



आरईसी
REC

असीमित ऊर्जा, अनन्त संभावनाएं
Endless energy. Infinite possibilities.

Funding
Powering
Transforming
Empowering

49th

**Annual Report
2017-18**



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 Deendayal Upadhyaya Gram Jyoti Yojana, a Government of India scheme.
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 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.

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COMPANY INFORMATION

Board of Directors

Dr. P V Ramesh

Chairman & Managing Director

Dr. Arun Kumar Verma

Government Nominee Director

Smt. Asha Swarup

Part time Non-Official Independent Director

Shri Ajeet Kumar Agarwal

Director (Finance)

Shri Aravamudan Krishna Kumar

Part time Non-Official Independent Director

Dr. Bhagvat Kisanrao Karad

Part time Non-Official Independent Director

Shri Sanjeev Kumar Gupta

Director (Technical)

Professor T.T. Ram Mohan

Part time Non-Official Independent Director

Chief Vigilance officer

Dr. Sunita Singh

Company Secretary

Shri J. S. Amitabh

Registered & Corporate Office

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

Tel: 011-24365161, Fax: 011-24360644

E-mail : complianceofficer@recl.in Website : www.recindia.com

CIN : L40101DL1969GOI005095

Shares listed at

National Stock Exchange of India Limited
BSE Limited

Depositories

National Securities Depository Limited
Central Depository Services (India) Limited

Statutory Auditors

G.S. Mathur & Co., Chartered Accountants
A.R. & Co., Chartered Accountants

Secretarial Auditor

Chandrasekaran Associates,
Company Secretaries

Wholly Owned Subsidiaries of REC

REC Transmission Projects Company Limited (RECTPCL)

REC Power Distribution Company Limited (RECPDCL)

Wholly Owned Subsidiaries of RECTPCL

Dinchang Transmission Limited

Koderma Transmission Limited

Mandar Transmission Limited

Chandil Transmission Limited

Dumka Transmission Limited

Jawaharpur Firozabad Transmission Limited

Bankers

Axis Bank
Corporation Bank
Dena Bank
HDFC Bank

ICICI Bank
IDBI Bank
IndusInd Bank
RBL Bank

Reserve Bank of India
State Bank of India
Vijaya Bank
Yes Bank

Registrar & Share Transfer Agent (For Equity & Debt Securities)

Karvy Computershare Private Limited,
Karvy Selenium Tower-B, Plot 31-32,
Gachibowli Financial District,
Nanakramguda, Hyderabad-500032, India.

Tel : 040-67161500, 040-67161586, 040-67161635

Fax : 040-2340814

E-mail : einward.ris@karvy.com

Website : www.karvycomputershare.com

Registrar & Share Transfer Agent (for Debt Securities)

Beetal Financial & Computer
Services (P) Limited,
Beetal House, 3rd Floor, 99 Madangir,
Behind Local Shopping Centre, Near Dada
Harsukhdas Mandir, New Delhi-110062

Tel : 011-29961281-83

Fax : 011-29961284

E-mail : recbonds@gmail.com; beetal@beetalfinancial.com

BOARD OF DIRECTORS



DR. P V RAMESH
Chairman & Managing Director



SHRI AJEET KUMAR AGARWAL
Director (Finance)



SHRI SANJEEV KUMAR GUPTA
Director (Technical)



DR. ARUN KUMAR VERMA
Government Nominee Director



**SHRI ARAVAMUDAN
KRISHNA KUMAR**
Part time Non Official
Independent Director



PROFESSOR T.T. RAM MOHAN
Part time Non Official
Independent Director



SMT. ASHA SWARUP
Part time Non Official
Independent Director



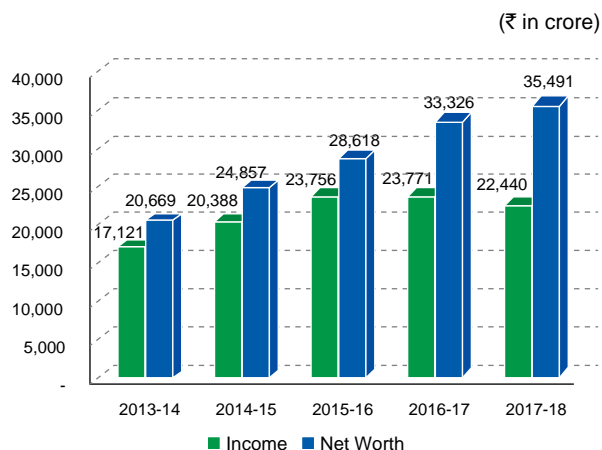
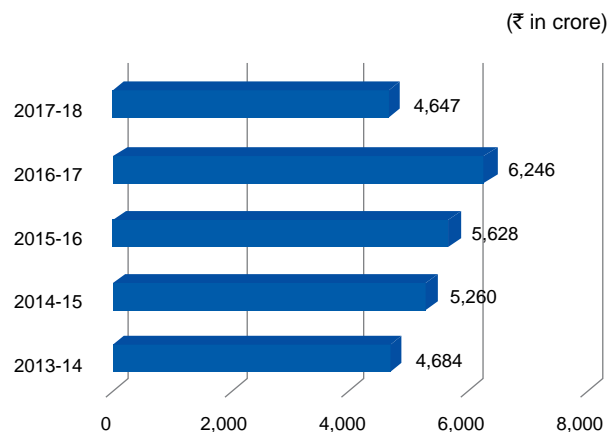
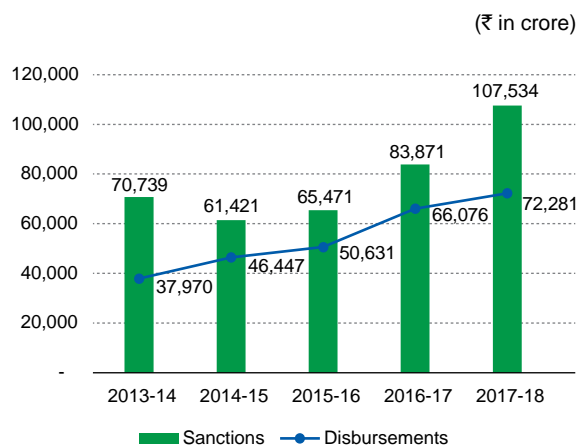
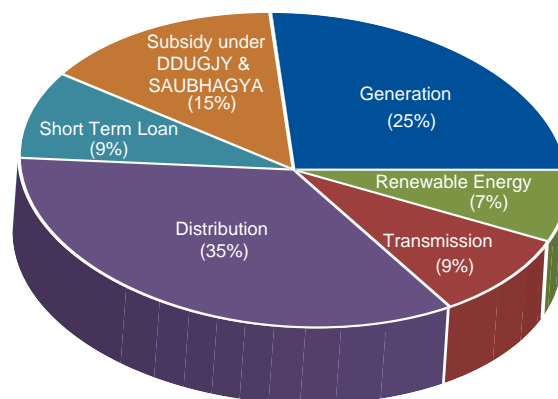
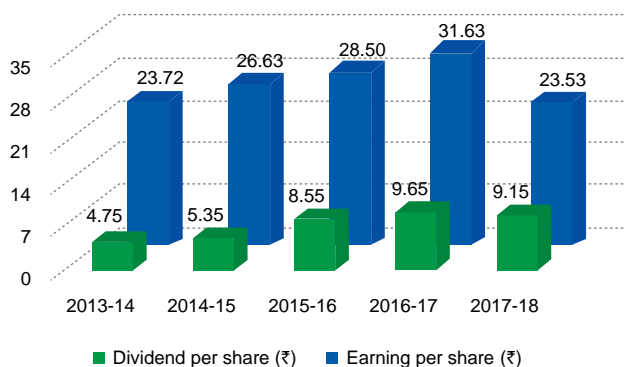
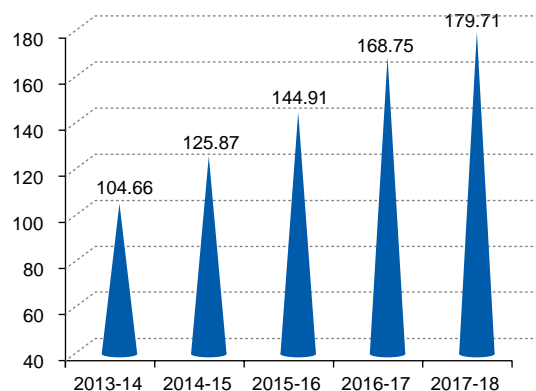
**DR. BHAGVAT
KISANRAO KARAD**
Part time Non Official
Independent Director

PERFORMANCE HIGHLIGHTS

CONSISTENT GROWTH OVER 10 YEARS

Particulars	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
SHAREHOLDERS' FUND										
(at the end of the year) (₹ in crore)										
Equity Share Capital	1974.92	1974.92	987.46	987.46	987.46	987.46	987.46	987.46	987.46	858.66
Reserves & Surplus	33515.59	31350.67	27630.30	23869.57	19682.00	16466.92	13575.58	11801.16	10092.88	5331.42
Net Worth	35490.51	33325.59	28617.76	24857.03	20669.46	17454.38	14563.04	12788.62	11080.34	6190.08
BORROWINGS (₹ in crore)										
From Government of India	-	-	-	3.07	7.93	15.14	24.64	36.13	49.42	64.74
Bonds/Debentures	165334.89	145686.84	139732.73	124683.85	102806.71	85249.04	71372.20	51208.53	40857.14	32631.48
Term Loans from Financial Institutions	400	750	1100	1450	2995	4020	4370	4720	4070	3350
Foreign Currency Borrowings	27530.08	21080.55	21923.72	24028.20	17621.15	15238.19	10698.09	7605.90	2076.37	1493.67
Term Loans from Banks	-	-	-	125.00	269.40	788.80	1091.54	6469.14	5811.43	4801.05
Commercial Papers	3250.00	-	5600.00	-	2540.00	980.00	-	-	2450.00	1295.00
Short-Term/Demand Loans	-	-	749.93	734.00	-	1500.00	2500.00	-	630.00	1300.00
FCNR (B) Loans	2276.54	-	-	-	-	-	-	-	-	-
Total	198791.51	167517.39	169106.38	151024.12	126240.19	107791.17	90056.47	70039.70	55944.36	44935.94
Fund Mobilization	51164.89	28495.18	31254.92	41189.82	36934.37	30759.16	29709.36	25855.35	24028.24	14895.00
FINANCING OPERATIONS (During the year) (₹ in crore)										
Number of projects approved	895	997	625	609	1035	1031	1091	658	492	506
Financial assistance sanctioned	107534.05	83870.82	65471.10	*61421.37	*70739.48	*79470.49	*51296.77	*66419.98	*45357.36	*40745.84
Disbursements	72281.19	66076.15	50630.81	46446.82	37969.99	40183.06	30593.30	28517.11	27127.14	22277.86
Repayments by borrowers	24191.82	57388.24	24394.48	11812.63	14260.45	13345.92	8119.69	8772.58	5806.54	5119.36
Outstanding at the end of the year	239449.34	201928.68	201278.29	179646.94	148641.10	127355.52	101426.26	81725.45	65978.75	50652.81
ACHIEVEMENTS (in Nos.)										
Electrification of un-electrified villages										
During the year	3736	6015	7108	1405	1197	2587	7934	18306	18374	12056
Upto end of the year	125895	122159	116144	109524	108280	107083	104496	96562	78256	59882
Release of free Electricity Connections to BPL Households										
During the year	5041996	2242763	1439144	759377	961730	1296541	3444902	5883355	4718468	3084788
Upto end of the year	30510196	25468200	23225437	21833995	21683554	20721824	19425283	15980381	10097026	5378558
WORKING RESULTS (₹ in crore)										
Total Income	22440.31	23770.58	23756.28	20388.05	17120.80	13598.67	10509.07	8495.26	6707.60	4931.28
Finance Costs	13829.52	13450.35	14283.12	11844.61	10038.46	8083.76	6431.35	4851.01	3912.85	2898.70
Provisions and Contingencies	1415.55	1109.47	1089.85	802.96	312.02	130.68	52.27	0.22	0.22	2.37
Other Expenses	337.54	345.02	332.65	306.68	234.99	216.53	229.32	164.72	145.27	112.17
Depreciation	5.61	5.04	5.45	6.76	4.21	3.75	3.27	3.03	2.15	1.36
Profit Before Tax	6852.09	8860.70	8045.21	7427.04	6531.12	5163.95	3792.86	3476.28	2647.11	1916.68
Provision for Taxation	2205.09	2614.94	2417.55	2167.17	1847.42	1346.33	975.83	906.35	645.69	644.60
Profit After Tax	4647.00	6245.76	5627.66	5259.87	4683.70	3817.62	2817.03	2569.93	2001.42	1272.08
Dividend for the year	1807.05	1905.80	1688.55	1056.58	938.09	814.65	740.59	740.59	603.21	386.40

Notes: (i) Previous year figures are regrouped, wherever required; (ii) *Excluding Sanctions under DDUGJY-RE and DDG.

PERFORMANCE GROWTH**PROFIT AFTER TAX****GROWTH IN SANCTIONS & DISBURSEMENTS****SECTOR-WISE DISBURSEMENTS DURING FY 2017-18****EPS vs. DIVIDEND****BOOK VALUE PER SHARE (₹)**

Figures for EPS, Dividend and Book Value for the previous years are adjusted in line with issue of Bonus shares in the ratio 1:1 by REC during the financial year 2016-17.

CHAIRMAN'S MESSAGE



Dear Shareholders,

It is my privilege to present the 49th Annual Report of REC. I am delighted to share the happy news that our Company has entered the 50th year of service in the nation's development and continues its march as the leading public financial and development institution of India, playing a key role in holistic development of the power sector across the nation. Having contributed successfully to the green revolution through energization of irrigation systems during early decades of its existence, REC has grown from strength to greater strength as the major financier and accelerator of power sector development in the country. We have the unique distinction of having made significant contribution to the historical landmark of electrification of all villages in our country on April 28, 2018. We continue to consolidate and strengthen our unique positioning in the Indian power sector not only as a financier but also as the facilitator and enabler of access to quality power for all citizens of India and work closely with the national and state governments, power utilities and the private sector.

The past financial year has been a challenging but historic for the economy with the roll-out of the much-awaited Goods and Services Tax (GST), implementation of Insolvency and Bankruptcy Code (IBC) and launch of the Pradhan Mantri Sahaj Bijli Har Ghar Yojana- Saubhagya - that seeks to electrify all households of the country. The second half of the 2017-18 financial year witnessed overall improvement in macro-economic parameters with the economic growth gathering momentum along with credit uptake. Major step-up in government spending played an important role in boosting the overall growth and demand. The turnaround in industrial production and the capital goods sector has set in motion a virtuous cycle. Introduction of GST has dispensed multiple and varied levies and ushered in a uniform tax regime across the nation, thus heralding the creation of a giant national market.

The economic outlook for the Asia and the Pacific region remains strong, with the region being the most dynamic in the global economy, accounting for nearly two-thirds of the global growth. The economic growth for Asia in 2018 and 2019 is expected to be robust, around 5.6 per cent. The World Bank, IMF and the Reserve Bank of India have reposed confidence in India's growth prospects and have predicted a higher growth trajectory in the years ahead, which could be around 7.5% in the 2018-19 financial year in the backdrop of improved global demand, prospects of good monsoon, credit uptick and continued reforms by the Government. This makes India the fastest growing economy amongst the emerging economies. At the same time, rise of oil prices could have implications for inflation, current account deficit and external sector parameters. Hardening of interest rates also represents reversal of the declining interest rate environment of recent years. The power sector growth, however, should remain robust in the coming years.

POWER SECTOR SCENARIO

The power sector has witnessed transformational momentum during the past four years on account of a series of decisive steps taken by the government across the power value chain that have contributed to surplus power availability, improved fiscal discipline, greater operational efficiency of the state utilities and unprecedented growth in the clean energy market.

Further, proactive action has been initiated to effect transition from a fossil fuel centric system to energy efficient and renewable centric paradigm on an accelerated mode. Government of India has affirmed its commitment to rapid implementation of the

covenants of Paris Agreement and has set a target of 175 GW of additional power from renewable energy sources by 2022 and increase the share of green energy to 40% of the total installed capacity by the year 2030, apart from rapid transition to Electric Mobility (EVs), energy saving devices and adoption of new & emerging energy technologies.

In addition, the government has launched a series of programmes – Deen Dayal Upadhyay Gram Jyoti Yojana (DDUGJY), Integrated Power Development Scheme (IPDS), Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya), etc. – to transform its vision of Power for All (PFA) into reality well ahead of the schedule. Recognising that DISCOMs continue to be the Achilles heel of the power sector, Government has launched Ujwal DISCOM Assurance Yojana (UDAY) to reform and revitalise the DISCOMs across the nation, which has brought the central and state governments and the DISCOMs on the same platform with a commitment to transform the operational efficiency and effectiveness of the DISCOMs. In addition, government is vigorously promoting energy efficiency systems through the joint venture of our Company, the Energy Efficiency Services Limited (EESL). It is a matter of pride that our Company has been integral part of several important government initiatives to engineer accelerated transformation of the power sector. We have played a major role in electrification of all villages in the country, a landmark achievement in the history of independent India.

On March 31, 2018, the total installed power generating capacity in the country was 344 GW. Of this, thermal power accounted for 65%, followed by renewable, hydro and nuclear at 20%, 13% and 2%, respectively. In tune with the Government's 'One Nation One Grid' initiative, the total length of transmission lines in the country aggregated to about 3.90 Lakh circuit kilometres. The aggregate substation transformation capacity at 765 kV, 400 kV and 220 kV has reached 8.25 Lakh MVA, at the end of the FY 2017-18.

The aggregate Power Supply Deficit for FY 2017-18 was 0.7%. In order to address the issues of shortage of coal supply, the Government undertook a slew of proactive efforts and initiatives, such as allocation of coal mines through transparent auction route, augmenting indigenous coal production, domestic supply of gas to gas-based stranded projects and efforts to improve the operational efficiency of State generation utilities. Government of India has launched a Scheme for Harnessing and Allocating Koyala (coal) Transparently in India (SHAKTI) for allocation of coal in a transparent manner for power sector. This policy is an important initiative in alleviating one key challenge in the power sector, viz. lack of coal linkage. This initiative has contributed positively to the revitalisation of some stressed power assets.

Overall, your Company has been playing a central role in facilitating, supporting, trouble shooting and building the capacity of the power sector across the country and throughout the value-chain by financing and providing value-added services through its subsidiaries, REC Power Distribution Company Limited (RECPDCL) and REC Transmission Projects Company Limited (RECTPCL); and the training institute, REC-Institute of Power Management and Training (REC-IPMAT).

PERFORMANCE HIGHLIGHTS

Year after year, our Company has played an important role in the development of the power sector across the value chain. It has financed the development of power generation projects, in conventional as well as the renewable energy space. The Company has played active role in modernisation and creation of additional capacity of Transmission & Distribution (T & D) infrastructure across the country. In addition, we have financed the development of energy efficient and solar-based irrigation systems and such other value-added activities. As the nodal agency for the DDUGJY scheme of the Government of India, your Company has facilitated accelerated electrification of the entire country and improved capacity and performance of the distribution system. With the electrification of the last village living in darkness, 'Leisang' in Manipur State on April 28, 2018, we have contributed to a historical landmark, electrification of all villages in our country. As the nodal agency for Saubhagya, we are proactively facilitating electrification of all households in the country ahead of the scheduled deadline of December 31, 2018.

During the financial year 2017-18, your Company became the first Indian PSU to launch Green Bonds denominated in US Dollars and raised USD 450 million for a tenor of ten years, which attracted overwhelming response from investors across the globe, with the issue getting oversubscribed 6.7 times. These Bonds are listed on the International Securities Market (ISM) segment of London Stock Exchange and Singapore Stock Exchange. It was affirmation of our commitment to promotion of green energy and a step towards realization of the national goal of harnessing the enormous green energy potential in the country to achieve the targeted capacity of 175 GW by 2022.

The domestic debt instruments of REC continued to enjoy "AAA" rating – the highest rating assigned by CRISIL, CARE, India Ratings & Research & ICRA. The Company enjoys international credit rating from International Agencies i.e. Moody's and FITCH of "Baa3" and "BBB-", respectively.

We have further refined and diversified the range of products to finance the emerging needs of the power sector across the value-chain in the state and central as well as the private sector domain. During the FY 2017-18, the Company sanctioned a total loan assistance of ₹107,534 crore, which included ₹53,224 crore for Generation projects; ₹36,326 crore towards Transmission and Distribution (T&D) sector strengthening; ₹7,034 crore for renewable energy projects i.e. solar, small hydro and wind energy; and ₹10,950 crore for other investments. Your Company is poised for a major leap in financing renewable projects in the coming days.

Further, during the 2017-18 financial year, the Company disbursed a total loan amount of ₹61,712 crore, which included ₹26,676 crore for T&D projects, ₹18,086 crore towards generation projects, ₹5,403 crore towards renewable energy projects, ₹10,860 crore towards other loans and ₹687 crore as counterpart financing for DDUGJY. In addition, we administered a grant of ₹10,569 crore provided by Government of India, under DDUGJY and Saubhagya schemes, that was disbursed to different states/implementing agencies.

During the FY 2017-18, the operating income of REC on a standalone basis was ₹22,358 crore. The Profit Before Tax and Profit After Tax for the reporting year was ₹6,852 crore and ₹4,647 crore, respectively. REC's Net Worth on March 31, 2018 was ₹35,491 crore, which was 6.50% higher than the net worth of ₹33,326 crore, a year earlier.

ASSET QUALITY

After addition of loan assets of ₹37,520 crore during the financial year 2017-18, gross Loan book of your Company stood at ₹2,39,449 crore on March 31, 2018. Of this, State Sector accounted for 78%, 8% towards Joint Sector, followed by 14% to the Private Sector.

It is pertinent to mention that the Reserve Bank of India (RBI) notified 'Revised Framework for Resolution of Stressed Assets', which *per se* was not applicable to REC, being a Non-Banking Financial Company (NBFC). However, as a matter of abundant prudence, loans amounting to ₹9,591 crore were classified as non-performing assets during the year, in line with the above circular. Accordingly, as on March 31, 2018, the Gross NPAs stood at ₹17,128 crore (7.15% of Loan Assets) and the Net NPAs were ₹13,612 crore (5.68% of Loan Assets). It is important to note that without the impact of the above circular, the Gross NPAs were ₹7,537 crore (3.14% of Loan Assets) and the Net NPAs were ₹4,980 crore (2.07% of Loan Assets). The Company did not reschedule any doubtful loans during the FY 2017-18.

We have initiated several measures to ensure high quality of project assets that include, *inter-alia*, robust entity and project appraisal, diligent administration of loan, effective monitoring of the project implementation through Lenders' Engineers and Project Management Consultants. Consequently, your Company continues to own high quality assets and has the lowest Non-Performing Assets (NPAs) in the league.

CAPITAL STRUCTURE

Being an Infrastructure Finance Company, your Company is required to maintain a Capital to Risk Weighted Assets Ratio (CRAR) of 15%, with a minimum Tier I Capital of 10%. Notwithstanding the higher provisioning that has been made as a matter of abundant prudence and reduction in the net interest margin, the Company was able to maintain CRAR of 19.39%, which is well above the regulatory requirements.

During the year under review, the President of India acting through the Ministry of Power divested/sold 1,08,25,689 equity shares i.e. 0.54% of total paid up capital of the Company. Accordingly, as on March 31, 2018, the President of India held 58.32% of the paid-up equity share capital of the Company. Further, 64,73,244 equity shares i.e. 0.33% of total paid up capital of the Company were divested/sold in June, 2018 and as on date, the President of India holds 57.99% of the paid-up equity share capital of the Company.

DIVIDEND

The Board of Directors of your Company has recommended final dividend of ₹1.75 per share for the financial year 2017-18, subject to approval of the Shareholders in this annual general meeting, which is in addition to the interim dividend of ₹7.40 per share paid in February, 2018. Total dividend for the financial year 2017-18 will work out to ₹9.15 per share, representing 91.50% of the paid-up equity share capital.

POLICY INITIATIVES

During the financial year 2017-18, your Company has adopted / amended various policies and guidelines, such as policy for advancing Short Term Loans to private sector borrowers; updation of Appraisal Guidelines in respect of Private Sector Conventional & Renewable projects; rationalization of Post-COD interest rate and modification of interest rate reset period for Renewable Energy projects; Comprehensive Risk Management Policy along with project and other risk categorization frameworks; REC policy for investment of Short Term Surplus funds; Succession Planning for key positions; Modification of REC Long Term Investment Policy; New Grading Model and Exposure Norms for State Power Utilities; etc. The new/modified guidelines shall make the Company more competitive and provide a thrust for the business.

Considering that 'REC' has become a Brand that is recognized by public at large in India and abroad, your Company has initiated the process for aligning its name to reflect its current mandate and activities. Accordingly, we have initiated the process for changing the name of our Company from "Rural Electrification Corporation Limited" to "REC Limited", subject to the requisite approvals. Your Company is also in the process of widening the scope of its Objects, for harnessing new business opportunities emerging in the Power sector.