

45TH ANNUAL REPORT 2013-14



REC

*Creating
Opportunities...
Powering India...*



असीमित ऊर्जा, अनन्त संभावनाएं
Endless energy. Infinite possibilities.

Rural Electrification Corporation Limited
(A Government of India Enterprise)

MISSION/VISION & OBJECTIVES

MISSION/VISION

- (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 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:-

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 Rajiv Gandhi Gramin Vidyutikaran Yojana, a Government of India scheme for rural electricity infrastructure and household electrification.
2. 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.
3. 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 Governments, Rural Electric Cooperatives, Non-Government Organizations (NGOs) and private power developers.
4. 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.
5. 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.
6. 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 India.

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COMPANY INFORMATION

Corporate Office

Functional Directors

Shri Rajeev Sharma Chairman & Managing Director	Shri Prakash Thakkar Director (Technical)	Shri Ajeet Kumar Agarwal Director (Finance)
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Chief Vigilance Officer

Smt. Abha Anand Kishore

Executive Directors

Shri Vinod Behari Executive Director (HR/CC/Rajbhasha)	Shri D. S. Ahluwalia Executive Director (CIRE/Project Monitoring)	Shri Ashok Awasthi Executive Director (Admn./REN. & SD/Estate)	Dr. Dinesh Arora Executive Director (RGGVY-I/DDG) & CEO-RECPDCL
Shri Sanjiv Garg Executive Director (Loans & Recovery/ALM/Taxation)	Shri Sunil Kumar Executive Director (RGGVY-II/IT)	Shri S. K. Gupta Executive Director (T&D/NEF)	Shri Rakesh Kumar Arora Executive Director (Resources/CA/CP/CSR)

General Managers

Shri S. N. Gaikwad General Manager & CEO-RECTPCL	Shri T. S. C. Bosh General Manager (RGGVY)	Shri Dinesh Kumar General Manager (Renewable Energy)	Shri G. S. Bhati General Manager (RGGVY/DDG)
Shri C. P. Bhatia General Manager (IA)	Shri L. M. Verma General Manager (Loans & Recovery)	Smt. Kalpana Kaul General Manager (HR/CC/Rajbhasha)	
Shri J. S. Amitabh General Manager & Company Secretary	Shri S.L. Batta General Manager (Law) & PIO	Shri G. V. Mahendar General Manager (Entity Appraisal)	Shri Ajoy Choudhary General Manager (Finance) - Concurrence
Shri V. K. Singh General Manager (Generation)	Shri Fuzail Ahmed General Manager (PMG)		

Zonal Managers

Shri R. P. Vaishnav Zonal Manager Western Zone, Mumbai	Shri Jaidev Banerjee Zonal Manager Eastern Zone, Kolkata	Shri Rakesh Sareen Zonal Manager Northern Zone, Panchkula
Shri P. S. Hariharan Zonal Manager Southern Zone, Bangalore	Shri N. K. Maurya Zonal Manager Central Zone, Lucknow	

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.gov.in

Corporate Identification Number (CIN)

L40101DL1969GOI005095

Company Secretary

Shri J. S. Amitabh

Registrar & Share Transfer Agent

Karvy Computershare Private Limited
Plot 17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500081, India, Tel: 91 40 44655000
Fax: 91 40 23420814, E-mail: einward.ris@karvy.com, Website: www.karvycomputershare.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

P. K. Chopra & Co.
Chartered Accountants | Raj Har Gopal & Co.
Chartered Accountants

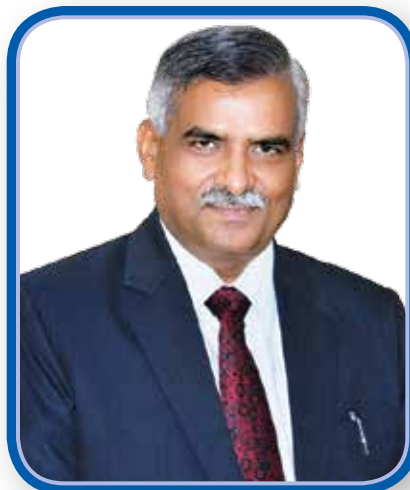
Secretarial Auditor

Chandrasekaran Associates, Practicing Company Secretaries

Bankers

Reserve Bank of India	Dena Bank	IDBI Bank	Yes Bank
State Bank of India	Corporation Bank	IndusInd Bank	Union Bank of India
State Bank of Hyderabad	HDFC Bank	Bank of India	Axis Bank
Vijaya Bank	ICICI Bank	RBL Bank	Honkong & Shanghai Banking Corporation Limited

BOARD OF DIRECTORS



SHRI RAJEEV SHARMA
Chairman & Managing Director



SHRI PRAKASH THAKKAR
Director (Technical)



SHRI AJEET KUMAR AGARWAL
Director (Finance)



SHRI B. N. SHARMA
Government Nominee Director



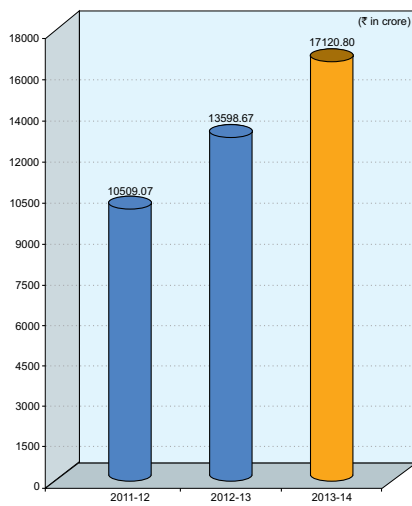
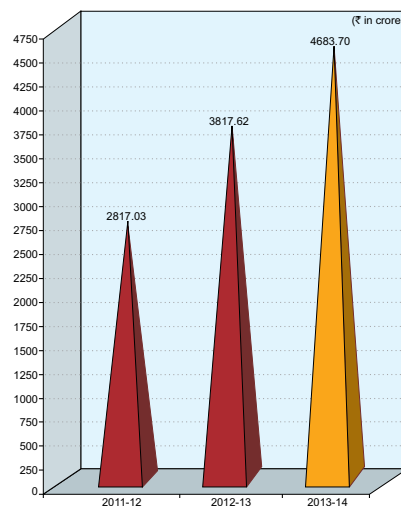
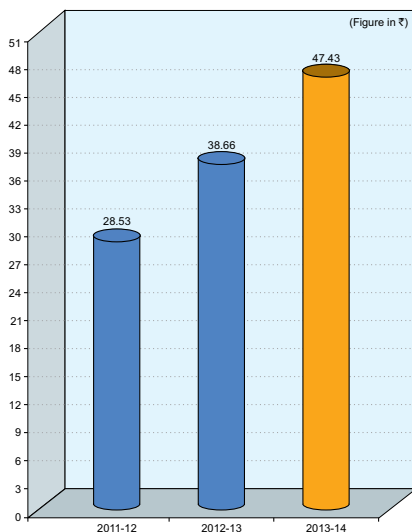
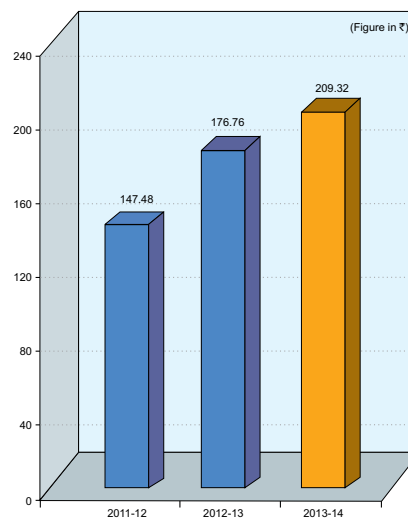
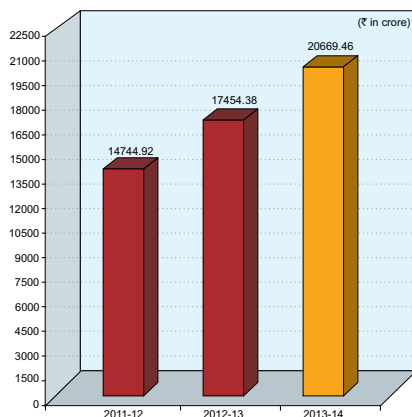
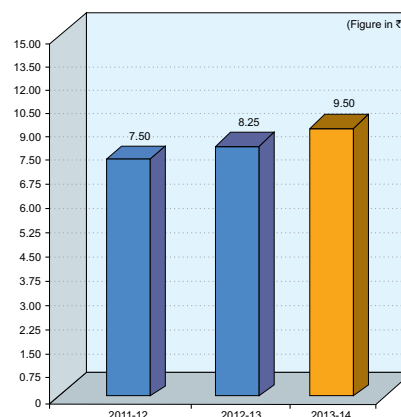
DR. SUNIL KUMAR GUPTA
Part-time Non-official Independent
Director

PERFORMANCE HIGHLIGHTS

Consistent Growth Over 10 Years

Particulars	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
SHAREHOLDERS' FUND (at the end of the year) (₹ in Lakh)										
Equity Share Capital	98746	98746	98746	98746	98746	85866	85866	78060	78060	78060
Reserves & Surplus	1968200	1646692	1357558	1180116	1009288	533142	450905	323211	341773	299830
Net Worth	2066946	1745438	1456304	1278862	1108034	619008	536771	401271	419833	377890
BORROWINGS (₹ in Lakh)										
From Government of India	793	1514	2464	3613	4942	6474	8192	10048	11997	14017
Bonds/Debentures	10280671	8524904	7137220	5120853	4085714	3263148	2408961	2161163	1675724	1360591
From Financial institutions	299500	402000	437000	472000	407000	335000	350000	350000	350000	350000
Foreign Currency Borrowings	1762115	1523819	1069809	760590	207637	149367	104845	87209	-	-
Term Loans from Banks	26940	78880	109154	646914	581143	480105	443480	379680	315700	147200
Commercial Papers	254000	98000	-	-	245000	129500	-	-	-	-
Short term/Demand Loans	-	150000	250000	-	63000	130000	112800	40000	50500	66000
Total	12624019	10779117	9005647	7003970	5594436	4493594	3428278	3028100	2403921	1937808
FINANCING OPERATIONS (During the year) (₹ in Lakh)										
Number of projects approved	1035	1031	1091	658	492	506	881	748	661	1523
Financial assistance sanctioned	*7073948	*7947049	*5129677	*6641998	*4535736	*4074584	*4676976	*2862985	*1659689	1631636
Disbursements	3554602	4018306	3059330	2851711	2712714	2227786	1630370	1373299	800658	788509
Repayments by borrowers	1426045	1334592	811969	877258	580654	511936	560024	403444	350646	468324
Outstanding at the end of the year	14864110	12735552	10142626	8172545	6597875	5065281	3861483	3126218	2456368	2106218
ACHIEVEMENTS (in Nos.)										
Electrification of un-electrified villages										
During the year	1197	2587	7934	18306	18374	12056	9301	28706	9819	-
Upto end of the year	108280	107083	104496	96562	78256	59882	47826	38525	9819	-
Release of free Electricity Connections to BPL Households										
During the year	961730	1296541	3444902	5883355	4718468	3084788	1621182	655773	16815	-
Upto end of the year	21683554	20721824	19425283	15980381	10097026	5378558	2293770	672588	16815	-
Pumpsets energised										
During the year	264165	254993	329022	318176	240020	188743	181244	174750	182239	175772
Upto end of the year	10516606	10252441	9997448	9668426	9350250	9110230	8921487	8740243	8565493	8383254
WORKING RESULTS (₹ in Lakh)										
Total income	1712080	1359867	1050907	849526	670760	493128	353766	285400	224506	230209
Finance Costs	1003846	808376	643135	485101	391285	289870	207275	176478	135577	121995
Provisions for Loan Assets	31202	13068	5227	22	22	237	3999	2105	-	-
Other Expenses	23499	21653	22932	16472	14527	11217	11111	6085	5836	4445
Depreciation	421	375	327	303	215	136	139	113	110	115
Profit Before Tax	653112	516395	379286	347628	264711	191668	131242	100619	82983	103654
Provision for Taxation	184742	134633	97583	90635	64569	64460	45227	34593	19232	25518
Profit After Tax	468370	381762	281703	256993	200142	127208	86015	66026	63751	78136
Dividend on Equity	93809	81465	74059	74059	60321	38640	25760	17700	19126	23450

* Excluding subsidy under RGGVY.

**TOTAL INCOME****PROFIT AFTER TAX****EARNING PER SHARE OF ₹ 10 EACH****BOOK VALUE****NETWORTH****DIVIDEND PER EQUITY SHARE OF ₹ 10 EACH**

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 Fifth Annual General Meeting of the Company.

I am privileged to head a "Navratna" Company having a consistent record of excellent all-round performance, growth and profitability over the past 45 years since its inception and is today one of the leading public financial institutions in the country funding almost all needs of entire Power Infrastructure space.

I hope that all of you have received the Annual Report for the year ending March 31, 2014 along with the Directors' Report and audited Annual Accounts of the Company, as ready reference for your Company's performance.

Before I proceed to read out the performance highlights of the Company during the year 2013-14, let me share with you, very briefly, the economic & financial environment, which had a strong bearing on the overall performance of the Company.

ECONOMIC ENVIRONMENT

During the financial year 2013-14, the global economic condition remained highly uncertain and weak, reflecting subdued growth in almost all the major economies of the world. Throughout the year 2013, the macroeconomic situation was bleak and continues to face high interest rates, inflationary pressure, escalating energy prices, weak investment sentiments, structural bottlenecks, market volatility, political instability and macroeconomic imbalances. The slowdown in a number of emerging economies under the year of review was "hard" enough, and many of these emerging economies remained vulnerable in the outlook. Though the mild recovery in global economic activities is set, risk to the global economy is still not over. Global GDP grew by 3.0 % in 2013 as against 3.1 % registered in 2012 and poised to grow by 3.5 % in 2014. Our economy has been also impacted by the slowdown in the global economy.

During the financial year 2013-14, India continued to show a deceleration in growth with the GDP growth rate at lower than 5 %. The macroeconomic scenario was difficult with a slowdown in the investment cycle, persistently high headline inflation and a volatile currency and interest rates. The trend of declining private investment in Infrastructure continued during the year. The issues faced by the infrastructure sector are well known and the Government initiated some steps to reduce the bottlenecks faced in project execution. It is expected that the new Government with a clear majority, will be able to clear the bottlenecks that have affected the economy and the infrastructure sector in particular. It is imperative to kick start the investment cycle and restore investors' confidence which has taken a beating over the past couple of years. Investors are looking for signs of stability and predictability in Government policy and reduced execution challenges before returning to the sector.

POWER SECTOR

The Indian power sector continues to face challenges on the fuel front. With the total installed generating capacity in the country now at over 249 GW, thermal plants which constitute highest generating capacity, are struggling with inadequate supply of fuel which has led to their operating at low PLFs. Despite having the fourth largest coal reserves in the world, the country's power sector does not get the coal it needs. Coal India's production has been unable to keep pace with the increase in domestic coal based power capacity. It is expected that coal imports for the power sector, would continue to rise. Based on a presidential directive, Coal India has now signed Fuel Supply Agreements (FSAs) with nearly 78 GW of power plants which are under construction. The situation with gas based plants continues to be uncertain with no clear visibility on a resolution. Further, a healthy power distribution sector is critical for the overall viability of the power sector. The financial restructuring programme for Distribution Companies (DISCOMs) has met with mixed success. While several DISCOMs have accepted the scheme, there is not much headway in its implementation in several states. Renewable Energy has seen an unprecedented growth and its share is itself an indication of major shift imminent in the fuel mix for generation sources in the country.

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, Rehabilitation and Resettlement (R & R), Environment and water related issues, shortage of qualified Balance of Plant (BoP) suppliers and Delay in Financial Closure etc, the capacity addition would have been much higher.

The XII five year plan targets for power envisage capacity addition of 88,537 MW. The overall funds requirement for the power sector for XII five year plan period has been estimated at around ₹ 14 lakh crore. For the XIII five year 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.

Distribution Sector, the revenue generating link in the Generation - Transmission - Distribution chain is clearly the weakest link in the power sector value chain and is threatening to derail the entire process of power sector reforms as also jeopardize India's growth story. While the power generation sector in the Country is struggling to meet burgeoning demand, the Distribution sector has been reeling under losses and has been in focus with various measures being taken by the Government of India to make the State DISCOMs/Utilities viable.

Though most of the SEBs have been unbundled, distribution is still largely under the control of Government Utilities. Post unbundling, their operations on sound commercial principles under the regulatory supervision has not yielded the desired results. Worsening financial condition of power distribution utilities owing to high Aggregate Technical & Commercial (AT&C) losses, inability to revise tariffs strictly in principle and spirit despite respective Electricity Regulatory Commissions (ERCs) directive for revision in most of the states, increasing subsidy burden, cross subsidization by the industry to domestic consumer and farmers, 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.

To turnaround State DISCOMs and ensure their long term viability, a financial restructuring scheme for the State owned DISCOMs viz Transitional Finance Mechanism (TFM) has been formulated by the Government of India. The mechanism includes measures such as approval of Financial Restructuring Plan (FRP) from State Government and the respective State Electricity Regulatory Commission (SERC), revision of tariff, thereby reducing the gap between Average Revenue Realised (ARR) and Average Cost of Supply (ACS), release of subsidies only to State Government to be later adjusted in the ARR, posting of Audited Accounts on regular basis, incentivisation through technology interventions in R-APDRP and NEF, devising utility wise turnaround plan and monitoring its implementation at the highest level.

For the XII five year plan, the Planning Commission estimates investment of ₹ 3.14 lakh crore for the sector inclusive of Restructured Accelerated Power Development and Reforms Programme (R-APDRP) and Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) schemes. The focus of the R-APDRP is on actual, demonstrable performance in terms of sustained loss reduction, establishment of reliable and automated systems for sustained collection of accurate base line data and the adoption of Information Technology in the areas of energy accounting. RGGVY Scheme seeks Rural Electricity Infrastructure and Household Electrification for providing access to electricity to all rural households. The performance orientation built into the R-APDRP and NEF is expected to attract and accelerate investments in distribution infrastructure, thus resulting in faster accomplishment of loss reduction goals.

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

PERFORMANCE HIGHLIGHTS

Your Company continued to register higher growth and record performance for the financial year 2013-14, in key areas of Disbursements of Loans, Recoveries, Operating Income and Profits. A total sum of ₹ 37,969.99 crore (including subsidy under RGGVY and DDG) was disbursed during the financial year 2013-14 as against ₹ 40,183.06 crore in the previous year. Your Company's Non-performing Assets (NPAs) continued to be at low levels. The total operating income of your Company for the financial year 2013-14 increased by 26% to ₹ 17,017.98 crore from ₹ 13,537.37 crore during the previous year. The profit after tax increased by 23% to ₹ 4,683.70 crore from ₹ 3,817.62 crore for the previous year.

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. Further, during the financial year 2013-14, your Company continued to get the highest rating "AAA" from domestic rating agencies - the highest assigned by CRISIL, CARE, India Ratings & Research and 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 ₹ 36,934.37 crore from the market during the financial year 2013-14 for its operational requirements. This includes ₹ 17,403 crore through issue of Institutional Bonds, ₹ 6,000 crore (₹ 1,500 crore through private placement and

₹ 4,500 crore through public issues) raised by way of Tax Free Secured Redeemable Non-convertible Bonds u/s 10(15) (iv) (h) of the Income Tax Act, 1961. The Company raised ₹ 5,349.91 crore by way of Capital Gains Tax Exemption Secured Redeemable Non-convertible Taxable Bonds, under Section 54EC of the Income Tax Act, 1961. Further, ₹ 4,986.16 crore was mobilised through Commercial Paper (CP) and ₹ 1,195 crore through Term Loans. The Company also raised ₹ 1,780.28 crore by way of External Commercial Borrowings and ₹ 220.02 crore by way of Official Development Assistance (ODA) loan from KfW, Germany and Japan International Cooperation Agency (JICA), Japan.

DIVIDEND

In addition to interim dividend of ₹ 7.75 per share paid on February 28, 2014, the Board of Directors of your Company have recommended a final dividend of ₹ 1.75 (One Rupee and Seventy Five paise only) per share (on the face value of ₹ 10/- each) for the financial year 2013-14, which is subject to approval of the Shareholders in the 45th Annual General Meeting. The total dividend for the financial year 2013-14 will work out to ₹ 9.50 (Rupees Nine and Fifty Paise only) per share (on the face value of ₹ 10/- each), representing 95.00 % of the paid-up share capital of the Company, as against ₹ 8.25 per share, representing 82.50 % of the paid-up share capital of the Company, in the previous year. The total dividend pay-out for the financial year will amount to ₹ 938.09 crore (excluding dividend distribution tax of ₹ 159.40 crore).

FINANCING POWER PROJECTS

The Company has been funding power generation, transmission and distribution projects besides electrification of villages and pumpset 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 reduce the AT&C losses and provide electricity to all, 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 financial year 2013-14, your Company sanctioned 23 nos. of Generation/R&M loans including 9 nos. of additional loan assistance with total financial outlay of ₹ 28,723.50 crore, including consortium financing with other financial institutions and has disbursed ₹ 12,987.43 crore against the ongoing generation projects (including 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 to reduce the AT&C losses and provide electricity to all, your Company has been financing schemes for expansion and strengthening of the transmission network and more importantly, modernising of the distribution system. During the financial year 2013-14, the Company sanctioned a total sum of ₹ 32,014.99 crore and disbursed a total sum of ₹ 10,789.09 crore for transmission and distribution projects.

FINANCING RENEWABLE ENERGY AND OTHER PROJECTS

During the financial year 2013-14, besides financing to Generation and T&D projects, your Company sanctioned loan assistance of ₹ 295.48 crore to 6 new, grid-connected Renewable Energy projects with installed generation capacity aggregating 98 MW which included 3 Solar photo-voltaic projects of 75 MW; 2 Small Hydro Projects of 21 MW; and 1 Wind project of 2MW and disbursed an amount of ₹ 134.99 crore for Renewable Energy projects.

RAJIV GANDHI GRAMEEN VIDYUTIKARAN YOJANA (RGGVY)

Government of India is according topmost priority to rural electrification to realise the objective of 'Power to all villages' and 'Provide access to electricity to all' through its flagship programme Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY). Under the scheme, 90% capital subsidy is being provided by Government of India for overall cost of the projects. Continuation of the Scheme in XII and XIII five year plans was also approved by Ministry of Power with capital subsidy of ₹ 35,447 crore, out of which ₹ 23,397 crore would be met through Gross Budgetary Support (GBS) for XII five year plan and remaining ₹ 12,050 crore from XIII five year plan. Under RGGVY, cumulatively up to March 31, 2014, works in 1,08,280 un-electrified villages have been completed and electricity connections to 2.16 crore BPL households have been provided. During this financial year, an amount of ₹ 2,686.97 crore (including subsidy of ₹ 2,394.71 crore under RGGVY and ₹ 29.26 crore under DDG subsidy) has been disbursed.