



Countless smiles. A single story.

Growth
is Power



Rural Electrification Corporation Limited
A Government of India Enterprise

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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

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.

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.

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.

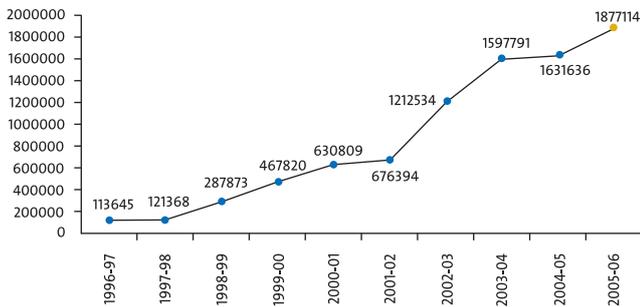
OBJECTIVES

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

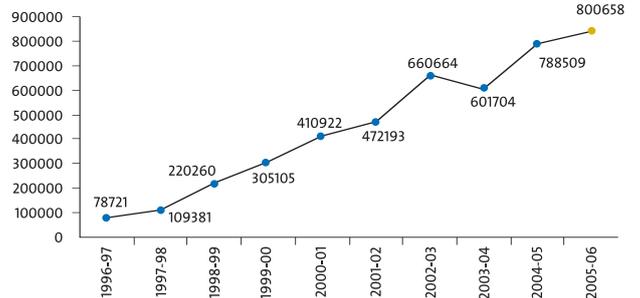
- To promote and finance projects aimed at integrated system improvement, power generation, promotion of decentralized and non-conventional energy sources, energy conservation, renovation and maintenance, power distribution with focus on pumpset energisation, implementation of Rajiv Gandhi Grameen Vidyutikaran 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 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 areas.

performance highlights

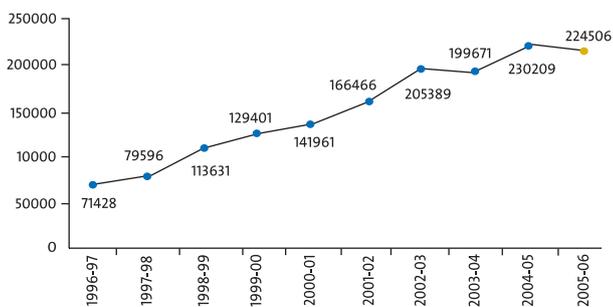
Sanctions (Rs. In Lacs)



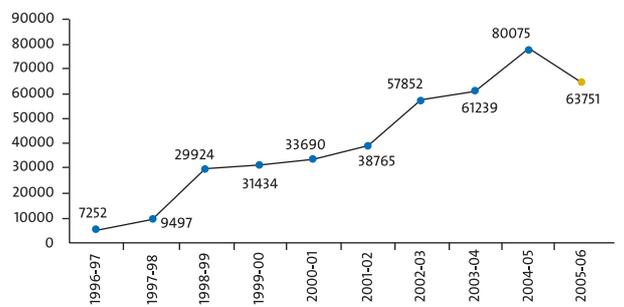
Disbursements (Rs. In Lacs)



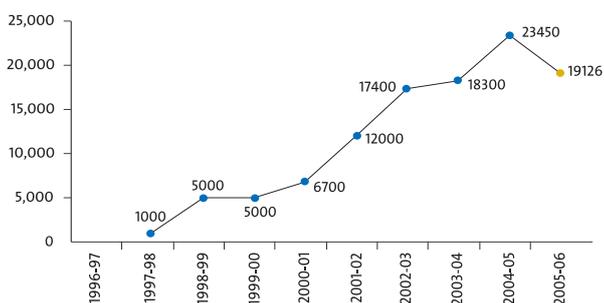
Gross Income (Rs Lacs.)



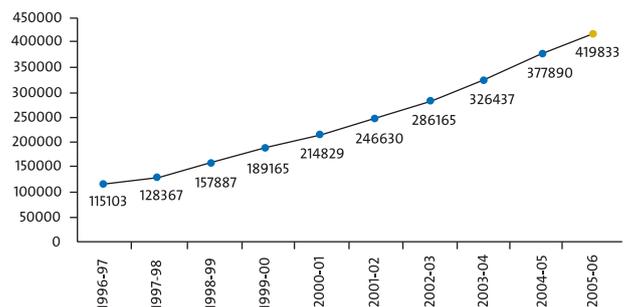
Net Profit (Rs Lacs.)



Dividend (Rs. In Lacs)



Net Worth (Rs Lacs)



consistent growth over 10 years

Particulars	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97
RESOURCES										
(at the end of the year)										
Equity Capital (Rs. Lacs)	78060	78060	78060	78060	78060	73060	68060	68060	63060	58260
BORROWINGS (Rs. Lacs)										
From Govt. of India	11997	14017	118336	220341	480947	566779	559894	501749	455591	422402
By issue of bonds	1675724	1360591	1197511	1049404	671927	372068	277573	209102	197517	179901
From LIC	350000	350000	150000	—	—	—	—	—	—	—
Other Banks	366200	213200	44000	20000	21000	—	—	—	—	—
Reserves & Surplus (Net)	341773	299830	248377	208105	168570	141769	121105	89827	65307	56843
FINANCING OPERATIONS										
(During the year) (Rs. Lacs)										
Number of projects approved	661	1523	1322	1060	979	1301	1379	1468	1261	1290
Financial assistance sanctioned	1877114	1631636	1597791	1212534	676394	630809	467820	287873	121368	113645
Disbursements	800658	788509	601704	660664	472193	410922	305105	220260	109381	78721
Repayments by borrowers	350646	468324	358732	471594	266998	216262	155259	111024	41483	26574
Outstanding at the end of the year	2456368	2106218	1830470	1593565	1418534	1218919	1029368	884231	779923	715081
ACHIEVEMENTS										
Villages electrified										
During the year	181	765	122	—	207	581	1996	2502	3045	3274
Upto the end of the year	306010	305829	305064	304942	304942	304735	304154	302158	299661	296616
Pumpsets energised										
During the year	182239	175772	132914	134583	139917	206071	252877	279201	242173	300792
Upto the end of the year	8565493	8383254	8207482	8074568	7939985	7800068	7593997	7341120	70611919	6819746
Working Results										
(For the year) (Rs. Lacs)										
Total income	224506	230209	199671	205389	166466	141961	129401	113631	79596	71428
Personnel & Admn. Expenses	5770	4434	4659	5866	4972	3141	2544	2400	1792	1647
Interest on borrowings	133913	120475	114220	120274	109879	93216	79189	69372	63163	58509
Depreciation	110	115	103	104	151	621	623	607	601	585
Profit Before Tax	82983	103665	80154	76663	50120	44647	41936	38454	12073	8552
Provision for Tax	19232	23590	18915	18811	11355	10958	10502	8530	2576	1300
Profit After Tax	63751	80075	61239	57852	38765	33690	31434	29924	9497	7252
Dividend on Equity	19126	23450	18300	17400	12000	6700	5000	5000	1000	—
Net Worth	419833	377890	326437	286165	246630	214829	189165	157887	128367	115103

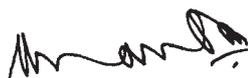
Notice

Notice is hereby given that the Thirty Seventh Annual General Meeting of the Members of Rural Electrification Corporation Limited (REC) will be held on Friday the 22nd September 2006 at 4 P.M. at the Registered Office of the Corporation at Core-4, Scope Complex, 7, Lodhi Road, New Delhi-110003, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2006 and the Profit & Loss Account for the year ended on the date and the Report of the Directors and the Auditors thereon.
2. To declare Dividend for the year 2005-06.
3. To fix the remuneration of the Auditors.

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



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

New Delhi

Dated: 31st August, 2006

To

1. All the Members of the Corporation
2. Statutory Auditors of REC

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a Member of the Corporation. The proxy, in order to be effective, must be deposited at the Registered Office of the Corporation not less than 48 hours before the commencement of the meeting.

directors' report

To

The Shareholders,

The Directors have pleasure in presenting the Thirty-seventh Annual Report of the Corporation together with the Audited Accounts for the year ended 31st March, 2006.

2. PERFORMANCE HIGHLIGHTS

- 2.1** Over the last nine years, the Corporation has recorded consistent growth in almost all the performance parameters.
- 2.2** The total amount of loan sanctioned during the year 2005-06 was Rs.18771 crore against Rs.16316 crore sanctioned during the previous year. The total amount of disbursements made was at an all time high of Rs.8007 crore against Rs.7885 crore disbursed in the previous year. The amount recovered during the year was Rs.5434 crore against the last year's recoveries of Rs.6817 crore. The decline in recovery was on account of one time receipt which stood at Rs.29.57 Crores in the year 2005-06 against Rs. 1585 Crores in the year 2004-05. The Corporation has recorded profit before tax of Rs.830 crores against Rs.1037 crores for the previous year 2004-05. The decline in profit was on account of reduction in one time income which stood at Rs.122 Crores in the year 2005-06 as compared to Rs.547 Crores in the previous year 2004-05. However, the Corporation has recorded a substantial growth in operational income by Rs.298 crores from Rs.1637 crores in the year 2004-05 to Rs.1935 crores in the year 2005-06.

3. FINANCIAL REVIEW

- 3.1** The summary of financial results of the Corporation for the year ended 31st March, 2006 are as given below:-

	2005-06	2004-05
Sanctions	18771.00	16316.00
Disbursements	8007.00	7885.09
Gross Income	2245.06	2302.09
Profit before tax and depreciation	830.93	1037.69
Depreciation	1.10	1.15
Provision for Income Tax, Deferred Tax & Wealth Tax	192.32	255.18
Net Profit	637.51*	781.36
Transfer to Special Reserve	265.00	380.00
Transfer to Reserve for Bad & Doubtful Debts	27.50	35.00
Transfer to General Reserve	211.00	95.00
Proposed Dividend/Interim Dividend	191.26	234.50
Dividend Tax	26.82	32.33
Balance carried forward	4.43	4.53

*After tax for earlier years & prior period adjustments

- 3.2** There was no addition to the Equity Share Capital during the year 2005-06 and the Paid-up Equity Share Capital as on 31st March, 2006 stood at Rs.780.60 crore against the Authorized Share Capital of Rs.1200 crore.
- 3.3** The amount mobilized from the market during the year 2005-06 was Rs.9062.66 crore, which includes Rs.1885 crore by way of syndicated loan from commercial banks, Rs.3396.46 crore by way of capital gain tax exemption bonds, Rs.3281.20 crores by way of non-priority sector bonds including Rs.500 crore raised through structured deal with JPY-INR coupon only swap option, as long term funds. In addition to this, cash credit limits of Rs.1022 crore were tied up with different banks for day to day operations. The debt instruments of REC continued to enjoy AAA rating – the highest rating assigned by CRISIL, CARE and FITCH.
- 3.4** During the year, the Corporation repaid to the Government a sum of Rs.20.19 crore, and redeemed a total sum of Rs.854.829 crore to non-priority/priority sector bond holders. In addition, Capital Gain Tax Exemption and Infrastructure Bonds to the tune of Rs.3182.95 crore were also redeemed.
- 3.5** For the year ended 31.3.2006, the profit before depreciation and tax was Rs.830.93 crore. After providing for depreciation, tax, prior period adjustments, adjustment towards income/interest tax for earlier years and making necessary appropriation towards Statutory reserves amounting to Rs.292.50 crore, your directors are happy to recommend payment of dividend of Rs.191.26 crore for the year 2005-06, including interim dividend of Rs.90 crore already paid during the year. The balance surplus of Rs.211 crore is proposed to be transferred to General Reserve.
- 3.6** At the close of the financial year 2005-06, the total resources of the Corporation were Rs.28237.54 crore comprising Equity Share Capital of Rs.780.60 crore, Reserves and

Surplus of Rs.3417.73 crore, Government Loan of Rs.119.97 crore, Long Term Loan/Cash Credit/Short Term Loans from LIC and Commercial Banks of Rs.7162 crore, Market Borrowing of Rs.16757.23 crore. These funds were deployed as Long/Short Term Loans of Rs.25325.60 crore and Fixed Assets of Rs.64.39 crore, Investments of Rs.1325 crore and Working Capital of Rs.1507.13 crore, and Deferred Tax of Rs.15.42 crores.

- 3.7** The Corporation has continued its efforts to keep cost of borrowing at moderate level. As per Finance Act 2006, only NHA I & REC are eligible to raise money through bonds issued under Section 54 EC of the Income Tax Act, 1961, and REC has been given a mandate by Govt of India to raise Rs.4500 Crore under Section 54EC during the financial year 2006-07.

4. DIRECTORS' RESPONSIBILITY STATEMENT

In pursuance of Section 217 (2AA) of the Companies Act, 1956, your Directors certify-

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;

- (iii) that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors had prepared the annual accounts on a going concern basis.

5. RAJIV GANDHI GRAMEEN VIDYUTIKARAN YOJANA (RGGVY)

- 5.1** Government of India, in April 2005, had launched the new scheme “Rajiv Gandhi Grameen Vidyutikaran Yojana – Scheme of Rural Electricity Infrastructure and Household Electrification” in order to fulfill the National Common Minimum Programme (NCMP) objective of providing electricity to all households in five years and improving rural electricity infrastructure. The RGGVY scheme is primarily being implemented through a single nodal agency i.e. through REC. This scheme merges the “Accelerated Electrification of One lakh Villages and One Crore households” and the “Minimum Needs Programme (MNP)” for rural electrification. The salient features of the RGGVY scheme are detailed in the **Annexure-I** to this Report.
- 5.2** The services of Central Public Sector Undertakings (CPSUs) have been offered to the states for assisting them in the execution of Rural Electrification Projects as per their willingness and requirement under the RGGVY Scheme. With a view to augment the implementation capacities for the programme, REC has entered into Memorandum of Understanding (MOUs) with NTPC, POWERGRID, NHPC and DVC to make available CPSUs’ project management expertise and capabilities to states wishing to use their services.
- 5.3** For effective and expeditious implementation of the RGGVY scheme, a comprehensive framework has been put in place in

consultation with all the states, state power utilities and the concerned CPSUs. All the participating states have signed the requisite tripartite / quadripartite agreements.

5.4 Upto the end of Financial Year 2005-06:

- (a) Out of 27 participating states, the DPRs have been received from all 27 states covering 475 districts of the country involving total outlay of about Rs.16,000 Crore.
- (b) DPRs in respect of 195 districts (191 projects) in 22 states of the country, involving total outlay of Rs. 6271 Crore covering electrification of about 73 Lakh rural households in about 1,25,000 villages (including 51284 un-electrified villages) have been sanctioned.
- (c) NITs for 172 districts (168 projects) have been issued of which contracts for 125 districts (122 projects) have been awarded.

The state-wise details are enclosed in **Table-1**.

- 5.5** Under the scheme, works for electrification of about 10,169 villages in the states of Bihar, Uttar Pradesh, West Bengal, Rajasthan, Uttaranchal and Karnataka have been completed during 2005-06. The state-wise details are enclosed in **Table-2**. The works for electrification of 40,000 villages have been targeted for completion during 2006-07.
- 5.6** To facilitate deployment of franchisees for management of rural distribution by the states as envisaged under the concerned OM issued by MOP, REC has formulated guidelines which has been forwarded to all the states and concerned CPSUs. The states have already taken advance action in development of franchisees and have issued expression of interest / NIT for deployment of franchisees for distribution of power in rural areas. During the year 2006-07, a target for establishment of franchisees for about 10,000 villages has been fixed.

5.7 For effective monitoring and concurrent evaluation of the programme, an on-line monitoring system is being formulated in consultation with NIC.

5.8 During 2006-07, works for electrification of additional 4085 villages have been reported up to 30th June 2006.

5.9 Utilisation of Funds

During the year, Ministry of Power has released Rs.1100 crore as Capital Subsidy to REC under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY). Out of this, Rs.1023.49 crore have been utilized. The disbursement made by REC under RGGVY for the sanctioned projects during the year 2005-06 was Rs.562.16 crores involving capital subsidy of Rs.514.53 crores and loan assistance by REC of Rs.47.63 crores as per details given in **Table 3**. The balance subsidy of Rs.508.96 crore was already disbursed in 2004-05 but adjusted against subsidy released in 2005-06 being (i) Rs.482.01 crore on account of change of 'Subsidy : Loan' ratio from 40:60 to 90:10, and (ii) Rs.26.95 crore on account of excess disbursed in 2004-05.

6. TRANSMISSION AND DISTRIBUTION NETWORK

6.1 As in the previous years, REC continued to play an active role in improving the transmission and distribution network in the country, realizing the importance of this vital link between the generators and the ultimate consumers. In line with the country's objective to provide power for all by the year 2012, an expansion of the regional transmission network and more importantly, a fully efficient and modern distribution system is the need of the hour for which REC is fully geared up to play its role.

6.2 System Improvement – In order to improve the efficiency of electrical network especially with respect to reduction of T&D losses and the voltage profiles, REC has been encouraging implementation of the System Improvement programme, for which REC

provides loan assistance to the Power utilities under its System Improvement portfolio. Thrust on financing of such schemes for improvement of power transmission and distribution network for reducing T&D losses and improving the quality of power supply was continued.

6.3 High Voltage Distribution System (HVDS) –

Apart from financing, REC continued to provide the power utilities with technical expertise for identifying the system deficiencies and weaknesses and suggesting various alternatives to improve the system, out of which the most effective and technically feasible solution is adopted. One such project is the High Voltage Distribution System (HVDS) sanctioned by REC on a large scale during the previous Financial Year. The projects envisage reduction of the technical and commercial losses by implementation of High Voltage Distribution System (HVDS) in place of conventional Low Voltage Distribution System (LVDS) for all LT feeders feeding agriculture loads. Apart from reducing LT line losses, the voltage profile is improved, failure of Distribution Transformers is reduced leading to improved reliability and quality of power supply to consumers. HVDS schemes for the states of Andhra Pradesh and Rajasthan were financed by REC during 2005-06 and schemes from other states are likely to be financed during 2006-07.

6.4 Equipment Financing – Apart from System Improvement projects, REC is also financing the procurement and installation / replacement of various equipment required in the system. For example, most of the power utilities are taking up large scale installation / replacement of meters in order to meet the target of 100% metering set by the Govt. in order to have an accurate measure of the energy flow in the system, for which REC provide finance to meet their requirements. Similarly, to meet the ever increasing requirement of financial support for installation and replacement of transformers, capacitors, breakers etc. the Corporation has continued the financing of schemes for bulk procurement of these items.

6.5 Pumpset energisation – REC's loan portfolio also includes extension of loan assistance for energisation of agricultural pumpsets. Out of the total around 147.23 lakh pumpsets reported to be energized in the country as on 31.3.2006, 58% pumpsets have been energized under schemes funded by REC.

6.6 Village / Dalit Basti and intensive electrification – Even though the programme of village and dalit basti electrification is covered under the RGGVY, REC continued to extend finance during this year also for such works under its regular portfolio under the already sanctioned ongoing schemes. Similarly, REC continued its financing for projects for intensive load development for providing connections to rural consumers in already electrified areas.

7. GENERATION PROJECTS

7.1 REC had a mandate to finance Small, Mini, Micro Generation Projects till the year 2002. This mandate was expanded in July 2002 to include all types of Generation Projects without any limit on the size of the projects. Since then, REC has captured both State Sector as well as Private Sector market.

7.2 The sanctions on Generation Projects during the year 2005-06 crossed Rs.6000 crore and a notable feature was the increasing share of IPPs approaching REC. The sanction of private sector projects increased from Rs.583.53 crore in 2004-05 to Rs.2150 crore in 2005-06. During the current year 2006-07, REC has already sanctioned projects worth Rs.3710 crore so far, and with a pipeline of projects available, REC is likely to surpass all previous records in sanctions of Generation Projects.

7.3 The actual disbursements on Generation Projects touched Rs.1553 crore in 2005-06, as compared to Rs.92 crore in 2002-03, and disbursements so far during the current year 2006-07 have already crossed the previous year's figure of Rs.1553 crore.

7.4 Financing of Generation Projects is thus becoming a major business activity in REC's operations. Generation Business in REC is now spread across all regions of the country and more and more States are moving

towards REC for financing their major Generation programmes. In the coming years REC will strive to capture larger market share of the Generation Sector financing by taking suitable steps for quality appraisal and speedy clearance of all major proposals.

7.5 Decentralised Distributed Generation (DDG)

The need for providing Decentralised Distributed Generation (DDG) in the rural areas to supplement the grid and non-grid based power supply system is being increasingly felt. REC and the Ministry of Power are conceptualizing and formulating the scheme and incorporate it as a priority thrust area during the XI Plan period.

8. LOANS SANCTIONED, DISBURSEMENTS AND RECOVERIES

8.1 Loans worth Rs. 18771 Crore were sanctioned during the year for schemes as against Rs.16316 Crores in the previous year. The state-wise and category-wise break-up of loans sanctioned during the year are given in **Tables-4 and 5** respectively. The cumulative state-wise position of sanctions upto the end of 2005-06 is given in **Table-6**.

8.2 A total sum of Rs.8006.56 Crores was disbursed during the year. The state-wise disbursements and repayments by the borrowers during the year 2005-06 together with cumulative figures thereon and outstandings as on 31.3.2006 are given in **Table-7**.

8.3 The amount, including those of defaulting SEBs, that became due for recovery during the year was Rs.5474.97 Crores compared to Rs.5316.88 crores during the previous year. The Corporation recovered a total sum of Rs.5433.81 Crores. The details of overdues from defaulting borrowers as on 1.4.2005, the amount which became due during the year, the recoveries made during the year and the overdues at the close of the financial year are placed at **Table-8**. The Corporation has been making all possible efforts towards recovery/settlement of these dues.

9. PHYSICAL PERFORMANCE

9.1 Village and Dalit Basti Electrification

During the year 181 villages were reported as electrified. State wise cumulative position of villages reported as electrified under REC financed schemes upto the end of March, 2006 is given in **Table-9**. During the year, 4644 dalit bastis were reported as electrified. With this, 181959 dalit bastis have been reported as electrified cumulatively with the Corporation's assistance as on 31.3.2006. The state wise details are given in **Table-10**.

9.2 Pumpset Energisation

During the year, 182239 electric irrigation pumpsets were reported energized under REC financed schemes. The state wise details and cumulative position upto 31.3.2006 are given in **Table-11**.

9.3 System Improvement

During the year 2005-06, a total of 367 system improvement schemes were sanctioned involving a loan outlay of Rs.5484.03 crore. This included – (i) counterpart funding under Accelerated Power Development & Reforms Programme (APDRP) of Ministry of Power for 29 schemes involving loan outlay of Rs.263.70 crore, (ii) 25 schemes involving a loan assistance of Rs.825.78 crore for financing investment in the distribution system by way of installation of essential equipment like transformers and meters, (iii) 62 schemes involving a loan assistance of Rs.1569.35 crores for conversion of Low Voltage Distribution to High Voltage Distribution System (HVDS), and (iv) 45 schemes for Rs.1234.89 crores for improving the transmission network.

9.4 Generation Projects

During the year, the Corporation sanctioned 14 new generation projects (including R&M) and 3 additional loans with financial outlay of Rs.6006.04 crore, including consortium financing with other financial institutions.

Cumulatively, since 2002-03 and upto 31.3.2006, REC has effectively sanctioned financial assistance of Rs.18220.56 crore for R&M, thermal and hydro generation projects. REC has disbursed Rs.1553.45 crore against the on-going generation projects during 2005-06.

10. ACTIVITIES IN NORTH EASTERN STATES

10.1 For the financial year 2005-06, REC has sanctioned additional Term Loan for two major generation projects in North-Eastern States amounting to Rs.46.04 crore. During this period, disbursement of Rs. 46.04 crore has been made against the on-going generation projects in the North-Eastern States.

10.2 A loan assistance of Rs.13.09 crore was drawn by the NE states under new and ongoing schemes under T&D programme during the year as against Rs.23.13 crore during 2004-05. 3 schemes with a loan outlay of Rs.4.181 crore were sanctioned to Arunachal Pradesh and Nagaland under System Improvement and Intensive Electrification category.

11. MEMORANDUM OF UNDERSTANDING (MOU)

11.1 The performance of the Corporation in terms of Memorandum of Understanding signed with the Govt. of India in the Ministry of Power for the financial year 2004-05 has been rated as "Excellent". This is the 12th year in succession that the Corporation has received "Excellent" rating since the year 1993-94 when the first MOU was signed with the Government.

11.2 For the year 2005-06 also, the Corporation is poised for excellent rating. The Corporation has achieved/exceeded the targets for excellent rating in respect of all the performance indicators. The Corporation has reached new milestones in new sanctions and disbursements.

12. INTERNATIONAL CO-OPERATION & DEVELOPMENT

12.1 Japan Bank for International Cooperation (JBIC) assistance for Rural Electricity Distribution Backbone Project

12.1.1 Loan Agreement has been signed with JBIC for a loan assistance of 21 billion yen (Rs. 822 crore) under the ODA loan package for the Rural Electricity Distribution Backbone (REDB) Project of REC envisaging erection of 749 nos. of new 33/11 KV sub stations and 510 nos. of augmentation of sub stations in the States of AP, MP & Maharashtra. This loan assistance shall be available from 2006-07 onwards.

12.1.2 The objectives of the project are to improve the sub transmission system by relieving the existing overloaded system and reducing the T&D losses and to expand access to electricity for un-electrified households and other rural loads for different economic activities, by constructing and augmenting the sub-stations and associated distribution lines, thereby improving living standard of local residents and promoting economic and social development in the concerned areas.

12.2 Indo German Bilateral Cooperation for HVDS project of APSPDCL

REC's project proposal of HVDS system of Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) for Chittoor and Kadapa districts has been approved by KfW Germany for providing financial assistance of 70 million EURO (Rs. 416 crore) under Indo German Bilateral Cooperation. KfW has agreed to enlarge the scope of the project by considering it as a programme funding for HVDS projects of other States also. Depending upon the success of the programme, KfW may be able to consider substantially higher allocation for the HVDS programme in subsequent years.

12.3 Clean Development Mechanism (CDM)

The Ministry of Power has designated REC as the nodal agency responsible for promoting

CDM in respect of energy efficiency projects in the power distribution sector (i.e.LT to HT conversion- HVDS, and Separation of Agricultural Feeders from Household Feeders). REC plans to offer technical and financial assistance to the State Power Utilities/Discoms, through experts, for preparation of such projects for CDM, and to enter into suitable cost/revenue sharing arrangements with the project promoters.

12.4 REC-RUS Cooperation

12.4.1 Under REC RUS Cooperation initiatives, an alternative financing model is being developed for financing Rural Electricity Utilities to make them viable and sustainable in the long run through development of community ownership. This financing model is to be tested and finalized through certain pilot projects to be financed by REC for future replication, with technical assistance and guidance from RUS.

12.4.2 As part of this initiative, capacity building measures will be taken up by exposing project implementers to International technical, financial and managerial best practices.

13. INFORMATION TECHNOLOGY

13.1 Initiative for introduction of IT based business process

Enterprise Resource Planning (ERP) enables organization to make better decisions and thus improve their business processes. It systematically looks into the systems & procedures by optimizing the processes and imposing discipline across the functions. Through ERP, the business functions are integrated and enterprise wise information sharing is enabled using on-line collaboration tools.

It has been decided to take up implementation of ERP for computerizing the major functional areas of the Corporation and also develop a robust MIS system for these functional areas with seamless flow of data from the integrated systems to provide decision support for the management and reporting.

13.2 Strengthening of IT Infrastructure

During the year, 95 latest computers have been procured in the Corporate Office and 43 PCs in the Project Offices to strengthen the IT infrastructure of the Corporation so as to facilitate IT based functioning and maximize the use of In-house developed application packages through LAN infrastructure and WEB access.

14. ACTIVITIES OF CIRE, HYDERABAD

- 14.1** During the year 2005-06, REC's Central Institute of Rural Electrification (CIRE) at Hyderabad has conducted 26 programmes which includes 9 open programmes, 12 sponsored programmes under Distribution Reform Upgrades & Management (DRUM) and 3 inhouse programmes, one joint programme with the Institute of Public Enterprise and one International Training programme. The open programmes were on pilferage of Electricity, Technical and Legal Remedies, Metering and billing – Trends & Development, Power Sector Accounting with reference to Electricity Supply Annual Accounting Rules (ESAAR) & Generally Accepted Accounting Principles (GAAP), Electricity Act 2003 – open Access on T&D – issues and challenges, Legal Aspects in Power Sector, Power and Distribution Transformers for Optimum Performance, Power Purchase Agreement, Distribution Automation, Load Management and SCADA, Electricity Trading and Tariff ABC Scenario.
- 14.2** Under sponsored (DRUM) programmes, CIRE conducted 4 programmes on Best Practices in Distribution Loss Reduction, 3 programmes Best Practices in Agriculture Pumpsets and Rural DSM and one each on Best Practices in Distribution System, Operation and Maintenance, Financial Management of Distribution Business, Distribution Business and DSM, Customer Satisfaction, Communication and outreach and Rural Power Supply and participatory models. Programme on Best Practices in Distribution Loss Reduction was organized as off campus programme at Ranchi, Guwahati and Agartala.

14.3 CIRE has entered into MOU with the Institute of Public Enterprise for organizing programmes related to management jointly and organized one programme on Enterprise Resource Planning for Financial Management.

14.4 The inhouse programmes for REC officers and staff included Energy conservation Awareness, Appraisal of Power Generation Projects and Hindi Translation Programme for REC Employees.

Empanelment of CIRE under ITEC / SCAAP:

14.5 For the first time, the institute is now empanelled under Indian Technical and Economic Co-operation (ITEC) / Special Commonwealth Africa Assistance Plan (SCAAP) under Ministry of External Affairs for conducting training for foreign nationals. An 8 week duration programme on Power Distribution Project Financing and Accounting System was organized during Feb/March, 2006 which was attended by 15 participants from Zimbabwe, Turkey, Ghana, Syria and Bhutan.

Facelift of CIRE Building:

14.6 To improve the infrastructure facilities the Corporation has taken up face lift of campus building with an estimated expenditure of around Rs.2.64 crores through CPWD. The works are in progress and in final stages of completion. This includes renovation and air-conditioning of 36 rooms and dining hall besides work in administrative and teaching blocks and laying of jogging track, landscaping in the campus.

15. HUMAN RESOURCE DEVELOPMENT

- 15.1** During the year 2005-06, in order to professionalise the Executive strength of REC and also to infuse fresh blood, 52 Executives were appointed in REC through open advertisement. The total manpower at the close of the financial year 2005-06 i.e. on 31-03-2006 was 707 which includes 304 Executives and 403 Non-Executives.
- 15.2** During the year 2005-2006, the Corporation sponsored 199 employees for Seminar/ Workshop and other Training Programmes conducted by reputed institutions/bodies in different parts of the country as well as outside the country. In addition ten days Orientation Training Programme was also conducted for the newly recruited officers in the month of January' 06. Three officers of the Corporation were sent on two weeks training to Japan (Osaka) under AOTS Quality Management Programme during March, 2006.

16. SCHEDULED CASTE / SCHEDULED TRIBE RESERVATIONS

The directives issued by the Government regarding reservations for SC/ST in appointment and promotion to various posts were complied with. The Group wise details of SC and ST employees out of the total strength as on 31st March, 2006, are placed at **Table-12**

17. INDUSTRIAL RELATIONS

The Corporation maintained healthy, cordial and harmonious relations at all levels. Efforts were made to inculcate team spirit and motivate the employees to fully develop their potential.

18. STAFF WELFARE

Welfare of the employees received due attention during the year and a number of steps were taken in the area of Staff Welfare including the following:

- All employees both executives and non-executives were provided with uniforms.
- Along with existing 37 hospitals, three more Hospitals have been empanelled for Indoor Medical Treatment for the benefit of regular as well as retired employees and their dependent family members under Direct Payment Scheme at Corporate Office and Project Offices during the year 2005 - 06. They are :-

1. Pushpawati Singhania Research Institute, Press Enclave Marg, Sheikh Sarai Phase-II, New Delhi-110017.
w.e.f. 09.03.2006
2. St. Isabel's Hospital, 49, Oliver Road, Mylapore, Chennai-600004
w.e.f. 10.02.2006
3. Kerala Institute of Medical Science (KIMS), Trivandrum
w.e.f. 10.02.2006

19. PERSONNEL

There was no person employed for the whole and/or part of the year in the Corporation drawing remuneration exceeding Rs.24,00,000/- per annum or Rs.2,00,000/- per month for the purpose of section 217(2A) of the Companies Act, 1956.

20. PUBLIC GRIEVANCE REDRESSAL MACHINERY

In accordance with the guidelines issued by the Government of India, the Corporation has constituted a Grievance Redressal Committee to redress the grievances of officers and staff. The scope of the Committee has been further enlarged to cover Public Grievances also. One day during a week has been fixed as "Meeting Day" by Heads of Divisions at Corporate Office as well as Project Offices.

21. WOMEN CELL

A Women Cell is in operation for looking after issues concerning women employees.

22. VIGILANCE ACTIVITIES

- 22.1** The Vigilance Division of REC under the charge of Chief Vigilance Officer (of the rank of Functional Director) continued to instill probity in the organisation, enforce discipline in exercising power in a judicious way in matters relating to administrative and financial functions.
- 22.2** The Vigilance set up of REC is located at Corporate Office of REC and comprises of two Vigilance officers in addition to the CVO.
- 22.3** Prevention being better than cure, the Corporation continued to accord a major thrust on preventive vigilance, streamlining and strengthening systems and procedures. The message was reiterated during the Vigilance Awareness Week programmes organised from 7.11.05 to 11.11.05 at Corporate Office as well as at all the Project Offices of the Corporation.
- 22.4** During the year, Two Middle Level Executives of the Corporation were deputed for training to CBI Academy, Ghaziabad to attend to various training programmes/workshops related to vigilance matters.
- 22.5** Prescribed periodical statistical returns were timely sent to CVC, CBI, MOP. Instructions received from the Central Vigilance Commission from time to time were also complied with.

- 22.6** As a measure of on-site surveillance, regular inspections were carried out by the Officers of Vigilance Division in the field offices and surprise checks were also conducted. Annual Property Returns of the employees were subjected to systematic scrutiny and clarifications were sought wherever necessary and necessary guidance/instructions given. Vigilance Division initiated measures to streamline and strengthen office systems and procedures after some systematic failures were noticed. The instructions were issued for proper maintenance and filing system of the records. The instructions were also issued to maintain punctuality and adhere to office timings. This has resulted in maintaining the punctuality in the office and also proper maintenance of records. Thus, Vigilance Division played a positive and constructive role in achieving the organizational goal.
- 22.7** Agreed List in respect of all the 18 Project Offices/ Training Institute of REC were finalized in addition to its Corporate Office at Delhi after close interaction with local branches of CBI. List of Officers of Doubtful Integrity was prepared.
- 22.8** Performance of Vigilance Division was reviewed regularly by the CMD-REC, CVO-MOP, CVC, besides Half Yearly Review by Board of Directors of REC, in addition to constant reviews undertaken by the CVO, REC, as per norms prescribed by CVC.

23. PROGRESSIVE USE OF HINDI

- 23.1** The Corporation is committed to implement Official Language Policy of the Government of India to encourage progressive use of Hindi in day-to-day official work in its office.
- 23.2** Annual Programme for the year 2005-06 as received from the Department of Official Language, Ministry of Home Affairs, was discussed in the Official Language Implementation Committee Meeting held on

15.06.2005 in order to achieve the targets and implementation of Official Language Policy of the Government of India. For smooth and systematic implementation and use of more and more Hindi in day-to-day official work, an action plan was also drawn and extensive efforts were made to achieve Annual Programme 2005-06. In this connection, Hindi fortnight was celebrated from 14.09.2005 to 28.09.2005, in which nine Hindi competitions were organized and the winners were awarded Hindi Literary books, cash prizes and certificates. For the first time, events like 'Hindi debates' and 'Senior Officer's devotion to Hindi work' were organized. Officers upto the rank of Executive Directors participated in it.

- 23.3** In order to ensure compliance of policy directives, inspection of 6 Project Offices as well as 8 Divisions in the Corporate Office were also carried out. Apart from this Drafting and Evidence Sub-committee on Official Language held their discussions with REC Project Offices - Jammu & Guwahati. All incentive schemes of Government of India for promotional use of Hindi are implemented in REC.
- 23.4** The Corporation has made all out efforts to encourage progressive use of Hindi in day-to-day official work. In this context, regular quarterly meetings of Official Language Implementation Committee were held at Corporate Office. Six Hindi workshops were conducted in which 88 employees and 19 officers had participated. Central Translation Bureau (CTB) had conducted 21 days translation-training programme at CIRE, Hyderabad in which 18 officers and staff of the Corporate Office & Project Offices had participated. Department of Official Language had sponsored Hindi Computer Training Programme, which was held at NPTI, Faridabad where 20 Officials were deputed to attend that programme.

- 23.5** During the year, the Corporation's Project Office located at Thiruvananthapuram was notified under sub-rule of 10(4) of the Official Language Rule, 1976. Now, 11 offices including Corporate Office have been notified under the same rule. The Project Office at Thiruvananthapuram was awarded the 3rd Prize by the Town Official Language Implementation Committee, Thiruvananthapuram for excellent work in Hindi. About 76% of the total budget allocated to Library was spent on purchase of Hindi books during the year.

24. COMPLIANCE WITH CORPORATE GOVERNANCE

- 24.1** Some of the debt securities/bonds issued by the Corporation on private placement basis are listed on Stock Exchange. The Corporation was earlier complying with applicable clause 49 of the general Listing Agreement relating to Corporate Governance. However after the issue of Circular dated 1-11-2004 by SEBI introducing the Model Listing Agreement for listing of debt securities, the Corporation is required to comply with clauses 1 and 3 of the Model Listing Agreement as applicable to companies whose debentures/bonds are issued on private placement basis only. Accordingly, the Corporation has taken adequate measures to comply with the applicable clauses 1 and 3 of the Model Listing Agreement.
- 24.2** As per clause 3.5 of the Model Listing Agreement the Corporate Governance requirements specified in Clause 2.18 of the Model Listing Agreement are recommendatory and may be implemented as per the discretion of the issuing Company. In such an event, the Company agrees to disclose adoption of the same, if any, in the Annual Report or such other document. The Corporation has decided not to adopt Clause 2.18 of the Agreement formally, but continue to comply with the

Corporate Governance requirements as hithertofore and at the same time endeavour to comply with the additional requirements as envisaged in Clause 2.18 in a phased manner. Accordingly, a Management Discussion and Analysis Report is annexed as **Annexure-II**, a Report on Corporate Governance is annexed as **Annexure-III** and a certificate on Corporate Governance issued by a Practising Company Secretary is annexed as **Annexure-IV**.

25. BOARD OF DIRECTORS

Shri Ajay Shankar, a part time official director and Additional Secretary, Ministry of Power, ceased to be a director on the Board of REC w.e.f 6.9.2005. The Board of Directors presently comprises of five directors i.e Shri A.K.Lakhina, CMD, Shri H.D.Khunteta, Director (Finance), Shri Bal Mukand, Director (Technical) as Whole Time Directors and Shri Arvind Jadhav and Shri M.Sahoo as part time official directors.

26. STATUTORY AUDITORS

- 26.1** M/s G.S Mathur & Co, Chartered Accountants, were appointed by the Comptroller & Auditor General of India as Statutory Auditors of the Corporation for the financial year 2005-06.
- 26.2** The Statutory Auditors have audited the Accounts of the Corporation for the year ended 31st March 2006. The audited accounts, cash flow statement and the annexure prescribed by RBI for NBFC Companies for the said year together with the Auditors Report dated 1st June 2006 thereon **are annexed to this Report**.
- 26.3** Para-wise replies of the management of REC, to the qualifications/observations made by the Auditors in their Report, as required under Section 217(3) of the Companies Act, 1956, **are attached as addendum to this Report**.

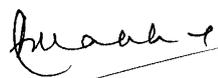
27. COMMENTS OF THE C&AG OF INDIA

The Comments of the C&AG of India under Section 619(4) of the Companies Act,1956 on the Accounts of the Corporation for the year ended 31st March 2006 together with the Corporation's replies thereto, and the Review of the said Accounts of the Corporation by the C&AG of India **are appended to this Report**.

28. ACKNOWLEDGEMENTS

- 28.1** The Corporation is grateful for the co-operation and continued assistance extended by the Government of India, particularly the Ministries of Power & Finance, the Planning Commission and the Reserve Bank of India.
- 28.2** The Directors thank the State Governments, State Electricity Boards, State Power Utilities and other borrowers for their continued interest in the Corporation.
- 28.3** The Directors also place on record their appreciation for the continued support extended and confidence reposed by the esteemed Investors, Banks and Life Insurance Corporation in the fund raising programme of the Corporation.
- 28.4** The Directors also thank the Statutory Auditors M/s G.S. Mathur & Co. and the Comptroller & Auditor General of India for their valued cooperation.
- 28.5** The Directors sincerely appreciate and commend the valuable contribution made by the employees of the Corporation at all levels in the pursuit of achieving excellent results for yet another year in succession.

For and On Behalf of the Board of Directors



(A.K. Lakhina)

Chairman & Managing Director

Dated: 30.08.2006

Place: New Delhi



Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY)

Government of India, In April 2005, launched the new scheme -"RGGVY", scheme of Rural Electricity Infrastructure and Household Electrification-in order to fulfill the National Common Minimum Programme (NCMP) objective of providing electricity to all household and improving rural electricity infrastructure. The RGGVY scheme is primarily being implemented through a single nodal agency i.e. REC. This is one of the most ambitious projects undertaken by REC. It engrosses the rural electrification, and in turn overall development of rural India. During the year, REC has met the targets set for the creation of rural electricity infrastructure in a record 10,169 villages in the states of Bihar, UP, West Bengal, Rajasthan, Uttranchal and Karnataka.

The emphasis of the scheme is not merely electrification of villages, but to provide access to electricity to all rural households, inclusive of BPL households, and also cater to the requirement of agriculture and other activities including irrigation pumpsets, small medium industries, khadi and village industries, cold chains, health care, education and IT. This would facilitate overall rural development, create new employment opportunities and result in poverty alleviation.

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 on to exceptional performance frontiers.

ANNEXURE-I

Salient features of the RGGVY Scheme

- (i) Ninety per cent capital subsidy would be provided for overall cost of the projects under the scheme.
- (ii) States must make adequate arrangements for supply of electricity and there should be no discrimination in the hours of supply between rural and urban households.
- (iii) For projects to be eligible for capital subsidy under the scheme, prior commitment of the States would also be obtained before sanction of projects under the scheme for :
- (a) deployment of franchisees for the management of rural distribution in projects financed under the scheme, and
- (b) the provision of requisite revenue subsidies to the State Utilities as required under the Electricity Act, 2003.
- (iv) Under the scheme, projects could be financed with capital subsidy for provision of:
- (a) Rural Electricity Distribution Backbone (REDB)
Provision of 33/11 KV (or 66/11 KV) sub-stations of adequate capacity and lines in blocks where these do not exist.
- (b) Creation of Village Electrification Infrastructure (VEI)
- Electrification of un-electrified villages.
- Electrification of un-electrified habitations.
- (c) Provision of distribution transformers of appropriate capacity in electrified villages / habitation(s).
- (d) Decentralised Distributed Generation (DDG) and Supply
- Decentralised generation-cum-distribution from conventional sources for villages where grid connectivity is either not feasible or not cost effective provided it is not covered under the programme of Ministry of Non-conventional Energy Sources for providing electricity from non-conventional energy sources under their remote village electrification programme of 25000 villages.
- (v) REDB, VEI and DDG would also cater to the requirement of agriculture and other activities including
- irrigation pumpsets
 - small and medium industries
 - khadi and village industries
 - cold chains
 - healthcare
 - education and IT
- This would facilitate overall rural development, employment generation and poverty alleviation.
- (vi) Electrification of un-electrified Below Poverty Line (BPL) households would be financed with 100% capital subsidy as per norms of Kutir Jyoti Programme in all rural habitations. Households above poverty line would be paying for their connections at prescribed connection charges and no subsidy would be available for this purpose.

- (vii) In the management of rural distribution through franchisees who could be Non-Governmental Organisations (NGOs), Users Association, Cooperatives or individual entrepreneurs, the Panchayat institutions would be associated. The franchisees arrangement could be for system beyond and including feeders from substation or from and including Distribution Transformer(s).
- (viii) Based on the consumer mix and the prevailing consumer tariff and likely load, the Bulk Supply Tariff (BST) for the franchisee would be determined after ensuring commercial viability of the franchisee. Wherever feasible, bidding may be attempted for determining the BST. This Bulk Supply Tariff would be fully factored into the submissions of the State Utilities to the State Electricity Regulatory Commissions (SERCs) for their revenue requirements and tariff determination. The State Government under the Electricity Act is required to provide the requisite revenue subsidies to the State Utilities if it would like tariff for any category of consumers to be lower than the tariff determined by the SERC. While administering the scheme, prior commitments may be taken from the State Government regarding –
- a) Determination of bulk supply tariff for franchisees in a manner that ensures their commercial viability.
 - b) Provision of requisite revenue subsidy by the State Government to the State Utilities as required under the Electricity Act.
- (ix) The capital subsidy for eligible projects under the scheme would be given through REC. These eligible projects shall be implemented fulfilling the conditionalities indicated above. In the event the projects are not implemented satisfactorily in accordance with the conditionalities indicated above, the capital subsidy could be converted into interest bearing loans.

Table I : Details of project sanction, NIT issued and award of contract under RGGVY

Sl. No.	State	Projects Sanctioned				NITs Issued				Contract Awarded				Amount in Rs. Lakh					
		No. of Projects	No. of Districts	No. of un-electrified villages	No. of un-electrified households covered	Total Project Cost	No. of Projects	No. of Districts	No. of un-electrified villages	No. of un-electrified households covered	Total Project Cost	No. of Projects	No. of Districts		No. of un-electrified villages	No. of un-electrified households covered	Total Project Cost		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1	West Bengal	13	13	4283	-	145918	38503.56	12	12	4280	-	145803	38473.75	12	12	4280	-	145855	38473.75
2	Uttar Pradesh	60	63	29276	-	1104105	215164.26	60	63	29276	-	1104105	215164.26	60	63	29276	-	1104105	215164.26
3	Bihar	23	24	14730	-	771655	128770.07	23	24	14730	-	771655	128770.07	12	12	9188	-	370943	81727.23
4	Rajasthan	8	8	472	-	12433	3109.76	8	8	470	-	12433	3109.76	6	6	434	-	11429	2837.84
	Sub-Total (1-4)	104	108	48761	-	2034111	385547.65	103	107	48756	-	2033996	385517.84	90	93	43178	-	1632332	338203.08
5	Kerala	7	7	-	373	227320	22175.75	7	7	373	227320	22175.75	-	-	-	-	-	-	-
6	Uttaranchal	4	4	437	4026	88475	22059.38	4	4	437	4026	88475	22059.38	4	4	437	4026	88475	22059.38
7	Haryana	6	6	-	1820	205646	7699.57	6	6	-	1820	205646	7699.57	-	-	-	-	-	-
8	J & K	2	2	46	932	35115	7246.65	-	-	-	-	-	-	-	-	-	-	-	-
9	MP	9	9	115	10152	60765	43062.71	4	4	72	3708	188523	17168.58	-	-	-	-	-	-
10	Rajasthan	17	17	1090	14308	934621	37566.89	17	17	1090	14308	934621	37566.89	10	10	710	8336	569550	23534.45
11	Karnataka	17	17	49	21152	1319939	37539.07	17	17	49	21152	1319939	37539.07	17	17	49	21152	1319939	37539.07
12	Gujarat	2	2	-	1857	199032	4692.34	1	1	-	656	75825	1823.59	1	1	-	656	75825	1823.59
13	Andhra Pr.	4	4	-	5485	653430	16095.25	4	4	-	5485	653430	16095.25	-	-	-	-	-	-
14	Assam	1	1	350	725	62132	5566.91	1	1	350	725	62132	5566.91	-	-	-	-	-	-
15	Himachal Pr.	1	1	-	1118	2531	2502.36	-	-	-	-	-	-	-	-	-	-	-	-
16	Maharashtra	7	7	-	8451	550586	8469.63	-	-	-	-	-	-	-	-	-	-	-	-
17	Punjab	1	1	-	962	69125	2297.11	1	1	-	962	69125	2297.11	-	-	-	-	-	-
18	Arunachal Pr.	1	1	103	232	3510	1948.29	-	-	-	-	-	-	-	-	-	-	-	-
19	Chhattisgarh	2	2	111	1734	163843	8456.31	1	1	-	889	106166	4748.77	-	-	-	-	-	-
20	Nagaland	2	2	-	198	24056	1606.70	2	2	-	198	24056	1606.70	-	-	-	-	-	-
21	Manipur	1	1	133	191	15663	4671.10	-	-	-	-	-	-	-	-	-	-	-	-
22	Mizoram	2	2	83	124	15177	3820.55	-	-	-	-	-	-	-	-	-	-	-	-
23	Orissa	1	1	6	223	27316	4107.20	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-Total (5-23)	87	87	2523	74063	5199282	241583.77	65	65	1998	54302	3955258	176347.57	32	32	1196	34170	2053789	84956.49
	Total (1-23)	191	191	195	51284	74063	7233393	627131.42	168	172	50754	54302	5989254	122	122	44374	34170	3686121	423159.57

1. The above excludes 5 projects of Bihar (4 Districts), 2 projects of Uttar Pradesh (2 Districts) and 13 projects of Andhra Pradesh (13 Districts) kept in abeyance.

Table-2 - Electrification of villages in 2005-06 under RGGVY

Sl. No.	Name of State	Cumulative Achievement
1	2	3
1	Bihar	1600
2	Uttar Pradesh	7503
3	Uttaranchal	87
4	Rajasthan	230
5	West Bengal	352
7	Karnataka	397*
Grand Total		10169

* Includes intensification in 350 electrified villages.

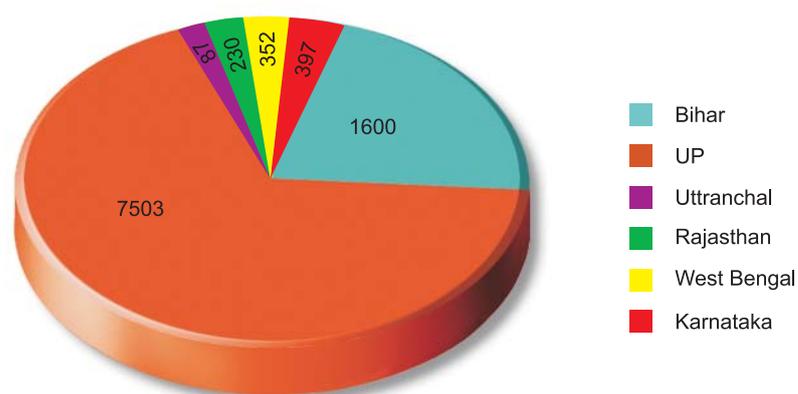


Table - 3 : Disbursement by REC under the programme “Rajiv Gandhi Grameen Vidyutikaran Yojana” during the year 2005-06

(Rs.in Lakh)								
Sl. No.	State	No. of Projects	Estimated Cost of Projects	No. of Villages to be electrified	No. of Rural Households to be electrified	Total Amount Disbursed	Loan Amount	Total Capital Subsidy
1	Bihar	5	38331.41	4387	175576	18173	1817	16356
2	Chhattisgarh*	-	-	-	-	650	-	650
3	Jharkhand*	-	-	-	-	350	-	350
4	Karnataka	15	32366.05	17099	1147267	7259	971	6288
5	Orissa*	-	-	-	-	350	-	350
6	Rajasthan	9	20506.01	7353	483530	4720	615	4105
7	Uttar Pradesh	44	176845.77	24390	865760	17265	727	16538
8	Uttaranchal	4	22059.38	4463	88475	5944	624	5320
9	West Bengal	2	9801.36	1032	40521	93	9	84
	Total	82	322157.09	61392	2904881	54804	4763	50041
	Disbursements for Grants for release of connections to BPL Households					1412	-	1412
	Grand Total					56216	4763	51453

* Advance given for formulation of DPRs.

Table - 4 : Projects sanctioned during 2005-06 under REC financed Schemes

Sl. No.	State	No. of Projects	Rs. in Lakh Loan Amount	Pumpsets	Coverage in Numbers		Households
					Dalit Bastis	Villages	
T& D Projects							
1	Andhra Pradesh	94	133055.12	5748	-	-	-
2	Arunachal Pradesh	1	56.55	-	-	-	-
3	Gujarat	13	11663.99	980	-	-	-
4	Haryana	1	103.26	-	-	-	-
5	Himachal Pradesh	1	8389.07	-	-	-	-
6	Jammu and Kashmir	2	786.04	1925	-	-	-
7	Karnataka	36	45404.58	-	-	-	-
8	Kerala	-	-	-	-	-	-
9	Madhya Pradesh	8	8352.20	-	-	-	-
10	Maharashtra	120	125400.34	33685	-	-	-
11	Nagaland	2	361.59	-	-	-	-
12	Orissa	3	4460.00	-	-	-	-
13	Punjab	2	9252.25	-	-	-	-
14	Rajasthan	180	151109.97	8415	-	-	-
15	Tamilnadu	80	21532.84	7430	-	-	-
16	Uttar Pradesh	13	49557.91	-	-	-	-
17	Uttaranchal	3	2839.40	-	-	-	-
18	West Bengal	1	4600.90	-	-	-	-
	Sub-Total	560	576926.01	58183	-	-	-
Generation Projects							
1	State Sector	10	385604.60*	-	-	-	-
2	Private Sector	4	215000.00	-	-	-	-
	Sub-Total	14	600604.60	-	-	-	-
Debt Refinance							
1	Maharashtra	-	27000.00	-	-	-	-
	Sub-Total	-	27000.00	-	-	-	-
Short Term Loan							
1	Bihar	-	5000.00	-	-	-	-
2	Gujarat	-	75000.00	-	-	-	-
3	Haryana	-	15000.00	-	-	-	-
4	Himachal Pradesh	-	6000.00	-	-	-	-
5	Maharashtra	-	190000.00	-	-	-	-
6	Madhya Pradesh	-	20000.00	-	-	-	-
7	Rajasthan	-	10000.00	-	-	-	-
8	Uttar Pradesh	-	110000.00	-	-	-	-
	Sub-Total	-	431000.00	-	-	-	-
RGVY Projects***							
1	Andhra Pradesh	4	16095.25	-	-	5485	653430
2	Arunachal Pradesh	1	1948.29	-	-	335	3510
3	Assam	1	5566.91	-	-	1075	62132
4	Chattisgarh	2	8456.31	-	-	1845	163843
5	Gujarat	2	4692.34	-	-	1857	199032
6	Haryana	6	7699.57	-	-	1820	205646
7	Himachal Pradesh	1	2502.36	-	-	1118	2531
8	Jammu & Kashmir	2	7246.65	-	-	978	35115
9	Karnataka	17	37539.07	-	-	21201	1319939
10	Kerala	7	22175.75	-	-	373	227320
11	Madhya Pradesh	9	43062.71	-	-	10267	601765
12	Maharashtra	7	8469.63	-	-	8451	550586
13	Manipur	1	4671.1	-	-	324	15663
14	Mizoram	2	3820.55	-	-	207	15177
15	Nagaland	2	1606.7	-	-	198	24056
16	Orissa	1	4107.2	-	-	229	27316
17	Punjab	1	2297.11	-	-	962	69125
18	Rajasthan	17	37566.89	-	-	15398	934621
19	Uttranchal	4	22059.38	-	-	4463	88475
	Sub-Total	87	241583.77	-	-	**76586	5199282
	Grand Total	661	1877114.34	58183		76586	5199282

*** The project outlay sanctioned under RGVY project comprises capital subsidy and loan

** Includes both un-electrified and electrified villages.

* This includes amount of additional loan sanctioned during the year for 3 projects apart from 10 new generation projects.

Table-5 : Category-wise Projects sanctioned during 2005-06 under REC financed Schemes

Sl.No.	Category	Category Code	No. of Projects	(Rs. In Lakh) Loan Amount	Coverage in Numbers			
					Pumpsets	Dalit Bastis	Villages	Households
T&D Projects								
1	Project: Intensive Electrification	P:IE	22	5169.88	-	-	-	-
2	Special Project Agriculture: Pumpset Energisation	SPA:PE	171	23352.97	58183	-	-	-
3	Project: System Improvement	P:SI-Distribution	206	159032.50	-	-	-	-
4	Project: System Improvement	P:SI-Distribution (HVDS)	62	156934.70	-	-	-	-
5	APDRP	APDRP	29	26369.65	-	-	-	-
6	System Improvement: Meters (Dist.)	SI:Meter	10	21093.50	-	-	-	-
7	System Improvement: Transformers (Dist.)	SI-Transformer	13	60752.45	-	-	-	-
8	Project: System Improvement	P:SI- Transmission	45	123488.69	-	-	-	-
9	System Improvement: Panels/Capacitor (Trans.)	SI-Panels / Capacitor	2	731.68	-	-	-	-
	Sub-Total		560	576926.01	58183	-	-	-
10	Project : Generation	P:Gen	14	600604.60*	-	-	-	-
11	Debt Refinance		-	27000.00	-	-	-	-
12	Short Term Loan	STL	-	431000.00	-	-	-	-
13	RGVY***	P:RHhE	87	241583.77	-	-	76586**	5199282
	Grand Total		661	1877114.38	58183		76586**	5199282

*Loan amount is inclusive of 14 new generation projects and 3 additional loans against previously sanctioned projects.

**Includes both un-electrified and electrified villages.

***The project outlay sanctioned under RGVY project comprises capital subsidy and loan

Table 6 : Cumulative Statewise sanctions under REC Projects during the last 36 years upto 31.03.2006

(Rs. In lacs)			
Sl. No.	State	No. of Projects	Loan sanctioned
1	2	3	4
1	Andhra Pradesh	5776	1476440
2	Arunachal Pradesh	211	120185
3	Assam	420	38911
4	Bihar	1732	229038
5	Chhattisgarh	20	281256
6	Delhi	8	48140
7	Goa	16	2007
8	Gujarat	1896	683604
9	Haryana	1315	231845
10	Himachal Pradesh	455	156846
11	Jammu & Kashmir	531	150717
12	Jharkhand	13	240
13	Karnataka	2804	600533
14	Kerala	1744	446741
15	Madhya Pradesh	5198	419428
16	Maharashtra	5333	1013710
17	Manipur	147	25367
18	Meghalaya	106	44751
19	Mizoram	62	17158
20	Nagaland	96	12477
21	Orissa	1642	161448
22	Punjab	1467	642522
23	Rajasthan	3544	753100
24	Sikkim	36	2910
25	Tamil Nadu	3474	421350
26	Tripura	177	50148
27	Uttar Pradesh	3119	730065
28	Uttaranchal	71	246943
29	West Bengal	1451	448669
30	DVC	1	48726
31	Generation PVT.	15	337543
32	CCI-Pvt. Party	-	1519
33	NEEPCO	-	10000
Grand Total		42880	9854337

Table-8: Details of overdues from defaulting Borrowers as on 31-03-2006

	(Rs.in crore)					
	ASEB	BSEB	MIZORAM	MANIPUR	Others*	Total
Overdues as on 01-04-2005	414.91	254.32	17.23	44.35	171.97	902.78
Due during the year (includes interest on NPA, not accounted for in books of account)	52.09	27.96	6.77	28.11	5360.04	5474.97
Other adjustments:						
- ASEB & MIZORAM re-scheduled	-414.91	-	-17.23	-	-0.33	-432.47
- BSEB re-scheduled in 2003-04	-	-254.32	-	-	-	-254.32
Received during the year	52.09	27.96	6.75	-	5347.01	5433.81
Overdues as on 31-03-2006	-	-	0.02	72.46	184.67	257.15

* Represents temporary year-end overdues of paying states due to few days' delays and overdues of co-operative societies, private borrowers etc.

Table-9 : Villages electrified under the projects financed by REC during 2005-06 and cumulative position upto 31.3.2006

Sl. No.	State	Achievement during 2005-06	Cumulative Achievement upto 31.3.2006
1	Andhra Pradesh	-	14907
2	Arunachal Pradesh	-	1316
3	Assam	-	16363
4	Bihar	-	32490
5	Gujarat	-	7712
6	Haryana	-	90
7	Himachal Pradesh	-	11143
8	Jammu & Kashmir	-	4416
9	Karnataka	-	8907
10	Kerala	-	151
11	Madhya Pradesh	-	54411
12	Maharashtra	-	13322
13	Manipur	-	1720
14	Meghalaya	-	2321
15	Mizoram	-	531
16	Nagaland	-	793
17	Orissa	-	26648
18	Punjab	-	3908
19	Rajasthan	-	26477
20	Sikkim	-	277
21	Tamil Nadu	-	807
22	Tripura	-	3223
23	Uttar Pradesh	-	49881
24	Uttaranchal	11	469
25	West Bengal	170	23727
	Total	181	306010

Table-10 : Electrification of Dalit Bastis during 2005-06 and cumulative position upto 31.3.2006 under REC financed programme

Sl. No.	State	Achievement during 2005-06	Cumulative Achievement upto 31.3.2006
1	Andhra Pradesh	4107	39445
2	Arunachal Pradesh	-	-
3	Assam	-	-
4	Bihar	-	21554
5	Gujarat	-	2063
6	Haryana	-	5967
7	Himachal Pradesh	-	81
8	Jammu & Kashmir	4	998
9	Karnataka	-	9110
10	Kerala	-	3113
11	Madhya Pradesh	-	19655
12	Maharashtra	-	7503
13	Manipur	-	-
14	Meghalaya	-	-
15	Mizoram	-	-
16	Nagaland	-	-
17	Orissa	-	6219
18	Punjab	-	467
19	Rajasthan	-	15393
20	Sikkim	-	-
21	Tamil Nadu	-	457
22	Tripura	-	-
23	Uttar Pradesh	-	46576
24	Uttaranchal	-	-
25	West Bengal	533	3358
Total		4644	181959

Table-I I : Pumpsets energised under the projects financed by REC during 2005-06 and cumulative position upto 31.3.2006

Sl. No.	State	Achievement during 2005-06	Cumulative Achievement upto 31.3.2006
1	Andhra Pradesh	66458	1512963
2	Arunchal Pradesh	-	-
3	Assam	-	1922
4	Bihar	-	113354
5	Gujarat	1310	417099
6	Haryana	409	223666
7	Himachal Pradesh	439	5913
8	Jammu & Kashmir	67	7872
9	Karnataka	-	862387
10	Kerala	12839	329616
11	Madhya Pradesh	-	1054106
12	Maharashtra	51653	1607663
13	Manipur	-	29
14	Meghalaya	-	58
15	Mizoram	-	-
16	Nagaland	-	164
17	Orissa	-	63015
18	Punjab	8718	477783
19	Rajasthan	9658	480448
20	Sikkim	-	-
21	Tamil Nadu	30688	944159
22	Tripura	-	1530
23	Uttar Pradesh	-	379544
24	Uttranchal	-	-
25	West Bengal	-	82202
Total		182239	8565493

Table-12 : Groupwise details of SC and ST employees as on 31.03.2006

Group	Total No. of employees	SC	ST
A	218 (174)	19 (14)	4 (4)
B	197 (199)	22 (22)	8 (8)
C	178 (184)	32 (33)	1 (1)
D	114 (112)	35 (35)	5 (5)
Grand Total:	707 (669)	108 (104)	18 (18)

(Figures in bracket give the corresponding position in the previous year)

A year back, Banwarilal Patel would never have dreamed that a 'mouse' could be more than a pesky rodent. But then, a year back, Banwarilal Patel also didn't imagine electrification to transform the old into the new in such a sweeping manner, bringing with it the kind of opportunities it did. Today, he and his friends make a comfortable living by trading their wares over the Internet. And yes, the mouse is their new best friend.



Growth is progress

REC is at the cusp of the old stifled economy and the incoming global economy. Clearly, myriad growth opportunities lie ahead.

Annexure-II

Management Discussion & Analysis Report (Pursuant to clause 2.18 of the Model Listing Agreement with Stock Exchange)

a) Industry Structure and Developments

Rural Electrification is a vital programme for socio economic development of rural areas. The objective is to trigger economic development and generate employment by providing electricity as an input for productive uses in agriculture and rural industries and improve the quality of life of the rural people by supplying electricity for lighting of rural homes, shops, community centres and public places in all villages.

Rural Electrification programmes are formulated and implemented by the concerned State Electricity Boards/State Power Utilities from the Plan funds as approved and provided in their respective State Plans. The inter se priorities for various rural electrification programmes and their total quantum are also determined and decided by the State Governments/State Power Utilities who own and operate the distribution system in the States, as per the policies and directions of the State Governments. As per statistics made available by Central Electricity Authority (CEA), out of 5.93 lakh inhabited villages in the country (as per 2001 census), 4.41 lakh villages have been electrified. Similarly, 147.23 lakh pumpsets have been energized upto March, 2006 out of the total estimated potential for 195.94 lakh electric irrigation pumpsets. Investments in such works are financed either out of the concerned utilities' own resources or through borrowed funds.

In order to give a boost to electrify the remaining large number of unelectrified villages especially in the states of Bihar & Jharkhand, West Bengal, Uttar Pradesh & Uttaranchal, Orissa, Assam, Arunachal Pradesh, Meghalaya, Madhya Pradesh & Chattisgarh and Rajasthan, the Govt. of India has launched a new scheme "Rajiv Gandhi Grameen Vidutikaran Yojana". The scheme will fulfill the National Common Minimum Programme (NCMP) objective of providing electricity to all households and improving rural electricity infrastructure in five years.

The scheme was formally launched by the Hon'ble Prime Minister Dr. Manmohan Singh on 4th April, 2005 at Vigyan Bhawan, New Delhi. AP, Assam, Bihar, Jharkhand, J&K, Karnataka, Kerala, MP, Maharashtra, Orissa, Rajasthan, UP and WB and Lakshdweep participated in the launching ceremony through video conference.

This scheme merges the existing "Accelerated Electrification of One lakh villages and One crore households" and Minimum Needs Programme (MNP) for rural electrification and has the objective to provide access to electricity to all rural households.

b) Opportunities

With the enactment of Electricity Act, 2003, the scope for financing of decentralized distribution generation in rural areas is expected to increase involving Cooperative Societies, Local Bodies, Private Entrepreneurs as well as public sector and commercial

banks etc. The Corporation, accordingly, is gearing itself to provide financial assistance for such activities against viable proposals. MOUs have already been signed between REC and NTPC, PGCIL, NHPC and DVC for expeditious implementation of "Rajiv Gandhi Grameen Vidyutikaran Yojana" (RGGVY).

To expand its activities the Corporation has created a separate unit for Business Development to explore new areas for financing apart from the traditional sectors. Business Development Division conducted Business Development Study for REC and has prepared a five year Business Development Plan. Steps have also been taken for mobilizing international finance from World Bank, JBIC, KfW and others.

c) Threats, Risks and Concerns

The continued weak financial health of the SEBs in spite of their reforms is a matter of concern though SEBs are increasingly becoming competent to borrow prudently and make all due payments.

d) Segment wise or Product wise performance

The Corporation as a financial institution supplements the resources of the SEBs/State Power Utilities/State Power Departments by providing them interest bearing loans for schemes covering various components of rural electrification as are sponsored by them for financial assistance. REC has already devised and also continuously modifies/updates/ extends loan portfolios to suit the emerging requirements of the borrowing power utilities.

During the year, the Corporation has sanctioned loan assistance of Rs.18771 crores and disbursed Rs. 8007 crores, in line with the mandate given by the Govt. enlarging the areas of operation of REC to cover financing of all projects in the power sector. The major component of the sanctions of REC were for generation schemes which was Rs. 6006.04 crores. In addition Rs. 2415.83 crores sanctioned under RGGVY, Rs. 5769.26 crores under Transmission & Distribution (T&D) scheme and Rs. 4310 crores under Short Term Loan and Rs. 270 crore under Debt Refinancing. The disbursement includes Rs. 1553.42 crore for generation, Rs. 565.08 crores under RGGVY (including Rs. 2.91 crore under KJ), Rs. 2733.06 crores under T&D schemes, besides Rs. 2885 crores for Short Term Loan and Rs. 270 crores under Debt Refinancing.

e) Internal Control System and their adequacy

The Corporation has a separate Internal Audit Division which is responsible for ensuring adequacy of internal control system. The Internal Audit Division helps in improving accuracy and efficiency of transactions and operations by undertaking scrutiny of payments and expenditure, detection & prevention of errors and examination of financial and technical records of the Corporation.

The audit of various Project Offices located in different parts of the country and various divisions of Corporation at the Corporate Office are carried out on bi-annual, annual and biennial basis during the year to help achieving operational efficiency and compliance of rules and regulations.

The significant findings of the internal audit are submitted to the Audit Committee of the Board of Directors for information and further follow up for compliance of the audit observations. Periodical reviews are also carried out to ensure follow up on the audit observations.

f) **Discussion on financial performance with respect to Operational performance**

The loan sanctioned during the year 2005-06 was higher at Rs.18771 crore as compared to Rs.16316 during the year 2004-05. The disbursement during the year also raised to Rs.8007 crore as compared to Rs.7885 crore during the year 2004-05. The recoveries during the year 2005-06 were Rs.5434 crores.

During the financial year, the Corporation registered an increase of Rs.298 crore in operational income which went up to Rs.1934.98 crore in 2005-06 from Rs.1636.87 crore during the year 2004-05. There was, however, reduction in one time income on account of reschedulement of loans which was Rs.546.69 crore in 2004-05 as against Rs.121.68 crore in 2005-06. There was also additional tax liability of earlier years of Rs.32.67 crore. Thus, the Net Profit after Tax has come down to Rs.637.51 crore in 2005-06 from Rs.781.36 crore in 2004-05.

g) **Material development in Human Resource / Industrial Relations front, including number of people employed.**

1. In order to professionalize the executive strength of REC and also to infuse fresh blood, 52 executives of various disciplines like Finance, Technical and Human Resource have been appointed in REC through open advertisement.

2. The total manpower at the close of the financial year 2005-06 i.e. as on 31.3.2006 was 707 of which 304 are executives and 403 non-executives.
3. 199 employees of the Corporation were sent for Seminar/Workshop and other training programme conducted by reputed Institution/Bodies in different parts of the country as well as outside the country. Three officers were sent for two weeks training to Japan under AOTS Quality Management Programme.

h) **Outlook**

Expediting the reform process by facilitating investment opportunities of the Reforming utilities, enlargement of areas of operation of REC by Govt. of India, enactment of the Electricity Act by the Parliament, and the target fixed by the Govt. to complete rural electrification of all households in five years under the newly launched programme of "Rajiv Gandhi Grameen Vidyutikaran Yojana", will create ample scope for the Corporation to enhance its business of providing financial assistance to the various SEBs/Utilities/State Power Departments and also private entrepreneurs in the coming years on account of enhanced plans for power generation and transmission capabilities of the utilities.

A year ago, Jhumki used to walk 6 miles to fetch water. Now with a pump set installed in her locality she gets water without walking even for a yard or so. Pump set have given her so much time to do other things. She has utilized this time in learning stitching and she is planning to start her own tailor shop very soon. Jhumki never thought that her life would take such a wonderful turn with just a pump set installed at her locality.



Growth is performance

Power packed performances have moulded REC into being able to undertake more challenging roles in the rural area and emerging township landscape.

Annexure-III

Report on Corporate Governance

REC is a Government Company by virtue of its entire paid-up share capital being held by or on behalf of the Govt. of India. It is also a listed company by virtue of some of its debenture series listed on the National Stock Exchange. As per Model Listing Agreement, notified by SEBI on 1-11-2004 and applicable to REC, Clause 2.18 of the Agreement relating to the Corporate Governance is not a mandatory requirement. However the Board has decided that REC would continue to comply with the Corporate Governance requirements as hithertofore, and endeavour to comply with additional requirements in a phased manner. Accordingly relevant aspects of Corporate Governance as provided in Clause 2.18 are furnished below:

1. Company's Philosophy on Code of Governance.

REC is committed to good corporate governance supported by appropriate transparent systems and practices to protect promote and safeguard the interests of all its stake holders.

REC is committed 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.

REC is also committed to facilitate availability of electricity for accelerated growth and for enrichment of quality of life of rural and semi-urban population.

2. Board of Directors

(A) Composition of Board: The Articles of Association of REC provide for a minimum of three and a maximum of fifteen Directors.

Presently the Board of REC comprises of five directors out of which three are Functional Directors including the Chairman and Managing Director and there are two Non Executive Directors who are nominees of the Government of India.

During the financial year 2005-06 following directors were on the Board of REC:

Executive Directors

Shri M.N. Prasad	Chairman and MD, (Ceased to be CMD w.e.f 1.08.05)
Shri A.K.Lakhina	Chairman and MD, (Appointed in place of Mr. M.N.Prasad w.e.f 1.08.05)
Shri H.D. Khunteta	Director (Finance)
Shri Bal Mukand	Director (Technical)

Non-Executive Directors

Shri Ajay Shankar	Additional Secretary, Ministry of Power (Ceased to be Director w.e.f 6/9/05)
Shri Arvind Jadhav	Joint Secretary, Ministry of Power
Shri M. Sahoo	Joint Secretary & Financial Adviser, Ministry of Power

The provisions relating to appointment of independent directors are not presently applicable to REC since the debt securities/ bonds of REC are not issued either through public or through right issue and are issued only on private placement basis.

However since REC has been granted Mini Ratna Grade I status as per approval conveyed by the Ministry of Power, Govt. of India, REC is required to restructure its Board of Directors by inducting at least three non-official directors to become entitled to exercise enhanced delegation of authority applicable for Mini Ratna PSUs as notified by the Department of Public Enterprises, Govt. of India.

As the appointment of Directors is to be made by the President of India, in terms of the Articles of Association of REC read with exemption applicable to a Government Company, Ministry of Power, Govt of India have been requested to appoint requisite number of non-official directors who can in addition add value in their respective fields to the Board decisions and the same is under their active consideration.

B) Non Executive Directors compensation and disclosures

At present no sitting fees/compensation is paid to the Non-Executive Directors since they are nominees of the Government of India.

C) Other provisions as to Board and Committees

i) Details of Board Meetings held during the Financial Year 2005-06

Date of Meeting	Board Strength	No. of Directors Present
29th April 2005	6	6
27th July 2005	6	5
30th August 2005	6	5
31st October 2005	5	5
29th November 2005	5	5
7th February 2006	5	5
23rd February 2006	5	5
28th February 2006	5	5
9th March 2006	5	5
20th March 2006	5	4
28th March 2006	5	5

The maximum interval between any two meetings during this period was less than 3 months.

ii) Details of Designation, Category of Directors, Number of Board Meetings attended, attendance at last AGM, number of other Directorships/Committee Memberships (viz Audit Committee and Shareholders Grievance Committee) held by them during the year 2005-06 are tabled below:-

S.No.	Directors (Category)	Meetings held during respective tenure of directors	No. of Board Meetings Attended	Attendance at Last AGM (held on 22/9/05)	No.of other Directorships (held on 31-3-06)	No. of other Committee Memberships in other Companies (held on 31-3-06)	
						As Chairman	As Member
1.	Shri M.N. Prasad {Ex-CMD} (See Note-1)	2	2	Not Applicable	Not Applicable	Not Applicable	
2.	Shri A.K. Lakhina {CMD} (See Note-2)	9	9	Yes	Nil	Nil	Nil
3.	Shri H.D. Khunteta {Director-Finance}	11	11	Yes	Nil	Nil	Nil
4.	Shri BalMukand {Director- Technical}	11	11	Yes	Nil	Nil	Nil
5.	Shri Ajay Shankar {Government Director} (See Note-3)	3	2	Not Applicable	Not Applicable	Not Applicable	
6.	Shri Arvind Jadhav {Government Director} (See Note-4)	11	10	Yes	2	Nil	1
7.	Shri M. Sahoo (See Note-5) {Government Director}	11	10	Yes	12	1	2

Note-1: Shri M. N. Prasad ceased to be Chairman and Managing Director w.e.f 1.08.05.

Note-2: Shri A.K. Lakhina appointed as Chairman and Managing Director in place of Shri. M.N Prasad w.e.f 1.08.05

Note-3: Shri Ajay Shankar ceased to be director w.e.f 6/9/05

Note-4: Details of Directorships/ Committee Memberships of Shri Arvind Jadhav:Directorships:

(i) Power Finance Corporation Limited (ii). Nuclear Power Corporation Limited Committee Memberships (i)Power Finance Corporation Limited (Audit Committee-Member)

Note-5: Details of Directorships/ Committee Memberships of Shri M. Sahoo: Directorships: (i) National Thermal Power Corporation Limited (NTPC) (ii) Tehri Hydro Development Corporation (THDC) (iii) Satluj Jal Vidyut Nigam Limited (iv) Powergrid Corporation of India Ltd. (v) National Scheduled Caste Finance Development Corporation (NSCFDC) (vi) National Handicapped Finance Development Corporation (NHFDC) (vii) National Minorities Finance Development Corporation (NMFDC) (viii) National Safai Karamchari Finance Development Corporation (NSKFDC) (ix) National Backward Classes Finance Development Corporation (NBCFDC) (x) National Scheduled Tribes Finance Development Corporation (NSTFDC) (xi) Tribal Co-operative Marketing Development Federation of India Limited (TRIFED) (xii) Artificial Limbs Manufacturing Corporation of India Limited.

Committee Memberships

- (i) NTPC Limited – (a) Audit Committee-Member (b) Shareholders Grievance Committee-Chairman.
(ii) THDC- Audit Committee-Member

3. Audit Committee

(A) Composition and Terms of Reference

The Audit Committee of the Corporation comprises of three members out of which two are Non-Executive Directors and one is Executive Director.

The terms of reference of the Committee are as spelt out in Section 292A of the Companies Act, 1956 and as applicable under the Model Listing Agreement notified by SEBI.

During the year 2005-06, Shri Ajay Shankar, Chairman of the Committee, resigned as director from the Board on 6th September 2005 and consequently on his cessation the Audit Committee was reconstituted inducting Shri Bal Mukand, as another member of the Committee and electing Shri M. Sahoo as Chairman. Thus, as on 31st March 2006 the reconstituted Audit Committee comprised of the following members as on 31.03.06:

1. Shri M.Sahoo- Chairman, [Non-Executive Director]
2. Shri Arvind Jadhav- Member, [Non-Executive Director]
3. Shri Bal Mukand- Member, [Executive Director]

(B) Meetings and Attendance

During the year 2005-06, six Audit Committee meetings were held on 29th April 2005, 27th July 2005, 30th August 2005, 31st October 2005, 29th November 2005 and 31st January 2006.

Name	No. of meetings held during his tenure	Meetings attended
Shri Ajay Shankar (Ceased as director w.e.f 6/9/05)	3	2
Shri M.Sahoo	6	6
Shri Arvind Jadhav	6	5
Shri Bal Mukand	3	3

Director (Finance), Head of Internal Audit and the Statutory Auditors are standing invitees in the Audit Committee meetings.

4. Remuneration Committee

At present, as provided in the Articles of Association of REC, remuneration and/or allowances payable to directors are determined by the President of India. Hence no Committee has been constituted for the purpose.

However as required under the Corporate Governance Code, necessary disclosures with regard to remuneration of directors are made as follows:

Details of remuneration of Functional Directors of the Company:

(in Rupees)						
S. No.	Name	Salary & Allowances	Other Benefits	Bonus/ Commission	Performance Linked Incentive *	Total
1.	Shri M.N.Prasad (Ex-CMD)	4,22,020	83,450	Nil	1,93,050	6,98,520
2.	Shri A.K. Lakhina (CMD)	3,73,905	3,10,093	Nil	Nil	6,83,998
3.	Shri H.D.Khunteta Director(Finance)	6,86,356	4,56,796	Nil	1,43,497	12,86,649
4.	Shri Bal Mukand Director (Technical)	6,99,926	3,96,821	Nil	1,33,436	12,30,183

* Performance Incentive is paid in accordance with the REC Performance Incentive Scheme.

5. Investors Grievance Committee

The Investors Grievance Committee constituted by the Board comprised of following members as on 31.03.2006

1. Shri Arvind Jadhav- Chairman [Non-Executive Director]
2. Shri M.Sahoo- Member [Non- Executive Director]
3. Shri H.D.Khunteta- Member [Executive Director]

Investor's grievances are attended on regular basis by the Registrar & Share Transfer Agent (RTA) appointed by the Corporation which is coordinated by the Finance Division of the Corporation. During the year 2005-06, one meeting of the Investors Grievance Committee was held on 31-10-05 to review the grievance procedure and status of pending investor's grievances. As revealed by the Status Report placed at the aforesaid meeting by the Registrars there were no grievances pending on that date for the listed bonds and the grievances for the unlisted bonds were attended on a regular basis by them.

6. Annual General Meetings

No.	Year	Location	Date & Time	Whether any Special Resolution passed
34th	2002-03	Registered Office Core-4, Scope Complex,7 Lodhi Road, New Delhi-110003	28th August 2003 12.00 Noon	No
35th	2003-04	Registered Office Core-4, Scope Complex,7 Lodhi Road, New Delhi-110003	16th September 2004 12.30 P.M.	No
36th	2004-05	Registered Office Core-4, Scope Complex,7 Lodhi Road, New Delhi-110003	22nd September 2005 3.00 P.M.	Yes

7. Disclosures

- Disclosures on materially significant related party transactions that may have potential conflict with the interests of the Company at large. Nil
- Details of Non-Compliance by Company, penalties Strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital market during the past three years. Nil

8. Means of Communication

Quarterly/Half yearly Financial Results of the Corporation are communicated to the Stock Exchange and published in one National Newspaper and one Regional Language Newspaper. These results are also made available on Company's Website at www.reclindia.nic.in

Management Discussion and Analysis Report is annexed to the Directors Report.

9. General Shareholders Information

The entire paid-up share capital of the Company is held in the name of the President of India and his nominees. AGM details are furnished at (6) above. Boards of Directors have recommended a dividend of Rs.191.26 Crores for the year 2005-06 (including interim dividend of Rs.90 Crores already paid) at its meeting held on 1st June 2006. The equity shares are not listed on Stock Exchanges.

These days, Dharamveer is a happy man. No longer does he wait for the rain to irrigate his fields. Now he need not think of taking loan from the moneylender for meeting his needs due to poor harvest. Now with proper irrigation facilities through pump set energization he is having bumper crops, rich harvests all around. Now he has also bought a tractor on which he takes his family to nearby village fair during festivals.



Growth is innovation

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.

certificate on corporate governance

Registration No. of the Company : 5095
Nominal Capital : Rs.1200 Crores

To The Members of
Rural Electrification Corporation Limited

We have examined all relevant records of the Corporation relating to the compliance of conditions of Corporate Governance by Rural Electrification Corporation Limited for the year ended 31st March, 2006. Currently Clause 2 of the Model Listing Agreement is not applicable to the Corporation since the Corporation has not issued any debentures through Public or Rights Issue. However, the Corporation has decided to continue to comply with the sub clause 2.18 of the Model Listing Agreement relating to Corporate Governance as hithertofore and endeavour to comply with additional requirements as provided in the said Clause in a phased manner.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination is limited to procedures and implementation thereof, as adopted by the Corporation. It is neither an audit nor an expression of opinion on the financial statements of the Corporation.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Corporation has by and large complied with the mandatory requirements under the above Modal Listing Agreement executed with the National Stock Exchange.

It is observed that the Board of Directors does not comprise of independent directors as provided in clause 2.18 of the Model Listing Agreement. But we were informed that as the appointment of directors including independent directors is to be made by the President of India, the Corporation had taken up the matter with the Administrative Ministry i.e the Ministry of Power, Government of India, to appoint independent directors. Further, the Audit Committee of the board as constituted by the corporation comprises of two Non-Executive Directors (Government Nominees) and one Executive Director and there are no independent directors in the Audit Committee.

For P. P. Agarwal & Co.
Company Secretaries

Pramod P. Agarwal
Proprietor.
C. P. No. 4994

Place : New Delhi
Date : 18-07-2006

It's noon. Time for Meena to start off for the fields again. Her husband is waiting for his well-earned meal. The farm machines have indeed made things easier for him, she thinks to herself... That would explain why he's not irritable anymore. Even little Sarita has begun topping her class; says she now wants one of those computers. Life has taken on a whole new meaning for our family. Thanks to electrification, there's something new to do everyday for me as well. But first things first... And with that, Meena breaks out of her reverie and sets off. Her husband is waiting to savour his meal.



Growth is increase

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.

Balance Sheet As At 31st March, 2006

(Rs. in Lacs)			
	Sch. No.	As at 31.03.2006	As at 31.03.2005
SOURCES OF FUNDS			
Shareholders' Funds:			
Capital	1	78,060.00	78,060.00
Reserves and Surplus	2	341,773.00	299,830.36
		419,833.00	377,890.36
Loan Funds:			
Secured Loans	3	2,174,958.82	1,744,938.18
Unsecured Loans	4	228,962.65	192,901.28
		2,403,921.47	1,937,839.46
Total		2,823,754.47	2,315,729.82
APPLICATIONS OF FUNDS			
Fixed Assets:			
Gross Block	5	3,480.85	3,418.35
Less Depreciation		1,105.56	1,003.81
Net Block		2,375.29	2,414.54
Capital Work in Progress		4,063.82	140.54
Investments	6	132,499.09	141,722.37
Loans	7	2,532,560.93	2,168,440.74
Current Assets, Loans & Advances:			
Cash and Bank Balances	8	191,364.46	48,545.43
Other Current Assets		30,566.61	29,499.25
Loans and Advances		99,737.36	79,816.31
		321,668.43	157,860.99
Less:			
Current Liabilities & Provisions:			
Liabilities	9	59,656.07	53,075.00
Provisions		111,299.22	101,925.86
		170,955.29	155,000.86
Net Current Assets		150,713.14	2,860.12
Deferred Tax Assets (Net of Liabilities)	10	1,542.20	151.51
Total		2,823,754.47	2,315,729.82
Notes on Accounts	16		

Schedule 1 to 16 and Significant Accounting Policies form an integral part of Accounts

In terms of our Report of even date

For and on behalf of the Board

For G.S. Mathur & Co.

Chartered Accountants

Ajay Mathur
Partner
M.No. 82223

H.D. Khunteta
Director Finance

A.K. Lakhina
Chairman & Managing Director

Place: New Delhi
Date: 01-06-2006

B.R. Raghunandan
Company Secretary

Profit And Loss Account For The Year Ended 31st March, 2006

(Rs. in Lacs)

	Sch. No.	Year ended 31.03.2006	Year ended 31.03.2005
INCOME			
Operating Income	11	207,130.85	219,981.12
Other Income	12	17,375.40	10,227.75
Total		224,506.26	230,208.87
EXPENDITURE			
Interest and Other Charges	13	133,913.03	120,474.87
Establishment Expenses	14	4,250.44	3,289.66
Administration Expenses	15	1,519.40	1,144.18
Bond/ Debt Instrument Issue Expenses		1,663.99	1,520.34
Provision for decline in value of investments		51.00	-
Depreciation		109.92	114.85
Total		141,507.78	126,543.89
PROFIT FOR THE YEAR		82,998.48	103,664.98
Prior period adjustments(Net)		15.44	10.65
PROFIT BEFORE TAX		82,983.04	103,654.33
Provision for Taxation :			
Current Year		17,280.64	23,511.86
Earlier Year		3,266.74	1,928.41
Deferred Tax		-1,390.69	77.76
Fringe Benefit Tax		75.28	-
PROFIT AFTER TAX		63,751.07	78,136.30
Add: Bonds Redemption Reserve written back		8,850.00	-
AMOUNT AVAILABLE FOR APPROPRIATION		72,601.07	78,136.30
Appropriations:			
Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961		26,500.00	38,000.00
Reserve u/s 36(1)(viiia) of the Income Tax Act, 1961 for Bad & Doubtful Debts		2,750.00	3,500.00
Proposed Final Dividend		10,126.00	17,650.00
Interim Dividend Paid		9,000.00	5,800.00
Corporate Dividend Tax			
- Proposed Dividend		1,420.17	2,475.41
- Interim Dividend		1,262.25	757.99
Transfer to General Reserve		21,100.00	9,500.00
Surplus carried to Balance Sheet		442.65	452.90
Total		72,601.07	78,136.30
Earning Per Share of Rs 10/- each- Basic & Diluted		Rs. 8.17	Rs. 10.01
Notes on Accounts	16		

Schedule 1 to 16 and Significant Accounting Policies form an integral part of Accounts

In terms of our Report of even date

For G.S. Mathur & Co.
Chartered Accountants

For and on behalf of the Board

Ajay Mathur
Partner
M.No. 82223

H.D. Khunteta
Director Finance

A.K. Lakhina
Chairman & Managing Director

Place: New Delhi
Date: 01-06-2006

B.R. Raghunandan
Company Secretary

Schedule "1" - Share Capital

(Rs. in Lacs)

	As at 31.03.2006	As at 31.03.2005
Authorised		
1200,000,000 (Previous Year 1200,000,000) Equity shares of Rs.10 each	120,000.00	120,000.00
Issued, Subscribed and Paid up		
780,600,000 (Previous Year 780,600,000) fully paid up Equity shares of Rs 10 each	78,060.00	78,060.00
Total	78,060.00	78,060.00

Schedule "2" - Reserves And Surplus

(Rs. in Lacs)

	Opening Balance as at 01.04.2005	Additions/ adjustments during the Year	Deductions/ adjustments during the Year	Closing Balance as at 31.03.2006
a) Capital Reserve (Grant from USAID)	10,500.00	-	-	10,500.00
b) Special Reserve created u/s 36(1) (viii) of the Income Tax act,1961 upto Fin.year 1996-97	5,173.77	-	-	5,173.77
c) Special Reserve created u/s 36(1) (viii) of the Income Tax act,1961 from Fin.year 1997-98	158,106.00	26,500.00	-	184,606.00
d) Reserve for Bad and doubtful debts u/s 36(1)(viiia) of the Income Tax act,1961	14,419.13	2,750.00	-	17,169.13
e) Bond Redemption Reserve	8,850.00	-	8,850.00	-
f) General Reserve	101,131.04	21,100.00	-	122,231.04
g) Surplus	1,650.41	442.65	-	2,093.06
Total	299,830.35	50,792.65	8,850.00	341,773.00
Previous Year	248,377.46	51,452.90	-	299,830.36

Schedule "3" - Secured Loans

	(Rs. in Lacs)	
	As at 31.03.2006	As at 31.03.2005
TERM LOANS		
(Secured against the receivables of the State Electricity Boards/ State Power Corporations)		
Syndicate Bank	20,000.00	20,000.00
State Bank of Saurashtra	9,700.00	9,700.00
State Bank of Hyderabad	10,000.00	10,000.00
State Bank of Travancore	25,000.00	10,000.00
Bank of Maharashtra	25,000.00	22,500.00
Canara Bank	20,000.00	20,000.00
Union Bank of India	42,500.00	10,000.00
SBI, Patiala	20,000.00	-
Central Bank	20,000.00	-
OVERDRAFT AGAINST TERM DEPOSIT		
Oriental Bank of Commerce	20,500.00	-
(Secured against FDR of Rs 233 Crores placed with the bank)		
Interest accrued and due on above	-	0.95
LOAN FROM LIFE INSURANCE CORPORATION OF INDIA (LIC)	350,000.00	350,000.00
(Secured against receivables of the Electricity Boards/State Power Corpn.)		
LOAN THROUGH BONDS		
(Cumulative & Non-Cumulative), secured by charge against specific loans advanced to SEB's , State Power Corporations etc. and/ Immovable property at Maharashtra as per the terms of the private placement and to the satisfaction of the respective trustees.		
I- TAXFREE SECURED BONDS		
a) Short Term		
36th Series-I - 8.7% Redeemable at par on 25.09.2005	-	10,000.00
36th Series-II - 8.0% Redeemable at par on 26.11.2005	-	3,500.00
b) Long Term		
41st Series - 8.25% Redeemable at par on 22.02.2010	7,500.00	7,500.00
53rd Series - 7.10% Redeemable at par on 23.03.2011	5,000.00	5,000.00

II- TAXABLE SECURED BONDS**Long term****REC BONDS**

46th Series	- 10.70% Redeemable at par on 15.06.2007	-	6,325.00
48th Series	- 11.00% Redeemable at par on 31.07.2007	-	2,250.00
50th Series-1	- 11.95% Redeemable at par on 31.10.2007	-	18,590.00
50th Series-2	- 11.95% Redeemable at par on 31.10.2007	-	15,580.00
50th Series-3	- 11.90% Redeemable at par on 30.11.2007	-	5,850.00
52nd Series	- 11.40% Redeemable at par on 15.12.2007	26,300.00	26,300.00
54th Series	- 10.45% Redeemable at par on 30.09.2008	-	19,000.00
62nd Series	- 8.35% Redeemable at par on 07.03.2009	16,270.00	16,270.00
64th Series	- 6.90% Redeemable at par on 27.09.2009	24,000.00	24,000.00
66th Series	- 6.00% Redeemable at par on 31.01.2010	27,400.00	27,400.00
69th Series	- 6.05% Redeemable at par on 31.03.2014	66,920.00	66,920.00
72nd Series	- 6.60% Redeemable at par on 31.03.2014	58,550.00	58,550.00
73rd Series	- 6.90% Redeemable at par on 08.10.2014	23,390.00	23,390.00
75th Series	- 7.20% Redeemable at par on 17.03.2015	50,000.00	50,000.00
76th Series	- 6.00% Redeemable at par on 15.03.2008	102,000.00	102,000.00
77th Series	- 7.30% Redeemable at par on 30.06.2015	98,550.00	-
78th Series	- 7.65% Redeemable at par on 31.01.2016	179,570.00	-
79th Series	- 7.85% Redeemable at par on 14.03.2016	50,000.00	-
80th Series	- 8.20% Redeemable at par on 20.03.2016	50,000.00	-

CAPITAL GAINS BONDS

Series-I	- Capital Gain Tax Exemption Bonds Redeemable at Par	62,089.48	250,426.07
Series-II	- Capital Gain Tax Exemption Bonds Redeemable at Par	34,625.35	159,426.25
Series-III	- Capital Gain Tax Exemption Bonds Redeemable at Par	136,236.80	136,267.90
Series-IV	- Capital Gain Tax Exemption Bonds Redeemable at Par	228,949.80	199,274.30
Series-V	- Capital Gain Tax Exemption Bonds Redeemable at Par	233,999.90	-

INFRASTRUCTURE BONDS

Series-I & II	- Infrastructure Bonds Redeemable at Par	3,524.75	8,650.70
Series-III	- Infrastructure Bonds Redeemable at Par	1,617.15	1,617.15
Series-IV	- Infrastructure Bonds Redeemable at Par	18,847.56	-
	Bond Application Money Capital Gain/Infra.	106,918.03	48,649.86

Total Secured Loans **2,174,958.82** 1,744,938.18

Due for repayment/redemption within next year **NIL** 13,500.00

Notes to Schedule No 3 :-

- a) 52nd Series is redeemable at par with put/call option at the end of 5-1/2 year, i.e. 15.12.2007. 62nd, 64th, 66th and 72nd series of bonds have put/call option at the end of 5 years, i.e. 07.03.2009, 27.09.2009, 31.01.2010 and 31.03.2014 respectively.
- b) 69th and 73rd series are redeemable at par in 5 equal instalments at par at the end of 6th, 7th, 8th and 10th year respectively.
- c) 75th series of bonds shall be redeemed at par in 10 equal instalments at half yearly intervals from 5 - 1/2 years to 10 years by way of STRPPs. 76th series have put/call option at the end of 18 months from the deemed date of allotment i.e. 15.03.2008.
- d) 77th series of bonds shall be redeemed at par in 5 equal instalments at par at the end of 6th year to 10 years.
- e) 78th, 79th and 80th Series are redeemable at par at the end 10 years i.e. 31.01.2016, 14.03.2016 and 20.03.2016.
- f) Trust Deed and Hypothecation deed of 78th, 79th and 80th series are yet to be executed.
- g) Capital Gains Tax Exemption Bonds are issued for a tenure of 5 / 7 years at the rates of 5.15% to 8.70% payable semi annually/ annually & with cumulative options. These bonds have put / call option at the end of 3 / 5 years. The current year (2005-06).
- h) Capital Gains Tax Exemption Bonds issue has a 5 year tenor at 5.5% & 6.5% payable annually. Infrastructure bonds are issued for a tenure of 3 to 5 years at different interest rates varying between 6.00% to 9.00% payable annually. These bonds have put option at the end of 3 / 5 years from the date of allotment.
- i) The Capital Gains Tax Exemption Bonds and Infrastructure Bonds are secured by a legal mortgage respectively over the REC's immovable properties and receivable to the satisfaction of the Trustees. The book value of these immovable properties and receivables are Rs. 38.50 Lacs. Charges have been created in favour of Trustees.
- j) Bonds for Rs. 220 lakh are held by Trust REC CP Fund.

Schedule "4" - Unsecured Loans

(Rs. in Lacs)

	As at 31.03.2006	As at 31.03.2005
From Government of India	11,997.16	14,016.56
(Including Rs. 1948.72 Lacs due for payment during next year, previous year Rs. 2019.40 Lacs)		
TERM LOANS		
Canara Bank	20,000.00	20,000.00
Bank of Baroda	25,000.00	25,000.00
UCO Bank	20,000.00	-
Indian Bank	20,000.00	-
Corporation Bank	38,500.00	-
Interest accrued and due on above	-	7.92
CASH CREDIT LIMITS		
Corporation Bank	10,000.00	28,500.00
SBI	-	17,500.00
BOI	-	20,000.00
Canara bank	20,000.00	-
LOAN THROUGH BONDS		
(A) (Non- Cumulative ,Guaranteed by Government of India)		
(a) Short Term		
31st Series - 13.85% Redeemable at par on 13.09.2006	3,500.00	3,500.00
29th Series-1 - 14% Redeemable at par on 01.03.2006	-	1,291.00
29th Series-2 - 14% Redeemable at par on 29.03.2006	-	3,096.92
(b) Long term		
18th Series - 11.5% Redeemable at par on 12.12.2008	6,858.00	6,858.00
21st Series - 11.5% Redeemable at par on 29.12.2009	6,908.00	6,908.00
22nd Series - 11.5% Redeemable at par on 27.12.2010	4,900.00	4,900.00
23rd Series-1 - 12% Redeemable at par on 05.12.2011	2,265.00	2,265.00
23rd Series-2 - 12% Redeemable at par on 21.02.2012	3,035.00	3,035.00
24th Series - 13% Redeemable at par on 17.02.2008	5,502.00	5,502.00
35th Series - 12.3% Redeemable at par on 26.03.2008	5,497.50	5,497.50
(B) Other Bonds		
74th Series - 7.22% Redeemable at par on 31.12.2014	25,000.00	25,000.00
Interest accrued and due on above	-	23.38
Total Unsecured Loans	228,962.65	192,901.28
Due for repayment/redemption within next year	5,448.72	6,407.32

Notes:- Bonds for Rs.18.77 lacs and Rs.10.00 lacs are held as on 31.03.2006 by REC Ltd. CP Fund Trust and REC Ltd. Gratuity Fund Trust respectively.

Schedule "5" - Fixed Assets

(Rs. In Lacs)

Particulars	GROSS BLOCK			DEPRECIATION					NET BLOCK	
	As at 01.04.05	Add during the year	Ded/Adj during the year	As at 31.03.06	Upto 31.03.05	During the year	Disp/Writt off during the year	Upto 31.03.2006	As at 31.03.06	As at 31.03.05
Freehold Land	65.90	14.13	-	80.03	-	-	-	-	80.03	65.90
Lease hold Land	145.50	-	-	145.51	8.39	1.47	-	9.86	135.64	137.11
Buildings	2,156.75	17.99	-	2,174.74	361.93	33.50	-	395.43	1,779.31	1,794.82
Fur. & Fixtures	350.70	10.54	1.22	360.02	191.16	20.04	1.20	210.00	150.02	159.54
EDP Equipments	367.09	10.18	5.77	371.50	246.83	33.24	5.27	274.80	96.70	120.26
Office Equip.	232.40	18.64	1.98	249.08	142.37	12.24	1.71	152.93	96.15	90.03
Vehicles	98.18	-	0.02	98.16	52.59	9.09	0.02	61.66	36.50	45.59
Other Intangible Assets (Computer Software)	1.83	-	-	1.83	0.54	0.34	-	0.89	0.95	1.29
Grand Total	3,418.35	71.48	9.00	3,480.85	1,003.81	109.92	8.19	1,105.56	2375.29	2,414.54
PREVIOUS YEAR	2,965.86	463.03	10.54	3,418.35	897.17	114.85	8.21	1,003.81	2,414.54	2,068.69
Capital work-in-Progress	140.54	3,923.29	-	4,063.82	-	-	-	-	4063.82	140.54
PREVIOUS YEAR	284.64	214.17	358.27	140.54	-	-	-	-	140.54	284.64

- 1 Depreciation on AC Plant at CIRE Hyderabad is charged @ 5.15% as against 4.75% as per Schedule XIV of the Companies Act, 1956 such rate being continued to be charged since 1988-89, the year of installation.
- 2 Other Intangible Assets included computer software purchased from outside and in terms of AS-26. These are proposed to be charged over 5 years.
- 3 Capital Work-in-Progress includes Advance paid for purchase of Land for construction of Office/Residential premises amounting Rs.3780.82 Lacs.

Schedule “6” - Investments

	(Rs. in Lacs)	
	As at 31.03.2006	As at 31.03.2005
Long Term (Unquoted) Non-Trade Investments		
8% Government of Madhya Pradesh Power Bonds-II	132,048.00	141,480.00
Maturing in 30 equal half yearly Installments w.e.f. 1.04.05 (28 Bonds of Face Value of Rs 4716 Lacs each) (Previous year 30 Bonds of Face Value of Rs 4716 Lacs each)		
KSK Energy Ventures Limited	451.09	242.37
50,20,900 units of “Small is Beautiful” Fund at Net assets Value (NAV) of Rs. 8.98 per unit (Face Value per unit is Rs 10/-)	132,499.09	141,722.37

Schedule “7” - Loans

	(Rs. in Lacs)	
	As at 31.03.2006	As at 31.03.2005
(i) State Electricity Boards/Corpn., Co-operatives and State Governments	1,842,016.82	1,685,073.07
a) Unsecured, considered good and guaranteed by respective State Governments		
b) Unsecured considered good		
(ii) State Electricity Boards/Corpn. (Secured by hypothecation of materials with respective State Electricity Boards/ Corpn.)		
Considered Good	542,176.11	208,811.59
Classified Doubtful	140.99	140.99
Less: Prov. for Bad & doubtful debts	70.50	70.50
(iii) Others (Secured by hypothecation of tangible assets) Consider good	35,948.45	199,337.84
Classified doubtful	2,854.99	2,854.99
Less: Prov. for Bad & doubtful debts	2,000.00	2,000.00
(iv) Others (Unsecured)- Considered good	33,230.90	10,000.00
(v) Interest accrued and due on Loans	118.52	358.42
(vi) Interest accrued on rescheduled loans	78,144.64	63,934.33
Total	2,532,560.93	2,168,440.74

Schedule "8" - Current Assets, Loan & Advances

(Rs. in Lacs)

	As at 31.03.2006	As at 31.03.2005
I CURRENT ASSETS		
A) Cash and bank balances :		
(i) Cash/Cheque in hand/transit (incl. Postage & imprest)	13,292.58	2,246.13
(ii) In current accounts		
- with RBI	332.58	193.82
- with other Scheduled Banks	54,438.52	21,105.26
(iii) In Deposit accounts with Scheduled Banks	123,300.00	25,000.22
(iv) Remittances in Transit	0.77	-
Total - (A)	191,364.46	48,545.43
B) Other Current Assets		
(ii) Interest accrued but not due on term deposits	1,268.26	400.19
(iii) Interest accrued but not due		
- on Loans	23,795.80	23,237.46
- on Govt. Securities	5,281.92	5,659.20
- on loans to employees	203.38	198.95
(iv) Recoverable from SEB /Govt. Deptts	197.45	- 183.64
Less: Provision for Bad & Doubtful Debt	180.20	17.25 180.20 3.44
Total - (B)	30,566.61	29,499.24
II LOANS AND ADVANCES		
A) Loans		
(i) Employees (secured)	148.83	196.90
(ii) Employees (Unsecured)	240.64	242.70
B) Advances		
(Unsecured considered good)		
(i) Advances recoverable in cash or in kind or for value to be received	85.86	131.41
(ii) Advance Income-Tax	99,261.74	79,245.02
(iii) Income Tax recoverable (Bond)	0.29	0.29
Total - (C)	99,737.36	79,816.31
Grand Total (A+B+C)	321,668.43	157,860.98

Schedule "9" - Current Liabilities And Provisions

		(Rs. in Lacs)	
		As at 31.03.2006	As at 31.03.2005
A) CURRENT LIABILITIES			
(a) Creditors for Expenses			
- Dues of Small scale ind. undertakings			
- Dues of creditors other than small scale ind. Undertakings		1,520.55	1,552.18
(b) Advance Receipts		396.56	154.29
(c) Other Liabilities		616.28	303.91
(d) Grant-in-Aid from Government of India	229,442.56		113,712.73
Less : Disbursed to State Power Utilities/ Co-operative Societies	<u>211,162.48</u>	<u>18,280.07</u>	<u>109,997.06</u>
(e) Interest accrued but not due			
- on bonds	19,835.75		27,868.01
- Government/ LIC Loans	<u>18,408.37</u>	<u>38,244.11</u>	<u>19,022.60</u>
(f) Unclaimed Interest & Principal On Bonds and Govt. Loans			
- Interest	298.50		154.35
- Principal	300.00	598.50	304.00
Total (A)		59,656.07	53,075.00
B) PROVISIONS			
(a) Income Tax		98,167.71	80,887.30
(b) Post Retirement Health Scheme		774.57	-
(c) Leave Encashment		711.78	598.99
(d) Gratuity		98.76	312.91
(e) Wealth Tax		0.23	1.24
(f) Proposed Dividend		10,126.00	17,650.00
(g) Corporate Dividend Tax		1,420.17	2,475.41
Total (B)		111,299.22	101,925.86
Total (A)+(B)		170,955.29	155,000.86

Schedule "10" - Deferred Tax Assets(+)/ Liability (-)

		(Rs. in Lacs)	
		As at 31.03.2006	As at 31.03.2005
Opening Balance of Deferred Tax Assets	151.51		229.27
Add: Addition during the Year (Net of Liabilities)	1,390.69	1,542.20	(77.76)
Total		1,542.20	151.51

Schedule "11" - Operating Income

		(Rs. in Lacs)	
		As at 31.03.2006	As at 31.03.2005
A. On Lending Operations			
Interest on Loans			
- Short term financing	18,410.31		9,695.80
- Long term financing	<u>175,087.76</u>	<u>193,498.07</u>	<u>153,991.72</u>
B. Income on Reschedulement of Loans		12,168.24	54,669.06
		205,666.31	218,356.58
C. Handling Charges , Service charges		169.50	570.67
Processing fee, Upfront fee, Consultancy etc.			
D. Swapping Premium Account		1,295.04	1,053.87
Total		207,130.85	219,981.12

Schedule "12" - Other Income

		(Rs. in Lacs)	
		As at 31.03.2006	As at 31.03.2005
A. On Investment/Deposit Operations			
Interest on deposits	6,243.83		4,498.43
Interest on Govt. Securities	<u>10,752.48</u>	<u>16,996.31</u>	<u>5,659.20</u>
B. Other Income			
Interest on staff advances		29.13	36.52
Miscellaneous Income		58.29	18.85
Excess Provision Written Back		291.66	14.75
Total		17,375.40	10,227.76

Schedule "13" - Interest And Other Charges

	As at 31.03.2006	As at 31.03.2005
Interest on -		
- Govt. Loans	910.68	4,960.66
- REC Bonds	93,416.84	92,209.82
- Fin Insts.	39,387.52	23,092.14
Total (A)	133,715.03	120,262.62
Interest on AREP Subsidy - Total (B)	198.00	212.24
Total	133,913.03	120,474.87

Schedule "14" - Establishment Expenses

	As at 31.03.2006	As at 31.03.2005
Salaries and Allowances	2,575.12	2,311.91
Contribution to Gratuity Fund	100.73	314.52
Contribution to Provident and Other Funds	172.47	175.98
Staff Welfare expenses	1,349.83	436.77
Rent - Residential	52.28	50.48
Total	4,250.44	3,289.66

Schedule "15" - Administration Expenses

(Rs. in Lacs)

	As at 31.03.2006	As at 31.03.2005
Rent- office	28.02	19.25
Rates and Taxes	34.49	11.12
Electricity and Water Charges	41.87	32.00
Insurance Charges	3.02	2.93
Repairs and Maintenance		
Building	160.79	141.93
Others	43.04	17.99
Bonds Guarantee Fee/Handling Charges	-	17.68
Printing and Stationery	42.80	30.60
Travelling and Conveyance		
- Directors	3.07	6.22
- Others	299.04	222.71
Postage, Telegram and Telephone	67.12	58.38
Consultancy Charges	4.09	5.23
Relief Funds and others	-	226.00
Miscellaneous Expenses	413.08	291.26
Expenses for RGGVY scheme implementation	342.96	-
Less: Interest received on RGGVY grant	34.02	-
Entertainment	11.27	12.18
Auditors' Remuneration	15.54	21.46
Vehicles Maintenance	17.98	25.71
Research & Evaluation study	24.96	-
Loss on Sale of Assets	0.30	1.53
Total	1,519.40	1,144.18

Schedule No. '16' - Notes On The Accounts

1. Contingent Liabilities not provided for in respect of:

	(Rs. in lacs)	
	As at 31.3.2006	As at 31.3.2005
(a) Claims against the Corporation not acknowledged as debts, (including Rs 2526.11 lacs pending in various courts, Previous year Rs. 2579.44 lacs)	3694.51	5796.27
(b) Estimated amount of the contracts remaining to be executed on capital account and not provided for	1847.00	126.05
(c) Future recourse on account of securitisation of receivables covered by guarantee from the Govt. of Andhra Pradesh	Nil	5244.76
(d) Others	910.00	NIL

Contingent Liabilities are dependant upon the outcome of court/out of court settlement, the amount being called up, terms of contractual obligations, development and raising of demand by concerned parties, disposal of appeals respectively.

The Amount under 1(b) above includes a sum of Rs.1747.91 lacs committed for contribution towards units of 'Small is Beautiful' trust, a venture capital fund.

2. The Corporation was registered by RBI as a Non-Banking Financial Company (NBFC) during the year 1997-98. As per notification No. DNBS (PD), CC No. 12/D2.01/99-2000 dated 13.1.2000 of RBI, Govt. Companies conforming to Section 617 of the Companies Act have been exempted from applicability of the provisions of RBI Act relating to maintenance of liquid assets and creation of Reserve Funds and the Directions relating to acceptance of public deposits and prudential norms. The said notification is also applicable to REC, being a Govt. Company conforming to Section 617 of the Companies Act, 1956. In view of non-applicability of the provisions of Section 45IC of the RBI Act, 1934 regarding creation of the Reserve Fund, the Reserve Fund is not created.

3. The Building of Central Institute for Rural Electrification at Hyderabad and Furniture & Fixtures at Scope Complex Office, New Delhi have been capitalised on provisional basis pending receipt / finalisation of final bills. The difference in the final cost, if any, would be accounted for as and when ascertained. Further in respect of flats purchased at Thiruvanthapuram during the year 2000-01 from Kerala State Housing Board (KSHB), some landowners have disputed the amount of compensation earlier paid to them by the KSHB and as per agreement, if any more compensation is awarded to the landowners, proportionate amount shall be recovered by the KSHB from the allottees.
4. Refer Accounting Policy no.2.5. There has been shortfall in creation of Special Fund by some of the RE Cooperative Societies amounting to Rs.353.11 lacs (Previous year Rs.279.25 lacs) as on 31.03.2006 and the societies are pursued to create the required Special Fund.
5. Balance confirmation has been received from some of the borrowers.

6. Income Tax as applicable in respect of interest Accrued on bonds is deducted at source at the time of actual payment of interest to the bond holders since such bonds are transferable by endorsement and delivery.
7. The formalities regarding conveyance deeds, etc. in respect of some of the premises including Land acquired by the Corporation amounting to Rs.5754.23 lacs (Previous year Rs. 650.46 lacs) are in the process of completion.
8. Total overdues recoverable from the defaulting borrowers as on 31.03.2006 amount to Rs.25715 lacs (Previous year Rs.64846 lacs) and effective steps are being taken for recovery of the same. Suits filed in the Debt Recovery Tribunal against defaulting Electricity Boards, wind farm borrowers and cooperative societies for recovery of dues are at different stages of hearing/ legal proceedings. For defaulting Societies, Court decrees have been obtained and execution thereof is in progress.
9. The borrowers of the Corporation were given an option to swap their high cost loans with fresh loans at the prevailing lower rates of interest on payment of a swapping premium. The Income from operations includes an amount of Rs.1295.04 lacs (Previous year Rs.1053.87 lacs) of swapping premium received by the Corporation during the year.
10. In terms of Accounting Policy No. 11.2, the balances in respect of Interest Warrants Accounts as on 31.03.2006 held in specified banks are Rs.27791.26 lacs (Previous Year Rs. 23841.26 lacs).
11. In the opinion of the management, the current assets, loans and advances appearing in the balance sheet have a value equivalent to the amount stated therein if realised during the ordinary course of business and all known liabilities have been provided.
12. Leave encashment determined on actuarial valuation basis with the leave balance considering credit of leave up to 30.06.06 and leave consumed up to 31.03.06, which is consistently followed in earlier years.
13. Provision of Impairment loss as required under Accounting Standard – 28 on Impairment of Assets is not necessary as in the opinion of management; there is no Impairment of Assets during the year.
14. Pending final approval of the pay scales of the officers by the Govt., the differential amount of Rs.7.16 crore (Previous year Rs.7.50 crore) approx. in respect of the employees who left the services on retirement or otherwise, is retained in fixed deposits in the name of the employees (FDR's pledged to REC).
15. Dues towards small-scale industries Ltd: - The company has no outstanding liability towards small-scale industries undertaking.
16. During the year 2005-06, the corporation has entered into one Swap Transaction of Rs. 500/- Crores with UTI Bank, Yes Bank, Bank of America and ABN Amro Bank, interest rate Swap linked with Japanese Yen, Bond Series 79th (Previous Year Rs. 250/- Crores with ICICI Bank, Interest Swap linked with USD, Bond Series 74th).

During the year the Corporation has earned Rs. 236.77 Lacs, which has been effected in the decrease in cost of Borrowings to that extent.
17. No Bond Redemption Reserve has been created this year because as per clarification issued by the Department of Company Affairs, Govt. of India vide no.6/3/2001-CL.V dated 18.4.2002, BRR is not required to be created in the case of privately placed debentures issued by NBFC's registered with the RBI under section 45-IA of the RBI (Amendment) Act, 1997.

18. Directors' Remuneration:

	(Rs. in lacs)	
	Year ended 31.03.2006	Year ended 31.03.2005
Salaries and Allowances	22.67	13.57
Perquisites/reimbursement	7.15	5.62
Retirement Benefits	1.22	1.88
	31.04	21.07

The Chairman and Managing Director and other whole time Directors have also been allowed to use Staff car including for private journey(s) upto a ceiling of 1000 kms per month on payment of monthly charges as per DPE guidelines.

19. Loans and Advances include Rs. 0.17 lacs (Previous year Rs.1.59 lacs) due from Directors of the Corporation, maximum amount outstanding during the year Rs.2.09 lacs (Previous year Rs. 4.01 lacs).

20. Auditors' Remuneration includes:

	(Rs. in lacs)	
	Year ended 31.03.2006	Year ended 31.03.2005
a) Audit fees		
– Current year	6.73	6.61
– Last year	0.88	0.54
b) Tax Audit fee		
– Current year	2.24	2.20
– Last year	-	0.58
c) Reimbursement of expenses		
– Current Year	0.23	6.98
– Last Year	1.24	-
d) Payments for other Services		
– Current Year	3.72	4.55
– Last Year	0.50	-
	15.54	21.46

21. Expenditure in Foreign Currency during the year was Rs. 4.82 lacs (Previous year Rs.13.92 lacs). All other information required under Para 4 (c) and 4 (d) of Part II of the Schedule VI of the Companies Act, 1956 are either nil or not applicable.
22. Information in relation to the interest of the Company in Joint Venture as required under Accounting Standard –27 issued by ICAI.

Investment include Rs. 502.00 Lacs (P.Year Rs.242.37 Lacs) representing company's contribution in the units of Joint venture Small is Beautiful fund (SIB Fund) Venture Capital fund promoted by KSK Energy Ventures Limited

Name of the Company	Contribution towards Fund	Country of Residence	Proportion of ownership
SIB Fund of KSK Energy Ventures Ltd.	502.00 Lacs	India	9.74%

23. Related Party Disclosure

A. Key Management Personal

- Shri Anil Kumar Lakhina - Chairman cum Managing Director
 Shri H.D Khunteta - Director (Finance)
 Shri Bal Mukand - Director (Technical)

Remuneration to whole time Directors including Chairman & Managing Director is disclosed in Note No.18

Advance due from whole time Directors including Chairman & Managing Directors is Rs.0.17 Lacs (P.Year 1.59 Lacs) as disclosed in Note No. 19.

B. Other Related Parties with whom transaction exist

Joint Ventures

Small is Beautiful, Venture Capital Fund

24. Schemes for Energy Conservation Projects are initially sanctioned as interest bearing loan and on the satisfactory completion of the projects, the eligible portion of the loan is converted into grant from the original date of disbursement of the loan.

27. a) The Corporation has been providing for deferred tax assets / liabilities in terms of Accounting Standard No. 22 on Accounting for Taxes on Income. During the year the Corporation has provided Rs. 1390.69 Lacs as deferred tax assets.

Major components of deferred tax assets as on 31.03.2006 are given as under:

(Rs in Lacs)		
Particulars	As at 31.03.2006	As at 31.03.2005
Deferred Tax Assets		
Provision for VRS Expenditure	115.94	226.72
Provision for Leave Encashment	170.37	88.42
Provision for Post Retirement Medical Benefits	260.72	-
Provision for fall in investments	17.16	-
Provision for other expenses	1251.64	-
	1815.83	315.14
Deferred Tax Liabilities		
Depreciation	273.63	163.63
Net Deferred Tax Assets	1542.20	151.51

28. In terms of Accounting Standard No. 20 issued by the Institute of Chartered Accountants, Earning per share (Basic and Diluted) is worked out as under: -

Rs. In Lacs.		
	As at 31.03.2006	As at 31.03.2005
Numerator		
Profit after Tax as per Profit and Loss Account	63751.07	78136.30
Denominator		
Number of equity shares	780,600,000	780,600,000
Shares allotted during the year	NIL	NIL
Weighted average number of Equity shares for Calculating Basic and Diluted earning per share	780,600,000	780,600,000
Basic & Diluted Earning per share (Rs./per share)	8.17	10.01

29. Miscellaneous expenses include Rs. 1.00 crore contribution for establishment of National Power Monitoring Center (NPMC) at Ministry of Power Shram Shakti Bhawan, New Delhi through Power Grid Corporation of India Ltd.
30. The Company has provided Tax Liability according to the provision of Income Tax Act based on the advice of Tax Consultant.
31. In some of the States new Transmission and Distribution Companies have come into operation due to unbundling of SEBs. Pending takeover of the assets and liabilities by these new entities in their states and/or completion of the legal and other formalities/documentation, the loans sanctioned/released to the original borrowers before unbundling are outstanding in the names of parent companies designated by the states and are being serviced by them accordingly. The loans may be further bifurcated to the Distribution companies, whenever required, on completion of legal and other formalities/documentation.
32. Total dues amounting to Rs. 74.56 Crores in respect of Govt. of Mizoram have been rescheduled during the year and the same are now payable in monthly installment upto December 2022. As per settlement, NPV of differential interest for future years amounting to Rs. 19.35 Crores on account of the lowering of the rate of interest applicable for dues, shall also be recoverable in EMI's alongwith other dues.
33. As per the reschedulement package, ASEB has agreed to pay Rs. 340 Crores against the balance dues of Rs. 377.35 Crores as on 31.03.02, which will be received in monthly installments over a period of 15 years after a moratorium period of 5 years in respect of principal amount. Accordingly overdue interest of Rs. 121.68 Crores included in the said settled amount, has been recognized as income during the year in terms of the accounting policies of the corporation following the accrual system of accounting.

34. Details of provision as required in AS – 29: -

	31.03.06	31.03.05
		Rs. In Lacs
(a) Income Tax		
As per last Balance Sheet	80,887.30	57,375.44
Addition during the year	17,280.41	23,511.86
Amounts paid/utilised during the year	-	-
	98,167.71	80,887.30
(b) Post Retirement Health Scheme		
As per last Balance Sheet	-	-
Addition during the year	774.57	-
Amounts paid/utilised during the year	-	-
	774.57	-
(c) Leave Encashment		
As per last Balance Sheet	598.99	530.08
Addition during the year	975.41	611.49
Amounts paid/utilised during the year	862.62	542.58
	711.78	598.99
(d) Gratuity		
As per last Balance Sheet	312.91	598.90
Addition during the year	98.76	312.91
Amounts paid/utilised during the year	312.91	598.90
	98.76	312.91
(e) Wealth Tax		
As per last Balance Sheet	1.24	1.63
Addition during the year	0.23	-
Amounts paid/utilised during the year	1.24	0.39
	0.23	1.24
(f) Proposed Dividend		
As per last Balance Sheet	17,650.00	18,300.00
Addition during the year	10,126.00	17,650.00
Amounts paid/utilised during the year	17,650.00	18,300.00
	10,126.00	17,650.00
(g) Corporate Dividend Tax		
As per last Balance Sheet	2,475.41	2,344.68
Addition during the year	1,420.17	2,522.31
Amounts paid/utilised during the year	2,475.41	2,391.58
	1,420.17	2,475.41

35. Previous year's figures have been regrouped/rearranged/recast, wherever necessary, to make them comparable with the current year's figures.

36. Schedules 1 to 16 form an integral part of the Balance Sheet and Profit & Loss Account and have been duly authenticated.

37. Balance Sheet Abstract and company's General Business Profile as per Part IV of Schedule VI of the Companies Act, 1956.

1. REGISTRATION DETAILS:

Registration No.	005095	State Code	55
Balance Sheet Date:	31	03	2006
	Date	Month	Year
			Amount (Rs. in lacs)

2. CAPITAL RAISED DURING THE YEAR

NIL

3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

Total Liabilities	2823754.47	Total Assets	2823754.47
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SOURCES OF FUNDS

Paid up Capital	78060.00	Reserves and Surplus	341773.00
Secured Loans	2174958.82	Unsecured Loans	228962.65

APPLICATIONS OF FUNDS:

Net Fixed Assets (Incl Capital WIP)	6439.11	Investments	132499.09
Net Current Assets	150713.14	Loans	2532560.93
Deferred Tax Assets	1542.20	Misc. Expenditure	NIL
Accumulated Losses	NIL		

4. PERFORMANCE OF COMPANY

Turnover	224506.26	Total Expenditure	141523.22
Profit before Tax	82983.04	Profit after Tax	63751.07
EPS in Rs. (On a share of Rs. 10/-)	8.17	Dividend Rate	30%

5. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY

Item Code No.	N.A.	Financial Services Signatures to all Schedules 1 to 16
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Signatures to the schedules forming part of the Balance Sheet and Profit and Loss and to the above notes.

A.K. Lakhina
Chairman & Managing Director

H.D. Khunteta
Director (Finance)

B.R. Raghunandan
Company Secretary

In terms of our Report of even date
For G.S. Mathur & Co.
Chartered Accountants

(Ajay Mathur)
Partner
Membership No.82223

Place: New Delhi
Dated: 01-06-2006

Errata to Note No. 2 to Notes to Accounts-Schedule-I 6

Loans (Schedule-7) includes overdue loan to various Co-operative Societies guaranteed by State Govt. amounting to Rs.4187.00 Lacs, out of which Debt Recovery Tribunals has issued decree & recovery certificate in respect of 16 societies having overdue amount of Rs. 1459.32 Lacs & overdue loans to BSEB amounting to Rs.125.79 crore, to Manipur amounting to Rs.128.15 crore and Rs. 13.72 crore to the State of Tripura being guaranteed by State Govt. Guarantees were not classified as NPA in terms of the accounting policy followed by the company and accordingly no provisions has been made in respect of these overdue Loans. Further Provisions of Rs.2000.00 Lacs in against the outstanding Loans of Rs. 2854.00 Lacs, in respect of Loans to various wind mill Power Project was considered to be adequate in view of security available.

Significant Accounting Policies

I. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) **Accounting Convention:** - The financial statements are prepared under the historical cost convention and in accordance with generally accepted accounting principles and applicable accounting standard in India. The financial statements adhere to the relevant presentational requirement of the Companies Act, 1956.

(b) **Use Of Estimates:** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure thereof at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period particularly in respect of major items such as Interest on loan and Bonds, Provision for outstanding liabilities, Depreciation, Doubtful Debts & Advances, Contingent liabilities etc. Actual results could differ from those estimates.

2. REVENUE RECOGNITION

2.1. Income on Non Performing Assets (defined as per RBI norms) where interest/ principal has become overdue for two quarters or more is recognized as and when received and appropriated.

2.2. Unless otherwise agreed, the recoveries from the borrowers are appropriated in the order of (i) interest including penal interest with interest tax wherever applicable, the oldest dues being adjusted first, (ii) repayment of principal, the oldest being adjusted first. As in the case of recoveries from borrowers, unless otherwise decided & specified, receipts from Special purpose vehicle (SPV) or otherwise on account of securitisation of receivable are also appropriated in the same order i.e. first towards interest (including

interest accrued but not due), penal interest and interest tax, if applicable, the oldest dues being adjusted first, and then towards overdue and outstanding principal, the oldest dues being adjusted first.

2.3. Upfront income / loss on securitisation is recognized in the same year in which it is determined and received.

2.4. The Annual Trustee Fee and other future expenses regarding the administration of Pass through certificate (PTCs) / instruments till their full repayment to the PTC / instrument holders are accounted for in the year in which the expenses accrue / are incurred.

2.5. In the event of operation, if any, of the recourse, the payment by REC to the SPV shall be treated as expenditure / recoverable from the borrower and the recovery being effected by REC through the available escrow mechanism or through any other manner that may be feasible including calling upon the guarantor to make the payment.

2.6. In the event of making such recourse payment by REC, such payment shall be treated as expenditure if the same is made against appropriation of receipts from SPV towards interest and as Recoverable from the borrower if the payment is made against appropriation of receipts from SPV towards principal.

2.7. In respect of loans whose terms are revised/ renegotiated, income is recognized when it is reasonably expected that there is no uncertainty of receipts of dues from the borrowers and a legally binding Memorandum of Agreement has been executed. However, this alone would not be used as the sole criteria to judge certainty of receipts on signing of MOA, besides this the reform policy followed by the relevant State Government, Court Decree obtained from

DRT, etc., would also be some of the guiding criteria. This is notwithstanding the fact that Ministry of Power, Government of India, in the Memorandum of Understanding signed with REC had agreed to facilitate REC recover its dues from defaulting SEBs either through central appropriation or otherwise

- 2.8. No account is taken of interest on loans to Rural Electric Cooperative Societies up to the 5th year of loan as the Cooperatives are entitled, not to pay interest if they agree to create special fund equivalent to the amount of such interest in terms of the loan agreement.
- 2.9. Rebate for punctual payment is accounted for only when interest and repayment of the loan instalment is paid/received on due dates.

3. FIXED ASSETS

Fixed Assets are shown at historical cost less accumulated depreciation. The cost includes any cost attributable of bringing the assets to its working condition for its intended use.

4. DEPRECIATION

- 4.1. Depreciation on assets is provided on pro rata basis on straight-line method at the rates prescribed under Schedule XIV to the Companies Act, 1956. In terms of option available under the Companies Act, 1956, depreciation on assets capitalized prior to 16.12.93 is charged at the rates then prevailing on the straight-line method.
- 4.2. Depreciation on assets purchased / sold during the year is charged for the full month if the asset is in use for more than 15 days, instead of charging the same on pro-rata basis from the date of purchase/sale.
- 4.3. Depreciation on assets purchased during the year up to Rs 5, 000/- is provided @ 100%.
- 4.4. Leasehold land is amortised over the lease period.

5. INTANGIBLE ASSETS

An Intangible Assets is recognized where it is probable that the future economic benefits attributable to the assets will flow to the company. These Assets are amortized over a period of 5 years.

6. INVESTMENTS

Long term investments are carried at cost less provisions, if any, for diminutions in the value of such investment. Current investments are carried at the cost or fair value whichever is lower.

7. TREATMENT OF GRANTS RECEIVED FROM GOVERNMENT OF INDIA

- 7.1. Grants received from Government of India which are deposited in the normal bank account of the Corporation are for specific purpose indicated in the respective sanction and are utilised accordingly. The net balance at the year end of the year is shown in the current liabilities and provision in the book.
- 7.2. Grants received from Government of India for (Rajiv Gandhi Grameen Vidutkaran Yojana) RGGVY is kept in a separate bank account and are utilized accordingly. The net balance at the end of the year is shown in the current liabilities. Interest earned from the date of deposit to the date of utilization is set off against the expenditure incurred for RGGVY.

8. CURRENT TAX AND DEFERRED TAX

Income Tax expenses comprises current Income Tax inclusive of Fringe Benefit Tax (Amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) is determined in accordance with Accounting Standard- 22 of the Institute of Chartered Accountants of India. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are

recognized using the tax rates that have been enacted or substantially established by the Balance Sheet date. Deferred Tax Assets are recognized and carry forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

9. IMPAIRMENT OF ASSETS

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of assets net selling prices and value in use.

10. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of amount of the obligation can be made. Provisions are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

11. BOND ISSUE

- 11.1. Expenditure on raising of funds by way of bonds is charged to revenue in the year of issue of such bonds.
- 11.2. The Corporation discharges its obligation towards payment of interest warrants relating to bonds by depositing the amount in the designated Interest Warrant Bank Accounts. Accordingly, the payments are treated as final payments and these designated accounts are not exhibited in the books but reconciliation thereof is carried out.

12. RESEARCH AND DEVELOPMENT

Expenditure on Research and Development is charged to revenue whenever incurred.

13. PROVISIONS / WRITE OFF AGAINST LOANS AND ADVANCES

As per RBI guidelines, no provision is made in respect of loans outstanding with borrowers which are guaranteed by the respective State Governments and the guarantees thereof have not been repudiated by the respective State Government(s) so far. Loans other than those guaranteed by the Government, are classified and provisions are made there against on the lines of RBI guidelines.

14. CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular operating, financing and investing activities of the Company are segregated.

15. PRIOR PERIOD ADJUSTMENTS

- 15.1. Considering the nature of business, interest income/repayment of principal for the earlier years ascertained and determined during the year, is accounted for in the year in which is so ascertained/determined.
- 15.2. Expenses not exceeding Rs.10,000/- in each case are accounted for under natural heads of account.

16. RETIREMENT BENEFITS

- 16.1. The liability for retirement benefits of employees in respect of Gratuity, which is ascertained annually on actuarial valuation at the year-end is provided and funded separately.
- 16.2. The liability for leave encashment and post retirement medical benefits to employees are accounted for on annual basis based on actuarial valuation at the year end.
- 16.3. The contribution to provident fund are charge to the revenue on monthly basis.

Cash Flow Statement for the year ended 31st March, 2006

PARTICULARS	YEAR ENDED 2005-06	YEAR ENDED 2004-05
		(Rs.in Lacs)
A. Cash Flow from Operating Activities :		
Net Profit before Tax and		
Extraordinary Items:	79,716.29	101,943.00
Adjustments for:		
1. Profit / Loss on Sale of Fixed Assets	0.30	1.53
2. Depreciation	109.92	114.85
3. Provision for fall in value of investments	51.00	-
Operating profit before working	_____	_____
Capital Charges :	79,877.51	101,842.30
Increase / Decrease :		
1. Loans	-364,120.19	-275,659.02
2. Other Current Assets	-1,067.37	-4,881.86
3. Other Loans & Advances	95.67	-7,757.04
4. Current Liabilities	-7,343.27	-3,423.85
Cash outflow from Operations	-292,557.66	-189,879.47
1. Advance Income Tax Paid	-20,016.72	-21,275.80
2. Wealth Tax paid	-0.32	-0.45
3. Fringe Benefit tax Paid	-75.28	-
Net Cash used in Operating Activities	-312,649.99	-211,155.72
B. Cash Flow from Investing Activities		
1. Sale of Fixed Assets	0.50	0.79
2. Purchase of Fixed Assets (incl. Advance paid for Capital exp.)	-3,994.76	-231.77
3. Redemption/ Investment of 8% Government of Madhya Pradesh Power Bonds-II	9,432.00	-141,480.00
4. Investements in units of Small is Beautiful Fund	-259.72	-242.37
Net Cash used in investing Activities	5,178.01	-141,953.35
C. Cash Flow from Financial Activities		
1. Issue of Bonds	718,911.13	506,950.75
2. Redemption of Bonds	-403,777.46	-343,872.43
3. Raising of Term Loans/STL from Banks/FIs	209,000.00	413,200.00
4. Repayment of Term loans/STL from Banks/FIs	56,000.00	-44,000.00

5. Grants received from GOI	115,729.83		40,000.00
6. Disbursement of grants	-101,165.43		-46,712.06
7. Repayment of Govt. Loan	-2,019.40		-104,319.01
8. Dividend paid	-26,650.00		-24,100.00
9. Dividend Tax paid	-3,737.66		-3,102.68
Net Cash in-flow from Financing Activities		450,291.00	394,044.57
Net Increase/Decrease in Cash & Cash Equivalent		1,42,819.03	40,935.50
Cash & Cash Equivalents as at, 1st April, 2005		48,545.43	7,609.93
Cash & Cash Equivalents as at, 31st March, 2006		191,364.46	48,545.43
Net Increase/Decrease in Cash & Cash Equivalents		142,819.03	40,935.50

Note : Previous year's figures have been rearranged and regrouped wherever necessary.

In terms of our Report of even date

For G.S. Mathur & Co.

Chartered Accountants

For and on behalf of the Board

Ajay Mathur
Partner
M.No.82223

H.D. Khunteta
Director (Finance)

A.K. Lakhina
Chairman and Managing Director

Place: New Delhi
Date: 01-06-2006

B.R. Raghunandan
Company Secretary

Annexure to be enclosed with Balance Sheet (As prescribed by RBI)

(Particulars as required in terms of Paragraph 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, in so far as they are applicable to REC Ltd.)

	(Rs.in Lacs)	
Particulars	Amount Outstanding	Amount Overdue
LIABILITY SIDE :		
Loans and advances availed by the NBFCs inclusive of Interest accrued there on but not paid		
(a) Debentures		
(i) Secured	1612258.82	-
(ii) Unsecured	63465.5	-
(b) Term Loan from Govt. of India	11997.16	-
(c) Term Loan from Financial Institution	350000	-
(d) Term Loan from Banks	315700	-
(e) Overdrafts from Bank	20500	-
(f) Cash Credit from Banks	30000	-
ASSET SIDE :		
Break-up of Loans and advances including bills receivable		
(a) Secured	657462.03	-
(b) Unsecured	1976378.45	-

Borrower Group-wise classification of all leased assets, stock-on-hire and loans and advances :

(Rs.in Lacs)			
Category	Secured	Amount Net of Provisions	
		Unsecured	Total
1. Related Parties	-	-	-
(a) Subsidiaries	-	-	-
(b) Companies in the same Group	-	-	-
(c) Other related Parties	-	-	-
2. Other than Related Parties	657462.03	1974836.25	2632298.28
Total	657462.03	1974836.25	2632298.28

Other Information

(Rs.in Lacs)			
Particulars	Amount		
(i) Gross Non-Performing Assets	-	-	-
(a) Related Parties	-	-	-
(b) Other than related Parties	-	-	30026.42
(ii) Net Non-Performing Assets	-	-	-
(a) Related Parties	-	-	-
(b) Other than related Parties	-	-	27956.42
(iii) Asset acquired in satisfaction of debts	-	-	-

In terms of our Report of even date
For G.S. Mathur & Co.
 Chartered Accountants
 membership No. 82223

H.D. Khunteta
 Director (Finance)

A. K. Lakhina
 Chairman & Managing Director

Place : New Delhi
 Date : 01-06-2006

B.R. Raghunandan
 Company Secretary

Rani has been aptly named. After all, this 7-year old harbours ambitions that could, at times, put a queen to shame. Rani wants to be a 'pedician' when she becomes big. Of course, the little one has difficulty pronouncing 'pediatrician', considering she's just learnt what it means. But that doesn't take away from her dream. Or the ones of the countless more little queens all around the country. It's evident; electrification is driving a new generation of minds like never before. And India can only be the richer for it!



Growth is achievement

The power sector is one of the prime driving forces of the country's GDP.

auditors' report

To
The Members Of
Rural Electrification Corporation Ltd,

1. We have audited the attached Balance Sheet of **RURAL ELECTRIFICATION CORPORATION LIMITED** as at 31st March 2006 and also the Profit & Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order to the extent applicable to the Corporation.
4. Further to our comments in the Annexure referred in paragraph 3 above, we report that:
 - 4.1. **In regard to non-adherence to Statutory Law relating to Provident Fund in as much as encashment of earned leave is not being considered as part of salary and consequently, Provident fund contribution amounting to Rs. 31.20 Lacs were not made on this account.**
 - 4.2. Attention is invited to the following:
 - 4.2.1 Note No.33 to Schedule-16 regarding recognition of Income in terms of Accounting policy No. 2.7.
 - 4.2.2 Note No. 2 to Schedule 16 regarding non-provision in respect of certain Loans in terms of Accounting Policy being followed by the Company.
 - 4.2.3 Note No. 25 to Schedule-16 regarding Subsidy received under AG&SP Scheme & its impact.
 - 4.2.4 Note No. 7 regarding non-registration of certain Properties amounting to Rs.1973.41Lacs (P.Year 650.46 Lacs) included under the head Land-Freehold & Buildings in the name of company.
 - 4.2.5 The company has been following norms prescribed by Power Finance Corporation and deciding specific cases through Board resolution & there is need to formulate independent policies & guidelines for;
 - a) Appraisal of loan to generation projects
 - b) Short term loans to SEB's,
 - c) Need for review of existing sanctioning / appraisal norms for T & D schemes,
 - d) Guidelines for individual and group exposure.

- 4.2.6 Company is required to formulate its own guidelines for prudential norms for assets classification & provisioning.
- 4.2.7 Note No. 16 regarding Exchange risk on interest rate swap transaction entered in to by Company resulting in Exchange Profit of Rs.236.77 Lacs during the year, the transaction is entered for a period of 10 years in respect of 74th & 79th series of Bonds.
- 4.3. **We further report that had the observation made by us in Para 4.1 above would have been considered the Profit after tax would have been Rs.63719.87 Lacs (as against the reported figure of Rs.63751.07 Lacs) and Reserves & Surplus would have been Rs.341741.80 Lacs (as against the reported figure of Rs.341773.00 Lacs).**
5. The financial statements of the company for the financial year ended March 31, 2005 were audited by Independent Accountants; whose report dated April 29, 2005 expressed a qualified opinion on those statements. Balance on April 1, 2005 have been considered as opening balances for the purpose of these Accounts.
6. Further to our comments in the Paragraph 4 & 5 above and Subject to our observations in Para 4.1 above, we report that
- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of such books;
 - iii) The Balance Sheet, Profit & Loss account and cash flow statement dealt with by this report are in agreement with the books of accounts;
 - iv) In our opinion, the Balance Sheet, Profit & Loss account and Cash Flow statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956,
 - v) Vide notification No. 2/5/2001-CLV dated 22.03.2002 of the Department of Company Affairs, Government of India, Government Companies have been exempted from applicability of the provisions of Section 274(1)(g) of the Companies Act, 1956.
 - vi) In our opinion and to the best of our information and according to explanations given to us, the said statements of accounts read together with notes and accounting policies thereon give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet of the State of Affairs of the Company as at 31st March, 2006;
 - b) In the case of Profit & Loss Account, of the Profit of the Company for the year ended on that date; and
 - c) In the case of the Cash Flow Statement, of the Cash flows for the year ended on that date.

For G.S. MATHUR & CO.
Chartered Accountants

Ajay Mathur
Partner
Membership No. 82223

Place: New Delhi
Dated: 01.06.2006.

Annexure to the Auditors' Report.

Referred to in the paragraph '3' of our Report of even date on the Statement of Accounts of **RURAL ELECTRIFICATION CORPORATION LIMITED** as at 31st March, 2006)

1. In respect of its Fixed Assets: -

- (a) The Company has maintained fixed assets record **but it has not been updated.**
- (b) **The fixed assets of the company have not been physically verified by the management during the year ending 31st March 2006. In the absence of such verification we are unable to comment upon discrepancies if any.**
- (c) Substantial part of fixed assets have not been disposed off during the year.

2. In respect of its Inventories: -The Company, being Non-banking Financial Company, does not have any inventory.

3. In respect of its loans given or taken u/s 301 of The Companies Act, 1956:

- a) According to information & explanation given to us, the company generally has not granted any loan secured or unsecured loan to companies, firm & other parties in the register maintained u/s 301 of companies Act 1956.
- b) According to the information & explanation given to us, the Company has not taken any loans, secured or unsecured, from companies, firms and other parties covered in the register maintained under section 301 of the Companies Act 1956. Accordingly, paragraphs 4 (iii)(f) and (g) of the order are not applicable.

4. In respect of its Internal Control: -

In our opinion and according to information & explanations given to us, Internal control system in certain areas are not commensurate with the size of the company & the nature of its business. Some of the areas where **internal control needs to be strengthened in the area of financial & loan accounting particularly by introducing integrated financial & loan accounting package including system of recording of transactions at each level; adoption of detailed loan pricing policy, risk management evaluation & derivative policy; streamlining of existing system of receipt, disbursements, utilisation & accounting of grants received under, Kutir Jyoti, RGGVY, AREP and AG&SP; obtaining search reports from the Registrar of Companies offices in respect of various charges created regarding loan sanctioned and disbursed; monitoring of loans on the basis of guidelines formulated for follow up at the Project offices, including timely Inspection of physical progress of work where Loan/ grants are disbursed; Review of existing Delegation of powers; introduction of Business Continuity /Disaster Recovery Plan and improvement in existing system of computerization to ensure integrity & timely availability of data. Sanction/ disbursements of Loan under RGGVY Scheme at rate of Interest, which is below the cost of borrowings.**

5. In respect of its transaction u/s 301 of The Companies Act, 1956: -

According to information and explanations given to us, the Company has not entered in to any transaction of business with the Companies or Entities covered u/s 301 of the Companies Act, 1956.

6. In respect of its Deposit from public u/s 58A and 58AA of the companies Act, 1956 and the Companies (Acceptance of Deposits) Rules 1975: -

As explained to us, provisions of Section 58A and 58AA of the Companies Act, 1956 are not applicable to the Company.

7. In respect of its Internal Audit System: -

Corporation is having internal audit department responsible for carrying out the Internal Audit of various departments at head office and at project offices at periodical intervals as per the approved audit plan. However in order to strengthen the Internal audit system, in the recent past internal audit of certain areas was entrusted to an outside firm of chartered Accountants. During the year under review the Internal Audit Department were further strengthen by induction of full time professional who has taken required steps to reorient the working of IA Department. **However it was observed that still there is a delay on the part of various departments in submission of replies/ compliance to Internal Audit Reports. Coverage of Internal Audit should be enlarged with identification of critical areas for risk based audit and coverage of deficiencies in accounting.**

8. In respect of its Cost Record u/s 209(1) (d) of The Companies Act, 1956: -

The Corporation being Non-Banking Financial Company, the provisions of Section 209(1)(d) of the Companies Act, 1956 are not applicable.

9. In respect of its Statutory Dues: -

- (a) The Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investors education protection fund, employees state insurance, income tax, wealth tax and other material statutory dues applicable to it **except: -**
- (i) **Pension Fund: - Non registration & consequently non-contribution to pension fund since the date of introduction. Date and amount could not be made available by the management.**
 - (ii) **Non deduction & deposit of tax at source in respect of Contractors at Chandigarh-Rs. 10214.00**
 - (iii) **Investors Education Protection Fund Rs. 13,51,125/-.**
 - (iv) **Short deduction & deposit Tax Deduction at Source from Interest other than interest on Securities Rs. 48,77,081.55.**
 - (v) **Service Tax has been paid since 30.09.05 Regularly except Rs.1,02,000.00.**
 - (vi) **Non contribution of Provident fund on leave encashment w.e.f 1.05.2005 as required by the notification issued by Regional Provident Fund Commissioner**
- (b) According to information and explanation given to us, no undisputed amounts payable in respect of income tax & wealth tax were in arrears as at 31.03.2006 for a period of more than six months from the date they became payable **except: -**
- (i) **Investors Education Protection Fund Rs. 13,51,125/-.**
 - (ii) **Income Tax Deduction at Source Rs. 48,77,081.55.**
- (c) According to information and explanation given to us, there are no dues of Sales Tax, Income Tax, Custom Duty, Wealth Tax, Excise Duty and Cess, which has not been deposited on account of dispute.

10. In respect of its Accumulated Losses and Cash Losses: -

The Company does not have any accumulated losses. The Company has also not incurred cash losses during the financial year covered by our audit and the immediate preceding financial year.

11. In respect of its default in repayment of dues to Financial Institution or Bank: -

In our opinion and according to the information and explanation given to us, the Company has not defaulted in repayment of dues to a financial institution, bank or bondholders.

12. In respect of its Loans & Advances Granted: -

We are informed that the company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. In respect of special statute applicable to Chit Fund / Nidhi Company: -

In our opinion the company is not a chit fund or a Nidhi Mutual Benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order 2003 are not applicable to the company.

14. In respect of Dealing/Trading in Share Security, Debenture and other investment: -

In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order 2003 are not applicable to the Company.

15. In respect of its Guarantee for Loan taken by others: -

According to the information and explanation obtain by us the Company has not given guarantee for loans, taken by others, from banks or financial institutions.

16. In respect of its end use of Term Loan: -

In our opinion the term loan has been applied for the purpose for which they were raised.

17. In respect of its use of Funds: -

According to information and explanation given to us and on overall examination of the Balance Sheet of the Company, **we report that prima facie funds raised on short-term basis have been used for long-term deployment/ investment. However in the absence of statement of residual maturity pattern of Loans & Advances granted/taken we are unable to comment on the same.**

18. In respect of its Preferential Allotment of Shares: -

According to information and explanation given to us, the Company has not made preferential allotment of shares to parties and companies covered in the register under Section 301 of the Act.

**19. In respect of its Creation of Securities for
Debenture issued: -**

According to the information and explanation given to us, during the period covered by our audit report, no securities for debentures were created by company except securities in the form of legal mortgage on the immovable properties of the Company at Mumbai having book value of only Rs.38.50 Lacs have been created against Capital Gain Tax Exemption Bonds and Infrastructure Bonds amounting to a sum of Rs. 826808.00 Lacs.

**20. In respect of its end use of money raised by
Public issue: -**

The Company has not raised any money by way of Public Issue.

**21. In respect of its Fraud on or by
the Company: -**

According to information and explanation given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For G.S. MATHUR & CO.
Chartered Accountants

Ajay Mathur
Partner
Membership No. 82223

Place: New Delhi
Date: 01.06.2006.

Non-Banking Financial Companies Auditors' Report.

The Board of Directors,
Rural Electrification Corporation Limited,
SCOPE Complex, Core-IV,
Lodhi Road,
New Delhi-110003.

Dear Sir,

As required by the Non-Banking Financial companies Auditor's Report (Reserve Bank) Directions, 1998 issued by Reserve Bank of India, on the matters specified in Para 3 and 4 of the said Directions to the extent applicable to the Corporation, we report that:

1. The Corporation had applied for registration as provided in section 45-1A of the Reserve Bank of India Act, 1934 (2 of 1934) and has been granted certificate of registration by Reserve Bank of India on 10-02-1998 having Registration No-14000011.
2. As per amendments to NBFC Regulations vide notification nos. 134 to 140 dated 13-01-2000, the Government companies have been exempted from applicability of provisions of RBI Act relating to maintenance of liquid assets and creation of Reserve Funds and the directions relating to acceptance of public deposits and prudential norms.
3. The Corporation has not accepted any public deposits during the year 2005-06. However the Board of Directors of the Corporation has passed Resolution for acceptance of Public Deposit in 299th Board meeting held on 23.02.2006 to convert the company from NBFC not accepting public deposits to an NBFC accepting Public Deposit and accordingly made necessary application to RBI for obtaining permission thereof.
4. For the Financial year ended 31-03-2006, the Corporation has complied with the accounting standards and prudential norms applicable to NBFC's relating to asset classification and provisioning for bad and doubtful debts. Income recognition is as per the accounting policies of the corporation, **subject to our comments in Auditor's Reports and Annexure thereto.**

For G.S. Mathur & Co.
Chartered Accountants

Ajay Mathur
Partner
Membership No. 82223

Place: New Delhi
Date: 01.06.06.

These days Lajjo is one happy woman. No longer does she wait and wait for the rain that the weatherman promised, the rain that didn't turn up a year ago as well. No longer does she have to watch her grandson help till the fields, though he is always welcome to come and play about once homework is complete. No longer does she need to worry about challenges like making ends meet. These days Lajjo is one happy woman. Because electrification has given her something much more than juicy cabbages. It's called happiness.



Growth is meeting targets

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.

Addendum To Directors' Report

Para-wise replies of the Management of REC to the Observations contained in the Auditors Report

Observations	Management's Reply
4.1. In regard to non-adherence to statutory law relating to Provident Fund in as much as Encashment of earned leave not being considered as part of salary and consequently, Provident fund contribution amounting to Rs. 31.20 Lacs were not made on this account.	Noted for compliance
4.2.5 The company has been following norms prescribed by Power Finance Corporation and deciding specific cases through Board resolution & there is need to formulate independent policies & guidelines for;	The Company has given the mandate to CRISIL for formulation of independent policies and of guidelines. The CRISIL has submitted the draft policy/guidelines on generation/T&D Schemes etc., which is likely to be finalised shortly.
a) Appraisal of loan to generation projects	
b) Short term loans to SEB's,	
c) Need for review of existing sanctioning / appraisal norms for T & D schemes,	
d) Guidelines for individual and group exposure.	
4.2.6 Company is required to formulate its own guidelines for prudential norms for assets classification & provisioning.	The corporation's prudential norms are adequately contained in significant accounting policies of the Corporation which gives norms of income recognition, asset classification, provisioning, accrual system of accounting, following of Accounting Standard etc. Regarding asset classification and provisioning, the same is done on the lines of RBI guidelines as stated in Accounting Policy No 13.
Annexure to the Auditor's Report.	
1. In respect of its Fixed Assets: -	Noted and to be complied by September, 2006.
(a) The Company has maintained fixed assets record but it has not been updated.	
(b) The fixed assets of the company have not been physically verified by the management during the year ending 31st March 2006. In the absence of such verification we are unable to comment upon discrepancies if any.	Physical verification shall be taken up in FY 2006-07.
4. In respect of its Internal Control: In our opinion and according to information & explanations given to us, Internal control in certain areas are not commensurate with the size of the company & the nature of its business. Some of the areas where	Noted. Effective steps are being taken to strengthen the internal control system in the areas.

internal control needs to be strengthened in the area of financial & loan accounting particularly by introducing integrated financial & loan accounting package including system of recording of transactions at each level; adoption of detailed loan pricing policy, risk management evaluation & derivative policy; streamlining of existing system of receipt, disbursements, utilisation & accounting of grants received under, Kutir Jyoti, RGGVY, AREP and AG&SP; obtaining search reports from the Registrar of Companies offices in respect of various charges created regarding loan sanctioned and disbursed; monitoring of loans on the basis of guidelines formulated for follow up at the Project offices, including timely Inspection of physical progress of work where Loan/ grants are disbursed; Review of existing Delegation of powers; introduction of Business Continuity /Disaster Recovery Plan and improvement in existing system of computerization to ensure integrity & timely availability of data; sanction/ disbursement of loan under RGGVY scheme at rate of interest, which is below the cost of borrowing.

- | | |
|---|---|
| <p>7. In respect of its Internal Audit System-Corporation is having internal audit department responsible for carrying out the Internal Audit of various departments at head office and at project offices at periodical intervals as per the approved audit plan. However in order to strengthen the Internal audit system, in the recent past internal audit of certain areas was entrusted to an outside firm of chartered Accountants. During the year under review the Internal Audit Department were further strengthen by induction of full time professional who has taken required steps to re orient the working of IA Department. However it was observed that still there is a delay on the part of various departments in submission of replies/ compliance to Internal Audit Reports. Coverage of Internal Audit should be enlarged with identification of critical areas for risk based audit and coverage of deficiencies in accounting.</p> | <p>Noted and effective steps are being taken.</p> |
| <p>9. In respect of its Statutory Dues:</p> <p>(a) The Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investors education protection fund, employees state insurance, income</p> | |

	tax, wealth tax and other material statutory dues applicable to it except: -	
(i)	Pension Fund: - Non registration & consequently non-contribution to pension fund since the date of introduction. Date and amount could not be made available by the management.	Noted.
(ii)	Non deduction & deposit of tax at source in respect of Contractors at Chandigarh-Rs. 10214.00	Noted.
(iii)	Investors Education Protection Fund Rs. 13,51,125/-.	Noted.
(iv)	Short deduction & deposit Tax Deduction at Source from Interest other than interest on Securities Rs. 48,77,081.55.	Noted.
(v)	Service Tax has been paid since 30.09.05 Regularly except Rs.1,02,000.00.	Noted.
(vi)	Non contribution of Provident fund on leave encashment w.e.f 1.05.2005 as required by the notification issued by Regional Provident Fund Commissioner.	Noted.
(b)	According to information and explanation given to us, no undisputed amounts payable in respect of income tax & wealth tax were in arrears as at 31.03.2006 for a period of more than six months from the date they became payable except: -(i) Investors Education Protection Fund Rs. 13,51,125/-. (ii) Income Tax Deduction at Source Rs. 48,77,081.55.	Noted
17.	In respect of its use of Funds: -According to information and explanation given to us and on overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have been used for long-term deployment/ investment. However in the absence of statement of residual maturity pattern of Loans & Advances granted/taken we are unable to comment on the same.	Corporation is implementing loan accounting package and will be in place shortly and required details will be available.

For and on behalf of the Board of Directors



(A.K. Lakhina)
Chairman & Managing Director

Not too long ago, Sheela Pawar was the friendly neighbourhood midwife, answering calls from anxious families every now and then. The joy of serving others in need was being fulfilled, but for a qualified doctor, a sense of emptiness was palpable. And then came electrification, changing everything. Before she knew it, she was asked to help out in the local dispensary. That was just the beginning. Today Dr. Sheela Pawar runs her own nursing home, and healthcare has become a full-time vocation. She's also recently bought herself a motorbike, and pulling on the accelerator, the metaphor seems to strike her: she sure has come a long way.



Growth is augmentation

REC is putting into place strategic initiatives during 2006-07 in order to accelerate growth.

Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Accounts of Rural Electrification Corporation Limited for the year ended 31st March, 2006

Sr. No	Comments	Management's Reply
1.	<p>Balance Sheet Deferred Tax Assets(Net of liabilities)(Schedule-10): Rs.1542.20 lakhThe Company has availed tax rebate under section 36(1) (viii) of the Income Tax Act, 1961 by transferring profit to special reserve. As this special reserve is capable of reversal in future, a deferred tax liability is required to be created on this account under Accounting Standard-22. This is also in line with an opinion of the Expert Advisory Committee of the Institute of Chartered Accountants of India. The company has not provided for Deferred Tax Liability amounting to Rs.638.80crore against the special reserve as on 31st March, 2006.This has resulted in understatement of deferred tax liability of Rs.638.80crore and overstatement of Reserves and Surplus and Profit after tax by Rs.190.63crore and Rs.448.17crore respectively.</p>	<p>The Corporation is availing tax rebate u/s 36(1)(viii) of the Income Tax Act 1961 by appropriation of 40% profit and transferring to Special Reserve Account. Since the Corporation does not see any possibility of using this Special Reserve in future it has not created deferred tax liability treating as 'Permanent Difference'. The opinion of the Expert Advisory Committee of the ICAI is not mandatory in nature and Accounting Standard 22 has come into effect from 01.04.2001 and Corporation is consistently following same practice.</p>
2.	<p>Profit and Loss Account Expenditure Administration Expenses (Schedule-15): Rs.1519.40 lakh The company has neither paid nor provided for the guarantee fee aggregating to Rs.27.52 crore (in terms of Government's instruction of September 1992) in respect of its Bonds guaranteed by the Government from 1992-93 onwards.</p> <p>This has resulted in the understatement of Current Liability and Provisions and overstatement of profit by Rs.27.52 crore.</p>	<p>MOP vide its letter dated 23rd July 2001 had confirmed that no guarantee fee is payable/outstanding upto the financial year 2000-01. However in view of CAG comments the matter has been referred to MOP and action will be taken during the year 2006-07 as per advice of MOP.</p>
3.	<p>Auditors' Report as per 'Non-Banking Financial Companies Auditors' Report (Reserve Bank) Directions, 1998' (Point No.3). Public Deposit as defined under the Non-Banking Companies Acceptance of Public Deposits (Reserve Bank) Directions 1998 read with section 45-1 (bb) of the Reserve Bank of India Act (RBI), 1934 excludes any secured bonds if the value of bonds raised does not exceed the value of the underlying assets. Thus, the bonds which are partially secured by underlying assets fall within the definition of Public deposit. The company had bonds of Rs.8268.08 crore secured against assets valuing Rs.38.50 lakh only.</p>	<p>The Bonds referred to in the comments relate to Capital Gain and infrastructure Bonds appearing in Schedule 3 of the Balance Sheet, which are treated as Secured Loan as per the opinion of The Institute of Chartered Accountants of India (ICAI) taken by the Corporation. Further Govt. Companies like REC which conform to section 617 of Companies Act 1956 are exempted from applicability of RBI Directions relating to Acceptance of Public Deposits and hence permission from RBI is not required.</p>

This has resulted in raising of public deposits without permission of RBI. The statutory auditors' report under RBI Directions 1998 is also incorrect to this extent.

- 4 (i) **Significant Accounting Policies** A reference is invited to comment no. 2 and comment no.1 of the Comptroller and Auditors General of India on the accounts of the Company for the year ended 31st March, 2004 and 31st March, 2005 respectively, bringing out deficiency in the Accounting Policy of the company under which grants received by the Company from Government of India are deposited in the normal bank account of the Company and the interest earned from the date of receipt of the grant from the government to the date of its actual disbursement is treated by the company as its income. The Company continued its accounting policy No. 7.1 during the current year also in contravention of the terms of the grants which require a separate account to be maintained in respect of each grant.

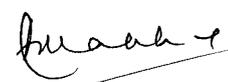
Noted.

- 4(ii) A reference is invited to comment no. 2 of the Comptroller and Auditors General of India on the accounts of the Company for the year ended 31st March, 2005. The Government companies were exempted by the Reserve Bank of India from applicability of the provisions of the RBI Act relating to prudential norms to avoid dual control over them in the expectation that the Administrative Department/Ministry or the Department of Public Enterprises would prescribe the norms. No norms have been prescribed by the administrative ministry and the Company has also not disclosed the norms followed by it. The need for developing proper prudential norms and their suitable disclosure is reiterated.

The Govt. companies are exempted by the Reserve Bank of India from the applicability of the RBI direction for provisioning and asset classification (Prudential norms). However the Corporation has initiated steps to formulate its own prudential norms.

Bhajan Singh
Principal Director of Commercial Audit &
Ex-officio Member, Audit Board II
New Delhi

For and on behalf of Board of Directors



(A. K. Lakhina)
Chairman & Managing Director

Review of the Accounts of Rural Electrification Corporation Limited New Delhi For the year ended 31st March 2006 by the Comptroller & Auditor General of India

(Review of Accounts has been prepared without taking into account comments under section 619(4) of the Companies Act, 1956 and qualifications contained in the Statutory Auditors Report.)

FINANCIAL POSITION

The table below summarises the financial position of the Company under broad headings for the three years :

(Rs. in Crores)

PARTICULARS	2003-2004	2004-05	2005-06
Liabilities			
a) Paid up Capital			
i) Government	780.60	780.60	780.60
ii) Others	-	-	-
b) Reserves & Surplus			
i) Free Reserves & Surplus	2,378.77	2,893.30	3,312.73
ii) Share Premium Account	-	-	-
iii) Capital Reserve	105.00	105.00	105.00
c) Borrowings			
i) From Govt. of India	1,183.35	140.17	119.97
ii) From Financial Instt.	1,500.00	3,500.00	3,500.00
iii) Foreign Currency Loans	-	-	-
iv) Cash Credit	440.00	660.00	300.00
v) Term Loans from Banks	-	1,472.00	3,157.00
vi) Overdraft from banks	-	-	205.00
vii) Others (Bonds)	11,975.12	13,605.91	16,757.24
viii) Interest Accrued and due	0.84	0.32	-
d) Current Liabilities & Provisions			
i) Current Liabilities & Provisions	1,409.64	1,540.88	1,701.45
ii) Provisions for Gratuity & Leave Encashment	11.29	9.12	8.10
e) Deferred Tax Liability	-	-	-
Total	19,784.61	24,707.30	29,947.09
Assets			
f) Gross Block	32.50	35.59	34.81
g) Less: Depreciation	8.97	10.04	11.06
h) Net Block	23.53	25.55	23.75
i) Advances for Capital Expenditure	0.87	-	40.64

j) Investments	-	1,417.22	1,325.00
k) Loans	18,288.47	21,684.40	25,325.60
l) Current assets , Loans & Advances	1,469.45	1,578.62	3,216.68
m) Deferred Tax Assets	2.29	1.51	15.42
n) Misc Exp. Not written off	-	-	-
o) Accumulated Loss	-	-	-
Total	19,784.61	24,707.30	29,947.09
o) Working Capital	(683.43)	37.41	1,515.23
p) Average Capital Employed	18,257.84	23,051.98	28,132.55
q) Net Worth	3,159.37	3,673.90	4,093.33
r) Net Worth per rupee of paid up capital in Rs. (q/a(i))	4.05	4.71	5.24

RATIO ANALYSIS

Some important Financial ratios on the financial health and working of the company at the end of last three years are as under:.

PARTICULARS	2003-2004	2004-05	2005-06
A. Liquidity Ratio			
Current Ratio(Current assets to Current Liabilities & Provisions and interest accrued & due but excluding provisions for Gratuity and leave encashment (k+l)/(d(i)+ c (vii))	104.20%	102.40%	189.05%
B. Debt Equity Ratio			
Long term debt to Net Worth {(c(i) to (vi) but excluding short term loans(q)}	463.97%	509.49%	574.94%
C. Profitability Ratios			
a) Profit Before Tax to			
i) Average Capital Employed	4.39%	4.50%	2.95%
ii) Net Worth	25.37%	28.22%	20.27%
iii) Operational Income	40.38%*	47.12%	40.06%
b) Profit after Tax to Equity	78.04%	100.10%	81.67%
c) Earnings per share (in Rs.)	7.80	10.01	8.17

* The Figures have changed due to regrouping in the accounts of the company.

Loans have been shown as a separate item from Current Assets & Loans and advances.

During the period under review, the Company generated funds amounting to Rs.5300.25 Crores as compared to Rs.5062.15 Crore during the previous year. This generation was mainly from borrowings through bonds. Funds amounting to Rs.5300.25 Crores generated from Internal and external sources were utilised during the year 2005-06 as shown below :-

		(Rs. in Crores)
		2005-06
I. SOURCES OF FUNDS		
a) Profit after Tax		637.51
Add: Depreciation		1.10
Add: Loss on Sale of Assets		-
Add: Provision for fall in value of investments		0.51
Funds from Operations		639.12
b) Increase in the Paid up capital		-
c) Increase in Borrowings		4,661.13
d) Realisation of Sale of Fixed assets		-
Total Funds Generated for 2005-06		5,300.25
II UTILISATION OF FUNDS		
a) Increase in Fixed Assets and Capital Work in Progress		39.94
b) Increase in Investment		(91.71)
c) Increase in Loans advanced		25,325.60
d) Increase in Working Capital		(20,205.57)
e) Provision for Dividend (Including Dividend Tax)		218.08
f) Add: Deferred Tax Assets.		13.91
Total Utilisation of Funds		5,300.25

Working Results

		(Rs. in Crores)		
		2003-2004	2004-05	2005-06
1	Income	1996.71	2302.09	2245.06
2	Profit(+)/Loss(-) Before Tax and Prior Period Adjustments	801.54	1036.65	829.98
3	Prior Period Adjustments	0	0.11	0.15
4	Profit(+)/Loss(-) Before Tax but after Depreciation and Prior Period Adjustments	801.54	1036.54	829.83
5	Tax Provisions	192.37	255.18	192.32
6	Profit After Tax	609.17	781.36	637.51
7	Proposed Dividend (Including Dividend Tax)	206.45	266.83	218.08

During the course of Accounts Audit, it has come to notice that REC has been showing long term loans given to SEB's even for 15-20 years as part of Current assets and Loans and advances in the Balance sheet. For the year 2005-06, the Company has correctly classified the Current Assets, Loans and Advances and the working Capital & Liquidity ratio has been changed accordingly.

Loan Disbursed

The following table indicates the loans disbursed, interest outstanding on loan, repayment received and amount outstanding at the end of the last three years ending 31.03.2006.

(Rs. in Crore)

Year	Balance outstanding at the beginning of the year				Loans disbursed during the year	Interest for the year outstanding	Repayments received during the year	Amounts outstanding at the end of the year			
	Repayments outstanding but not due	Repayments due	Total	Interest accrued and due				Repayments outstanding but not due	Repayments due	Total	Interest accrued and due
2003-04	14,476.02	1,459.63	15,935.65	6.81	5,956.37	1,945.87	3,587.32	16,931.15	1,373.55	18,304.70	4.48
2004-05	16,931.15	1,373.55	18,304.70	4.48	7,440.73	442.61	4,683.24	20,856.33	205.85	21,062.18	3.58
2005-06	20,856.33	205.85	21,062.18	3.58	7,489.13	139.66	3,506.46	24,446.19	117.49	24,563.68	1.19

Bhajan Singh

Principal Director of Commercial Audit

& Ex-officio Member, Audit Board-II

New Delhi-110002

Dated : 4.08.2006

It's true; happiness can power great achievements.



It's also true; power can achieve great happiness.



Generation is growth

Ever since REC received its expanded mandate in 2002-03, to finance and promote all kinds of generation projects in the country, the sanctions to different states has been on the up. With a modest beginning in 2002-03, REC since then has so far sanctioned Generation Projects worth Rs.18, 177 Crores, and disbursed Rs.3, 086 crores, a jump of 27 times in sanctions and 33 times in disbursements. What started as an additional programme has become the main stay in REC operations.

Projects sanctioned so far by REC covered States like Andhra Pradesh, Maharashtra, Gujarat, Punjab, West Bengal, Uttaranchal, Bihar, North East, J&K, Kerala, Chattisgarh etc. Major promoters in private sector are also approaching REC for finance. Some of them have even approached REC for taking up the role of lead institution in the consortium.

In order to keep the business growing at an accelerated pace, REC has been strengthening the generation division by adopting flexible interest rate structure, improved customer service, better training for officers and by strengthening the delivery mechanisms.

Another area which is under REC's spotlight is DDG (Decentralised Distributed Generation). Policy framework has been prepared and pilot projects are under consideration, a precursor to a nationwide programme.

With a capacity addition requirement of over 7, 00,000 MW in next 25 years i.e. over 25000 MW/year, the generation sector has ample opportunities to grow and REC is focusing on capturing a major share in this endeavour.

With generation projects, REC's business is assured, and future is secured.

Major Generation Projects sanctioned by REC since 2002-03

S.No	Name of the Project	Agency	Category	Year of Sanction	Type of Project	Installed Capacity (MW)	Project cost	Loan sanctioned by REC
ANDHRA PRADESH								
1	Konaseema Power project	Konaseema EPS Oakwell Power Limited	Private	2003-04	Gas	445	1383	132.00
2	Vijaywada Stage-IV Krishna Distt.	APGENCO	State	2005-06	Coal	500	2059.34	1560.00
3	500 MW Coal based Thermal Power Project at Bhoopalapally in Andhra Pradesh (Kakatiya TPP)	APGENCO	State	2005-06	Coal	500	2059.35	1544.51
KERALA								
4	Kuttiyadi Extension Scheme district Kozhikode in Kerala 06204	KSEB	State	2004-05	Hydro	100	220.5	154.35
MADHYA PRADESH								
5	Shree Maheshwar Hydro Power Pvt. Ltd.	M/s Shree Maheshwar hydel Power Corporation Limited	Private	2005-06	Hydro	400	2245.30	250.00
UTTARANCHAL								
6	Vishnu-Prayag	Jaiprakash Power Ventures Private Ltd.	Private	2002-03	Hydro	400	1901.12	114.00
7	Tehri Stage-I Hydro Power Project in Uttaranchal	Tehri Hydro Development Corporation	State	2005-06	Hydro	1000	7500.32	1860.00
MEGHALAYA								
8	Myntdu	Meghalaya SEB	State	2004-05	Hydro	84	363	254.00
MIZORAM								
9	Serlloi-B	Mizoram Govt.	State	2002-03	Hydro	12	135.2	80.9
PUNJAB								
10	Guru Har Gobind Thermal Project Stage II Lehra Mohabbat	PSEB	State	2003-04	Thermal	500	1789.67	1610.70
J&K								
11	Baglihar HEP Stage-I	J&K PDCL	State	2003-04	Hydro	450	4000	400.00
HIMACHAL PRADESH								
12	Malana II HEP district Kullu	Everest Power Pvt. Ltd.	Private	2003-04	Hydro	100	598	328.90
13	Karcham Wangtoo HEP, in Kinnaur District, H.P 230304	Jaypee Karcham Corpn. Limited	Private	2005-06	Hydro	1000	5499	600.00
CHHATTISGARH								
14	Korba (East) Thermal Power project, Chhatisgarh	Chhatisgarh SEB	State	2003-04	Thermal	500	2045	1431.00
15	2x250 MW Coal based Bhilai Expansion Power project in Durg District of Chhatisgarh State	Bhilai Electric Supply Company Private Limited	State	2004-05	Thermal	600	2755	1285.00
16	300 MW Pathadi Coal based Thermal Power Project in Chhatisgarh-UNIT-I & II	M/s Lanco Amarkantak Power Private Limited	Private	2004-05	Thermal	300	2631.97	516.57
WEST BENGAL								
17	Santalidih Thermal power Project Extension 5th Unit	WBPDCL	State	2003-04	Thermal	250	1137.00	955.53
GUJARAT								
18	1500 MW Gas based Essar Power Project	M/s Essar Power Limited	Private	2005-06	Thermal	1500	4048.00	750.00
UTTAR PRADESH								
19	600 MW coal based thermal power project at Rosa, Shahjahanpur in UP	Rosa Power Supply Company Limited	Private	2005-06	Thermal	600	2579	400
MAHARASHTRA								
20	Bhusawal Thermal Power Projects, Maharashtra	MSPGCL	State	2006-07	Thermal	1000	4616.00	3693.00



Transmission and Distribution

One of many ambitious projects of REC includes providing financial assistance to all the states for strengthening and augmentation of power Transmission and Distribution network. It includes schemes for conversion of Low Voltage Distribution System (LVDS) to High Voltage Distribution System (HVDS), installation of transformers and meters. These projects also encompass reduction of technical and commercial losses.

REC's loan portfolio also includes extension of loan assistance for energizing agricultural pumpsets. Out of 140 lac pumpsets reported to be energized in the country, over 60% pumpsets have been done under the schemes funded by REC. Besides this, REC continues to extend financial support to Village/Dalit Basti and Intensive Electrification under its regular portfolio. During the year one hundred and eighty four villages were reported as electrified under REC financed schemes under T&D programme, and the number of cumulative villages electrified till March 31st, 2006 were 3,06,010.

Villages, Dalit Bastis Electrified and Pumpsets Energised under the projects financed by REC in the years 2001-02 to 2004-05, during 2005-06 and cumulative position upto 31.03.2006

Sl. No.	STATES	Vilages Electrified			Dalit Bastis Electrified			Pumpsets Energised		
		2001-02 to 2004-05 (4 Yrs)	During 2005-06	Cumulative upto 31.03.2006	2001-02 to 2004-05 (4 Yrs)	During 2005-06	Cumulative upto 31.03.2006	2001-02 to 2004-05 (4 Yrs)	During 2005-06	Cumulative upto 31.03.2006
1	Andhra Pradesh	0		14907	11022	4107	39445	126462	66458	1512963
2	Arunachal Pradesh	21		1316	0			0		0
3	Assam	0		16363	0			0		1922
4	Bihar	0		32490	0		21554	0		113354
5	Delhi	0		0	0			0		0
6	Goa	0		0	0			0		0
7	Gujarat	0		7712	0		2063	18943	1310	417099
8	Haryana	0		90	0		5967	3732	409	223666
9	Himachal Pradesh	9		11143	0		81	1002	439	5913
10	J & K	15		4416	49	4	998	1755	67	7872
11	Karnataka	13		8907	826		9110	48845		862387
12	Kerala	0		151	11		3113	47549	12839	329616
13	M. P.	0		54411	0		19655	0		1054106
14	Maharashtra	0		13322	0		7503	157745	51653	1607663
15	Manipur	0		1720	0			0		29
16	Meghalaya	0		2321	0			0		58
17	Mizoram	0		531	0			0		0
18	Nagaland	4		793	0			0		164
19	Orissa	0		26648	0		6219	0		63015
20	Punjab	0		3908	0		467	14612	8718	477783
21	Rajasthan	148		26477	209		15393	35132	9658	480448
22	Sikkim	0		277	0			0		0
23	Tamil Nadu	0		807	0		457	127409	30688	944159
24	Tripura	2		3223	0			0		1530
25	U. P.	0		49881	0		46576	0		379544
26	Uttaranchal	458	11	469	0			0		82202
27	West Bengal	424	170	23727	2704	533	3358	0		
Grand-Total		1094	181	306010	14821	4644	181959	583186	182239	8565493

Sub-stations commissioned during 2005-06 under REC financed schemes

Sl. No.	State	Sub-Station Commissioned														G. Total
		Under Non APDRP							Under APDRP							
		33/11KV S/S							33/11KV S/S							
		Tar.	Ach.	66 KV S/S	110KV S/S	132KV S/S	220/230 KV/S	Total	Tar.	Ach.	66KV S/S	110KV S/S	133 KV S/S	220 KV S/S	Total	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1	Andhra Pradesh	142	127			15		142	10	16					16	158
2	Arunachal Pradesh															0
3	Assam															0
4	Bihar															0
5	Delhi															0
6	Goa															0
7	Gujarat										2				2	2
8	Haryana		2	4		1		7		1					1	8
9	Himachal Pradesh		1					1							0	1
10	Jammu & Kashmir		10					10		11					11	21
11	Jharkhand															0
12	Karnataka		3	3				6		1	1				2	8
13	Kerala		8		1			1	10							10
14	Madhya Pradesh															0
15	Chhatisgarh															0
16	Maharashtra		32			5	2	39		19					19	58
17	Manipur															0
18	Meghalaya							0								0
19	Mizoram							0								0
20	Nagaland															0
21	Orissa															0
22	Punjab			4				4		1	5				6	10
23	Rajasthan	30	103			1	2	106							0	106
24	Sikkim															0
25	Tamil Nadu		7		6		4	17		3					3	20
26	Tripura															0
27	Uttar Pradesh															0
28	Uttranchal															0
29	West Bengal															0
Total		172	293	11	7	22	9	342	10	52	8	0	0	0	60	402



International Cooperation & Development

REC's maiden initiative on international cooperation has been a grand success. International Cooperation Division was set up for the purpose of exploring long term funds on concessional terms from International Bilateral/ multilateral funding agencies viz Japan Bank for International Cooperation (JBIC), Indo-German Bilateral Cooperation (KfW), USAID and the World Bank, to make a difference in India's rural electrification programme. The Corporation secured a record amount of Rs. 1240 crore, as concessional funds from these eminent organizations. The loan assistance from JBIC alone was 21 billion yen (Rs. 822 crore), employed in the states of Andhra Pradesh, Maharashtra and Madhya Pradesh, aimed at improving the sub-transmission system of rural areas and to expand access to electricity to all un-electrified households, by constructing new sub-stations and augmenting the old ones.

Another significant project under International Cooperation is Distribution Reforms, Upgrade and Management (DRUM). The project under the aegis of Rural Utility Services (RUS) USA, aims at enhancing access to electricity and water through power distribution reform activities and demonstrating best managerial, commercial and technological practices that improve the quality and reliability of "last mile" power distribution.



Human side of our enterprise

We, at REC believe that Human Resource Management blends with the Corporate Vision. To stay ahead we must empower the human power. The 700 odd multi disciplinary work-force at REC, with 304 executives and 403 non-executives, is organized as cross- functional teams across the country with Delhi as the corporate Head Quarters. In tune with the philosophy of social development and directives of Govt. of India, a total of 126 personnel belonging to Scheduled Castes & Tribes comprising of 23, 30, 33 and 40 numbers in group A, B, C & D categories are on the rolls of the Corporation as on 31st March, 2006.

The year has been a turning point in terms of development of Human Resources. During the year fresh blood has been infused through direct recruitment of 52 professionals in Engineering, Finance, HR, Legal & CS stream to strengthen the human fabric of the company to meet the business challenges.

Employees at REC have many internal platforms for learning experience through exchange of ideas, challenges and solutions during the core meetings conducted periodically on different subjects. Three conclaves of all key officers of Project/ Zonal/ Corporate offices were conducted one each at Lucknow, Hyderabad & New Delhi. During the year 199 employees participated in the seminars/ work shops and training programmes. Going a step further three officers participated in two-week training programme on quality management under AOTS in Japan during March, 2006.

Employee welfare is our prime concern. For the superlative performance of REC during the year, employees were given handsome incentive. Grievance settlement machinery addresses individual problems. There is a women's cell to monitor prevention of any harassment at work place. Comprehensive medical care is provided to the employees.

Human Resource Department comes out with a monthly E-Newsletter, christened REC Darpan. It is another feather in the department's cap. The letter covers REC in a holistic manner and even has a dedicated editorial committee for it.

implementation of right to information act 2005 in REC

The Right To Information Act 2005 came into force on 12th October, 2005 and extends to whole of India (except J&K) and to all public authorities, including REC. In its endeavour to promote transparency and accountability in working, REC published a Hand Book on Right To Information Act 2005 which is available on its website: "http://recindia.nic.in" and gives all the relevant information about the Corporation. All the guidelines/instructions issued by the Govt. on the subject are duly followed. An independent RTI Cell has been created which attends to the work relating to information under RTI Act 2005. Public Information Officer (PIO), Asstt. PIOs and Appellate Authority have been designated as per provisions of the Act. Information Facilitators have also been nominated from all the divisions to assist PIO in furnishing the information to the applicants.

RTI MACHINERY IN R.E.C.

- I. **APPELLATE AUTHORITY:**
Shri Rama Raman, Executive Director (T&D), Corporate Office
- II. **PUBLIC INFORMATION OFFICER:**
Shri B. R. Raghunandan, G.M. (Law) & CS, Corporate Office
- III. **ASSTT. PUBLIC INFORMATION OFFICER:**
 1. Shri A.K. Arora, Jt. Chief (P&C/RTI), Corporate Office
 2. Shri Vinod Sharma, Zonal Manager, ZO Lucknow
 3. Shri R.K. Arora, Zonal Manager, ZO Mumbai
 4. Shri S.G. Dastidar, Zonal Manager, ZO Kolkata
 5. Shri T.S.C. Bosh, Zonal Manager, ZO Jabalpur
 6. Shri Ramesh Kode, Chief Project Manager, ZO Hyderabad
 7. Shri G.C. Bharthakur, Chief Project Manager, PO Guwahati
 8. Shri Fuzail Ahmed, Chief Project Manager, PO Patna
 9. Shri G.S. Bhati, Chief Project Manager, PO Vadodara

10. Shri M.K. Mittal, Chief Project Manager, PO Panchkula
 11. Shri M.Surya Prasad, Chief Project Manager, PO Bangalore
 12. Shri R. Anbalagan, Chief Project Manager, PO Thiruvananthapuram
 13. Shri K. Adhikari, I/C Chief Project Manager, PO Shillong
 14. Shri P. Viswanathan, Chief Project Manager, Chennai
 15. Shri J.K. Purohit, Chief Project Manager, PO Jaipur
 16. Shri S. Ahmed, Chief Project Manager, PO Bhubaneswar
 17. Shri H.S. Kala, Chief Project Manager, PO Jammu
- IV. **R.T.I. CELL**
Shri A.K. Arora, Jt.Chief (P&C/RTI) - Incharge

The status of applications received in the Corporation under RTI Act 2005 is as follows:-

APPLICATIONS UNDER RTI ACT 2005

Sl.No.	Particulars	2005-06		2006-07 (upto Oct.06)	
		Appli- cations received	Infor- mation furnished	Appli- cations received	Infor- mation furnished
1.	Applications with PIO	8	8	31	30
2.	Appeals with A.A.	0	0	10	9

Information to all the applicants was sent within the prescribed time limit.

The Corporation is committed to maintain transparency in its operations and information on all the operational areas is voluntarily displayed and updated on Corporation's website. The required machinery has been established in the Corporation for implementation of RTI Act 2005 and utmost attention is paid on attending to the requests for information under RTI Act 2005.

management team



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)



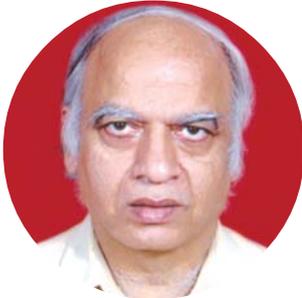
Shri V.K. Arora
General Manager
(Finance)



Shri B.R. Raghunandan
General Manager
(Law) & CS



Shri ABL Shrivastava
General Manager
(Finance)



Shri Gurjit Kapur
General Manager
(T & D)



Shri P.J. Thakkar
General Manager
(RGGVY)



Shri B.P. Yadav
General Manager
(BD / Admn. / IT)



Shri T.S.C. Bosh
Zonal Manager, Central Zone



Shri V.K. Sharma
Zonal Manager, East Central Zone



Shri Ghosh Dastidar
Zonal Manager, Eastern Zone



Shri J. Kalyana Chakravarthy
Zonal Manager, Southern Zone



Shri Rakesh Arora
Zonal Manager, Western Zone

Addresses of REC Offices

Sl. No.	State/Union	Address	Telephone numbers	Telegraphic address & Fax Numbers
1	2	3	4	5
	Corporate office	Core- 4, SCOPE Complex, 7 Lodhi Road New Delhi-110003	24365161	RECTRIC Fax: 011-24360644 E-mail : reccorp@recl.nic.in
	Zonal Offices			
Sl. No.	Zone/Location of Zonal Office/ Project Offices /States & UTs under the jurisdiction of Zonal Offices	Address	Telephone Numbers	Telegraphic Address & Fax Numbers
1.	Southern Zone Hyderabad Andhra Pradesh, Kerala, Pondicherry & Tamil Nadu	Shivramapally Post NPA, Near Aramghar, National Highway No. 7, Hyderabad-500052	24014034 24014420	CIRECTRIC Fax: 040-24014235, 040-24015896 E-mail: reclhyd@sancharnet.in
2.	Eastern Zone Kolkata West Bengal, North-Eastern States, Andaman & Nicobar Islands, Sikkim and Jharkhand	AE Block, Premises No. 643, Sector-I, Salt Lake City, Kolkata-700064	23341652 23341646	PORECTRIC Fax : 033-23344923 E-mail : recpokol@vsnl.net
3.	East Central Zone Lucknow Bihar, Uttaranchal, Uttar Pradesh	19/8, Indira Nagar Extension, Ring Road, Lucknow-226016	2716324 2716446 2717376	Fax : 0522-2716815 E-mail : recuppo@yahoo.co.in
4.	Western Zone Mumbai Maharashtra, Karnataka, Goa, Daman & Diu, Gujarat, Dadara & Nagar Haveli	Mittal Tower 51-B, 5th Floor, Nariman Point Mumbai-400021	22831004 22830985 22853895 22833055	PORECTRIC Fax: 022-22831004 E-mail : porecmum@bom4.vsnl.net.in recmumbai@eth.net
5.	Northern Zone New Delhi Haryana, Delhi, Rajasthan, Jammu & Kashmir, Punjab, Himachal Pradesh	Core- 4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003	24365161	RECTRIC Fax: 011-24360644 E-mail : reccorp@recl.nic.in
6.	Central Zone Jabalpur Madhya Pradesh, Chattisgarh, Orissa	JDA Building, Madan Mahal, Nagpur Road, Jabalpur-482001	2424696 2423994	RECPO Fax: 0761-2671124 E-mail : recjbp@yahoo.com rec_jabalpur@sancharnet.in

Sl. No.	State/Union	Address	Telephone numbers	Telegraphic address & Fax Numbers
1	2	3	4	5
	Project Office			
1.	Andhra Pradesh	Shivramapally Post NPA, Near Aramghar, National Highway No. 7, Hyderabad-500052	24014034 24014420 27790721	Fax: 040-24014235, 040-24015896 E-mail : reclhyd@sancharnet.in cire@sancharnet.in
2.	Assam, Nagaland, Arunachal Pradesh	“Kamalalaya” (1st & 3rd Floor) Zoo, Narangi Tiniali, R.G. Baruah Road, Pinaki Path,(By Lane No. 7) P. O. : Silpukhuri, Guwahati-781003	2450485 2454702	REPO Fax : 0361-2454702 E-mail : cpmvog@sancharnet.in cpmvog@sify.com
3.	Bihar	‘Maurya Lok’ Complex Block-C, 4th Floor, New Dak Bangla Road, Patna- 800001	2221131 2224596 2520023 (R)	RECPO Fax : 0612-2224596 E-mail : recpatna@vsnl.net pat_recl@dataone.in
4.	Gujarat, Dadara & Nagar Haveli	Plot No. 585, T.P Scheme No.2, BehindPusti Complex, Opp. VMC Ward Office, Atma Jyoti Ashram Road, Subhanpura,Vadodara-390023	2386760 2397487 2252473 (R)	RECPO Fax: 0265-2397652 Tel : 2386760, 2397487 E-mail : recbaroda@eth.net
5.	Haryana Delhi and Chandigarh	BAY No.7-8, Sector-2 Panchkula-134112	2563864 2563863 2563822	RECPO Fax : 0172-2567692 E-mail : recpochd@eth.net
6.	Himachal Pradesh	Pt. Padamdev Commercial, Complex, Phase-II, First Floor, The Ridge,Shimla-171001	2653411 2804077	RECPO Fax : 0177-2804077 E-mail : recsml@emmtel.com
7.	Jammu & Kashmir	157-A, Gandhi Nagar, Behind Apsara Cinema, Jammu-180004	2450868 2566701 (R)	RECPO Fax: 0191-2450868 E-mail : recpojat@yahoo.com rizvi55@rediffmail.com
8.	Karnataka	No. 1/5, Ulsoor Road, Bangalore-560042	25598244 25598243	PORECTRIC Fax: 080-25598243 E-mail : ruralblr@eth.net
9.	Kerala and Lakshadweep	0-5, 4th Floor, “Saphallyam” Commercial Complex TRIDA Building Palayam, Thiruvananthapuram-695034	2328662 2328579 6783208 (R)	RECPO Fax: 0471-2328579 E-mail : rectvm@eth.net rectvm@md5.vsnl.net.in
10.	Madhya Pradesh	JDA Building, Madan Mahal, Nagpur Road, Jabalpur-482001	2424696 2423994	RECPO Fax: 0761-2671124 E-mail : recjbp@yahoo.com rec_jabalpur@sancharnet.in

Sl. No.	State/Union	Address	Telephone numbers	Telegraphic address & Fax Numbers
1	2	3	4	5
11.	Maharashtra, Goa Daman & Diu	Mittal Tower 51-B, 5th Floor, Nariman Point, Mumbai-400021	22831004 22830985 22853895 22833055	PORECTRIC Fax: 0222-2831004 E-mail : porecmum@bom4.vsnl.net.in recmumbai@eth.net
12.	Meghalaya, Manipur & Mizoram	Rinadee Old Jowai Road Lachumire, Shillong-793001	2210190 2225687	REPO Fax: 0364-2225687 E-mail : recl_shillong@rediffmail.com
13.	Orissa	Deen Dayal Bhawan Fif th Floor, Ashok Nagar,Janpath, Bhubaneswar-751009	2536669 2536649 2393206	REPO Fax: 0674-2536669 E-mail : repobbsr@yahoo.co.in
14.	Rajasthan	J-4-A, Jhalana Dungari, Institutional Area, Jaipur-302004	2706986 2707840 2700161 2700162	PORECTRIC Fax: 0141-2706986 E-mail: recpojpr@bhaskarmail.com recpojpr@rediffmail.com
15.	Tamil Nadu & Pondicherry	No. 12 & 13 T.N.H.B. Complex, Luz Church Road, 180 (Luz Corner) Mylapore, Chennai-600004	24672376 24670595 24987960	PORECTRIC Fax : 044-24670595 E-mail : cpmchennai@yahoo.com
16.	Uttar Pradesh	19/8, Indira Nagar Extension, Ring Road, Lucknow-226016	2716324 2717376 2716446 23311787 (R)	REPO Fax: 0522-2716815 E-mail : recuppo@yahoo.co.in
17.	West Bengal, Tripura, Sikkim, A & N Islands	AE Block, Premises No. 643, Sector-I, Salt Lake City Kolkata-700064	23341652 23341646	PORECTRIC Fax : 033-23344923 E-mail : recpokol@vsnl.net
Training Centre				
	Central Institute for Rural Electrification (CIRE)	Shivrampally, Post NPA, Near Aramghar, National Highway No. 7 Hyderabad-500052	24017252 24018583 24015901	CIRECTRIC Fax : 040-24015896 E-mail : cire@sancharnet.in
Sub Office				
	Bihar	Tripathy Colony, Kadru Bye Pass Road, Near Canara Bank, P. O. Heenu, Ranchi-834003	0651-2481372 9431815522	E-mail : v2vltld2003@sify.com rec_ranchi@yahoo.com



Rural Electrification Corporation Limited
A Government of India Enterprise

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