 2006-07. Many of the prominent CPSUs have chipped in and projects worth Rs. 10,000 crore are at various stages of implementation.

REC hopes to deliver India's rural electricity infrastructure in all its villages within the next three years, latest by 2009. The programme is unprecedented in size and scale and is, naturally, propelling the organization onto exceptional performance frontiers.

Human Resources

The year has been a watershed in terms of development of Human Resources. Fifty two new professionals were inducted at various levels, two hundred sixty two were promoted and two hundred fifty four got trained. Another hundred professionals are going to be added to the managerial cadres during 2006-07.

The Board of Directors rewarded REC employees for their superlative performance by releasing a performance incentive, equivalent to 90% of their annual basic salary. It was party time for all the employees as they earned about double their salaries. The going has never been so good. Morale is high and everyone is glowing with enthusiasm. Indeed, the Corporation is rearing to go places.

International Cooperation

The Corporation's maiden initiative on international cooperation has been a grand success. Bilateral agencies viz Japan Bank for International Cooperation (JBIC) and Indo-German Bilateral Cooperation (KfW) have joined REC to make a difference in India's rural electrification programmes. The Corporation secured a record amount of Rs. 1240 crore as concessional funds from these eminent organizations.

Looking Ahead

REC is putting into place strategic initiatives during 2006-07 in order to accelerate growth. The panorama of infrastructure development in the power sector is replete with wide-ranging and exciting opportunities. The fund requirements, both for public and private sector players, have dramatically increased to fill the gaps in demand and supply.

The 4-point mantra for REC has been crystallized into comprehensive financing; commitment to reforms, results and returns; creating franchisees in the rural and urban areas and finally robust monitoring, review and problem solving.

REC is in a unique position to benefit from the upside in the power sector, operating on a national scale, high level of motivation, expanding business opportunities, improved brand image, enthused employees and demanding customers. All this will add to the growth potential and larger business in the year ahead.

I have enjoyed steadfast support from the Board of Directors of REC. I would like to take this opportunity to express my gratitude to the Board, all my colleagues in the Ministry, two lakh plus investors and all our well wishers, for their understanding and appreciation of the challenges met, as well as their abiding confidence.



(A.K. Lakhina)

New Delhi

September 22, 2006

Chairman & Managing Director

Raju and his friends, no longer have to travel to nearby town to watch cricket match on television. Thanks to electrification in their village, now they enjoy watching cricket match, in their own village, on community TV. They also listen to krishi programme to know about the latest technology used in agriculture.



Our journey of phenomenal growth

Since its humble beginnings, REC has shown tremendous growth, emerging as a strong enterprise, committed to provide reliable and affordable power to villages.

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 organisation 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:

- 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 Grameen 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 decentralised power generation projects, use of new and renewable energy sources, consultancy services, transmission, sub-transmission and distribution systems, renovation, modernisation & 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 mobilise funds from various sources including raising of funds from domestic and international agencies and sanction loans to the State Electricity Boards, Power Utilities, State Governments, Rural Electric Cooperatives, Non-Government Organisations (NGOs) and private power developers.
- 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.
- 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.
- To assist State Electricity Boards/Power Utilities/State Governments, Rural Electric Cooperatives and other loanes 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 areas.