



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
RESOURCES										
(at the end of the year)										
Equity Capital (₹ Lacs)	98746	98746	98746	85866	85866	78060	78060	78060	78060	78060
BORROWINGS (₹Lacs)										
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	–	–	–	–	–	–	–	–	–
FINANCING OPERATIONS										
(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
ACHIEVEMENTS										
Villages electrified										
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
Pumpsets energised										
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
Working Results										
(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
Net Worth	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.

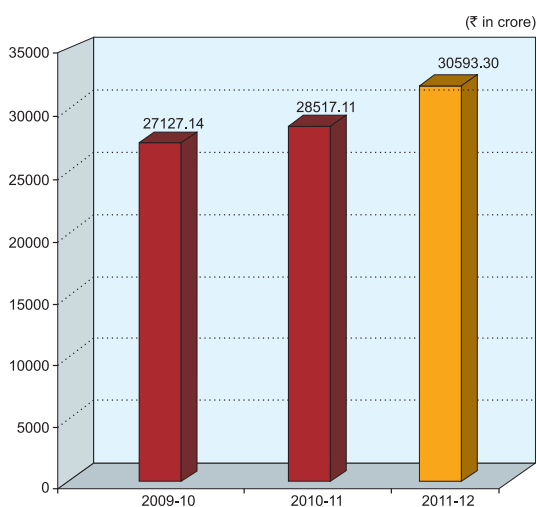
^ The number of villages where electrification works completed during the year 2009-10 under RGGVY. This includes intensive electrification of 34996 villages.

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

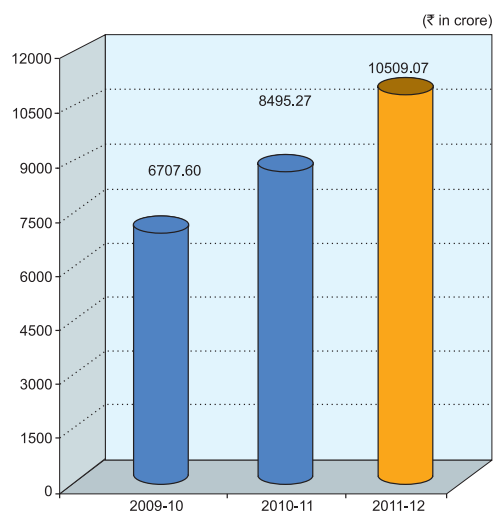
The number of villages where electrification works completed during the year 2007-08 under RGGVY. This includes intensive electrification of 28961 villages.

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

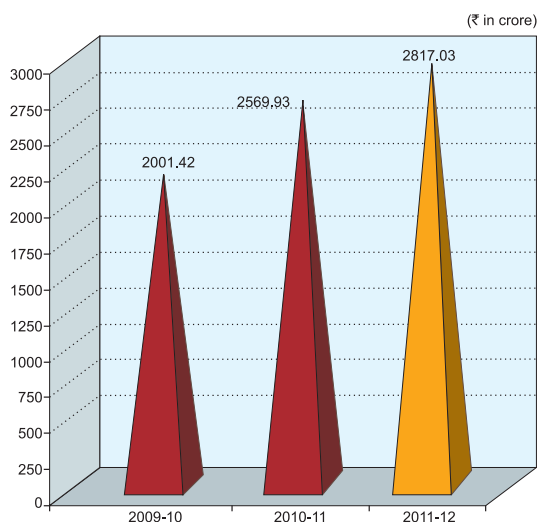
† During 2005-06, works in 10,169 villages (including intensive electrification in 350 electrified villages) completed under RGGVY, are also included.



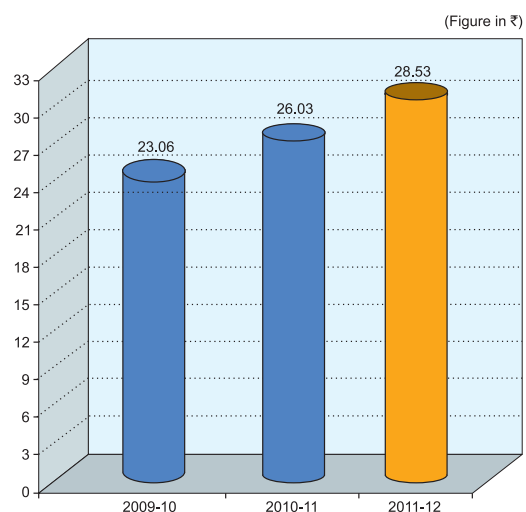
DISBURSEMENT (including RGVY Subsidy)



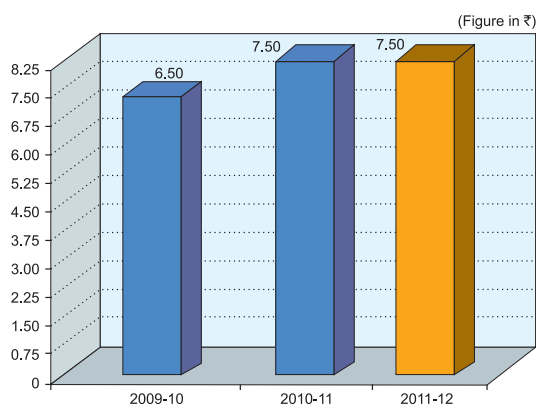
TOTAL INCOME



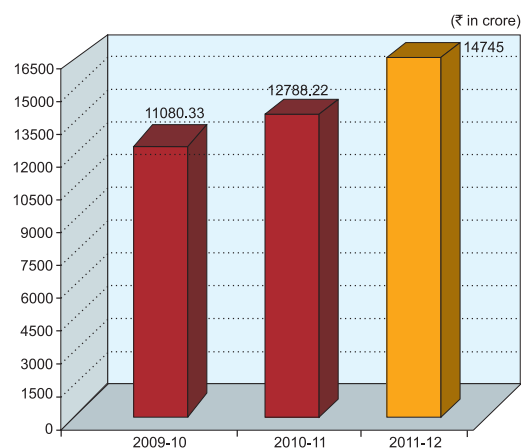
PROFIT AFTER TAX



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