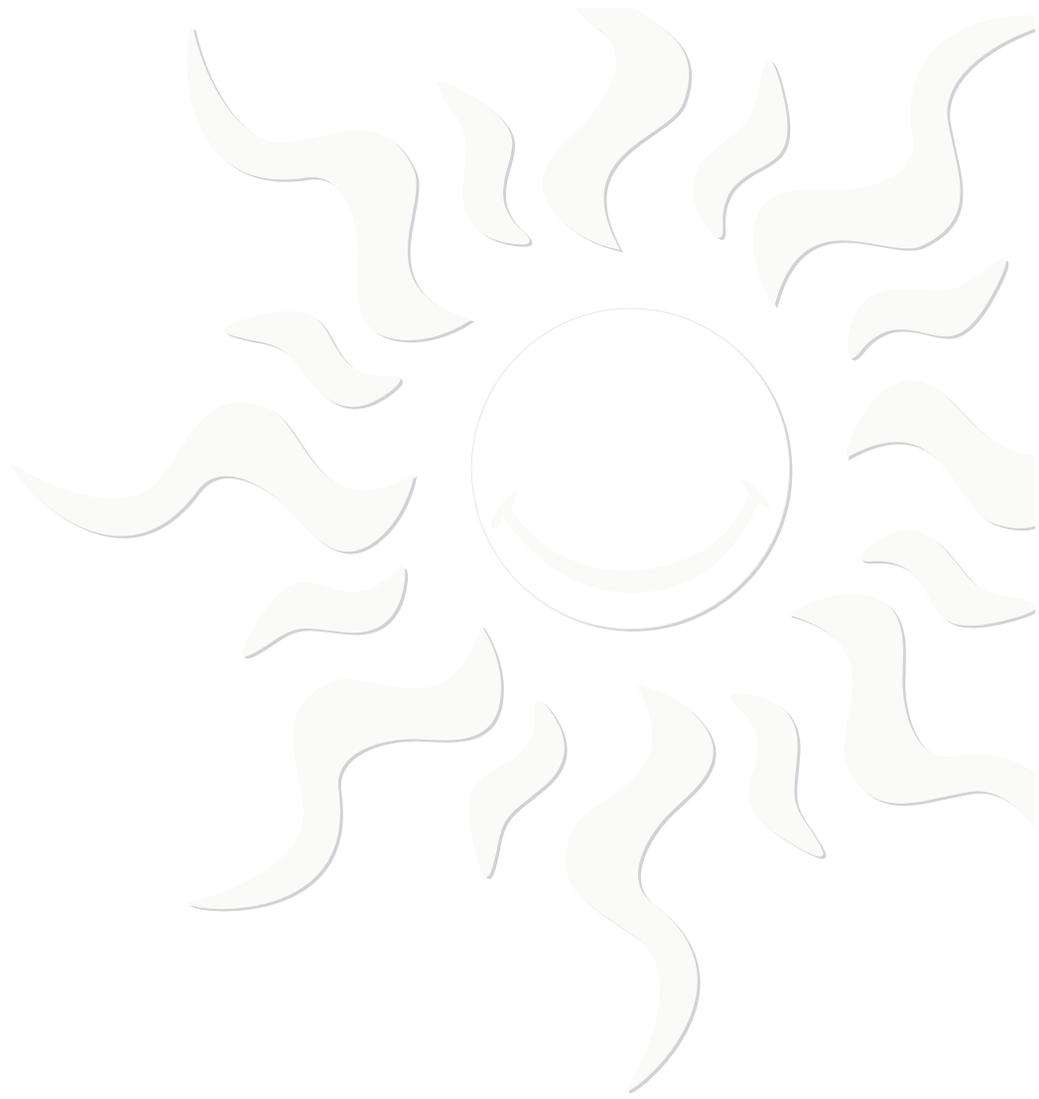


38th annual report  
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# Power to Prosperity



**Rural Electrification Corporation Limited**  
A Government of India Enterprise





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## Company

# Information

CORPORATE OFFICE	<b>Shri A.K. Lakhina</b> Chairman & Managing Director	<b>Shri S.K. Agarwal</b> Executive Director (Finance)	<b>Shri Vijay Kumar Lakhanpal</b> General Manager (Economic Research)
	<b>Shri H.D. Khunteta</b> Director (Finance)	<b>Shri V.K. Arora</b> General Manager (Finance)	<b>Shri Jogendra Singh</b> General Manager (Quality Control)
	<b>Shri Bal Mukand</b> Director (Technical)	<b>Shri B.R. Raghunandan</b> General Manager (Law) & CS	<b>Shri Subodh Garg</b> General Manager (DDG)
	<b>Shri Arun Kumar</b> Chief Vigilance Officer	<b>Shri A.B.L. Srivastava</b> General Manager (Finance)	<b>Shri D.S. Ahluwalia</b> General Manager (Finance)
	<b>Dr. Dolly Chakrabarty</b> Executive Director (CP / BD / IA / IC&D)	<b>Shri Guljit Kapur</b> General Manager (T & D)	<b>Shri Ajeet Kumar Agarwal</b> General Manager (Finance)
	<b>Shri K. Vidyasagar</b> Executive Director (RGGVY)	<b>Shri P.J. Thakkar</b> General Manager (RGGVY)	<b>Shri Ashok Awasthi</b> General Manager (IC & D/CP/BD)
	<b>Shri Rama Raman</b> Executive Director (T&D)	<b>Shri B.P. Yadav</b> General Manager (BD / Admn / IT)	<b>Shri Sanjiv Garg</b> General Manager (Generation)
	<b>Shri Vinod Behari</b> Executive Director (HR)		
ZONAL OFFICES	<b>Central Zone, Jabalpur</b> <b>Shri T.S.C. Bosh</b> Zonal Manager	<b>Eastern Zone, Kolkata</b> <b>Shri Ghosh Dastidar</b> Zonal Manager	<b>Western Zone, Mumbai</b> <b>Shri Rakesh Arora</b> Zonal Manager
	<b>East Central Zone, Lucknow</b> <b>Shri Sunil Kumar</b> Zonal Manager	<b>Southern Zone, Hyderabad</b> <b>Shri J. Kalyana Chakravarty</b> Zonal Manager	
REGISTERED OFFICE	Core-4 SCOPE Complex, 7, Lodhi Road, New Delhi-110003		
BANKERS	Reserve Bank of India	Dena Bank	ICICI Bank
	State Bank of India	Corporation Bank	IDBI Bank
	State Bank of Hyderabad	HDFC Bank	Syndicate Bank
	Vijaya Bank	Central Bank of India	

# Board of Directors



**Shri A.K. Lakhina**  
Chairman & Managing Director



**Shri H.D. Khunteta**  
Director (Finance)



**Shri Bal Mukund**  
Director (Technical)



**Shri Rajesh Verma**  
Director



**Shri Devender Singh**  
Director

## Chairman's Speech

Dear Members,

No matter how big we get - as an organization or as individuals - or how much territory we cover, I believe we must always share, as one team, a collective vision. One that holds us together, wherever we are, whatever we do. At REC, it is this vision that spurs us on. The vision to not just make a difference, but to be the difference.

Your Corporation has once again delivered a record performance, meeting and - in many cases - exceeding all the targets set under the MOU with the Ministry of Power. In recognition of our performance and our consistent achievement of targets negotiated under the MOU entered into with the GoI on an annual basis, we have consistently received the MOU award for excellence in performance from the Fiscal 1994 to 2006. Furthermore, we have also been ranked among the top ten public sector undertakings for the financial years 1999-2000, 2001-2002, 2004-2005 by the Ministry of Heavy Industries and Public Enterprises, GoI.

Your Directors are happy to recommend dividend payment of Rs. 177 crore for 2006-07.

### Macroeconomic Setting

The next two decades are going to be years of intense activity for financial institutions engaged in power sector disbursements. The recent Integrated Energy Policy enunciated by the Planning Commission has defined the energy needs, outlined the scope of future strategies and estimated requirements of funds needed to sustain a growth rate of 8% for the next 20 years or more. Power



Diversification holds the key. As does creation of subsidiaries to undertake more profitable businesses. Deploying a comprehensive prudential approach to financing and adopting contemporary Corporate Governance practices also rank high on this strategic vision.

generation has to increase to 8,00,000 MW, from its current level of 1,60,000 MW.

The 11th Plan has set the targets and broadly provided the direction and scope of business to be developed during the five year period. Total outlay for adding 70,000 MW of power and the investments needed in the transmission and distribution sectors - during the 11th Plan itself - are expected to be Rs. 10,00,000 crore. Consequently, REC is strategizing its growth plan to meet the funding requirements and reorient its role to capitalize on the increased investments in the Indian power sector.

The perception that rural electrification is solely about village electrification is untrue. REC is playing a much larger role. It has developed into a robust agency that provides technological and financial support to all the three sectors: generation, transmission and distribution. We understand that without our absolute involvement, rural electrification in all these sectors would not be achievable. Since inception, your Corporation has funded many transmission and distribution schemes across the country's districts and towns. Most of these schemes have been completed, closed or subsumed in larger schemes. Rural electrification has been a profitable, satisfying experience throughout; the figures speak for themselves. Even our recovery continues to be superlative with NPA which is very low.

Your Directors have firmly put REC on a strategic growth path. Diversification holds the key. As does creation of subsidiaries to undertake more profitable businesses. Deploying a comprehensive prudential approach to financing and adopting contemporary Corporate Governance practices also rank high on this strategic vision. The last two years have crystallized this strategy into a more diversified, balanced portfolio and the new REC subsidiaries are ready and raring to go.

## Diversification

### Generation

We have now demonstrated our competence in generation project finance. We are the lead financial institution responsible for syndicating loans in as many as seven projects. Projects that would generate 4,285 MW of hydro and thermal power. We are a relatively new entrant in actual generation financing. This further leads us to believe that we will continue to increase our share of this business, particularly in view of India's rising electricity generation.

## Creation of Subsidiaries

### REC Transmission Project Company

In fiscal 2007, the Government of India initiated a scheme that involved inviting private sector investment in major transmission projects. The scheme entailed private developers eventually

becoming transmission service providers on a 'Build, Own and Operate' basis. Till date, 14 projects have been identified under this scheme.

We have been appointed nodal agency for two of the projects identified: the North Karanpura Transmission Project and the Talcher Augmentation System Transmission Project. As a result, REC Transmission Projects Company Limited has been established and has commenced its business operations.

#### **REC Power Distribution Company**

We have also established REC Power Distribution Company Limited. This is a subsidiary for the purpose of operating and providing consultancy services with respect to distribution systems. The aim is to capitalize on the private sector demand for our specialized knowledge. And through the commencement of this subsidiary, that capitalization is well and truly underway.

### **Village Electrification**

#### **Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)**

RGGVY was launched by the Government of India in April 2005, to provide electricity to all villages and households. Your Corporation has done commendably well in reaching village electrification infrastructure to the targeted villages. Dr. Manmohan Singh, our Prime Minister has appreciated the achievements in village electrification publicly. REC is fully geared up to continue this work to achieve cent percent electrification of villages.

### **Comprehensive Prudential Approach to Financing**

Your Directors have adopted a number of policy measures, such as REC Prudential Norms and Risk Management Policies that include the Investment Policy, Asset Liability Management Policy, Derivatives Policy and REC Appraisal Policy, to formalize the propriety and ensure a steady approach. All these measures are being incorporated in Enterprise Resource Planning (ERP) systems being implemented. These will help us evolve into one of the most forward-looking, system-oriented, contemporary organizations with inbuilt control systems.

Your Corporation has done commendably well in reaching village electrification infrastructure to the targeted villages. Dr. Manmohan Singh, our Prime Minister has appreciated the achievements in village electrification publicly.

### **Mobilization of Funds**

Your Corporation mobilized funds from the market during the year 2006-07 which included syndicated loans from commercial banks, low cost Capital Gains Tax Exemption Bonds under Section 54EC of the Income Tax Act and non-priority sector bonds. REC, for the first time, raised External Commercial Borrowing from Standard Chartered Bank, London and DEPFA Investment Bank Limited, Cyprus. The average cost of our total borrowings for the year 2006 - 07 compares favourably with our competitors.

Your Corporation continues to enjoy the highest domestic credit ratings for its long-term borrowings from reputed credit rating agencies, viz. CRISIL, CARE, and FITCH. In addition, MOODY's and FITCH have put REC at par with the sovereign ratings of India for its long-term overseas borrowings.

### **International Cooperation**

Your Corporation has consolidated on its international cooperation for the second year. Multilateral agencies like JBIC and KfW have come forward to extend loan packages for rural electrification activities in the transmission and distribution sectors.

### **Human Resources**

Enormous emphasis on human resource development has been witnessed during the year. A three - pronged strategy was adopted: train maximum employees in leading institutions, encourage the senior level through international exposure and create a robust in - house training infrastructure. REC is richer with 641 training man days imparted to 307 employees and 107 man days in international exposure to 19 employees in the last year. The Central Institute for Rural Electrification (CIRE), Hyderabad has been strengthened with fresh additional faculty.

I am happy to say that REC is resolutely carrying on its march towards further professionalizing its existing and emerging activities with the induction of senior officials. During the last two years, 107 professionals have been inducted to add to the firepower. And this, with almost negligible attrition. Besides, nearly half the number of total employees has been promoted to shoulder greater responsibilities.

### **The Way Forward**

REC is a key player in the development of the Indian power sector. It is widely recognized now that with its balanced and diversified portfolio, REC must play a still wider role, both in rural and semi - urban electrification programs. We realize huge opportunities will keep knocking on our doors to repeatedly augment our resources. We propose to aggressively pursue these avenues to add to their relevance and achieve profitability.

Rural electrification in India is fast becoming a success story. The stellar role of your Corporation is fundamental and expansive. Indian experience will be our unique selling point in seeking business opportunities in other parts of the world. Yes, it is time that REC goes global. Incidentally, the World Headquarters of REC at Gurgaon is being designed through an international competition, in a bid to further develop these global aspirations.

## Acknowledgements

The year 2006-07 has been daunting, enjoyable and full of achievements. I have enjoyed wonderful support from the Ministry of Power, the Board of Directors, my colleagues at REC, the State Power Utilities and the Banks. I am also overwhelmed with the confidence that the private entrepreneurs have reposed in us. I take this opportunity to express my gratitude to all of them and the investors, for their understanding and appreciation of the challenges met as well as their abiding confidence.



New Delhi  
27.9.2007

**Anil Kumar Lakhina**  
Chairman & Managing Director

### Disclaimer:

"The Company is proposing, subject to market conditions and other considerations, a public issue of its equity shares and has filed a Draft Red Herring Prospectus with SEBI. The Draft Red Herring Prospectus is available on the website of SEBI at [www.sebi.gov.in](http://www.sebi.gov.in) and the respective websites of the BRLMs at [www.investmart.in](http://www.investmart.in), [www.icicisecurities.com](http://www.icicisecurities.com) and [www.sbicans.com](http://www.sbicans.com). Investors should note that investment in equity shares involves a high degree of risk and for details relating to the same, see the section titled "Risk Factors" of the aforementioned Draft Red Herring Prospectus."

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The Company is having a valid certificate of registration dated February 10, 1998 issued by the RBI under Section 45 IA of the RBI Act. However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the Company or for the correctness of any of the statements or representations made or opinions expressed by the Company and for repayment of deposits/discharge of liabilities by the Company.

**"Not for release in the United States of America. Not for distribution in Australia, Canada or Japan."**



# 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 India.

## Performance

# Highlights

### Consistent growth over 10 years

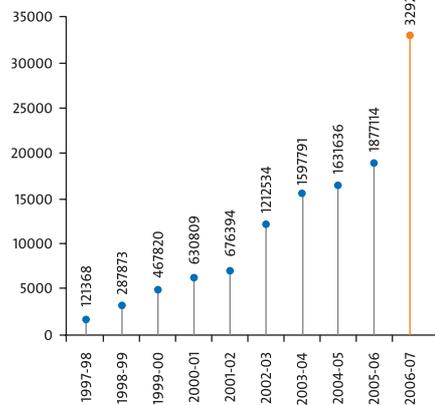
Particulars	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98
<b>RESOURCES</b> (at the end of the year)										
Equity Capital (Rs. Lacs)	<b>78060</b>	78060	78060	78060	78060	78060	73060	68060	68060	63060
<b>BORROWINGS (Rs. Lacs)</b>										
From Govt. of India	<b>10048</b>	11997	14017	118336	220341	480947	566779	559894	501749	455591
By issue of bonds	<b>2248372</b>	1675724	1360591	1197511	1049404	671927	372068	277573	209102	197517
From LIC	<b>350000</b>	350000	350000	150000	—	—	—	—	—	—
Other Banks	<b>419680</b>	366200	213200	44000	20000	21000	—	—	—	—
Reserves & Surplus (Net)	<b>323211</b>	341773	299830	248377	208105	168570	141769	121105	89827	65307
<b>FINANCING OPERATIONS</b> (During the year) (Rs. Lacs)										
Number of projects approved	<b>748</b>	661	1523	1322	1060	979	1301	1379	1468	1261
Financial assistance sanctioned	<b>3292538</b>	1877114	1631636	1597791	1212534	676394	630809	467820	287873	121368
Disbursements	<b>1373299</b>	800658	788509	601704	660664	472193	410922	305105	220260	109381
Repayments by borrowers	<b>403444</b>	350646	468324	358732	471594	266998	216262	155259	111024	41483
Outstanding at the end of the year	<b>3126218</b>	2456368	2106218	1830470	1593565	1418534	1218919	1029368	884231	779923
<b>ACHIEVEMENTS</b>										
<b>Villages electrified</b>										
During the year	<b>40233*</b>	181	765	122	—	207	581	1996	2502	3045
Upto the end of the year	<b>356412**</b>	306010	305829	305064	304942	304942	304735	304154	302158	299661
<b>Pumpsets energised</b>										
During the year	<b>174750</b>	182239	175772	132914	134583	139917	206071	252877	279201	242173
Upto the end of the year	<b>8740243</b>	8565493	8383254	8207482	8074568	7939985	7800068	7593997	7341120	70611919
<b>Working Results</b> (For the year) (Rs. Lacs)										
Total income	<b>285399</b>	224506	230209	199671	205389	166466	141961	129401	113631	79596
Personnel & Admn. Expenses	<b>6416</b>	5770	4434	4659	5866	4972	3141	2544	2400	1792
Interest on borrowings	<b>174089</b>	133913	120475	114220	120274	109879	93216	79189	69372	63163
Depreciation	<b>113</b>	110	115	103	104	151	621	623	607	601
Profit Before Tax	<b>100619</b>	82983	103665	80154	76663	50120	44647	41936	38454	12073
Provision for Tax	<b>34593</b>	19232	23590	18915	18811	11355	10958	10502	8530	2576
Profit After Tax	<b>66026</b>	63751	80075	61239	57852	38765	33690	31434	29924	9497
Dividend on Equity	<b>17700</b>	19126	23450	18300	17400	12000	6700	5000	5000	1000
<b>Net Worth</b>	<b>401271</b>	419833	377890	326437	286165	246630	214829	189165	157887	128367

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

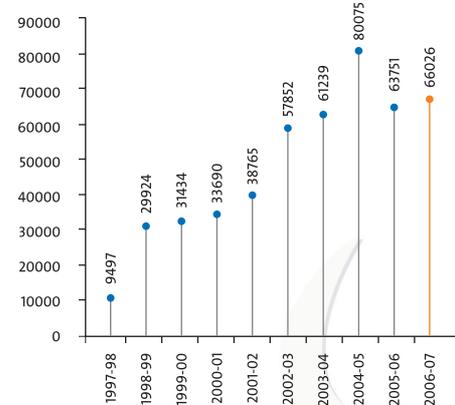
\*\* During 2005-06, works in 10,169 villages (including intensive electrification in 350 electrified villages) completed under RGGVY, are also included

All the key indicators of financial performance are explicit enough to show the contribution of REC towards rural growth and prosperity.

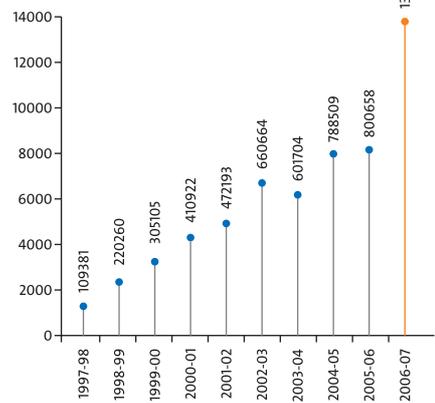
Sanction (Rs. in lacs)



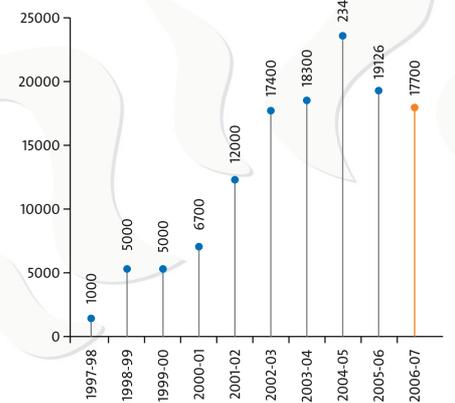
Net Profit (Rs. in lacs)



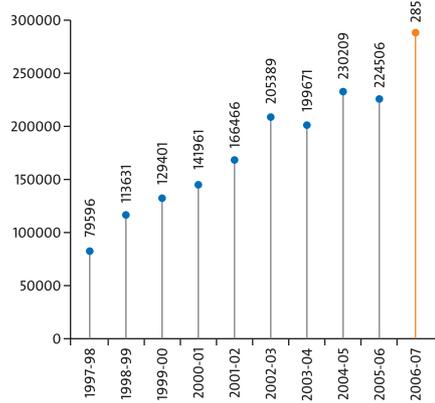
Disbursement (Rs. in lacs)



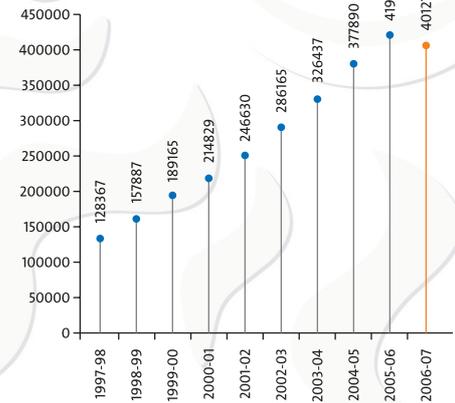
Dividend (Rs. in lacs)



Gross Income (Rs. in lacs)



Net Worth (Rs. in lacs)



## Notice

Notice is hereby given that the Thirty Eighth (38<sup>th</sup>) Annual General Meeting of the Members of Rural Electrification Corporation Limited (REC) will be held on Thursday the 27<sup>th</sup> September 2007 at 3 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 31<sup>st</sup> March 2007 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 2006-07.
3. To note the appointment & fix the remuneration of the statutory Auditors.

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



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

New Delhi

Dated: 7<sup>th</sup> September, 2007

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.
2. Consent of all the members is being obtained for calling the AGM and circulation of Notice of the Meeting and other requisite documents at shorter notice than 21 days.



# Directors' Report

To

The Shareholders,

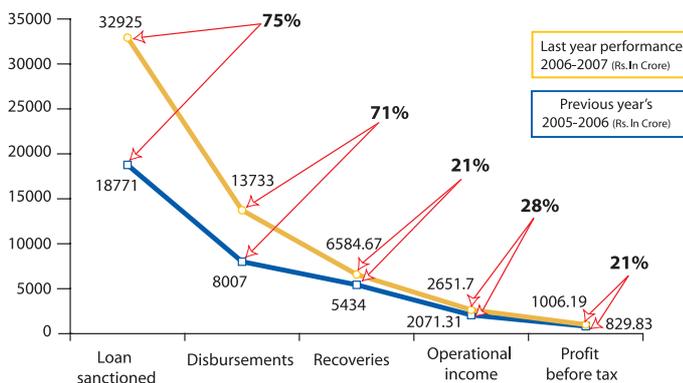
The Directors have pleasure in presenting the Thirty-Eighth Annual Report of the Corporation together with the Audited Accounts for the year ended 31<sup>st</sup> March, 2007.

## PERFORMANCE HIGHLIGHTS

**Record breaking loan sanctions, disbursements, recoveries, operational income and profits**

Over the past decade REC has sustained growth in almost all the growth parameters and the past year's performance has been record breaking as highlighted below:

Parameter	Last year performance 2006-2007 (Rs. In Crore)	Previous year's performance 2005-2006 (Rs. In Crore)	Percentage increase
Loan sanctioned	32925	18771	+ 75%
Disbursements	13733	8007	+ 71.5%
Recoveries	6584.67	5434	+ 21%
Operational income	2651.70	2071.31	+28%
Profit before tax	1006.19	829.83	+21%



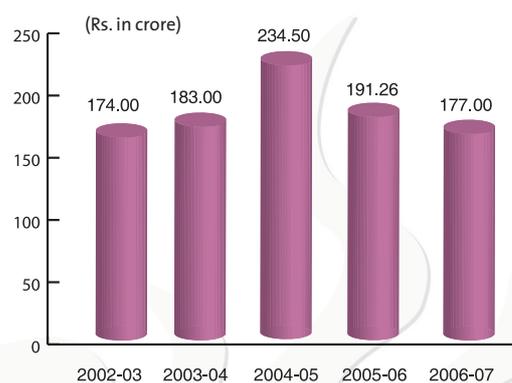
REC has a proven track record of posting high Profit and paying high Dividend.

### Profit After tax

The increase in profit after tax was marginal of Rs.22.75 crore i.e. from Rs.637.51 crore in previous year to Rs.660.26 crore in the year 2006-07. This was mainly on account of charging of Deferred Tax of Rs.116.29 crore and provision for Bad & Doubtful Debts of Rs.21.04 crore in the year 2006-07. Further, during the year 2006-07, the Deferred Tax provision of Rs.448.17 crore for the years 2001-02 to 2005-06 was also made in accounts by transferring the corresponding amounts from the General Reserve. However, the Deferred Tax of Rs.190.63 crore for the period upto 2000-01 has been transferred to Deferred Tax Liability from General Reserve.

### Payment of Dividend

After providing for tax and making necessary appropriation towards statutory reserves amounting to Rs.379 crore, your directors are happy to recommend payment of dividend of Rs.177 crore for the year 2006-07.



## FINANCIAL REVIEW

### A summary of financial results

The summary of financial results of the Corporation for the year ended 31<sup>st</sup> March, 2007 is as given below:-

(Rs. in Crore)

	2006-07	2005-06
Sanctions	32925.00	18771.00
Disbursements	13732.99	8007.00
Gross Income	2854.00	2245.06
Profit before tax	1006.19	829.83
Depreciation	1.13	1.10
Provision for Income Tax,Deferred Tax & FBT	345.93	192.32
Net Profit	660.26	637.51
Transfer to Special Reserve	345.00	265.00
Transfer to Reserve for Bad & Doubtful Debts	34.00	27.50
Transfer to General Reserve	72.00	211.00
Proposed Dividend	177.00	191.26
Dividend Tax	30.08	26.82
Balance carried forward	2.18	4.43

There was no addition to the Equity Share Capital during the year 2006-07 and the Paid-up Equity Share Capital as on 31<sup>st</sup> March, 2007 stood at Rs.780.60 crore against the Authorized Share Capital of Rs.1200 crore.

### Resource Mobilization

The Corporation mobilized Rs.9437.74 crore from the market during the year 2006-07. This included Rs.899.80 crore by way of syndicated loans from commercial banks, Rs. 7352.89 crore by way of capital gain tax exemption bonds, and Rs. 314.80 crore by way of non-priority sector bonds. The domestic debt instruments of REC continued to enjoy "AAA" rating - the highest rating assigned by CRISIL, CARE and FITCH.

### Cash Credit Facilities

For day to day operations, the Corporation also arranged cash credit limits to the tune of Rs. 1030 crore from various banks.

### External Commercial Borrowings

For the first time the Corporation also raised long term funds by way of its maiden External Commercial Borrowing (ECB) of JPY 23.570 billion, equivalent to Rs.870.26 Crore.

### Sovereign rating

REC enjoys international credit rating equivalent to sovereign rating of India from International Credit rating agencies such as Moody's and FITCH. (which are "Baa3" and "BBB-" respectively.)

### Maintaining low cost of borrowing.

As per Finance Act 2006, only REC and NHAI were eligible to raise money through bonds issued under Section 54 EC of the Income Tax Act, 1961. This helped in keeping the cost of borrowing at a low level. The overall cost of funds was 6.40% during the year 2006-07 which compares favorably with our competitors, as a result REC is able to deliver debt financing at competitive rates.

### Redemption and Pre payment

During the year, the Corporation repaid a sum of Rs. 19.49 crore to the Government of India. It also redeemed a total sum of Rs. 1160.70 crore owed to non-priority/priority sector bond holders. In addition, Rs. 1436.84 crore worth of Capital Gain Tax Exemption and Infrastructure Bonds were also redeemed.

### Financial status at the close of year

At the close of the financial year 2006-07, the total resources of the Corporation stood at Rs.35033.38 crore. Out of this sum, Equity Share Capital contributed Rs.780.60 crore, Reserves and Surplus stood at Rs.3232.11 crore (excluding Rs.739.67 crore of Deferred Tax Liability), Loans from LIC, Commercial Banks, and Market Borrowings accounted for Rs.30281.00 crore. These funds were deployed as Long / Short term Loans of Rs.32099.10 crore and Fixed Assets of Rs.63.63 crore, Investments of Rs.1194.54 crore and Working Capital of Rs.1676.11 crore.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) That the applicable accounting standards had been followed in the preparation of the annual accounts, 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 to maintain adequate accounting records as per 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.

REC has been funding Power generation, transmission & distribution projects besides electrification of villages. Various initiatives in this regard are enumerated below:

### GENERATION PROJECTS

From the year 2002 REC has diversified into financing of Generation projects for creation of new generation capacity.

**Thermal energy power generation projects:** REC currently finances thermal energy power generation projects in the public sector, joint sector and private sector. Thermal energy power generation projects include coal based power plants, gas based combined cycle power plants, captive co-generation power plants and biomass based power plants.

Since 2002, REC has financed over 26 thermal energy power generation projects located in various states. REC has sanctioned loans of Rs. 7512.20 crore for thermal energy power generation projects during the year 2006-07 as compared to Rs. 2966.50 crore in the previous year 2005-06 which is an increase of 253% in sanctions of thermal energy power generation projects.

**Hydro energy power generation projects:** REC also provides finance to hydro energy power generation in the public sector, joint sector and private sector. Hydro energy power generation projects include projects of various sizes, from large hydro to small hydro and mini hydro power plants. Since 2002, REC has financed over 41 hydro energy power generation projects located in various states.

**Renovation, modernization and life extension schemes:** REC also provides finance for the renovation, modernization and life extension of old thermal and hydro power plants. Such Renovation and modernization allows older power plants to run efficiently, safely, economically and in a more environment-friendly manner. Since 2002 REC has sanctioned financing for 21 renovation, modernization and life extension schemes. During the year 2006-07 REC has sanctioned loans of Rs. 338.10 crore for projects relating to

the renovation, modernization and life extension of thermal and hydro generation projects as compared to sanction of Rs. 133.50 crores in the previous year, an increase of 253% again.

In total, during the year 2006-07, the Corporation sanctioned 10 Generation/R&M projects of including additional loan assistance to one of the already financed project with total financial outlay of Rs.10364.40 crore, including consortium financing with other financial institutions. This has contributed in capacity addition of 4503 MW (Thermal energy power generation projects 2800 MW and Hydro Energy Power Generation Projects- 1703 MW). Cumulatively, since 2002-03 and upto 31.3.2007, REC has sanctioned financial assistance of Rs. 28542 crore for R&M, thermal and hydro generation projects. REC has disbursed Rs.4291.06 crore against the on-going generation projects during 2006-07.

#### Role as Lead Financial Institution

REC has been a lead financial institution in the following Generation projects:-

(Rs. In Crore)

S.no.	Name of the Project	Year of sanction	Category	Capacity (MW)	Project Cost	Loan Amount	Anticipated completion date
1.	Malana II HEP district Kallu, H.P.	2003-04	Hydro	100	598.00	328.90	July 2009
2.	Teesta Phase-III Hydro Electric Project, Sikkim	2006-07	Hydro	1200	5700.00	2100.00	March 2012
3.	270 MW coal based thermal project at Warora, MIDC, Chandrapur, Maharashtra	2007-08	Thermal	270	1110.20	555.00	July 2009
4.	Mahan Superthermal Power project in M.P.	2007-08	Thermal	1200	4860.00	1000	Nov-2010
5.	270 MW Coal based thermal power project Phase-II at Warora, MIDC, Chandrapur, Maharashtra	2007-08	Thermal	270	1305	448	Jan 2010

#### BUILDING UP THE TRANSMISSION AND DISTRIBUTION NETWORK

REC has ramped up its level of involvement in creating new infrastructure and improving the T&D networks. REC has fully supported the state power utilities under its various loan portfolios to achieve the country's objectives as under:

- To provide power for all by the year 2012;
- Reduce the AT&C losses;

- To expand and strengthen the transmission network; and
- Modernize the distribution system.

#### System Improvement- reducing T&D losses.

REC provides loan assistance to the Power utilities under its System Improvement portfolio. These loans are used to strengthen and improve the Transmission, Sub-transmission

and Distribution System in the country and to reduce the T&D losses. REC also provides the utilities with technical expertise to identify systemic deficiencies and weaknesses. It offers various alternatives to improve the system, out of which the most cost effective and technically feasible solution is adopted. In keeping with the tradition, the thrust on financing of such schemes was sustained during the year.

### High Voltage Distribution System (HVDS)

One such project that aims at improving the Transmission and Distribution is the High Voltage Distribution System (HVDS). The projects envisage reduction of the technical and commercial losses by instituting 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 amounting to Rs.1569 crore for the states of Andhra Pradesh and Rajasthan were financed by REC during 2005-06 and schemes amounting to Rs.2914 crore were sanctioned for Punjab and Rajasthan during 2006-07.

### Bulk Loan Financing

Apart from System Improvement projects, REC finances the procurement and installation / replacement of various equipment required. 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. Similarly, the Corporation has continued the financing of schemes for bulk procurement to meet the ever increasing requirement for installation and replacement of transformers, capacitors, etc.

During the year 2006-07, REC has sanctioned 642 loans of Rs. 20109 Crores for transmission and distribution projects as compared to Rs.8185 Crore in the previous year 2005-06, an increase of 246%. Further the amount disbursed for transmission and distribution projects in the year 2006-07 was Rs. 4784 crore as compared to Rs. 2780.70 crore in the previous year 2005-06, an increase of 172%.

## ELECTRIFICATION OF VILLAGES

### Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)

In April 2005 the Government of India launched the "Rajiv Gandhi Grameen Vidyutikaran Yojana – A Scheme of Rural Electricity Infrastructure and Household Electrification". The scheme is aimed to attain the goal of providing access to electricity to all households in five years and improving rural

electricity infrastructure as specified in the National Common Minimum Programme (NCMP). This scheme is implemented through a single nodal agency i.e. REC. The salient features of the scheme are detailed in **Annexure –I to this Report.**

### MOUs with NTPC, POWERGRID, NHPC AND DVC

All states are eligible to avail services of the Central Public Sector Undertakings (CPSUs) in the execution of Rural Electrification Projects. REC has entered into Memorandum of Understanding (MOUs) with NTPC, POWERGRID, NHPC and DVC to make available project management expertise and capabilities and augment the implementation capacities for the programme.

### Online monitoring

An on line monitoring system has been formulated in consultation with NIC to effectively evaluate and monitor the programmes. The static data of upto the district level of DPRs received from all the states has been already placed on the NIC's temporary server. Additionally, physical and financial progress achieved up to 31<sup>st</sup> March, 2007, in the 235 projects under implementation, have already been up-loaded. This information is accessible state wise and district wise. These databases will be updated periodically so as to furnish up to date information and it will be available online shortly.

### Sanctioned projects and their implementation

A total of 119 projects have been sanctioned under RGGVY during 2006-07 at a project cost of about Rs.4772.81 Crore. These projects cover 1,03, 913 villages and 99,73,659 households. The state-wise details are enclosed in **Table-I.**

A total of 235 projects are being implemented in phase-I of RGGVY involving a sanctioned cost of Rs. 9696 crore. These projects cover 67012 un-electrified villages and about 1.26 crore rural households including 83 lakh Below Poverty Line(BPL) families.

### Sanctioned and Awarded projects as at the end of Financial Year 2006-07 :

- (a) The Corporation has sanctioned DPRs in respect of 316 districts (317 projects) in 27 states of the country, involving total outlay of Rs. 11514 Crore. This covers the electrification of about 175 Lakh rural households in about 234,658 villages (including 69534 un-electrified villages);
- (b) NITs for 272 districts (273 projects) have been issued, of which, contracts for 210 districts (211 projects) have been awarded.

The state-wise details are enclosed in **Table – 2.**



### Targets v/s achievements - Exceeding expectations.

Electrification projects have been completed in 40233 villages spread across the states of Bihar, Uttar Pradesh, West Bengal, Rajasthan, Uttaranchal, Karnataka and Gujarat during 2006-07 as against a target of 40,000. The state-wise details are enclosed in **Table – 3**. Electrification projects in another 40,000 villages have been targeted during 2007-08.

### Franchisee based power distribution

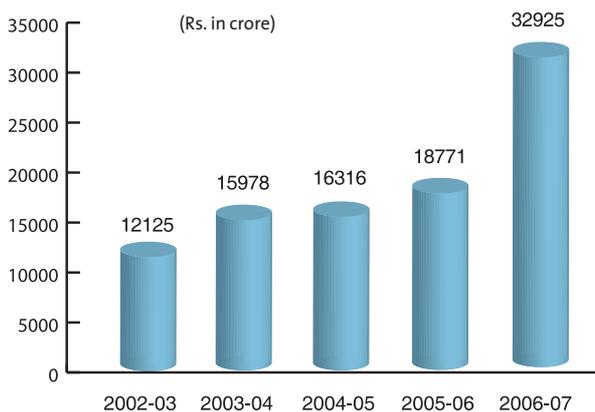
The Ministry of Power envisaged the institution of the franchisee model to manage electricity distribution in the rural areas. To facilitate this rollout as mentioned in the Office Memorandum issued by the Ministry of Power, REC has formulated guidelines which has been forwarded to all the states and concerned CPSUs. The states have already taken a lead 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, against a proposed target to establish franchisee led power distribution for about 10,000 villages, franchisees have been appointed in 13 states covering more than 50,000 villages results in enhance collections/management.

### Utilisation of Funds

During the year, Ministry of Power released additional Rs.3000 crore as Capital Subsidy to REC under Rajiv Gandhi Grameen Viduyutikaran Yojana (RGGVY), and the same has been utilized. The disbursement made by REC under RGGVY for the sanctioned projects during the year 2006-07 was Rs.3364.82 crore involving capital subsidy of Rs.3000.15 crore and loan assistance by REC of Rs.364.67 crore as per details given in **Table-4** enclosed.

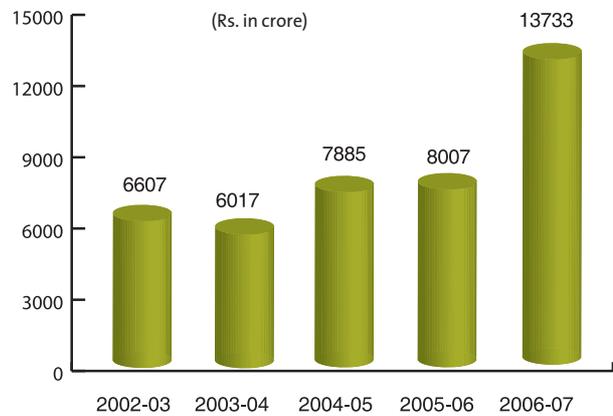
### LOANS SANCTIONED

REC sanctioned loans worth Rs. 32925 Crore during the year 2006-07, as against Rs.18771 Crore in the previous year. The state and category-wise break-up of loans sanctioned during the year are given in **Tables-5 and 6** respectively. The cumulative state-wise position of sanctions up to the end of 2006-07 is given in **Table-7**.



### DISBURSEMENTS

A total sum of Rs.13732.99 Crore was disbursed during the year 2006-07. The state-wise disbursements and repayments



by borrowers during the year together with cumulative figures and outstandings as on 31.3.2007 are given in **Table-8**.

### RECOVERIES

The amount due for recovery during the year 2006-07 was Rs.6629.59 Crore as compared to Rs.5474.97 crore during the previous year. This figure included the dues from defaulting SEBs. The Corporation recovered a total sum of Rs.6547.14 Crore. **Table-9** displays details of overdue repayments from defaulting borrowers as on 1.4.2006, the total dues receivable during the year and the recoveries made during the year. The Corporation has been making all possible efforts towards recovery/settlement of these dues.

### PHYSICAL PERFORMANCE

#### Generation Projects

The list of the major generation projects sanctioned by REC since 2002-03 is available in **Table - 10**.

The actual disbursements on Generation projects touched a record Rs.4291.06 crore in 2006-07 as compared to Rs.1553.4 crore in 2005-06, a jump of 276%.

During the current financial year 2007-08 (up to 31.08.2007), the Corporation has already sanctioned loan assistance to eighteen projects amounting to Rs.11566.79 crore, and has also disbursed Rs.1071.63 crore against the on-going generation projects.

### TRANSMISSION & DISTRIBUTION

#### Pumpset Energisation

During the year, 174750 electric irrigation pump sets were energized under REC financed schemes. The **Table-11** gives the state wise details and cumulative position up to 31.3.2007. A total of 109 nos. new schemes amounting to

loan assistance of Rs.246.56 crore were sanctioned during the year under this category.

### System Improvement

During the year 2006-07, a total of 398 system improvement schemes were sanctioned involving a loan outlay of Rs.13844.63 crore. This included –

- (i) Counterpart funding under Accelerated Power Development & Reforms Programme (APDRP) of Ministry of Power for 14 schemes involving loan outlay of Rs.159.04 crore,
- (ii) 56 schemes involving a loan assistance of Rs.1415.87 crore for financing investments in the distribution system by way of installation of essential equipment like transformers and meters,
- (iii) 60 schemes involving a loan assistance of Rs.2914.03 crore for conversion of Low Voltage Distribution to High Voltage Distribution System (HVDS), and
- (iv) 74 schemes for Rs.2539.86 crore for improving the transmission network.

During 2007-08 upto 31.8.2007 64 nos System Improvement Schemes amounting to Rs. 1174.52 Crore have been sanctioned.

### Village Electrification: RGGVY

Upto 31<sup>st</sup> August 2007 a total of 63820 villages have been electrified out of which 43100 were unelectrified and 20702 were electrified and were further intensified. Further 1337486 connections were given to Below Poverty Line (BPL) families.

### ACTIVITIES IN NORTH EASTERN STATES

In the financial year 2006-07, REC has sanctioned Rs.2514.07 crore to fund three power generation projects in North-Eastern States. These projects fall under the state, private and joint sectors. During this period, REC disbursed Rs.162.75 crore for on-going state sector generation projects in the North-Eastern states.

The North Eastern states drew loan assistance of Rs.16.21 crore under new and ongoing T&D programmes during the year 2006-07 as compared to Rs.13.09 crore during the previous year. The Corporation also awarded loan assistance of Rs.6.58 crore to Mizoram under the System Improvement category.

### ACHEIVEMENTS AGAINST MOU WITH MINISTRY OF POWER

The performance of the Corporation in terms of the Memorandum of Understanding with the Govt. of India, Ministry of Power for the financial year 2005-06 has been rated as “Excellent”. This is the 13<sup>th</sup> year in succession since the year 1993-94 that the Corporation has received “Excellent” rating.

During the year 2006-07, Prime Minister of India bestowed on the Corporation the prestigious “TOP 10 PSU” award for the Financial Year 2004-05.

For the year 2006-07 also, the Corporation is poised for excellent rating. The Corporation not only achieved targets for excellent rating in respect of all the performance indicators but exceeded the targets substantially as under:

- The Corporation recorded highest ever sanctions of Rs.32925 crore (99.5% higher than target)
- Highest ever disbursements of Rs.13,733 crore (53% higher than excellent target)
- Highest ever Profit Before Tax ( without one time income) of Rs.1006.19 crore ( 39% higher than excellent target) and
- Net Profit / Net Worth Ratio of 16.45% (32% higher than excellent target).

### INTERNATIONAL COOPERATION & DEVELOPMENT

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

REC entered into a loan agreement with JBIC on 31.3.2006 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. The project was to be implemented in the States of Andhra Pradesh, Maharashtra and Madhya Pradesh. REC has sanctioned loans of Rs.576 crore to the above states in the year 2006-07 for erection and augmentation of substations.

REC is in the process of negotiating a second ODA loan from JBIC for implementation of the proposed EHV Transmission Projects in the States of Rajasthan and Haryana.

#### Indo German Bilateral Cooperation for HVDS Projects

REC has successfully negotiated an ODA loan of 70 Million Euro (Rs. 416 crore) with KfW for implementing HVDS projects. The loan agreement for this has been signed on 08.08.2006. REC has subsequently sanctioned loan assistance of Rs. 556 crore to APSPDCL for implementation of HVDS projects in Chittoor and Kadappa Districts of Andhra Pradesh.

As a part of above ODA loan assistance, KfW has also sanctioned 5,00,000 Euro under REC Energy Efficiency Programme, capacity building measures. Under this component, REC has sponsored a study tour for the officials of APSPDCL, PVVNL and REC to Provincial Electricity Authority (PEA), Thailand from 18<sup>th</sup> Feb 07 to 23<sup>rd</sup> Feb 07 to gain exposure to state of art installation techniques, monitoring devices, standard setting and best practices in power transmission and distribution, operation and maintenance.

KfW has also committed to a 2<sup>nd</sup> line of credit of 50 million Euro for HVDS projects of PVVNL. KfW is also willing to extend further loan assistance in the Energy Efficiency Projects in distribution Sectors. REC is following up with State Governments for getting suitable proposals.

### Clean Development Mechanism (CDM)

REC has signed a Consulting Contract Agreement with Price Waterhouse Coopers on 10<sup>th</sup> January 2007 for providing CDM Advisory consultancy services in the area of Energy Efficiency Projects. The scope of services include providing end-to-end CDM Advisory services in respect of power distribution projects being financed by REC including:

- Diagnostic study;
- CDM project development;
- Preparation of all relevant documentation; and
- Rendering assistance to REC in marketing emission reduction and concluding transactions with preferred buyers.

### INFORMATION TECHNOLOGY

The IT Division of REC has been strengthened by induction of senior level executives at the Corporate Office during the financial year 2006-07.

### Implementation of ERP based Integrated Information System

REC has initiated implementation of Corporation-wide ERP system to increase the efficiency and effectiveness of the functional processes across the Corporation. The objective is to create a robust MIS system for all functions with seamless flow of data from various offices of the Corporation and to provide management support at all levels. For this purpose, the Oracle e-business suite has been selected as the ERP application through an open tendering process. This is being implemented by Tata Consultancy Services (TCS). The Management Development Institute (MDI), Gurgaon has also been selected as the Project Management Consultant for the project. The system is expected to become operational during the financial year 2007-08.

### HUMAN RESOURCE MANAGEMENT

REC is increasingly professionalizing its executive manpower and the Corporation is manned by executives having experience and knowledge relating to different domains of the power sector viz project appraisal, project financing, international finance, domestic resource mobilization etc in order to take care of the increased business requirements. REC has been inducting professionals to further strengthen the management cadre. In addition to direct recruitment through open advertisement, REC also inducts executives on

deputation from Government of India, Power sector PSUs and other state power utilities.

As on March 31, 2007 there were 698 employees on the rolls of the corporation which included 355 executives and 343 non-executives. 51 % of the Executives of REC possess formal qualification in at least one of several disciplines including Engineering, Management, Law & Accountancy.

During the year 2006-07, and upto August 2007, the Corporation inducted 56 professional managers in the areas of engineering, finance, IT, HR, Legal etc.

As required under Section 217(2A) of the Companies Act, 1956, it is certified that there was no person drawing remuneration exceeding Rs.24,00,000/- per annum or Rs. 2,00,000/- per month employed by the Corporation for whole or part of the year.

### Performance Incentive

Based on the performance of the Corporation for the year 2005-06, the Corporation paid an incentive of 90% of the Basic Pay to all eligible employees during the year 2006-07. Based on higher levels of performance for the year 2006-07, the limit of Performance Incentive was enhanced to 103% of Basic Pay and paid to all eligible employees during the current year 2007-08.

### Training

During the year 2006-07, the Corporation sponsored 136 employees for Seminars/Workshops and other Training Programmes conducted by reputed institutions/bodies in different parts of the country as well outside the country. In addition, nine in-house programs were also conducted for 190 employees. Two officers of the Corporation were sent on two weeks training to Japan during Feb-March, 2007, under AOTS Corporate Management for India Programme.

### Activities of Central Institute of Rural Electrification (CIRE), Hyderabad

Several initiatives were taken to reform and upgrade the activities of CIRE to keep pace with the changing and diversified needs of the Indian Power Sector. A Governing Board of CIRE has been constituted for more effective management of CIRE with delegation of administrative and financial powers. The status of Director, CIRE has also been upgraded and four additional posts of regular Faculty – 2 from Technical, 1 from HR and 1 from Finance disciplines - have been sanctioned. Other steps like strengthening of physical and academic facilities are under implementation. Two Resource Faculty with large experience in power distribution sector are taken on contract basis to organize specialized training programmes by CIRE. CIRE has also been

assigned a role as Co-Agency to conduct training programs on Franchisee Development in rural areas along with TERI by the Ministry of Power under DRUM programmes.

During the year 2006-07, CIRE conducted 38 programmes which includes 5 open programmes, 25 sponsored programmes under Distribution Reform Upgrades and Management (DRUM), 2 programmes with IPE, 3 International Training Programmes and 3 in-house programmes. The open programmes were on:

- Power Purchase Agreement;
- Pilferage of Electricity;
- Technical & Legal Remedies
- Power Sector Accounting with reference to ESAAR & GAAP;
- Electricity Act 2003 – Open Access in Transmission & Distribution – Issues & Challenges; and
- Electricity Trading & Tariffs – ABT.

Under sponsored (DRUM) programmes, CIRE conducted -

- Five programmes on Best Practices in Distribution Loss Reduction;
- Five programmes on Best Practices in Distribution Operation & Maintenance;
- One each on Change Management in Power Distribution & Best Practices in Agriculture pumping System;
- Four programmes on Financial Management of Distribution Business;
- Seven programmes on Distribution Efficiency and Demand Side Management and Rural Demand Side Management; and
- Two programmes on Best Practices in Distribution Operation and Reduction in losses.

CIRE has entered into MOU with the Institute of Public Enterprise (IPE) for organizing joint programmes relating to management. It has jointly organized two programmes with IPE on Enterprise Resource Planning for Financial Management and Networking Technologies and Securities Management .

The In-house programmes for REC officers and staff included a programme on RTI, RGGVY and Securities.

### Empanelment of CIRE under ITEC/SCAAP

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. The empanelment makes the Institute eligible to offer training to foreign nationals. This year, three eight week duration programmes on Power

Distribution Management and Technologies, Power Distribution Project Financing and Accounting System and Planning and Management of Power Sector in Development Economies were organized by CIRE during October, 2006 – March, 2007. In all 49 participants from 19 countries participated in the programmes.

### Reservations for Scheduled Caste / Scheduled Tribe

The Corporation complied with directives issued by the Government regarding reservations for SC/ST in appointment and promotion to various posts. **Table-12** details the group wise details of SC and ST employees out of the total strength as on 31st March, 2007.

### Industrial Relations

The Corporation maintained healthy, cordial and harmonious relations at all levels. The REC Employees' Union and REC Officers' Association played an important role in supporting achievement of corporate objectives. Motivated employees across the hierarchy worked in team spirit and excelled the previous year's records this year as well.

### Staff Welfare

The Corporation undertook several steps in the area of staff welfare during the year. These included the following -

- Free Health check up camps/awareness programmes for the employees by Pushpawati Singhanian Research Institute, National Heart Institute and Dharamshila Cancer Hospital & Research Centre, New Delhi.
- For the benefit of retired employees, who are on CDA pattern pay scales, the Corporation included kidney transplantation including post kidney transplantation care and 'kidney failure treatment' as "special diseases" for the purpose of reimbursement beyond the prescribed ceiling limit w.e.f. 19.3.2007.

### PUBLIC GRIEVANCE REDRESSAL MACHINERY

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

## Women's Cell

A Women Cell is in operation and it looks after the issues concerning women employees. In addition to that, a Complaints Committee on sexual harassment and gender justice is also in operation in REC. This Committee includes a representative of an NGO as per the guidelines of the Hon'ble Supreme Court of India.

## VIGILANCE ACTIVITIES

The Chief Vigilance Officer (CVO) heads the Vigilance Division in the Corporation. The Vigilance Division is playing an important role in establishing honesty in the organization apart from inculcating habits of adherence to systems and procedures amongst the employees of the Corporation. The vigilance set up consists of the CVO assisted by three officers who are striving to improve all facets of vigilance i.e. preventive, detective and punitive. They have also ensured that the guidelines issued by Central Vigilance Commission (CVC) are duly implemented by the Corporation.

The Vigilance Awareness Week programmes organised at Corporate Office as well as at all the Project Offices of the Corporation made officials aware of the measures for increasing efficiency and transparency in Customers Oriented Programmes.

During the year, One Senior Level Executive and two Middle Level Executives of the Vigilance Division were deputed to the CBI Academy, Ghaziabad, ASCI, Hyderabad and IMA, New Delhi for training in preventive vigilance, performance appraisal, investigation, departmental inquiry, RTI and other vigilance matters.

As per instructions of CVC, for increasing efficiency and transparency, a system of application tracking is being instituted on the REC website. A threshold value of Rs. 15 lakh has been fixed for reporting details of tenders. The Vigilance Division also initiated measures to streamline and strengthen office systems and procedures. Sensitive areas of functioning in the Corporation have also been identified to widen the list of sensitive posts. As a surveillance measure, inspections were carried out by the Officers of Vigilance Division in various Project Offices. Employees were made aware during vigilance inspections that carelessness in observance of rules and procedures may attract disciplinary action. More than 60% of the Annual Property Returns of employees were subjected to systematic scrutiny and clarifications were sought wherever necessary. Important CVC's circulars are placed on REC's intranet. Presently, there is no CBI case against any employee of the Corporation and only two disciplinary cases are under investigation. This is an indication of the effectiveness of the Vigilance Division

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. The Board of Directors during this period also reviewed the working of Vigilance Division as prescribed.

## PROGRESSIVE USE OF HINDI

Continued efforts were made to comply with the directives of the Department of Official Language and the Official Languages Act, and most of the targets have been achieved.

During the year, Officers & Staff of the Corporation have shown keen interest in Hindi with the result that its usage has increased in correspondence & noting.

The Official Language Implementation Committee of the Corporation continued to meet regularly. To facilitate the senior executives & non executives to carry out day to day work in Hindi, ten workshops were organized benefiting 87 Executives & 59 Non Executives. All incentive schemes introduced by the Govt. of India for progressive use of Hindi are being implemented in REC.

Periodical Internal Inspections were carried out to assess and encourage the progressive use of Hindi in eight Project Offices and eight Divisions of Corporate Office.

Hindi pakhwara was celebrated between 14.9.2006 to 28.9.2006. During this period, nine competitions were organized in Hindi for Executives as well as Non Executives. A Debate was specially organized for Senior Executives of the level of Deputy General Manager & above. A senior reader of Delhi University was invited to evaluate the work attempted in Hindi by the Senior Executives. On the basis of such evaluation, winners were declared. A Prize Distribution Programme was organized to give away awards to the winners in the presence of CMD & Chief Guest Shri Surender Sharma, Poet of Humour. 50% of the value of the prize was paid in cash and the balance was in the form of Hindi literature & certificates. One officer and one employee of the Corporation won 1<sup>st</sup> prize in two Hindi competitions organised by Town Language Implementation Committee, Delhi.

The Corporation's Zonal Office, Mumbai was notified under Rule 10(4) of the Official Language Rules, 1976 on 15-5-2006. The Parliamentary Committee also inspected & reviewed the work done in Hindi at the project offices located at Vadodra & Mumbai. Fifty three percent of the library budget has been utilized for purchase of Hindi books. REC's website is available in Hindi as well as in English and is periodically updated & amended.

All Publications, Reports, Memorandum and Articles of Association, Press Releases etc. are compulsorily issued in the bilingual format. The REC Annual Report is also published in Hindi & English.



## COMPLIANCE WITH CORPORATE GOVERNANCE

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.

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 hitherto fore 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 Statutory Auditors is annexed as **Annexure-IV**.

## BOARD OF DIRECTORS

Shri Arvind Jadhav, Joint Secretary, Ministry of Power (MOP), and a part time official director on the Board of REC, ceased to be a director w.e.f. 13.3.2007, and Shri Jayant Kawale, Joint Secretary, MOP, was appointed in his place. Further, Shri Jayant Kawale also ceased to be a Director w.e.f 29.8.2007 and in his place Shri Devender Singh, Joint Secretary, MOP was appointed.

Shri M. Sahoo, Joint Secretary & Financial Adviser, MOP, and a part time official director on the Board of REC, ceased to be director w.e.f. 18.7.2007 and Shri Rajesh Verma, Joint Secretary & Financial Adviser, MOP, was appointed in his place.

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 Rajesh Verma and Shri Devender Singh as part time official directors.

## CODE OF CONDUCT FOR BOARD MEMBERS AND SENIOR MANAGEMENT

In accordance with the provisions of the Code of Corporate Governance, a Code of Conduct for the Board Members and Senior Management was framed and made effective by the Board of Directors of REC w.e.f 10<sup>th</sup> July 2007. The said Code of Conduct is prepared to ensure observance with highest standards of integrity, transparency and ethical behaviour in conduct of day to day affairs of the Company and enables it to publicly state to its shareholders, stakeholders and other outside parties, the way in which it intends to do business. The provisions of the Code are binding on the Board Members including the Functional Directors, Independent Directors and Government Directors and the Senior Management Personnel, thereby entrusting responsibility on them for due compliance with the Code in the interest of the Corporation.

## STANDARDISATION & CONSULTANCY

REC has continually provided technical expertise in distribution systems to State Power Utilities. The technical specifications and standards issued by REC are used extensively by all State Power Utilities. REC, in order to promote new technologies, has been continuously looking for innovations using latest R&D in the field of power distribution. REC has recently issued technical specifications on prepaid metering systems, composite insulators and single phase distribution transformers. REC is also exploring possibility of consultancy in distribution segment.

## INITIAL PUBLIC OFFER

At present, the entire paid up equity share capital of the Corporation amounting to Rs.780.60 crore is held by the Government of India and its nominees. The Government of India has approved the disinvestment of 10% of its shareholding in REC, along with the public issue of fresh equity equivalent to 10% of the pre-issue paid up equity capital of REC, vide letter dated 2<sup>nd</sup> / 8<sup>th</sup> March, 2007 received from Ministry of Power, Government of India.

REC has appointed SBI Capital Markets Ltd., IL&FS Investmart Ltd. and ICICI Securities Primary Dealership Ltd. as Book Running Lead Managers (BRLMs) for the above issue. REC has also appointed M/s. Amarchand & Mangaldas & Suresh A. Shroff & Co., Amarchand Towers, 216, Okhla Industrial Estate Phase-III, New Delhi, as Domestic Legal Counsel and M/s. Ashurst, Broadwalk House, 5 Appold Street, London EC2A 2HA, United Kingdom, as International Legal Counsel for the above issue.

The price band / floor price and offer price would be determined by the Empowered Group of Ministers constituted by the Government of India to decide the price band for the sale of Government shares.

## INSTITUTING PRUDENTIAL NORMS

During the year, REC prepared its own Prudential Norms which were approved by the Board of Directors of REC on 13<sup>th</sup> December 2006. The norms for concentration of credit / investment as stated in the Prudential Norms were made effective from 13<sup>th</sup> December, 2006 itself. The other REC Prudential Norms have come into force with effect from 1<sup>st</sup> April, 2007.

Meanwhile, Reserve Bank of India also issued a notification on 12<sup>th</sup> December 2006 on Prudential Norms for NBFCs and, pursuant to this Notification, all Deposit Taking and Systematically Important Government Owned Companies were specifically advised to prepare a roadmap for compliance with various elements of the NBFC regulations in consultation with the Government and submit the same to the Reserve Bank (Department of Non Banking Supervision) by March 31<sup>st</sup> 2007.

Since REC is covered under the category of Systematically Important Government Owned Companies, REC submitted its Prudential Norms as approved by its Board of Directors, to the Ministry of Power, Government of India, for approval in compliance with the directions of RBI.

## RISK MANAGEMENT

Board of Directors is entrusted with the overall responsibility for the management of business risks and implementing risk management policies including for setting limits for liquidity, interest rate and foreign currency exchange rate tolerances.

In April 2007, REC adopted a risk management policy, certain aspects of which will require time to implement. Asset Liability Management policy includes liquidity risk management policies, interest rate risk management policies and currency risk management policies, as well as risk testing methodologies and risk reporting mechanisms. Additionally, REC has adopted a derivative policy to further address the implementation of derivative strategies to mitigate the risk due to fluctuations in currency rates and interest rates.

## ISO 9001:2000 QUALITY ASSURANCE CERTIFICATION

REC succeeded in implementing Quality Management Systems as per ISO 9001:2000 standards in six major Divisions of Corporate Office and nine major Projects Offices all over India. This was Certified by BSI Management Systems under accreditation by UKAS (United Kingdom Accreditation Service) Quality Management, UK. The Quality Policy of the Corporation demonstrates the Management's commitments for the continual improvement in customer satisfaction and in quality work culture.

## WHOLLY OWNED SUBSIDIARIES OF REC

The provisions in the Electricity Act 2003 provide new opportunities and challenges in the field of Transmission & Distribution and promotion of competition in the electricity industry is one of the key components. Ministry of Power, GOI notified "tariff based competitive bidding guidelines for transmission service" on 13.04.2006, enabling the framework for private sector investment in transmission sector. The main objectives of the guidelines are promoting competitive procurement of transmission services, and encouraging private investment in transmission lines.

To identify projects for development under this scheme, an Empowered Committee under the Chairmanship of Member, CERC has been constituted. This committee has already identified 14 projects for development through tariff based competitive bidding, for construction through the private sector participation, on Build Own and Operate (BOO) basis. Out of these 14 Transmission Systems, two projects viz. (i) Evacuation system for North Karanpura and (ii) Talcher augmentation system, have been allocated to REC for selection of the developer through competitive bidding. To avail the benefits of these new opportunities and meet the challenges in Power Sector, REC has set up the following subsidiary company:-

### REC Transmission Projects Company Ltd.(RTPCL)

RTPCL was incorporated on January 8, 2007 as a public limited company. It received its commencement of business certificate on February 5, 2007. The main object of RTPCL, is to promote, organize or carry on the business of consultancy services and/ or project implementation in any field of activity relating to transmission & distribution of electricity in India or abroad.

The newly formed transmission company has already taken up the task of selection of developer for the two transmission projects entrusted to REC. Technical consultants and bid process consultants to assist RTPCL in the process have already been appointed. Subsequently, under REC Transmission Projects Company Ltd, two project specific SPVs namely (i) North Karanpura Transmission Company Limited, and (ii) Talcher II Transmission Company Limited have also been formed subsequently. These SPVs would be merged with the Transmission Service Provider (TSP) of the transmission system after the developer is granted a license by the CERC.

The provisions of Electricity Act-2003 also provide new opportunities and challenges in the field of Distribution Sector. Distribution is the most important but presently the weakest link in the chain of power supply. Hence distribution reforms have been identified as the key area of focus in the power sector reform process. For taking up the

distribution business, REC has set up the following subsidiary company:

### **REC Power Distribution Company Ltd. (RPDCL)**

RPDCL was incorporated on July 12, 2007 as a public limited company. It received its commencement of business certificate on 31<sup>st</sup> July 2007. The main objectives of the company, inter-alia, are to promote, develop, construct, own, operate, distribute and maintain 66 KV and below voltage class electrification, distribution, electric supply lines or distribution systems.

### **ADDITIONAL OFFICE OF REC**

REC has also acquired spacious land in Gurgaon in the State of Haryana from the Haryana Urban Development Authority (HUDA) for construction of its own Corporate Office Complex. Currently, REC is in the process of appointment of Architects for preparation and finalization of Building Plans etc.

### **STATUTORY AUDITORS**

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 2006-07.

The Statutory Auditors have audited the Accounts of the Corporation for the year ended 31<sup>st</sup> March 2007. 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 30<sup>th</sup> May, 2007 thereon are annexed to this Report.

The 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.

### **COMMENTS OF THE C & AG OF INDIA**

The Comments of the Comptroller & Auditor General (CAG) of India under Section 619(4) of the Companies Act, 1956 on the Accounts of the Corporation for the year ended 31<sup>st</sup> March 2007 together with the Corporation's replies to the Comments are appended to the Reports.

### **ACKNOWLEDGEMENTS**

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.

The Directors thank the State Governments, State Electricity Boards, State Power Utilities and other borrowers for their continued interest in the Corporation.

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.

The Directors also thank the Statutory Auditors M/s G.S. Mathur & Co. and the Comptroller & Auditor General of India for their valued cooperation.

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)**

Dated: 7<sup>th</sup> September, 2007

Place: New Delhi

Chairman & Managing Director

#### **Disclaimer:**

"The Company is proposing, subject to market conditions and other considerations, a public issue of its equity shares and has filed a Draft Red Herring Prospectus with SEBI. The Draft Red Herring Prospectus is available on the website of SEBI at [www.sebi.gov.in](http://www.sebi.gov.in) and the respective websites of the BRLMs at [www.investmart.in](http://www.investmart.in), [www.icicisecurities.com](http://www.icicisecurities.com) and [www.sbicans.com](http://www.sbicans.com). Investors should note that investment in equity shares involves a high degree of risk and for details relating to the same, see the section titled "Risk Factors" of the aforementioned Draft Red Herring Prospectus."

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The Company is having a valid certificate of registration dated February 10, 1998 issued by the RBI under Section 45 IA of the RBI Act. However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the Company or for the correctness of any of the statements or representations made or opinions expressed by the Company and for repayment of deposits/discharge of liabilities by the Company.

**"Not for release in the United States of America. Not for distribution in Australia, Canada or Japan."**



## 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:
- Deployment of franchisees for the management of rural distribution in projects financed under the scheme, and
  - 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:
- 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.
  - Creation of Village Electrification Infrastructure (VEI)
    - Electrification of un-electrified villages.
    - Electrification of un-electrified habitations.
  - Provision of distribution transformers of appropriate capacity in electrified villages / habitation(s).
  - 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 pump sets
  - 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 pay 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 -
- Determination of bulk supply tariff for franchisees in a manner that ensures their commercial viability.
  - 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 conditionality indicated above. In the event the projects are not implemented satisfactorily in accordance with the conditionality indicated above, the capital subsidy could be converted into interest bearing loans.

Table I : Projects sanctioned during 2006-07 under RGGVY

Sl. No	State	No. of Projects	Project Cost * Rs. In Lakhs	Coverage in Numbers Villages**	Households ***
1	Andhra Pradesh	13	48720.35	16138	2512731
2	Arunachal Pradesh	1	2381.82	223	3720
3	Assam	6	24477.47	4682	383672
4	Bihar	1	7634.61	526	268168
5	Chhattisgarh	3	15197.14	3963	330571
6	Gujarat	7	8230.37	5490	381039
7	J & K	2	7346.12	1174	90989
8	Jharkhand	11	106738.49	11789	1256561
9	Karnataka	9	23797.88	7626	685384
10	Madhya Pradesh	7	37884.2	7907	652670
11	Maharashtra	10	13011.75	12210	844307
12	Manipur	2	4791.54	313	25959
13	Meghalaya	3	6171.2	1824	55688
14	Mizoram	6	6424.13	500	29157
15	Nagaland	1	962.58	187	11545
16	Orissa	3	36870.05	4453	445436
17	Rajasthan	2	7415.56	2189	117568
18	Sikkim	4	5625.82	443	28166
19	Tamilnadu	16	26501.26	7758	1125715
20	Tripura	1	1957.77	120	20548
21	Uttar Pradesh	2	42810.97	3287	435231
22	Uttranchal	9	42330.05	11111	268834
	<b>Total</b>	<b>119</b>	<b>477281.13</b>	<b>103913</b>	<b>9973659</b>

\* The project cost sanctioned under RGGVY comprises of capital subsidy and loan.

\*\* Includes both un-electrified, de-electrified and electrified villages

\*\*\* Including BPL households

**Table 2 : Details of project sanction, NIT issued and award of contract under RGGVY**

As on 31.03.07

Amount in Rs. Crore

Sl. No.	State	Projects Sanctioned										NITs Issued										Contract Awarded																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																	
		No. of Projects	No. of Districts	No. of un-electrified villages covered	No. of electrified villages covered	No. of un-electrified h/h covered (Incl. BPL)	No. of BPL holds covered	Total Project Cost	No. of Projects	No. of Districts	No. of un-electrified villages covered	No. of electrified villages covered	No. of un-electrified h/h covered (Incl. BPL)	No. of BPL holds covered	Total Project Cost	No. of Projects	No. of Districts	No. of un-electrified villages covered	No. of electrified villages covered	No. of un-electrified h/h covered (Incl. BPL)	No. of BPL holds covered	Total Project Cost	No. of Projects	No. of Districts	No. of un-electrified villages covered	No. of electrified villages covered	No. of un-electrified h/h covered (Incl. BPL)	No. of BPL holds covered	Total Project Cost																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										
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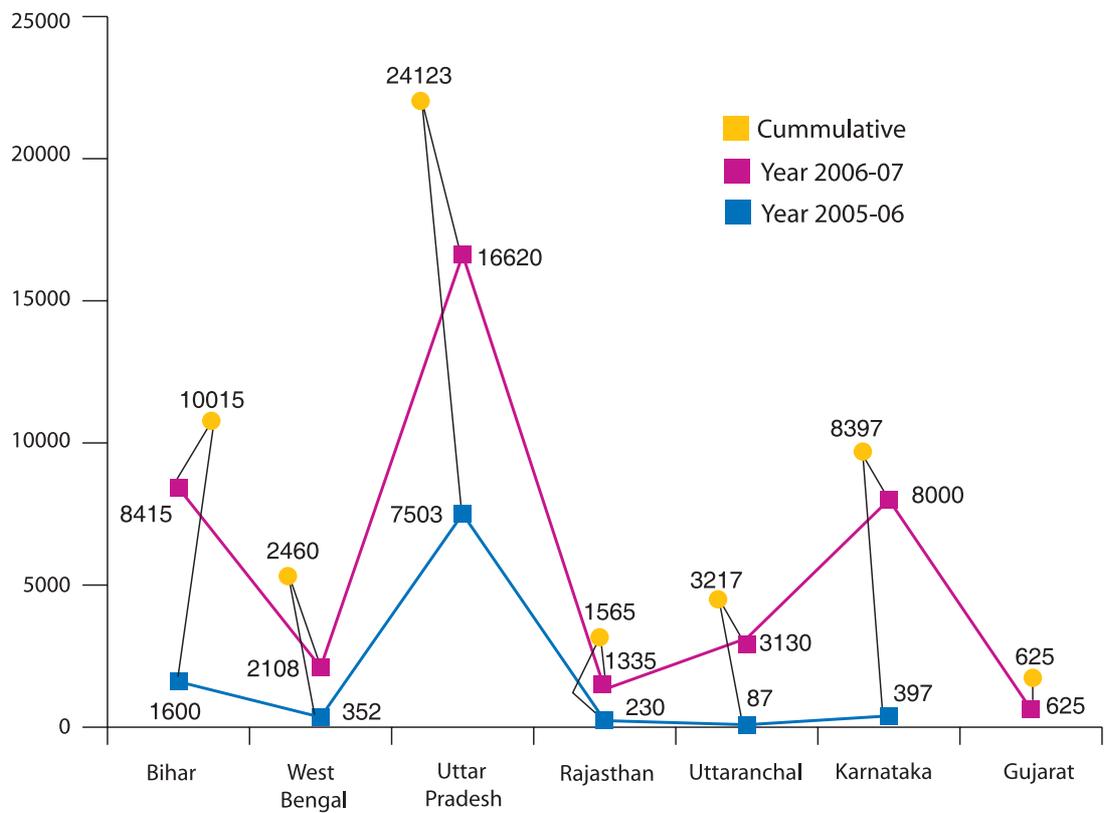
\* The Awarded cost may get increased because some of the packages, of some projects, are yet to be awarded

\*\* The works in Andhra Pradesh are being executed on partial turnkey basis. The award cost of supply and erection of material till it is finalised sanctioned cost has been considered as award cost.

Table - 3 : Village Electrification works completed under RGGVY

Sl. No.	State	During 2005-06	During 2006-07	Cummulative
1	Bihar	1600	8415	10015
2	West Bengal	352	2108	2460
3	Uttar Pradesh	7503	16620	24123
4	Rajasthan	230	1335	1565
5	Uttaranchal	87	3130	3217
6	Karnataka	397	8000	8397
7	Gujarat	–	625	625
	<b>Total</b>	10169	40233	50402

## Statewise Village Electrification works completed



**Table - 4 : Disbursement by REC under the programme “Rajiv Gandhi Grameen Vidyutikaran Yojana” during the year 2006-07**

(Rs. in lacs)

Sl. No.	State	Total amt. Disbursed	Loan Amt.	Total Capital Subsidy
1	Andhra Pradesh	9285	1817	7468
2	Bihar	46904	4591	42313
3	Gujarat	1336	232	1104
4	Haryana	1234	146	1088
5	J&K	1959	196	1763
6	Karnataka	8684	1162	7522
7	Maharashtra	982	98	884
8	Rajasthan	8654	1157	7497
9	Uttar Pradesh	154296	16429	137867
10	Uttaranchal	27367	2869	24498
11	West Bengal	20471	2046	18425
12	Assam	3874	387	3487
13	Chattisgarh	3618	409	3209
14	Himachal Pradesh	734	74	660
15	Jharkhand	28133	2814	25319
16	Kerala	503	50	453
17	Madhya Pradesh	10466	1187	9279
18	Manipur	1326	132	1194
19	Nagaland	415	41	374
20	Orissa	6241	630	5611
	<b>Grand Total</b>	<b>336482</b>	<b>36467</b>	<b>300015</b>

Table - 5 : Projects sanctioned during 2006-07 under REC financed Schemes

S.No.	State	No. of Projects	(Rs. In Lakh) Loan Amount	Coverage in Numbers			
				Pumpsets	Dalit Bastis	Villages	Households
<b>A.</b>	<b>T&amp; D Projects</b>						
1	Andhra Pradesh	80	34598.00	-	-	-	-
2	Gujarat	4	7600.00	-	-	-	-
3	Haryana	30	91828.00	-	-	-	-
4	Himachal Pradesh	12	1589.00	-	-	-	-
5	Jammu and Kashmir	1	2972.00	-	-	-	-
6	Jharkhand	3	40624.00	-	-	-	-
7	Karnataka	44	52875.00	-	-	-	-
8	Madhya Pradesh	3	26213.00	-	-	-	-
9	Maharashtra	92	568561.00	-	-	-	-
10	Mizoram	1	658.00	-	-	-	-
11	Orissa	9	3436.00	-	-	-	-
12	Punjab	50	27252.00	-	-	-	-
13	Rajasthan	63	163465.00	-	-	-	-
14	Tamilnadu	116	111564.00	-	-	-	-
15	Uttar Pradesh	8	17740.00	-	-	-	-
16	Uttaranchal	5	18919.00	-	-	-	-
17	West Bengal	2	5230.00	-	-	-	-
	<b>Sub-Total</b>	<b>523</b>	<b>1420423.00</b>	-	-	-	-
<b>B.</b>	<b>Generation Projects</b>						
1	State Sector	8	786440	-	-	-	-
2	Private Sector	1	40000	-	-	-	-
3	Joint Sector (Pvt. & Govt.)	1	210000	-	-	-	-
	<b>Sub-Total</b>	<b>10</b>	<b>1036440</b>	-	-	-	-
<b>C.</b>	<b>Bridge Loans</b>						
1	Karnataka	-	6690	-	-	-	-
2	Uttar Pradesh	-	18000	-	-	-	-
	<b>Sub-Total</b>	<b>-</b>	<b>24690</b>	-	-	-	-
<b>D.</b>	<b>Short Term Loan</b>						
1	Gujarat	-	50000	-	-	-	-
2	Haryana	-	35000	-	-	-	-
3	Himachal Pradesh	-	10000	-	-	-	-
4	Karnataka	-	15000	-	-	-	-
5	Rajasthan	-	15000	-	-	-	-
6	Uttranchal	-	10000	-	-	-	-
7	Uttar Pradesh	-	85500	-	-	-	-
	<b>Sub-Total</b>	<b>-</b>	<b>220500</b>	-	-	-	-
<b>E.</b>	<b>RGVY Projects</b>						
1	Andhra Pradesh	13	48720.35	-	-	16138	2512731
2	Arunachal Pradesh	1	2381.82	-	-	223	3720
3	Assam	6	24477.47	-	-	4682	383672
4	Bihar	1	7634.61	-	-	526	268168
5	Chattisgarh	3	15197.14	-	-	3963	330571
6	Gujarat	7	8230.37	-	-	5490	381039
7	Jammu & Kashmir	2	7346.12	-	-	1174	90989
8	Jharkhand	11	106738.49	-	-	11789	1256561
9	Karnataka	9	23979.88	-	-	7626	685384
10	Madhya Pradesh	7	37884.2	-	-	7907	652670
11	Maharashtra	10	13011.75	-	-	12210	844307
12	Manipur	2	4791.54	-	-	313	25959
13	Meghalaya	3	6171.2	-	-	1824	55688
14	Mizoram	6	6424.13	-	-	500	29157
15	Nagaland	1	962.58	-	-	187	11545
16	Orissa	3	36870.05	-	-	4453	445436
17	Rajasthan	2	7415.56	-	-	2189	117568
18	Sikkim	4	5625.82	-	-	443	28166
19	Tamil Nadu	16	26501.26	-	-	7758	1125715
20	Tripura	1	1957.77	-	-	120	20548
21	Uttar Pradesh	2	42810.97	-	-	3287	435231
22	Uttranchal	9	42330.05	-	-	11111	268834
	<b>Sub-Total</b>	<b>119</b>	<b>*477281.13</b>	-	-	<b>**103913</b>	<b>***9973659</b>
<b>F.</b>	<b>IC&amp;D Projects</b>						
1	Andhra Pradesh	45	94036	-	-	-	-
2	Madhya Pradesh	33	13234	-	-	-	-
3	Maharashtra	9	5934	-	-	-	-
	<b>Sub-Total</b>	<b>87</b>	<b>113204</b>	-	-	-	-
	<b>Grand Total</b>	<b>748</b>	<b>3292538.13</b>	-	-	<b>**103913</b>	<b>***9973659</b>

\*The project cost sanctioned under RGVY comprises of capital subsidy and loan.

\*\*Includes both un-electrified, de-electrified and electrified villages.

\*\*\*Including BPL households

Table-6 : Category-wise Projects sanctioned during 2006-07 under REC financed Schemes

S.No.	Category	Category Code	No. of Projects	(Rs. In Lakh) Loan Amount	Coverage in Numbers			
					Pumpsets	Dalit Bastis	Villages	Households
A	T&D Projects							
1	Project: Intensive Electrification	P:IE	16	11305.00	-	-	-	-
2	Special Project Agriculture: Pumpset Energisation	SPA:PE	109	24656.00	-	-	-	-
3	Project: System Improvement	P:SI-Distribution	194	681583.00	-	-	-	-
4	Project: System Improvement	P:SI-Distribution (HVDS)	60	291403.00	-	-	-	-
5	APDRP	APDRP	14	15904.00	-	-	-	-
6	System Improvement: Meters (Dist.)	SI:Meter	18	22886.00	-	-	-	-
7	System Improvement: Transformers (Dist.)	SI-Transformer	34	111827.00	-	-	-	-
8	System Improvement: Panels/Capacitor (Dist.)	SI-Panels / Capacitor	3	1769.00	-	-	-	-
9	Project: System Improvement	P:SI-Transmission	74	253986.00	-	-	-	-
10	SI-Pow Transformer	Pow Transformer	1	5105	-	-	-	-
	<b>Sub-Total</b>		<b>523</b>	<b>1420423.00</b>	-	-	-	-
B	Project : Generation	P:Gen	10	1036440.00	-	-	-	-
C	RGGVY	P:RHhE	119	*477281.13	-	-	**103913	***9973659
D	Short Term Loan	STL	7	220500.00	-	-	-	-
E	Bridge Loan		2	24690	-	-	-	-
F	IC&D Projects	IC&D	87	113204	-	-	-	-
	<b>Grand Total</b>		<b>748</b>	<b>3292538.13</b>	-	-	<b>**103913</b>	<b>***9973659</b>

\*The project cost sanctioned under RGGVY comprises of capital subsidy and loan.

\*\*Includes both un-electrified, de-electrified and electrified villages.

\*\*\*Including BPL households

**Table - 7 : Cumulative Statewise sanctions under REC Projects during the last 37 years upto 31-03-2007**

(Rs. In lakh)

Sl.No.	State	No. of Projects	Loan Sanctioned
1	Andhra Pradesh	5914	1653794.35
2	Arunachal Pradesh	213	122580.89
3	Assam	426	63388.47
4	Bihar	1733	236672.61
5	Chhattisgarh	25	298736.32
6	Delhi	8	48140.00
7	Goa	16	2007.00
8	Gujarat	1908	699754.37
9	Haryana	1346	325209.03
10	Himachal Pradesh	467	158435.00
11	Jammu & Kashmir	534	161035.12
12	Jharkhand	27	147602.49
13	Karnataka	2857	677205.88
14	Kerala	1744	446741.00
15	Madhya Pradesh	5241	496759.20
16	Maharashtra	5445	1604909.75
17	Manipur	149	30158.54
18	Meghalya	109	50922.20
19	Mizoram	69	24240.13
20	Nagaland	97	13439.58
21	Orissa	1654	201754.05
22	Punjab	1519	915092.12
23	Rajasthan	3609	923980.56
24	Sikkim	42	11035.82
25	Tamil Nadu	3606	559415.26
26	Tripura	178	52105.77
27	Uttar Pradesh	3129	790615.97
28	Uttaranchal	85	308192.05
29	West Bengal	1453	453899.00
30	DVC	1	48726.00
31	Generation PVT.	15	337543.00
32	CCI-Pvt. Party	0	1519.00
33	NEEPCO	0	10000.00
	<b>Total</b>	<b>43619</b>	<b>11875610.53</b>



**Table-9 : Details of overdues from defaulting Borrowers as on 31.03.2007**

(Rs. in lac.)

	Manipur	Others *	Total
Overdues as on 01.04.2006	7246	18469	25715
Due during the year (includes interest on NPA, not accounted for in books of account)	3111	659848	662959
Received during the year	1300	653414	654714
Overdues as on 31.03.2007	9057	24903	33960

\* Represents temporary year-end overdes of paying states due to a few days' delays, and overdues of cooperative societies, private borrowers etc.

**Table 10: Major Generation Projects sanctioned by REC since 2002-03**

(Rs. in Crore)

Sl. No.	Name of the Project	Agency	Category	Year of Sanction	Type of Project	Installed Capacity (MW)	Project cost	Loan sanctioned by REC
<b>ANDHRA PRADESH</b>								
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	500.0	2059.34	1544.51
<b>KERALA</b>								
4	Kuttiyadi Extension Scheme district Kozhikode in Kerala	KSEB	State	2004-05	Hydro	100	220.5	154.35
<b>MADHYA PRADESH</b>								
5	Shree Maheshwar Hydro Power Pvt. Ltd.	M/s Shree Maheshwar hydel Power Corporation Limited	Private	2005-06	Hydro	400	2245.30	250.00
<b>UTTARANCHAL</b>								
6	Vishnu-Prayag	Jaiprakash Power Ventures Ltd. (Private)	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
<b>MEGHALAYA</b>								
8	Myntdu	Meghalaya SEB	State	2004-05	Hydro	84	363	254.00
<b>MIZORAM</b>								
9	Serllui-B	Mizoram Govt.	State	2002-03	Hydro	12	135.2	80.9

Sl. No.	Name of the Project	Agency	Category	Year of Sanction	Type of Project	Installed Capacity (MW)	Project cost	Loan sanctioned by REC
	<b>PUNJAB</b>							
10	Guru Har Gobind Thermal Project Stage II Lehra Mohabbat	PSEB	State	2003-04	Thermal	500	1789.67	1610.70
	<b>J&amp;K</b>							
11	Baglihar HEP Stage-I	J&K PDCL	State	2003-04	Hydro	450	4000	400.00
	<b>HIMACHAL PRADESH</b>							
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	750.00
	<b>CHHATTISGARH</b>							
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
17	Korba (West) Thermal Power project, Chhatisgarh	Chhatisgarh SEB	State	2006-07	Coal	600	2597.72	2078.18
	<b>WEST BENGAL</b>							
18	Santaldih Thermal power Project Extension 5th Unit in West Bengal	WBPDC	State	2003-04	Thermal	250	1137.00	955.53
	<b>MAHARASHTRA</b>							
19	Bhusawal Thermal Power Projects, Maharashtra	MSPGCL	State	2006-07	Thermal	1000	4616.00	3693.00
20	270 MW Coal based thermal power project at Warora, MIDC, Chandrapur, Maharashtra	M/s Wardha Power Company Pvt. Ltd (KSK ENERGY)	State	2007-08	Coal	270	1110.20	555.00
	<b>SIKKIM</b>							
21	Teesta Phase-III Hydro Electric Project in Sikkim	M/s Teesta Urja Limited	Joint sector between Govt. of Sikkim and M/s Teesta Urja Limited	2006-07	Hydro	1200	5700.00	2100.00
22	Teesta Phase-VI Hydro Electric Project in Sikkim	M/s Lanco Energy Limited	Private	2006-07	Hydro	500	3000.00	400.00
	<b>HARYANA</b>							
23	1200 MW Hissar thermal Power project in Haryana	HPGCL	State	2006-07	Coal	1200	4465.06	1536.03

**Table - II : Pumpsets energised under the T&D projects financed by REC during 2006-07 and cumulative position upto 31.3.2007**

(Rs. In lakh)

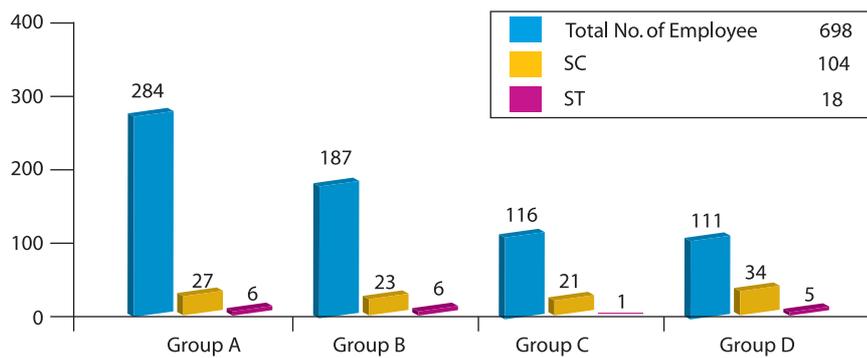
S.No.	State	Achievement during 2006-07	Cumulative Achievement upto 31.3.2007
1	Andhra Pradesh	68795	1581758
2	Arunachal Pradesh	–	–
3	Assam	–	1922
4	Bihar	–	113354
5	Delhi	–	–
6	Goa	–	–
7	Gujarat	3357	420456
8	Haryana	262	223928
9	Himachal Pradesh	–	5913
10	Jammu & Kashmir	1553	9425
11	Jharkhand	–	–
12	Karnataka	–	862387
13	Kerala	11266	340882
14	Madhya Pradesh	–	1054108
15	Chhattisgarh	–	–
16	Maharashtra	45106	1652769
17	Manipur	–	29
18	Meghalya	–	58
19	Mizoram	–	–
20	Nagaland	–	164
21	Orissa	–	63015
22	Punjab	5875	483658
23	Rajasthan	5011	485459
24	Sikkim	–	–
25	Tamil Nadu	33525	977684
26	Tripura	–	1530
27	Uttar Pradesh	–	379544
28	Uttaranchal	–	–
29	West Bengal	–	82202
	<b>Total</b>	<b>174750</b>	<b>8740243</b>

Table 12 : Group-Wise details of SC and ST employees as on 31.03.2007

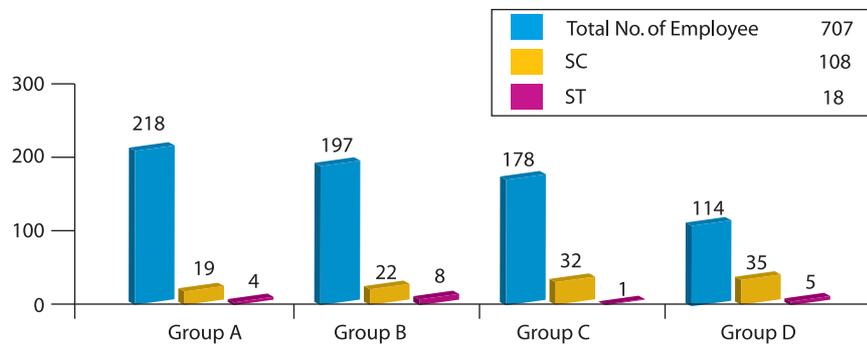
Group	Total No. of employees	SC	ST
A	284 (218)	27 (19)	6 (4)
B	187 (197)	23 (22)	6 (8)
C	116 (178)	21 (32)	1 (1)
D	111 (114)	34 (35)	5 (5)
Grand Total:	698 (707)	104 (108)	18 (18)

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

Group-Wise details of SC and ST employees as on 31.03.2007



Group-Wise details of SC and ST employees as on 31.03.2006





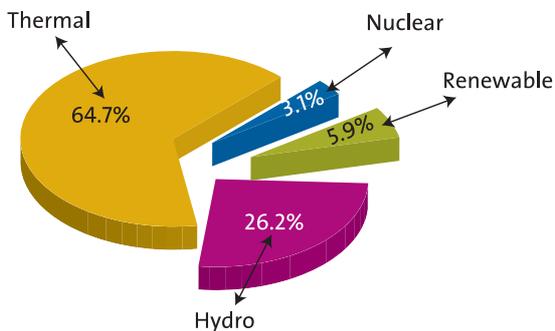
## (MANAGEMENT DISCUSSION & ANALYSIS REPORT)

(Pursuant to Clause 2.18 (F)(i) of the Listing Agreement executed with Stock Exchanges)

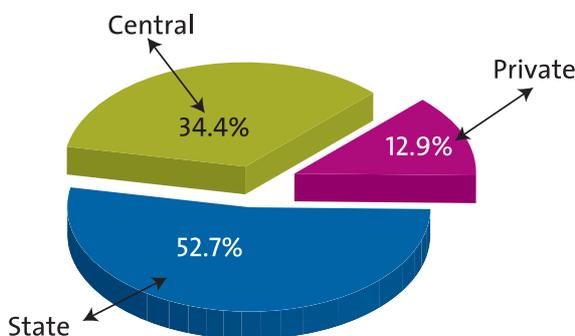
The level of availability and accessibility of affordable power is one of the main determinants of quality of life. The Government has given priority to this sector since independence while fixing the plan outlays. As a result, the installed generating capacity has risen from around 1,300 MW at the time of independence to more than 134,716.63 MW.

The overall generation in India has increased from 301 billion units (BUs) during 1992–93 to 659 BUs in 2006–07. However, the growth has not kept pace with the growth in demand or the growth of the economy generally. According to India's Central Electricity Authority, during 2006-07 India's total energy shortage was 68,341 million units, or 9.9% of its total requirements, and India's peak shortage was 13,610 million units, or 13.5% of peak demand requirements.

### India's Electricity Sources



### India's Installed Capacity



(Source: Ministry of Power)

### Industry Structure

The three key components of the power industry include: Generation, Transmission and Distribution.

### Generation

At the end of the Tenth Five Year Plan the total installed generation capacity stood at 132,330 MW. Over the course of the Eleventh Plan, the industry is expected to add an additional 78,577 MW to meet increasing power demands.

(MW)

Sector	Installed Capacity (2007)	Capacity Addition (2012)
State	70,096	27,952
Central	45,121	39,865
Private	17,113	10,760
Total	132,330	78,577

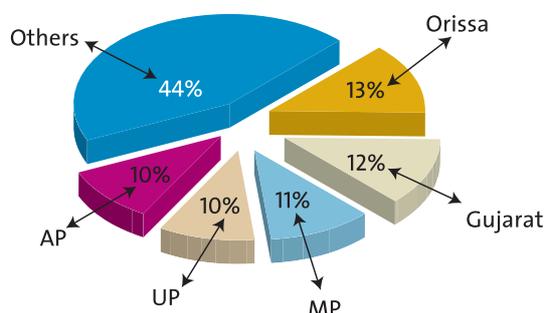
(Source: CEA)

Introduction of progressive policies in the public and private sectors have provided an impetus in terms of effective power generation. The Electricity Act called for a restructure of the State Electricity Boards, unbundling their assets into separate generation, transmission, and distribution companies.

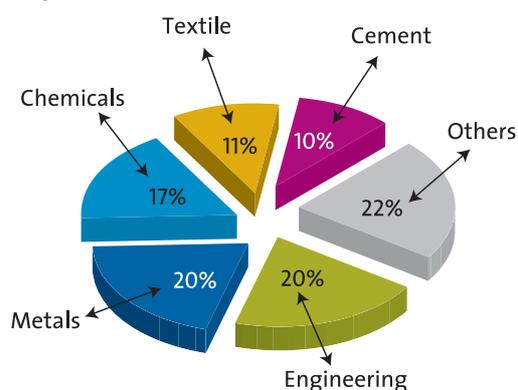
Private sector participation in generation was introduced in 1991, focusing on the standardisation of pricing practices, improvement of efficiency and utilisation of assets. However, the private sector's response has been uneven across states; on an overall basis, the policy for the generation sector has met with limited success, primarily because of the lack of solvency of SEBs and their successor entities.

Of late, there has been an increase in the setting up of captive power plants in various industries. There are approximately 1,627 factories in India with captive power plants at an installed capacity exceeding 20,000 MW in aggregate. It is estimated that the demand for power from captive power plants will reach an additional 1,500 MW to 2,000 MW per year.

### Market Size of Captive Power Plants (CPP)



### Industry-wise use of CPP



(Source: Cygnus Research)

### Transmission

India has a 3-tier transmission and distribution (T&D) system comprising distribution networks, state grids, and regional grids. Currently, there are five regional grids operating in the Northern, Eastern, Western, Southern and North eastern regions.

The Government plans to create a national grid in adding over 60,000 ckm of transmission network by 2012, which will evacuate an additional 100,000 MW and carry 60% of the power generated in the country. The existing inter-regional power transfer capacity of 9,000 MW is also to be further enhanced to 30,000 MW by Fiscal 2012 through creation of "Transmission Super Highways".

In 2006-07, the government launched a scheme under the Electricity Act to invite private sector investments in major transmission projects. As such, the government has identified 14 transmission-related projects to be implemented on a build, own and operate basis.

### Distribution

The experience of a decade of electricity reforms in India has made it apparent that unless the distribution segment of the industry is efficient and solvent, any solution to the problems of the power sector may be inadequate. The poor financial health of SEBs and SPUs historically affects their

ability to invest in new generation capacity, to update their transmission and distribution network and to undertake any system improvement. Cross subsidisation and the increasing gap between the revenue collected and the actual cost of supply has proved to be detrimental for the entire sector. Therefore, distribution reforms have been identified as a key area of focus in the power sector reform process.

### Progressive Policies

In recent years, the Government of India (GoI) has taken significant action to restructure the power sector and attract investments. The most significant reform package has been the introduction of the Electricity Act, 2003 which has modified the legal framework governing the electricity sector and has been designed to alleviate many of the problems facing India's power sector and to attract capital for large scale power projects. The Electricity Act is a central unified legislation and seeks to replace the multiple legislations that governed the Indian electricity sector. The Electricity Act consolidates all the existing legislations and provides for further material reforms in the sector.

The **National Electricity Policy**, notified in February 2005, includes the following features:

- (i) Access to Electricity for all households in the next five years;
- (ii) Energy and peaking shortages to be overcome and power demand to be fully met by 2012;
- (iii) Supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates;
- (iv) Per capita availability of electricity to be increased to over 1,000 units by 2012;
- (v) Minimum lifeline consumption of 1 unit/household/day as a merit good by year 2012;
- (vi) Financial turnaround and commercial viability of the electricity sector; and
- (vii) Protection of consumer interests.

The **National Tariff Policy** notified in the first week of January 2006, aims to ensure financial viability of the power sector, attract investments, ensure availability of electricity to consumers at reasonable rates, and promote transparency and consistency in regulatory approach for tariff setting. An Appellate Tribunal for electricity in July 2005 has also been started.

**Distribution reforms** were identified as the key area to bring about the efficiency and improve financial health of the power sector.

- (i) Among other various initiatives, the GOI approved a scheme called "**Accelerated Power Development and Reforms Programme (APDRP)**" in March 2003 to accelerate distribution sector

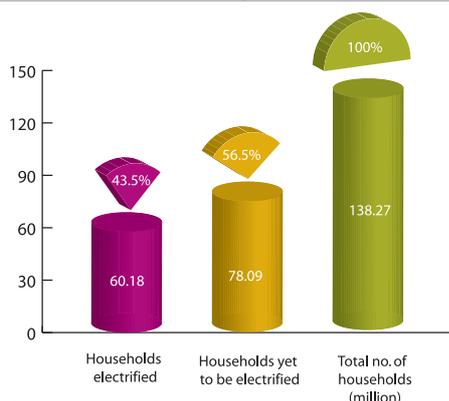
reforms, primarily with the objective of reducing Aggregate Technical & Commercial (AT&C) losses and bring about commercial viability in the power sector. As a result AT&C losses have been brought down below 20% in 212 APDRP towns of which 169 have AT&C losses below 15%. The task force for 11<sup>th</sup> Plan has recommended continuation of the programme during the 11<sup>th</sup> Plan under a new name “**Accelerated Power Distribution Reform Programme**” in order to complete the previously sanctioned schemes and to cover the balance district headquarters and major towns.

- (ii) The **Rural Electrification Policy**, notified on 23rd August 2006, is aimed at improving access and quality of electricity supply in rural areas. India is endowed with a wealth of rich natural resources and sources of energy. The sources of energy for India include fossil fuels like gas, coal and oil ; nuclear, hydel and non-conventional energy sources such as solar, wind, biomass, small hydro, geo-thermal and tidal . These can be appropriately and optimally utilized to make available reliable supply of electricity to each and every household.

Electricity supply at globally competitive rates would also make economic activity in the country competitive in the globalised environment. Consumers, who are ready to pay a tariff which reflects efficient costs have the right to get uninterrupted 24 hours supply of quality power.

Rural Electrification in India has long been regarded as a vital programme for socio-economic development of rural areas. The basic aim of the process is to ensure rapid economic development by providing electricity as an input for productive uses in agriculture, rural industries etc. Electrification of rural communities also serve social purposes by supplying electricity for lighting of rural homes and hearths, shops, community centres, public places etc in all villages. It improves the quality of life of the rural people.

Overall electrification	No. of households (million)	Percentage
Households electrified	60.18	43.5%
Households yet to be electrified	78.09	56.5%
Total no. of households	138.27	100%



Source: (Ministry of Power)

- (iii) The **Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY)** was launched by the Government of India in April 2005 to attain the National Common Minimum Programme (NCMP) objective of providing access to electricity to all households in five years. Under RGGVY, electricity distribution infrastructure is envisaged to establish :

- Rural Electricity Distribution Backbone (REDB) with at least a 33/11KV sub-station;
- Village Electrification Infrastructure (VEI) with at least one Distribution Transformer in a village or hamlet; and
- stand alone grids with generation where grid supply is not feasible.

This infrastructure would cater to the requirements of agriculture and other activities in rural areas including irrigation pump sets, small and medium industries, khadi and village industries, cold chains, healthcare and education and IT. Subsidy towards capital expenditure to the tune of 90% is canalised through REC, which is a nodal agency for implementation of the scheme. Electrification of un-electrified Below Poverty Line (BPL) households is financed with 100% capital subsidy @ Rs.1500/- per connection in all rural habitations. The Management of Rural Distribution is mandated through franchisees. The services of Central Public Sector Undertakings (CPSU) are available to the States for assisting them in the execution of Rural Electrification projects.

Under RGGVY the target was to electrify an estimated about 1.25 lakh un-electrified villages and about 2.34 crore BPL households by 2009 and to provide access to electricity to all rural households. Of these, one lakh villages are to be grid-connected under RGGVY and balance about 25,000 were to be covered by Ministry of New & Renewable Energy Sources. The original estimated outlay of RGGVY was Rs. 16,000 crore. Approval was accorded for Rs. 5,000 crore for the last 2 years of the tenth Plan i.e. 2005-06 & 2006-07. In 2006-07, RGGVY covered 19,758 villages.

Under the RGGVY scheme, Detailed Project Reports (DPRs) for 566 districts have been received by REC out of which 235 projects in 233 districts of 25 states covering 68,763 un-electrified villages and 83.1 lakh BPL households are currently under implementation. During 2005-06, electrification works in 9819 un-electrified villages were completed. During 2006-07, 40233 villages have been electrified. Since the launch of the scheme in 2005, connections to 7.31 lakh rural households have been released inclusive of 6.72 lakh BPL households.

In order to speed up the process of implementation, services of Central Public Sector Organizations like Power Grid Corporation, National Thermal Power Corporation, National

Hydro-electric Power Corporation, Damodar Valley Corporation have been provided to states for which they have signed agreements with Rural Electrification Corporation Ltd. CPSUs are presently working in 139 districts in the country.

### Opportunities in the Power sector

The Eleventh Plan of the Government of India envisages a capital expenditure of Rs. 10,00,000 crore in power sector in next five years to ensure "Power for All". The Common Minimum Programme focus on 100% village electrification by 2009 and 100% household electrification by 2012. These programmes open up tremendous business opportunities of financing for REC. As the nodal agency for implementation of "Rajiv Gandhi Grameen Vidyutikaran Yojana" (RGGVY), REC shoulders the socio-economic responsibility of ensuring accessibility of electricity to rural India.

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

Given the large demand-supply gap, the power industry's opportunities include:

- The implementation of key reforms to foster growth in all segments:
  - o Unbundling of vertically integrated SEBs;
  - o "Open Access" to transmission and distribution network;
  - o Distribution circles to be privatized;
  - o Tariff reforms by regulatory authorities.
- In power generation, opportunities lie in:
  - o Coal based plants at pithead or coastal locations (imported coal);
  - o Natural Gas/CNG based turbines at load centres or near gas terminals;
  - o Hydel power a 150,000 MW potential remains untapped;
  - o Renovation, modernisation, up-rating and life extension of old thermal and hydro power plants.
- An additional 60,000 circuit km of transmission network is expected by 2012
- Bidding for the privatisation of distribution in thirteen states that have unbundled/corporatised their State Electricity Boards is expected to take place over the next 2-3 years.

### Threats, Risks and concerns

While the continued weak financial health of the SEBs, despite their reforms, is a matter of concern, they are increasingly becoming competent to borrow prudently and make all due payments.

### Segment wise or Product wise performance

The Corporation 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 that 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.32,925 crore and disbursed Rs.13,733 crore, in line with the mandate given by the Govt. 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.10,364 crore. In addition Rs.4773 crore sanctioned under RGGVY, Rs. 14,204 crore under Transmission & Distribution (T&D) scheme and Rs.2,205 crore under Short Term Loan, Rs.247 crore under bridge loan and Rs.1132 crore under IC&D schemes. The disbursement includes Rs.4,291 crore for generation, Rs.3,365 crore under RGGVY, Rs.4,419 crore under T&D schemes and Rs.1,658 crore for Short Term Loan.

### Internal Control System and their adequacy

The Corporation has formulated various policies and procedures, as part of its Internal Control System, to assist the orderly and efficient conduct of its business, including adherence to management's policies, the safeguarding of assets, the prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

### Audit Division

The Corporation has a separate Internal Audit Division which verifies the compliance to the policies and procedures framed by the management. The Internal Audit Division covers wide areas of operations as per the Annual Internal Audit Programme. 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 Zonal Offices / Project Offices / CIRE located in different parts of the country and various divisions of the Corporation at the Corporate Office are carried out on

bi-annual, annual and biennial basis during the year to help achieve operational efficiency and compliance to 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.

### Discussions on financial performance with respect to operational performance

The loans sanctioned during the year 2006-07 was higher at Rs.32925 crore as compared to Rs.18771 crore during the year 2005-06. The disbursement during the year also rose to Rs.13732.99 crore, as compared to Rs.8007 crore during the year 2005-06. The recoveries during the year 2006-07 were Rs.6584.67 crore, as compared to Rs.5434 crore during the year 2005-06.

- During the financial year, the Corporation registered an increase of Rs.580.39 crore in operational income which went up to Rs.2651.70 crore in 2006-07 from Rs.2071.31 crore during the year 2005-06.
- The profit before tax was recorded as Rs.1006.19 crore against Rs.829.83 crore for the year 2005-06.
- The increase in profit after tax was marginal at Rs.22.75 crore i.e. from Rs.637.51 crore in previous year to Rs.660.26 crore in the year 2006-07. This was mainly on account of charging of Deferred Tax of Rs.116.29 crore and provision for Bad & Doubtful Debts of Rs.21.04 crore in the year 2006-07.
- During the year 2006-07, the Deferred Tax provision of Rs.448.17 crore for the years 2001-02 to 2005-06 were made in accounts by transferring the similar amounts from General Reserve. However, the Deferred Tax of Rs.190.63 crore for the period up to 2000-01 has been transferred to Deferred Tax Liability from General Reserve.

### Material development in Human Resources / Industrial Relations front, including number of people employed

#### HUMAN RESOURCE MANAGEMENT

REC is increasingly professionalizing its executive manpower and the Corporation is manned by executives having experience and knowledge relating to different domains of the power sector viz project appraisal, project financing, international finance, domestic resource mobilization etc in order to take care of the increased business requirements. REC has been inducting professionals to further strengthen the management cadre. In addition to direct recruitment through open advertisement, REC also inducts executives on deputation from Government of India, Power sector PSUs and other state power utilities.

As on March 31, 2007 there were 698 employees on the rolls of the corporation which included 355 executives and 343 non-executives. 51 % of the Executives of REC possess formal qualification in at least one of several disciplines including Engineering, Management, Law & Accountancy.

During the year 2006-07, and upto August 2007, the Corporation inducted 56 professional managers in the areas of engineering, finance, IT, HR, Legal etc.

One hundred and thirty six employees of the Corporation were sent for Seminars / workshops and other training programmes conducted by reputed institutions / bodies in different parts of the country as well as outside the country. In addition, nine in-house programmes were conducted to impart training to 190 employees. Two officers of the Corporation were sent for two weeks training to Japan under AOTS on Corporate Management programme during February-March, 2007.

Welfare of the employees received due attention during the year. Besides payment of lucrative incentive, other steps taken in this regard included organizing free Health check up camps / awareness programmes for the benefit of the employees. Kidney transplant including post kidney transplantation care and kidney failure treatment were included as "Special Diseases" in case of retired employees under CDA pattern.

#### Outlook

According to the Ministry of Power, in order for India to maintain a sustained growth of 8% to 9% per annum through the next 25 years and meet the energy needs of all citizens, India would need to increase its primary energy supply by three to four times and electricity generation capacity by about six times. To match the increasing demand for power within India, substantial increases in generation capacity will be required, which will require additional improved transmission and distribution systems, all of which will require significant investment. An additional 78,577 MW are required to meet the projected demand during the Eleventh Plan (2007-2012) with a requirement of Rs. 10,31,600 Crore in investments.

REC has significantly enlarged its business portfolio over the years with continued support of the Government. As a result, its outstanding loan portfolio is well diversified in Rural Electrification, Power Generation, Transmission and Distribution (T&D). The outlook for future is quite bright, given the 11<sup>th</sup> Plan targets, power sector reforms, policy notifications, and the targets for completion of Rural Electrification. All of this will enable REC to continue to participate in the development of the policy and regulatory framework of the Indian power sector. REC shall continue to enhance its role in influencing grassroots reforms by facilitating investment opportunities of the Reforming utilities and private companies.



## 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 of Directors of REC has decided that REC would continue to comply with the Corporate Governance requirements as hitherto fore, and endeavour to comply with additional requirements in a phased manner. Accordingly relevant aspects of Corporate Governance as provided in Clause 2.18 of the Agreement are furnished below:

### 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.

### 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 2006-07 following directors were on the Board of REC:

### Executive Directors

Shri A.K. Lakhina - Chairman and Managing Director,

Shri H.D. Khunteta - Director (Finance),  
Shri Bal Mukand - Director (Technical),

### Non-Executive Directors

Shri Arvind Jadhav - Joint Secretary, Ministry of Power (Ceased to be director w.e.f 13/3/2007)  
Shri M. Sahoo - Joint Secretary & Financial Adviser, Ministry of Power  
Shri Jayant Kawale - Joint Secretary, Ministry of Power (Appointed as director w.e.f 13/3/2007 in place of Shri Arvind Jadhav)

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.

### 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.

## Other provisions as to Board and Committees

### i) Details of Board Meetings held during the Financial Year 2006-07

Date of Meeting	Board Strength	No. of Directors Present
21 <sup>st</sup> April 2006	5	4
1 <sup>st</sup> June 2006	5	5
20 <sup>th</sup> July 2006	5	5
21 <sup>st</sup> July 2006 (Adjourned meeting)	5	5
24 <sup>th</sup> July 2006 (2 <sup>nd</sup> Adjourned meeting)	5	5
30 <sup>th</sup> August 2006	5	4
29 <sup>th</sup> September 2006	5	4
26 <sup>th</sup> October 2006	5	5
13 <sup>th</sup> December 2006	5	5
11 <sup>th</sup> January 2007	5	5
15 <sup>th</sup> January 2007 (Adjourned Meeting)	5	3
19 <sup>th</sup> January 2007 (2 <sup>nd</sup> Adjourned Meeting)	5	2
1 <sup>st</sup> March 2007	5	4
29 <sup>th</sup> March 2007	5	5

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

number of other Directorships/Committee Memberships (viz Audit Committee and Shareholders Grievance Committee) held by them during the year 2006-07 are tabled below:-

### ii) Details of Designation, Category of Directors, Number of Board Meetings attended, attendance at last AGM,

S. No.	Directors (Category)	Meetings (including adjourned meetings) held during respective tenure of directors	No. of Board Meetings Attended (including adjourned meetings)	Attendance at Last AGM (held on 22/9/06)	No. of other Directorships As on 31/3/2007	No. of other Committee Memberships in other Companies As on 31/3/2007	
						As Chairman	As Member
1.	Shri A.K. Lakhina {CMD}{See Note-1}	14	14	Yes	1	Nil	Nil
2.	Shri H.D. Khunteta {Director-Finance}	14	14	Yes	Nil	Nil	Nil
3.	Shri Bal Mukand {Director- Technical}	14	12	Yes	Nil	Nil	Nil
4.	Shri Arvind Jadhav {Govt. Director} (See Note-2)	13	9	Yes	N/A	N/A	N/A
5.	Shri M. Sahoo (See Note-3) {Govt. Director}	14	10	No	12	2	4
6.	Shri Jayant Kawale (See Note-4) {Govt. Director}	1	1	N/A	1	Nil	Nil

**Note-1:** Details of other Directorship of Shri A.K.Lakhina, CMD:

(i) REC Transmission Projects Company Limited–Chairman & Director

**Note-2:** Shri Arvind Jadhav ceased to be Director vide office order of MOP dated 13/3/2007

**Note-3:** 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 (SJNL)
- (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
- (iii) SJNL- Audit Committee- Chairman
- (iv) Powergrid Corporation of India Limited-(a) Audit Committee-Member (b) Shareholders Grievance Committee-Member

**Note-4:** Shri Jayant Kawale was appointed as Director in place of Shri Arvind Jadhav vide office order of MOP dated 13/3/2007

Details of Directorships of Shri Jayant Kawale:

#### Directorships:

- (i) Power Finance Corporation Limited

### 3. Audit Committee

#### 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 2006-07, Shri Jayant Kawale was appointed as Director in place of Shri Arvind Jadhav on 13/3/07.

Consequently on the cessation of Shri Arvind Jadhav as Director, the Audit Committee was reconstituted and as on 31<sup>st</sup> March 2007 the reconstituted Audit Committee comprised of the following members:

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

#### Meetings and Attendance

During the year 2006-07, six Audit Committee meetings were held on 1<sup>st</sup> June 2006, 31<sup>st</sup> July 2006, 30<sup>th</sup> August 2006, 26<sup>th</sup> October 2006, 11<sup>th</sup> December 2006 and 2<sup>nd</sup> February 2007.

Name	No. of meetings held during his tenure	Meetings attended
Shri M.Sahoo	6	5
Shri Arvind Jadhav	6	5
Shri Bal Mukand	6	6
Shri Jayant Kawale	None	N/A

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

#### 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 A.K. Lakhina(CMD)	695497	221441	Nil	252239	1169177
2.	Shri H.D.Khunteta Director(Finance)	1410987	275483	Nil	368836	2055306
3.	Shri Bal Mukand Director (Technical)	1144596	263057	Nil	375249	1782902

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

### Investors Grievance Committee

During the year 2006-07, Shri Jayant Kawale was appointed as Director on 13-3-07 in place of Sri Arvind Jadhav, who ceased to be Director. Consequently on his cessation the Investors Grievance Committee was reconstituted and as on 31<sup>st</sup> March 2007 the reconstituted Investors Grievance Committee comprised of the following members:

1. Shri Jayant Kawale - 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 2006-07, two meetings of the Investors Grievance Committee were held on 20<sup>th</sup> July 2006 and 29<sup>th</sup> March 2007 to review the grievance procedure and status of pending investors' grievances.

### Annual General Meetings

No.	Year	Location	Date & Time	Whether any Special Resolution passed
35 <sup>th</sup>	2003-04	Registered Office: Core-4, Scope Complex, 7, Lodhi Road, New Delhi-110003	16 <sup>th</sup> September 2004 12.30 P.M.	No
36 <sup>th</sup>	2004-05	Registered Office: Core-4, Scope Complex, 7, Lodhi Road, New Delhi-110003	22 <sup>nd</sup> September 2005 3.00 P.M.	Yes
37 <sup>th</sup>	2005-06	Registered Office: Core-4, Scope Complex, 7, Lodhi Road, New Delhi-110003	22 <sup>nd</sup> September 2006 4.00 P.M.	No

### 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

### 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.recindia.nic.in](http://www.recindia.nic.in)

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

### 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.177 Crore for the year 2006-07 at its meeting held on 30<sup>th</sup> May 2007. The equity shares are not listed on Stock Exchanges.

# 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 31<sup>st</sup> March, 2007. Currently Clause 2 of the Model Listing Agreement issued by National Stock Exchange 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 however 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.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For G.S. Mathur & Co.  
Chartered Accountants

Place : New Delhi  
Date : 04-08-2007

(S.C. Choudhary)  
Partner  
M.No. 82023



BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007

(Rs. in Lacs)

	Sch. No.	As at 31.03.2007	As at 31.03.2006
<b>SOURCES OF FUNDS</b>			
Shareholders' Funds:			
Capital	1	78,060.00	78,060.00
Reserves and Surplus	2	323,211.09	341,773.00
		<u>401,271.09</u>	<u>419,833.00</u>
Loan Funds:			
Secured Loans	3	2,653,397.19	2,174,958.82
Unsecured Loans	4	374,702.94	228,962.65
		<u>3,028,100.13</u>	<u>2,403,921.47</u>
<b>Deferred Tax Liability</b>	<b>8</b>	<b>73,966.79</b>	-
<b>Total</b>		<b>3,503,338.01</b>	<b>2,823,754.47</b>
<b>APPLICATIONS OF FUNDS</b>			
Fixed Assets:			
Gross Block	5	6,755.42	3,480.85
Less Depreciation		<u>1,218.46</u>	<u>1,105.56</u>
<b>Net Block</b>		<b>5,536.96</b>	<b>2,375.29</b>
<b>Capital Work in Progress</b>		<b>826.01</b>	<b>4,063.82</b>
<b>Investments</b>	<b>6</b>	<b>119,453.88</b>	<b>132,499.09</b>
<b>Loans</b>	<b>7</b>	<b>3,209,910.10</b>	<b>2,532,560.93</b>
<b>Deferred Tax Assets</b>	<b>8</b>	-	1,542.20
Current Assets, Loans & Advances:			
Cash and Bank Balances	9	229,726.89	191,364.46
Other Current Assets		<u>31,235.87</u>	<u>30,566.61</u>
Loans and Advances		<u>23,648.97</u>	<u>99,737.36</u>
		<u>284,611.73</u>	<u>321,668.43</u>
Less: Current Liabilities & Provisions:			
Liabilities	10	71,446.93	59,133.07
Provisions		<u>45,553.74</u>	<u>111,822.22</u>
		<u>117,000.67</u>	<u>170,955.29</u>
<b>Net Current Assets</b>		<b>167,611.06</b>	<b>150,713.14</b>
<b>Total</b>		<b>3,503,338.01</b>	<b>2,823,754.47</b>
<b>Notes on accounts</b>	<b>18</b>		

Schedule 1 to 18 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

Rajiv Wadhawan  
Partner  
M.No. 91007.

B.R. Raghunandan  
Comany Secretary

H.D. Khunteta  
Director (Finance)

A.K. Lakhina  
Chairman & Managing Director

Place: New Delhi  
Date: 30-05-2007

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

(Rs. in Lacs)

	Sch. No.	Year ended 31.03.2007	Year ended 31.03.2006
<b>INCOME</b>			
Operating Income (Net)	11	265,169.55	207,130.85
Other Income	12	20,230.38	17,375.40
<b>Total</b>		<b>285,399.93</b>	<b>224,506.26</b>
Interest and Other Charges	13	174,089.41	133,960.25
Establishment Expenses	14	4,981.57	4,250.44
Administration Expenses	15	1,435.04	1,519.40
Bond/ Debt Instrument Issue Expenses	16	2,389.01	1,616.77
Provision for bad & doubtful debts		2,104.45	-
Provision for decline in value of investments		-	51.00
Depreciation		112.89	109.92
<b>Total</b>		<b>185,112.37</b>	<b>141,507.78</b>
<b>PROFIT FOR THE YEAR</b>		<b>100,287.56</b>	<b>82,998.47</b>
Add: Prior period adjustments (Net)	17	331.68	15.44
<b>PROFIT BEFORE TAX</b>		<b>100,619.24</b>	<b>82,983.03</b>
Provision for Taxation :			
Tax- Current Year		21,482.25	17,280.64
Tax- Earlier Years		1,414.60	3,266.74
Deferred Tax - Current Year		11,629.12	(1390.69)
Deferred Tax - Earlier Years		44,817.00	-
Less: Transferred from General Reserve		(44817.00)	-
Fringe Benefit Tax		67.18	75.28
<b>Total</b>		<b>34,593.15</b>	<b>19,231.97</b>
<b>PROFIT AFTER TAX</b>		<b>66,026.09</b>	<b>63,751.07</b>
Add: Bonds Redemption Reserve written back		-	8,850.00
<b>AMOUNT AVAILABLE FOR APPROPRIATION</b>		<b>66,026.09</b>	<b>72,601.07</b>
Appropriations:			
Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961		34,500.00	26,500.00
Reserve u/s 36(1)(vii) of the Income Tax Act, 1961 for Bad & Doubtful Debts		3,400.00	2,750.00
Proposed Final Dividend		17,700.00	10,126.00
Interim Dividend Paid		-	9,000.00
Corporate Dividend Tax			
- Proposed Dividend		3,008.12	1,420.17
- Interim Dividend		-	1,262.25
Transfer to General Reserve		7,200.00	21,100.00
Surplus carried to Balance Sheet		217.97	442.65
<b>Total</b>		<b>66,026.09</b>	<b>72,601.07</b>
Earning Per Share of Rs 10/- each- Basic & Diluted		8.46	8.17
Notes on accounts	18		

Schedule 1 to 18 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 AccountantsRajiv Wadhawan  
Partner  
M.No. 91007.B.R. Raghunandan  
Company SecretaryH.D. Khunteta  
Director (Finance)A.K. Lakhina  
Chairman & Managing DirectorPlace: New Delhi  
Date: 30-05-2007

## SCHEDULE '1' - SHARE CAPITAL

(Rs. in Lacs)

	As at 31.03.2007	As at 31.03.2006
<b>Authorised</b>		
1200,000,000 (Previous Year 1200,000,000) Equity shares of Rs.10 each	<b>120,000.00</b>	120,000.00
<b>Issued, Subscribed and Paid up</b>		
780,600,000 (Previous Year 780,600,000) fully paid up Equity shares of Rs 10 each	<b>78,060.00</b>	78,060.00
<b>Total</b>	<b>78,060.00</b>	78,060.00

## SCHEDULE '2' - RESERVES AND SURPLUS

(Rs. in Lacs)

	Opening Balance as at 01.04.2006	Additions/ adjustments during the Year	Deductions/ adjustments during the Year	Closing Balance as at 31.03.2007
a) Capital Reserve (Grant from USAID)	10,500.00	-	-	<b>10,500.00</b>
b) Special Reserve created u/s 36(1) (viii) of the Income Tax act,1961 upto Fin.year 1996-97	5,173.77	-	-	<b>5,173.77</b>
c) Special Reserve created u/s 36(1) (viii) of the Income Tax act,1961 from Fin.year 1997-98	184,606.00	34,500.00	-	<b>219,106.00</b>
d) Reserve for Bad and doubtful debts u/s 36(1)(viiia) of the Income Tax act, 1961	17,169.13	3,400.00	-	<b>20,569.13</b>
e) General Reserve	122,231.04	7,200.00	63,879.87	<b>65,551.17</b>
f) Surplus	2,093.06	217.97	-	<b>2,311.02</b>
<b>Total</b>	<b>341,773.00</b>	<b>45,317.97</b>	<b>63,879.87</b>	<b>323,211.09</b>
PREVIOUS YEAR	299,830.35	50,792.65	8,850.00	341,773.00

## SCHEDULE '3' - SECURED LOANS

(Rs. in Lacs)

	As at 31.03.2007	As at 31.03.2006
<b>TERM LOANS</b> (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	25,000.00
Bank of Maharashtra	25,000.00	25,000.00
Canara Bank	20,000.00	20,000.00
Union Bank of India	42,500.00	42,500.00
SBI , Patiala	20,000.00	20,000.00
Central Bank	20,000.00	20,000.00
<b>OVERDRAFT AGAINST TERM DEPOSIT</b>		
Union Bank of India ( Secured against FDR of Rs 110 Crores placed with the bank)	10,000.00	20,500.00
(Previous Year -Oriental Bank of Commerce- Secured against FDR of Rs 233 Crores placed with the bank )		
<b>LOAN FROM LIFE INSURANCE CORPORATION OF INDIA (LIC)</b> ( Secured against receivables of the Electricity Boards/ State Power Corpn.)	350,000.00	350,000.00
<b>LOAN THROUGH BONDS</b> (Cumulative & Non- Cumulative)  (Secured by charge against specific loans advanced to SEB's , State Power Corporations etc. and/ Immovable property at Maharashtra & Delhi as per the terms of the private placement and to the satisfaction of the respective trustees).		
<b>I TAXFREE SECURED BONDS</b>		
a) Long Term		
<b>41st Series</b>		
8.25% Redeemable at par on 22.02.2010	7,500.00	7,500.00
<b>53rd Series</b>		
7.10% Redeemable at par on 23.03.2011	5,000.00	5,000.00

	As at 31.03.2007	As at 31.03.2006
<b>II TAXABLE SECURED BONDS</b>		
<b>a) Short Term</b>		
<b>52nd Series</b>		
11.40% Redeemable at par on 15.12.2007	-	26,300.00
<b>62nd Series</b>		
8.35% Redeemable at par on 07.03.2009	-	16,270.00
<b>76th Series</b>		
6.00% Redeemable at par on 15.03.2008	<b>32,000.00</b>	102,000.00
<b>b) Long term</b>		
<b>64th Series</b>		
6.90% Redeemable at par on 27.09.2009	<b>24,000.00</b>	24,000.00
<b>66th Series</b>		
6.00% Redeemable at par on 31.01.2010	<b>27,400.00</b>	27,400.00
<b>69th Series</b>		
6.05% Redeemable at par on 23.01.2014	<b>66,920.00</b>	66,920.00
<b>72nd Series</b>		
6.60% Redeemable at par on 18.08.2011	<b>38,570.00</b>	58,550.00
<b>73rd Series</b>		
6.90% Redeemable at par on 08.10.2014	<b>23,390.00</b>	23,390.00
<b>75th Series</b>		
7.20% Redeemable at par on 17.03.2015	<b>50,000.00</b>	50,000.00
<b>77th Series</b>		
7.30% Redeemable at par on 30.06.2015	<b>98,550.00</b>	98,550.00
<b>78th Series</b>		
7.65% Redeemable at par on 31.01.2016	<b>179,570.00</b>	179,570.00
<b>79th Series</b>		
7.85% Redeemable at par on 14.03.2016	<b>50,000.00</b>	50,000.00
<b>80th Series</b>		
8.20% Redeemable at par on 20.03.2016	<b>50,000.00</b>	50,000.00
<b>81st Series</b>		
8.85% Redeemable at par on 20.01.2017	<b>31,480.00</b>	-
<b>CAPITAL GAINS BONDS</b>		
Series-I Capital Gain Tax Exemption Bonds Redeemable at Par	<b>43,295.30</b>	62,089.48
Series-II Capital Gain Tax Exemption Bonds Redeemable at Par	<b>22,121.10</b>	34,625.35
Series-III Capital Gain Tax Exemption Bonds Redeemable at Par	<b>24,971.10</b>	136,236.80
Series-IV Capital Gain Tax Exemption Bonds Redeemable at Par	<b>228,949.80</b>	228,949.80
Series-V Capital Gain Tax Exemption Bonds Redeemable at Par	<b>339,321.78</b>	233,999.90

	As at 31.03.2007	As at 31.03.2006
Series-VI Capital Gain Tax Exemption Bonds Redeemable at Par	449,421.30	-
<b>Series-VI A</b> Capital Gain Tax Exemption Bonds Redeemable at Par	285,868.00	-
<b>INFRASTRUCTURE BONDS</b>		
<b>Series-I &amp; II</b> Infrastructure Bonds Redeemable at Par	3,215.25	3,524.75
<b>Series-III</b> Infrastructure Bonds Redeemable at Par	806.00	1,617.15
<b>Series-IV</b> Infrastructure Bonds Redeemable at Par	18,847.56	18847.56
Bond Application Money Capital Gain/Infra.	-	106,918.03
Total Secured Loans	2,653,397.19	2,174,958.82
Due for repayment/redemption within next year	110,631.60	NIL

### Notes to Schedule No 3 :-

- Bonds Series 52nd and 62nd were redeemed by the Corporation on 15-06-2006 and 07-03-2007 by exercising call option by the Corporation.
- 64th, 66th and 72nd Series of bonds have put/call option at the end of 5 years, i.e. 27.09.2007, 31.01.2008 and 18.08.2009 respectively. Rs 199.80 Crores of Bonds of Bonds Series 72nd held by HDFC Bank were redeemed on 31-03-2007 under buy-back arrangement in consideration of HDFC Bank advancing clean loan of equivalent amount for residual maturity period.
- 69th, 73rd and 77th series are redeemable at par in 5 equal instalments at par at the end of 6th, 7th, 8th, 9th and 10th year respectively.
- 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 has put/call option at the end of 18 months from the deemed date of allotment i.e. 15.03.2005. Bondholders holding Rs 700 Crores of Bonds have exercised put option on 15-09-2006. 76th Series is due for redemption on 15-03-08.
- 78th, 79th, 80th and 81st Series are redeemable at par at the end 10 years i.e. 31.01.2016, 14.03.2016, 20.03.2016 and 20-01-2017.
- Bonds for Rs. 220 lakh are held by Trust REC CP Fund.
- Capital Gains Tax Exemption Bonds are issued for a tenure of 3/5/7 years at the rates of 5.15% to 8.70% payable semiannually/annually & with cumulative options. These bonds have put/call option at the end of 3/5 years. In the current year (06-07) Capital Gain Exemption Bond Issue Sr VI has a 5 years tenor at 5.5% payable annually and Sr VI A has 3 years tenor at 5.25% payable annually. Infrastructure bonds have been issued for a tenure of 3 to 7 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. The Capital Gains Tax Exemption Bonds and Infrastructure Bonds are secured by a legal mortgage over the REC's immovable properties to the satisfaction of the trustees. The book value of these immovable properties are Rs. 38.50 lakhs. Charge has been created with ROC in favour of Trustees.

## SCHEDULE '4' - UNSECURED LOANS

(Rs. in lacs)

	As at 31.03.2007	As at 31.03.2006
<b>From Government of India</b>	<b>10,048.44</b>	11,997.16
<b>TERM LOANS</b>		
Canara Bank	40,000.00	20,000.00
Bank of Baroda	75,000.00	25,000.00
UCO Bank	20,000.00	20,000.00
Indian Bank	-	20,000.00
Corporation Bank	32,500.00	38,500.00
HDFC Bank	19,980.00	-
<b>CASH CREDIT LIMITS</b>		
Corporation Bank	-	10,000.00
Indian Bank	30,000.00	-
Canara bank	-	20,000.00
<b>EXTERNAL COMMERCIAL BORROWINGS</b>		
<b>(a) Long term</b>		
Foreign Currency Syndicated Loan from Banks- I	87,209.00	-
<b>LOAN THROUGH BONDS</b>		
<b>(A) (Non- Cumulative ,Guaranteed by Government of India)</b>		
<b>(a) Short Term</b>		
<b>31st Series</b>		
13.85% Redeemable at par on 13.09.2006	-	3,500.00
<b>24th Series</b>		
13% Redeemable at par on 17.02.2008	5,502.00	5,502.00
<b>35th Series</b>		
12.3% Redeemable at par on 26.03.2008	5,497.50	5,497.50
<b>(b) Long term</b>		
<b>18th Series</b>		
11.5% Redeemable at par on 12.12.2008	6,858.00	6,858.00
<b>21st Series</b>		
11.5% Redeemable at par on 29.12.2009	6,908.00	6,908.00
<b>22nd Series</b>		
11.5% Redeemable at par on 27.12.2010	4,900.00	4,900.00
<b>23rd Series-1</b>		
12% Redeemable at par on 05.12.2011	2,265.00	2,265.00
<b>23rd Series-2</b>		
12% Redeemable at par on 21.02.2012	3,035.00	3,035.00
<b>(B) Other Bonds</b>		
<b>74th Series</b>		
7.22% Redeemable at par on 31.12.2014	25,000.00	25,000.00
<b>Total Unsecured Loans</b>	<b>374,702.94</b>	228,962.65
Due for repayment/redemption within next year	45,999.50	5,448.72

**Notes:-**

Bonds for Rs.4.00 lacs are held as on 31.03.2007 by REC Ltd. CP Fund Trust

## SCHEDULE '5' - SUMMARY OF FIXED ASSETS FOR THE YEAR 2006-07

(Rs in Lacs)

FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.06	Add during the year	Ded/Adj during the year	As at 31.3.07	Upto 31.03.06	During the year	Disp/ Written off during the year	Upto 31.3.07	As at 31.3.07	As at 31.03.06
Freehold Land	80.03	3,166.92	-	3,246.95	-	-	-	-	3,246.95	80.03
Lease hold Land	145.51	-	-	145.51	9.86	1.46	-	11.32	134.18	135.64
Buildings	2,174.74	9.72	11.37	2,173.09	395.43	32.88	-	428.31	1,744.78	1,779.31
Fur. & Fixtures	360.02	27.06	0.34	386.74	210.00	21.15	-	231.15	155.59	150.03
EDP Equipments	371.50	70.75	-	442.25	274.80	37.11	-	311.91	130.34	96.70
Office Equip.	249.08	11.23	0.24	260.07	152.93	11.10	-	164.03	96.04	96.15
Vehicles	98.16	-	0.89	97.27	61.66	8.78	-	70.44	26.83	36.50
Other Intangible Assets										
(Computer Software)	1.83	1.71	-	3.54	0.89	0.41	-	1.30	2.25	0.95
Grand Total	3,480.87	3,287.39	12.84	6,755.42	1,105.56	112.89	-	1,218.46	5,536.96	2,375.30
Previous year	3,418.35	71.48	9.00	3,480.85	1,003.81	109.92	8.19	1,105.56	2,375.29	2,414.54
Capital work-in- Progress	4,063.82	4.31	3,242.12	826.01	-	-	-	-	826.01	4,063.82
Previous year	140.54	3,923.29	-	4,063.82	-	-	-	-	4,063.82	140.54

Note: Other Intangible Assets include computer software purchased from outside and in terms of AS-26 these are amortized over 5 years.

## SCHEDULE '6' - INVESTEMENTS

(Rs. in Lacs)

	As at 31.03.2007	As at 31.03.2006
Long Term (Unquoted) Non-Trade Investements		
8% Government of Madhya Pradesh Power Bonds-II Maturing in 30 equal half yearly Installments w.e.f. 1.04.05 ( 25 Bonds of Face Value of Rs 4716 Lacs each) ( Previous year 28 Bonds of Face Value of Rs 4716 Lacs each)	117,900.00	132,048.00
KSK Energy Ventures Limited 1,59,90,942 units of "Small is Beautiful" Fund at Net assets Value (NAV) of Rs. 9.686 per unit (Previous Year 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/-)	1,548.88	451.09
Subsidiary Company - REC Transmission Project Co. Ltd. 50000 equity shares of Rs 10 each paid up (Previous Year -Nil)	5.00	-
<b>Total</b>	<b>119,453.88</b>	<b>132,499.09</b>

## SCHEDULE '7' - LOANS

(Rs. in Lacs)

		As at 31.03.2007		As at 31.03.2006
(i) State Electricity Boards/Corpn., Co-operatives and State Governments Unsecured, considered good and guaranteed by respective State Governments		1,786,639.61		1,842,016.82
(ii) State Electricity Boards/Corpn. (Secured by hypothecation of materials with respective State Electricity Boards/ Corpn.) considered Good classified Doubtful	140.99	1,087,506.85	140.99	542,176.11
Less: Prov. for Bad & doubtful debts	<u>70.50</u>	70.49	<u>70.50</u>	70.50
(iii) Others (Secured by hypothecation of tangible assets) consider good classified doubtful	15,349.57	44,837.74	2,854.99	35,948.45
Less: Prov. for Bad & doubtful debts	<u>4,104.45</u>	11,245.12	<u>2,000.00</u>	854.99
(iv) Others (Unsecured)- Considered good		191,743.45		33,230.90
(v) Interest accrued and due on Loans		1,196.95		118.52
(vi) Interest accrued on rescheduled loans		86,669.90		78,144.64
<b>Total</b>		<b>3,209,910.10</b>		<b>2,532,560.93</b>

## SCHEDULE '8' - DEFERRED TAX LIABILITY/(ASSETS)

(Rs. in Lacs)

		As at 31.03.2007		As at 31.03.2006	
Opening Balance of Deferred Tax Liability/(Assets)	(1542.20)				(151.51)
Add: Addition during the Year					
- From General Reserves for Earlier Years	63879.87	-			
- From Profits for Current Year	11629.12	73966.79	(1390.69)	(1390.69)	
<b>Total</b>		<b>73966.79</b>			<b>(1542.20)</b>

## SCHEDULE '9' - CURRENT ASSETS, LOAN &amp; ADVANCES

(Rs. in Lacs)

		As at 31.03.2007		As at 31.03.2006	
<b>I CURRENT ASSETS</b>					
A) Cash and bank balances :					
(i) Cash/Cheque in hand/transit (incl.Postage & imprest)		0.12			13,292.58
(ii) In current accounts					
- with RBI		67.86			332.58
- with other Scheduled Banks		17,621.56			54,438.52
(iii) In Deposit accounts with Scheduled Banks		211,850.00			123,300.00
(iv) Remittances in Transit		187.35			0.77
<b>Total - (A)</b>		<b>229,726.89</b>			<b>191,364.46</b>
B) Other Current Assets					
(ii) Interest accrued but not due on term deposits		1,792.46			1,268.26
(iii) Interest accrued but not due					
- on Loans		28,977.91			23,795.80
- on Govt. Securities		-			5,281.92
- on loans to employees		209.22			203.38
(iv) Recoverable from SEB /Govt. Deptts.	197.45		197.45		-
Less: Provision for Bad & Doubtful Debt	180.20	17.25	180.20	17.25	
(v) Recoverable from GOI					
- RGGVY Expenses	230.09		-		
- Others	8.94	239.03	-		
<b>Total - (B)</b>	<b>31,235.87</b>				<b>30,566.61</b>
<b>II LOANS AND ADVANCES</b>					
A) Loans					
(i) Employees (Secured)		233.45			148.83
(ii) Employees (Unsecured)		155.63			240.64
B) Advances					
(Unsecured considered good)					
(i) Advances recoverable in cash or in kind or for value to be received		175.30			85.86
(ii) Advance Income-Tax & TDS		23,084.30			99,261.74
(iv) Income Tax recoverable (Bond)		0.29			0.29
<b>Total - (C)</b>		<b>23,648.97</b>			<b>99,737.36</b>
<b>Grand Total (A+B+C)</b>		<b>284,611.73</b>			<b>321,668.43</b>

## SCHEDULE '10' - CURRENT LIABILITIES AND PROVISIONS

(Rs. in Lacs)

	As at 31.03.2007		As at 31.03.2006	
<b>A) CURRENT LIABILITIES</b>				
(a) Creditors for Expenses				
- Dues of Small scale ind. undertakings		-		-
- Dues of creditors other than small scale ind. Undertakings		4,351.77		997.55
(b) Advance Receipts		1,356.99		396.56
(c) Other Liabilities		128.24		616.28
(d) Grant-in-Aid from Government of India	529,609.65		229,442.56	
Less : Disbursed to State Power Utilities/ Co-operative Societies	512,102.55	17,507.10	211,162.48	18,280.07
(e) Interest accrued but not due				
- on bonds	35,288.95		19,835.75	
- Government/ LIC Loans	12,255.03	47,543.98	18,408.37	38,244.11
(f) Unclaimed Interest & Principal On Bonds and Govt. Loans				
- Interest	488.89		298.50	
- Principal	69.96	558.85	300.00	598.50
<b>Total (A)</b>		<b>71,446.93</b>		<b>59,133.07</b>
<b>B) PROVISIONS</b>				
(a) Income Tax		21,613.44		98,167.71
(b) Post Retirement Health Scheme		1,350.27		774.57
(c) Leave Encashment		820.21		711.78
(d) Gratuity		49.70		98.76
(e) Provision for Incentive		1,011.75		523.00
(f) Wealth Tax		0.25		0.23
(g) Proposed Dividend		17,700.00		10,126.00
(h) Corporate Dividend Tax		3,008.12		1,420.17
<b>Total (B)</b>		<b>45,553.74</b>		<b>111,822.22</b>
<b>Total (A)+(B)</b>		<b>117,000.67</b>		<b>170,955.29</b>

## SCHEDULE '11' - OPERATING INCOME

(Rs. in Lacs)

		Year ended 31.03.2007		Year ended 31.03.2006
A. On Lending Operations				
Interest on Loans				
-Long term financing	221,452.39		176,629.14	
Less: Rebate for timely payments/completion etc	2,156.00	219,296.39	1,541.38	175,087.76
-Short term financing		35,825.94		18,410.31
B. Income on Reschedulement of Loans		8,777.30		12,168.24
		263,899.63		205,666.31
C. Processing fees, Upfront fees, Service charges etc		1,223.58		169.50
D. Swapping Premium		-		1,295.04
E. Prepayment Premium		46.34		-
<b>Total</b>		<b>265,169.55</b>		<b>207,130.85</b>

## SCHEDULE '12' - OTHER INCOME

(Rs. in Lacs)

		Year ended 31.03.2007		Year ended 31.03.2006
A. On Investment/Deposit Operations				
Interest on deposits	8,664.78		6,243.83	
Interest on Govt. Securities	9,997.92	18,662.70	10,752.48	16,996.31
B. Other Income				
Excess Provision written back				
-Income Tax	1305.28		-	
-Others	37.15	1342.43	291.66	291.66
Interest on staff advances		31.90		29.13
Profit on Sale of Investment in Venture Fund		106.45		-
Miscellaneous Income		82.35		58.29
Profit on sale of assets		3.76		-
Provision of Fall in Value of Investments in Venture Fund written back		0.79		-
<b>Total</b>		<b>20,230.38</b>		<b>17,375.40</b>

## SCHEDULE '13' - INTEREST AND OTHER CHARGES

(Rs. in Lacs)

	Year ended 31.03.2007	Year ended 31.03.2006
Interest on -		
- Govt. Loans	807.20	910.68
- REC Bonds	120,388.31	93,416.84
- Fin Insts.	49,510.10	39,387.52
- External Commercial Borrowings	19.85	-
	<b>170,725.46</b>	133,715.03
Interest on AREP Subsidy	201.45	198.00
Bond Guarantee Fee	3,162.50	47.22
<b>Total</b>	<b>174,089.41</b>	133,960.25

## SCHEDULE '14' - ESTABLISHMENT EXPENSES

(Rs. in Lacs)

	Year ended 31.03.2007	Year ended 31.03.2006
Salaries and Allowances	3,438.81	2,575.12
Contribution to Gratuity Fund	16.31	100.73
Post Retirement Medical expenses	575.70	774.57
Contribution to Provident and Other Funds	208.48	172.47
Staff Welfare expenses	680.72	575.26
Rent - Residential	61.55	52.28
<b>Total</b>	<b>4,981.57</b>	4,250.44

## SCHEDULE '15' - ADMINISTRATION EXPENSES

(Rs. in Lacs)

	Year ended 31.03.2007		Year ended 31.03.2006	
Rent- office		98.70		28.02
Rates and Taxes		24.96		34.49
Electricity and Water Charges		47.87		41.87
Insurance Charges		4.00		3.02
Repairs and Maintenance				
Building	168.66		160.79	
Others	<u>17.67</u>	186.33	<u>13.93</u>	174.72
Vehicles Maintenance		22.71		17.98
Printing and Stationary		46.83		42.80
Travelling and Conveyance				
- Directors	46.48		3.07	
- Others	<u>301.91</u>	348.39	<u>299.04</u>	302.11
Postage, Telegram and Telephone		74.13		67.12
Internet Charges		19.19		29.11
Publicity & Promotion Expenses		255.08		101.19
Legal & Professional Fees		40.05		47.43
Meetings & Conference Expenses		61.41		26.14
Entertainment		12.85		11.27
Expenses for RGGVY scheme implementation	301.02		342.96	
Less: Amount adjusted from Interest received on RGGVY Grant	<u>301.02</u>	-	<u>34.02</u>	308.94
Auditors' Remuneration		18.14		15.54
Security Services Charges		41.16		31.32
Miscellaneous Expenses		113.35		207.00
Research & Evaluation study		12.32		24.96
Consultancy Charges		6.07		4.09
Donations & Charity		1.50		-
Loss on Sale of Assets		-		0.30
<b>Total</b>		<b>1,435.04</b>		<b>1,519.40</b>

## SCHEDULE '16' - Bond/ Debt Instrument Issue Expenses

(Rs. in Lacs)

	Year ended 31.03.2007	Year ended 31.03.2006
Bonds Stamp Duty	6.01	20.03
Stock Listing Fees	7.72	8.09
Bonds Brokerage A/c	1,161.76	935.27
Bonds Handling Charges	202.37	653.39
Arrangement fee for ECB	632.48	-
Management Fees for Borrowings	113.36	-
Difference in Exchange Rates	182.68	-
Commitment Fees	40.70	-
International Credit Rating Fees	37.05	-
Agency Fees	4.88	-
<b>Total</b>	<b>2,389.01</b>	<b>1,616.77</b>

## SCHEDULE '17' - Prior period Adjustments

(Rs. in Lacs)

	Year ended 31.03.2007	Year ended 31.03.2006
Prior Period Income		
RGGVY Expenses Recoverable	308.94	-
Processing Fees	18.44	-
Interest	11.03	-
	<u>338.41</u>	<u>-</u>
Prior Period Expenses		
Travelling & Conveyance	0.81	0.13
Telephone Expenses	0.17	-
Salary & Allowances	0.97	0.90
Repair & Maintenance	1.51	0.32
Medical Reimbursement	0.85	-
Bonds Issue Expenses	-	3.26
Rates & Taxes	-	4.44
Electricity & Water	0.37	-
Misc. Expenses	2.05	6.39
	<u>6.73</u>	<u>15.44</u>
<b>Total</b>	<b>331.68</b>	<b>(15.44)</b>

## SCHEDULE NO. '18' - NOTES ON THE ACCOUNTS

## 1. Contingent Liabilities not provided for in respect of:

(Rs. in lacs)

	As at 31.3.2007	As at 31.3.2006
(a) Claims against the Corporation not acknowledged as debts, (including Rs 463.19 lacs pending in various courts, Previous year Rs. 2526.11 lacs)	1631.15	3694.51
(b) Estimated amount of the contracts remaining to be executed on capital account and not provided for	671.46	1847.00
(c) Others	NIL	910.00

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.650.91 lacs (Previous Year Rs.1747.91 lacs) committed for contribution towards units of 'Small is Beautiful' trust, a venture capital fund.

- 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.
- The Building of Central Institute for Rural Electrification at Hyderabad and Furniture & Fixtures at Scope Complex Office, New Delhi have been capitalized on provisional basis pending receipt / finalization 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.

- 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 731.98 lacs (Previous year Rs. 353.11 lacs) as on 31.03.2007 and the societies are pursued to create the required Special Fund.
- Balance confirmation has been received from some of the borrowers.
- 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 bondholders since such bonds are transferable by endorsement and delivery.
- The formalities regarding conveyance deeds, etc. in respect of some of the premises including Land acquired by the Corporation amounting to Rs 4192.83 lacs (Previous year Rs. 5754.23 lacs) are in the process of completion.
- Total overdues recoverable from the defaulting borrowers as on 31.03.2007 amount to Rs. 33960 lacs (Previous year Rs. 25715 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 some of the defaulting Societies, Court decrees have been issued and execution thereof is in progress. Further, even State Government guarantees have been invoked in respect of dues of some societies of M.P. and A.P. and such guarantees have not been repudiated.
- In terms of Accounting Policy No. 11.2, the balances in respect of Interest Warrants Accounts as on 31.03.2007 held in specified banks are Rs. 52754.39 lacs (Previous Year Rs. 27791.26 lacs).
- 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

realized during the ordinary course of business and all known liabilities have been provided.

11. 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.
12. Pending final approval of the pay scales of the officers by the Govt., the differential amount 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).
13. The company has no outstanding liability towards Micro, Small and Medium Enterprises
14. During the year the Corporation has earned Rs.1049.59 Lacs (Previous year Rs.236.77 Lacs) on account of swap transactions, which has been effected in the decrease in cost of Borrowings to that extent.
15. 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.
16. Directors' Remuneration:

(Rs. in lacs)

	Year ended 31.03.2007	Year ended 31.03.2006
Salaries and Allowances	32.51	22.67
Perquisites/reimbursement	17.56	7.15
Retirement Benefits	1.54	1.22
Total	51.61	31.04

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

17. Loans and Advances include Rs.1.90 lacs (Previous year Rs. 0.17 lacs) due from Directors of the Corporation, maximum amount outstanding during the year Rs. 2.62 lacs (Previous year Rs. 2.09 lacs).

18. Auditors' Remuneration includes:

(Rs. in lacs)

	Year ended 31.03.2007	Year ended 31.03.2006
a) Audit fees	8.78	7.61
b) Tax Audit fee	2.24	2.24
c) Reimbursement of expenses	2.10	1.47
d) Payments for other Services	5.01	4.22
<b>TOTAL</b>	<b>18.13</b>	<b>15.54</b>

19. a) During the financial year 2006-07, the Company has raised ECB in JPY equivalent to US \$ 200 million as a syndicated loan through Standard Chartered Bank, London & DEFPA Investment Bank, Cyprus. Tenor of loan is five years. Repayment is bullet after five years and interest payment is semi annual. Rate of interest is 6 month JPY Libor plus 48 bps with all in cost ceiling of 6 month JPY Libor plus 61.950bps. The full amount of loan has already been drawn during the year.
- b) The Company has entered into a loan agreement with KfW Germany for Euro 70 million at fixed interest rate of 3.73% for the purpose of conversion of LT lines to High Voltage Distribution Lines Projects to be implemented by the State Discoms. Tenor of the loan is 12 years including grace period of 3 years. No drawl has been done during the year 2006-07
- c) The Company has also entered into an ODA Loan from JBIC, Japan for JPY 20.63 Billion at a fixed interest rate of 0.75% p.a. for the purpose to improve the sub transmission system, reduce T&D losses and to expand access to electricity for un-electrified household and other rural loads. Tenor of the loan is 15 years with moratorium of 5 years. No drawl has been done during the year 2006-07

20. Expenditure in Foreign Currency:

(Rs. in Lacs)

	As at 31.03.2007	As at 31.03.2006
Royalty, Know-how, professional, consultation fees	Nil	Nil
Interest	17.77	Nil
Finance Charges	746.61	Nil
Others	10.13	4.82
	774.51	4.82

All other information required under Para 4 (c) and Para 4 (d) of Part II of the Schedule VI of the Companies Act, 1956 are either Nil or not applicable.

21. Information in relation to the interest of the Company in Joint Venture as required under Accounting Standard – 27 issued by ICAI:

Investment includes Rs. 1599.09 Lacs (P.Year Rs. 502.00 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 Venture Ltd.	Rs.1599.09. Lacs	India	12.95%

22. The Company has floated a shell company under the name of REC Transmission Projects Company Ltd. As no separate accounts relating to this company have been prepared in view of the provision of Section 212 of the Companies Act, 1956 no consolidated accounts including subsidiary account with the Corporation is prepared. Expenditure incurred for this company amounting Rs. 0.67 Lacs has been shown under the Advances head.

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.16

Advance due from whole time Directors including Chairman & Managing Directors is disclosed in Note No. 17.

B. Other Related Parties with whom transaction exist

Joint Ventures/ Subsidiary Companies

- Small is Beautiful, Venture Capital Fund
- REC Transmission Projects Co. Ltd.

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.

25. Subsidy Under Accelerated Generation & Supply Programme (AG&SP): -

The Corporation is maintaining a Interest Subsidy Fund Account and is claiming subsidy from Govt. of India at net present value calculated at indicative rates in accordance with GOI's letter vide D.O.No. 32024/17/97-PFC dated 23.09.1997 and O.M.No.32024/23/2001-PFC dated 07.03.03 irrespective of the actual repayment schedule, moratorium period and duration of repayment. The impact of difference between the indicative rate and period considered at the time of drawl and the actual can be ascertained only after the end of the respective schemes.

The amount of Rs 6366.56.. Lacs appearing in interest subsidy fund represents the amount of subsidy received from Ministry of Power, Govt of India which is to be passed on the borrowers against their interest liability arising in future under Accelerated Generation & Supply Program (AG&SP) which comprise of the following: -

Opening balance of interest Subsidy as on 01.04.06	6646.76 Lacs.
Add: - Received for F.Y. 2006-07	6.43 Lacs.
- Interest Credited during the year	160.66 Lacs
Less: - Interest subsidy passed on to borrowers	447.29Lacs
Closing balance as on 31.03.07	6366.56 Lacs.

26. Disclosure in respect of Intangible Assets as required in AS-26 "Intangible Assets":

i) Amortization Rate	20%; 100% in case of cost of asset is Rs 5,000 or less	
ii) Amortization Method	Straight Line	
<b>(Rs. in Lacs)</b>		
<b>Reconciliation Statement</b>	<b>As at 31.03.2007</b>	<b>As at 31.03.2006</b>
iii) Gross Carrying Amount	3.54	1.83
iv) Accumulated depreciation	1.30	0.88
v) Gross carrying amount Opening Balance.	1.83	1.83
Less: - Accumulated Depreciation	0.89	0.54
Carrying amount	0.94	1.29
Additions during the year	1.71	—
Less: Amortization during the year	0.41	0.34
Carrying amount as on Balance sheet Date	2.24	0.95

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. 11,634.09 Lacs as deferred tax liability

Major components of deferred tax liability as on 31.03.2007 are given as under:

Particulars	(Rs in Lacs)	
	As at 31.03.2007	As at 31.03.2006
<b>Deferred Tax Assets</b>		
Provision for VRS Expenditure	3.86	115.94
Provision for Leave Encashment	208.89	170.37
Provision for Post Retirement	458.96	260.72
Medical Benefits		
Provision for fall in investments	17.06	17.16
Provision for other expenses	1039.13	1251.64
	1727.90	1815.83
<b>Deferred Tax Liabilities</b>		
Depreciation	301.37	273.63
Special Reserve u/s 36(1)(VIII)	11513.45	-
Net Deferred Tax Assets/ (Liabilities)	(10086.92)	1542.20
Less : Deferred Tax Asset as On 31/03/2006	1542.20	
Net Liability charged in P&L for the year 06-07	(11629.12)	

b) During this year deferred tax liability has been created on the amount transferred to special reserve under section 36(1)(VIII) of the Income Tax Act 1961. The deferred tax liability of Rs. 190.63 Crores on this account relates to the period up to the Financial Year 2000-01, which has been transferred from General Reserve as per AS-22 issued by the Institute of Chartered Accountants of India. The deferred tax liability from the Financial Year 2001-02 to 2005-06 amounting to Rs. 448.17 Crores has been routed through Profit & Loss account as 'earlier years deferred

tax liability' and the same is transferred from General Reserve to Profit & Loss Account.

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 31.03.2007	As at 31.03.2006
<b>Numerator</b>		
Profit after Tax as per Profit	66026.09	63751.07
<b>Denominator</b>		
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)	8.46	8.17

29. The Company has provided Tax Liability according to the provisions of Income Tax Act based on the advice of Tax Consultant.

30. Subsequent to settlement of liabilities of REC between MPSEB and CSEB on bifurcation of erstwhile Madhya Pradesh, there is a legal dispute between them regarding sharing of dues, as a result of which, CSEB has been claiming refund of Rs. 160 Cr. plus interest which if accrues, shall be payable by MPSEB to CSEB.

31. As per the reschedulment package, BSEB had agreed to pay Rs.267.04 Crores against the balance dues of Rs.301.78 Crores as on 31.03.02, payable in monthly installments over a period of 12 years including moratorium period of 5 years in respect of principal amount. Accordingly overdue interest of Rs.87.77 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.

32. Some of the erstwhile State Electricity Boards (SEBs) against whom loans were outstanding or on whose behalf guarantees were given, were restructured by the respective State Governments and new entities were formed. Consequently, the liabilities of the erstwhile SEBs stand transferred to new entities and transfer agreements are to be executed amongst the Corporation, New

Entities and the State Government. Pending completion of legal and other formalities, such agreements are yet to be executed in case of loans disbursed to APTRANSCO and KPTCL, and Loans amounting to Rs.2816.39Cr. and Rs.769.79 Cr. are outstanding as on 31/03/2007 in the names of APTRANSCO and KPTCL respectively, and also being serviced by them.

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

Rs. In Lacs

	FY 06-07	FY 05-06
(a) Post Retirement Health Scheme		
Opening Balance	774.57	–
Addition during the year	633.25	774.57
Amounts paid/utilized during the year	57.55	–
Closing Balance	<b>1350.27</b>	<b>774.57</b>
(b) Leave Encashment	FY 06-07	FY 05-06
Opening Balance	711.78	598.99
Addition during the year	159.23	975.41
Amounts paid/utilized during the year	50.80	862.62
Closing Balance	<b>820.21</b>	<b>711.78</b>
(c) Gratuity		
Opening Balance	98.76	312.91
Addition during the year	–	98.76
Amounts paid/withdrawn during the year	49.06	312.91
Closing Balance	<b>49.70</b>	<b>98.76</b>
(d) Incentive/Exgratia		
Opening Balance	523.00	–
Addition during the year	1011.75	523.00
Amounts paid/utilized during the year	523.00	–
Closing Balance	<b>1011.75</b>	<b>523.00</b>

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

35. Schedules 1 to 18 form an integral part of the Balance Sheet and Profit & Loss Account and have been duly authenticated.

**36. 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	2007
	Date	Month	Year
<b>Amount (Rs. in lacs)</b>			
2. CAPITAL RAISED DURING THE YEAR		NIL	
3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS			
Total Liabilities	3503338.01	Total Assets	3503338.01
SOURCES OF FUNDS			
Paid up Capital	78060.00	Reserves and Surplus	323211.09
Secured Loans	2653397.19	Unsecured Loans	374702.94
Deferred Tax Liability	73966.79		
APPLICATIONS OF FUNDS:			
Net Fixed Assets (Incl. Capital WIP)	6362.97	Investments	119453.88
Net Current Assets	167611.06	Loans	3209910.10
Accumulated Losses	NIL	Misc. Expenditure	NIL
4. PERFORMANCE OF COMPANY			
Turnover	285399.93	Total Expenditure	184780.69
Profit before Tax	100619.24	Profit after Tax	66026.09
EPS in Rs. (On a share of Rs. 10/-)	8.46	Dividend Rate	22.67%
5. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY			
Item Code No.	N.A.	Financial Services Signatures to all Schedules 1 to 18	

Signatures to the schedules forming part of the Balance Sheet and Profit and Loss and to the above notes.

B.R.Raghuandan  
Company Secretary

H.D.Khunteta  
Director (Finance)

A.K. Lakhina  
Chairman and Managing Director

In terms of our Report of even date  
For G.S. Mathur & Co.,  
Chartered Accountants  
**(Rajiv Wadhawan)**  
Partner  
Membership No.91007

Place: New Delhi  
Dated: 30.5.2007



## SIGNIFICANT ACCOUNTING POLICIES

### 1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

- (a) **Accounting Convention:** - The financial statements are prepared under the historical cost convention on accrual basis 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 not withstanding 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 5<sup>th</sup> 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 Vidyutikaran 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.

#### **17. TRANSACTION IN FOREIGN CURRENCY**

- 17.1. Foreign Currency transactions are initially recorded at the exchange rate prevailing on the date of transaction. Foreign Currency loans/liabilities are translated/ converted with reference to the rates of exchange ruling at year end.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2007

(Rs. in Lakh)

Particulars	Year Ended 31.03.2007		Year Ended 31.03.2006	
<b>A. Cash Flow from Operating Activities:</b>				
Net Profit before Tax and Extraordinary Items:	100619.24		79716.29	
Adjustment for:				
1. Profit / Loss on Sale of Fixed Assets	(3.76)		0.30	
2. Depreciation	112.89		109.92	
3. Provision for fall in value of investments	(0.79)		51.00	
4. Provision for bad & doubtful debts	2104.45		-	
5. Excess Provision written back - Income Tax	(1305.28)		-	
6. Profit on Sale of Investment in Units of "Small is Beautiful Fund"	(106.45)		-	
Operating profit before working Capital Charges:	101420.30		79877.51	
Increase / Decrease :				
1. Loans	(679453.62)		(364120.19)	
2. Other Current Assets	(669.26)		(1067.37)	
3. Other Loans & Advance	(89.05)		95.67	
4. Current Liabilities	14210.89		(7343.27)	
Cash outflow from Operations	(564580.74)		(292557.66)	
1. Advance Income Tax Paid	(21968.38)		(20016.72)	
2. Wealth Tax paid	(0.23)		(0.32)	
3. Fringe Benefit Tax Paid	(67.18)		(75.28)	
Net Cash used in Operating Activities		<b>(586616.53)</b>		<b>(312649.99)</b>
<b>B. Cash Flow from Investing Activities</b>				
1. Sale of Fixed Asset	16.59		0.50	
2. Purchase of Fixed Assets (Incl. Advance paid for Capital exp.)	(49.58)		(3994.76)	
3. Redemption of 8% Government of Madhya Pradesh Power Bonds-II	14148.00		9432.00	
4. Investments in units of "Small is Beautiful Fund"	(1553.09)		(259.72)	
5. Sale of Investment in Units of "Small is Beautiful Fund"	562.54		0.00	
6. Investments in Shares of Subsidiary Co. "REC Transmission Project Co. Ltd."	(5.00)		0.00	
Net Cash Inflow from Investing Activities		<b>13119.46</b>		<b>5178.01</b>
<b>C. Cash Flow from Financial Activities</b>				
1. Issue of Bonds	872091.18		718911.13	
2. Redemption of Bonds	(386652.81)		(403777.46)	
3. Raising of Term Loans/STL from Banks/FIs	119980.00		209000.00	
4. Repayment of Term loans/STL from Banks/FIs	(66500.00)		(56000.00)	
5. Raising of External Commercial Borrowings (ECB)	87209.00		0.00	
6. Grants received from GOI	300167.09		115729.83	
7. Disbursement of grants	(300940.07)		(101165.43)	
8. Repayment of Govt. loan	(1948.72)		(2019.40)	
9. Dividend paid	(10126.00)		(26650.00)	
10. Corporate Dividend Tax paid	(1420.17)		(3737.66)	
Net Cash inflow from Financing Activities		<b>611859.50</b>		<b>450291.00</b>
<b>Net Increase in Cash &amp; Cash Equivalents</b>		<b>38362.43</b>		<b>142819.03</b>
Cash & Cash Equivalents as at 1st April, 2006		<b>191364.46</b>		<b>48545.43</b>
Cash & Cash Equivalents as at 31st March, 2007		<b>229726.89</b>		<b>191364.46</b>
<b>Net Increase in Cash &amp; Cash Equivalents</b>		<b>38362.43</b>		<b>142819.03</b>

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

Rajiv Wadhawan  
Partner  
M.No. 91007.

B.R. Raghunandan  
Comany Secretary

H.D. Khunteta  
Director (Finance)

A.K. Lakhina  
Chairman & Managing Director

Place: New Delhi  
Date: 30.5.2007

**ANNEXURE TO BE ENCLOSED WITH BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2007  
(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 Lakh)

Particulars	Amount Outstanding	Amount Overdue	
<b>LIABILITY SIDE:</b>			
Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:			
(a) Debentures/Bonds :			
(i) Secured	2,088,697.19	-	
(ii) Unsecured	59,965.50	-	
(b) Foreign Currency Syndicated Loan from Banks	87,209.00		
(c) Term Loan from Govt. of India	10,048.44	-	
(d) Term Loan from Financial Institution	350,000.00	-	
(e) Term Loan from Banks	379,680.00	-	
(f) Overdrafts from Bank	10,000.00	-	
(g) Cash Credit from Banks	30,000.00	-	
<b>ASSET SIDE :</b>			
Break-up of Loans and Advances including bills receivable			
(a) Secured	1,143,660.20		
(b) Unsecured	2,066,249.90		
<b>Borrower Group-wise classification of all leased assets,stock-on-hire and loans and advances :</b>			
<b>AMOUNT NET OF PROVISIONS</b>			
<b>Category</b>	<b>Secured</b>	<b>Unsecured</b>	<b>Total</b>
<b>1. Related Parties</b>	-	-	-
(a) Subsidiaries	-	-	-
(b) Companies in the same Group	-	-	-
(c) Other related Parties			
<b>2. Other than Related Parties</b>	1,143,660.20	2,066,249.90	3,209,910.10
<b>Total</b>	1,143,660.20	2,066,249.90	3,209,910.10
<b>Other Information</b>			
<b>Particulars</b>			<b>Amount</b>
(i) Gross Non-Performing Assets			
(a) Related Parties			-
(b) Other than related Parties			61,971.20
(ii) Net Non-Performing Assets			
(a) Related Parties			-
(b) Other than related Parties			57,796.25
(iii) Asset acquired in satisfaction of debts			-

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

For and on behalf of the Board

Rajiv Wadhawan  
Partner  
M.No. 91007.

B.R. Raghunandan  
Comany Secretary

H.D. Khunteta  
Director (Finance)

A.K. Lakhina  
Chairman & Managing Director

Place: New Delhi  
Date: 30.5.2007



# 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 31<sup>st</sup> March 2007 and also the Profit & Loss Account and the Cash Flow Statement for the year ended 31<sup>st</sup> March 2007 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. Raising of amounts by way of issue of bonds amounting to Rs.14168.17 Crore, partly secured against assets valuing Rs.38.50 Lacs, thus resulting in raising of Public Deposits without appropriate approval / registration with RBI and is also not in accordance to the requirements of trustee to the Bonds holder as intimated vide their recent letter dated 06<sup>th</sup> March 2007.



- 4.2. Attention is invited to the following Notes in Schedule 18: -
- 4.2.1 Note No. 7 regarding non-registration of certain Properties amounting to Rs. 6172.83 Lacs (P. Year 5754.23 Lacs) included under the head Land-Freehold & Buildings in the name of company.
- 4.2.2 Note No. 8 regarding overdue loans to certain RE Cooperative societies.
- 4.2.3 Note No.12 regarding non-approval of Pay Scales of the officer by the Government.
- 4.2.4 Note No. 25 regarding interest Subsidy received under AG&SP Scheme & the non-ascertainment of difference between indicative and actual rates.
- 4.2.5 Note No. 31 regarding recognition of income in terms of Accounting Policy No. 2.7
5. Further to our comments in the Paragraph 4.1 & 4.2 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-CL.V 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 31<sup>st</sup> March 2007.
    - 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

**(Rajiv Wadhawan)**  
Partner  
Membership No.91007.

Place: New Delhi  
Dated: 30.05.2007

**Disclaimer:**

"The Company is proposing, subject to market conditions and other considerations, a public issue of its equity shares and has filed a Draft Red Herring Prospectus with SEBI. The Draft Red Herring Prospectus is available on the website of SEBI at [www.sebi.gov.in](http://www.sebi.gov.in) and the respective websites of the BRLMs at [www.investmart.in](http://www.investmart.in), [www.icicisecurities.com](http://www.icicisecurities.com) and [www.sbics.com](http://www.sbics.com). Investors should note that investment in equity shares involves a high degree of risk and for details relating to the same, see the section titled "Risk Factors" of the aforementioned Draft Red Herring Prospectus."

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The Company is having a valid certificate of registration dated February 10, 1998 issued by the RBI under Section 45 IA of the RBI Act. However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the Company or for the correctness of any of the statements or representations made or opinions expressed by the Company and for repayment of deposits/discharge of liabilities by the Company.

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## 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, 2007)

1. In respect of its Fixed Assets: -
  - (a) The Company has maintained fixed assets records for the year under review
  - (b) The fixed assets of the company have been physically verified by the management during the year ending 31st March 2007; *however no reconciliation were carried out. In the absence of such reconciliation, we are unable to comment upon discrepancies if any.*
  - (c) Substantial parts 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 controls in certain areas are commensurate with the size of the company & the nature of its business. *However in certain areas internal control needs further strengthening like financial accounting; Loan pricing being linked to rating linked policy; Review of T&D lending norms prescribing appropriate debt equity ratios; adoption of control records regarding status of loan documents; Receipt, disbursement & utilization of grants received under various schemes; monitoring of loans given to various SEBs/DISCOMS/TRANSCOS/GENCOS including obtaining search reports for charges created against the loans given.*
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 into 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: -  
*Company has issued bonds which are partly unsecured and are covered under the definition of public deposits thus attracting the provisions of Non Banking Financial Companies Acceptance of Deposit (Reserve Bank) Direction 1998 read with section 45-1 (bb) of the Reserve Bank of India Act 1934.* As explained to us, company has made an application to Reserve Bank of India through Ministry of Power to change the status of REC as Deposit Accepting NBFC from Deposit non-accepting NBFC.
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. Internal Audit has been conducted as per approved plan and there is considerable improvement as compared to earlier years, *Internal Audit needs to be further strengthened with identification of critical areas for risk based audit in view of growth in the business of the company 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) Non-deduction & consequently non-deposit of TDS on interest accrued in respect of certain Bonds, which are transferable by way of endorsement & delivery.
    - (ii) Service Tax on banking & financial services amounting to Rs. 87.25 Lacs (Since deposited).
  - (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

- 31.03.2007 for a period of more than six months from the date they became payable
- (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. 14168.17 Crores.*
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

**(Rajiv Wadhawan)**  
Partner  
Membership No. 91007.

Place: New Delhi  
Dated: 30.05.2007

## NON-BANKING FINANCIAL COMPANIES AUDITORS' REPORT

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

Dear Sir,

As required by the Non-Banking Financial Companies Auditors' 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 certain of Reserve Funds and the directions relating to acceptance of public deposits and prudential norms.
3. The Corporation accepted public deposits *without obtaining permission from Reserve Bank of India* during the year 2006-07. However the Board of Directors of the Corporation has passed Resolution for acceptance of Public Deposit in 299<sup>th</sup> Board meeting held on 23.02.06 to convert the company from NBFC not accepting public deposits to an NBFC accepting Public Deposits and accordingly made necessary application to RBI through Ministry of Power for obtaining permission thereof, is pending with the Ministry.
4. For the Financial year ended 31.03.2007 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 auditors Report and Annexure thereto.*

For **G.S. MATHUR & CO.**  
Chartered Accountants

**(Rajiv Wadhawan)**

Partner

Membership No.91007.

Place: New Delhi  
Dated: 30.05.2007



## ADDENDUM TO DIRECTORS' REPORT

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

S.No.	Auditors Observations	Management's Reply
4.1	Raising of amounts by way of issue of bonds amounting to Rs.14168.17 crore, partly secured against assets valuing Rs.38.50 lacs, thus resulting in raising of public deposits without appropriate approval/registration with RBI and is also not in accordance to the requirements of trustee to the bonds holder as intimated vide their recent letter dated 06 <sup>th</sup> March 2007.	The Company has made an application to Ministry of Power for taking up with RBI for change of Registration from Non Deposit accepting NBFC to Deposit accepting NBFC
1(B)	Annexure to the auditors Report The fixed assets of the company have been physically verified by the management during the year ending 31 <sup>st</sup> March 2007; however no reconciliation were carried out. In the absence of such reconciliation, we are unable to comment upon discrepancies if any.	The significant value of Fixed Assets (over 80%) is in the nature of Land & Building, which are identifiable and no discrepancies are to be reconciled. The reconciliation of the balance assets like Offices Equipment & Furniture Fixtures will be carried out.
4	Internal controls in certain areas are commensurate with the size of the company and the nature of its business. However in certain areas internal control needs further strengthening like financial accounting; loan pricing being linked to rating linked policy; Review of T&D lending norms prescribing appropriate debt equity ratios; adoption of control records regarding status of loan documents; Receipt, disbursement & utilization of grants received under various schemes; monitoring of loans given to various SEBs/DISCOMS/TRANSCOS/GENCOS including obtaining search reports for charges created against the loans given.	The company is in the process of implementation of ERP application and necessary control mechanism are being developed in the system T&D appraisal norms have been adopted in the current year and appraisal norms for Generation Project are in the process of finalization.
7	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 and there is considerable improvement as compared to earlier years. Internal Audit needs to be further strengthened with identification of critical areas for risk-based audit in view of growth in the business of the company and coverage of deficiencies in accounting.	The effective steps are being taken for identification of critical areas for risk-based audit to match with the growth of the business and need of the company.
9(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)Non-deduction & consequently non- deposit of TDS on interest accrued in respect of certain Bonds, which are transferable by way of endorsement & delivery.(ii) Service tax on banking & financial service amounting to Rs. 87.25 lacs (Since deposited).	(i) This is in accordance with general business practice and decision of ITAT Mumbai in similar case.  (ii) Since deposited.

For and On Behalf of the Board of Directors

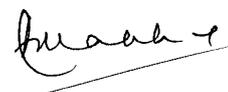


(A.K.Lakhina)  
Chairman & Managing Director

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 31<sup>st</sup> March 2007

S.No.	Auditors Observations	Management's Reply
1.	<p><b>Administrative expenditure (Schedule 15): Rs.1435.04 lakh</b></p> <p>The company being a nodal agency for implementation of Rajiv Gandhi Grameen Vidyutikaran Yojana (scheme) receives funds and disburses funds to states/State Electricity Boards.</p> <p>The company has set off administrative expenditure incurred by it on the scheme against the interest earned on funds received there under and the excess expenditure has been shown as recoverable from the Government of India without approval of the Government. This has resulted in understatement of expenditure by Rs. 6.44 crore, understatement of grant by Rs. 4.14 crore and overstatement of expenses recoverable from the Government of India by Rs. 2.30 crore.</p>	<p>In accordance with clause 12 of OM No. 44/19 2004-D (RE) dated 18<sup>th</sup> March 2005 of Ministry of Power Govt. of India up to one per cent of the total subsidy under the scheme would be used for associated works/ efforts of the programme including for administration expenses.</p> <p>Accordingly, the set off of expenditure is justifiable and correct. However, the Ministry of Power has been approached to convey the approval and decision is awaited therefrom. Necessary action will be taken in accordance with decision of Ministry of Power.</p>
2.	<p><b>Profit after tax: Rs. 66026.09 lakh</b></p> <p>Deferred tax liability of Rs. 448.17 crore for the amounts transferred to Special Reserve during the period April 2001 to March 2006 has been created from the General Reserve instead of charging the same from the Profit. This has resulted in understatement of General Reserve and overstatement of profit after tax by Rs.448.17 crore.</p>	<p>Company is of the view that accounting treatment is correct and Accounting standard 22 on 'Deferred tax on income' issued by ICAI has been complied with.</p>
C3	<p><b>Comments on Auditors Report</b></p> <p>Para 4.2 of the Auditors Report only refers to some notes to the Accounts of the company and does not express his agreement or disagreement with them.</p>	<p>No comments</p>
4	<p>A reference is invited to Para 4.2.1 of the Auditors Report where in the value of non-registered properties has been mentioned as Rs.6172.83lakh whereas Note no.7 to the accounts indicates the same as Rs.4192.83 lakh.</p>	<p>The amount of Rs 4192.83 lakh as referred in Notes to Accounts is correct.</p>

For and On Behalf of the Board of Directors



(A.K.Lakhina)

Chairman & Managing Director

## IMPLEMENTATION OF RIGHT TO INFORMATION ACT 2005 IN REC

In keeping with the spirit of transparency under Right To Information Act 2005, REC has redesigned its website 'www.recindia.nic.in' where vast information on operations of the Corporation has been published. The website also has a portal on R.T.I. which contains information on all the 17 items

as required under Clause 1(b) of RTI Act, 2005. An independent RTI Cell in the Corporation ensures compliance of the provisions of the RTI Act and coordinates and provides information to the applicants. Besides the RTI Cell, the following RTI Machinery has been created in the Corporation:-

### RTI MACHINERY IN REC

#### (1) CORPORATE OFFICE:

(A) Departmental Appellate Authority Shri Rama Raman, Executive Director (T&D)	(B) Public Information Officer Shri B.R.Raghunandan, General Manager (Law) & Company Secretary	(C) Asstt. Public Information Officer Shri A.K. Arora, Chief Manager (RTI/P&C)
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#### (2) REC ZONAL/PROJECT OFFICES - Asstt. Public Information Officers

Sl. No.	Name & Designation S/Shri	Zonal/ Project Office
1.	Ramesh Kode Chief Project Manager	Hyderabad
2.	G.C. Barthakur Chief Project Manager	Guwahati
3.	Fuzail Ahmed Chief Project Manager	Patna
4.	G.S. Bhati Chief Project Manager	Vadodara
5.	V.K. Sharma Chief Project Manager	Panchkula
6.	V.K. Sharma Chief Project Manager	Shimla
7.	H.S. Kala Chief Project Manager	Jammu
8.	R. Anbalagan Chief Project Manager	Bangalore
9.	U.V. Raghavan Chief Project Manager	Thiruvananthapuram

Sl. No.	Name & Designation S/Shri	Zonal/ Project Office
10.	T.S.C. Bosh Zonal Manager	Jabalpur
11.	R.K. Arora Zonal Manager	Mumbai
12.	Mr. S. Aich Chief Project Manager	Shillong
13.	S. Ahmed Chief Project Manager	Bhubaneswar
14.	A. Veluchami Chief Project Manager	Chennai
15.	Sunil Kumar Zonal Manager	Lucknow
16.	Harsh Baweja Chief Project Manager	Jaipur
17.	S. Ghosh Dastidar Zonal Manager	Kolkata

### STATUS OF RTI APPLICATIONS RECEIVED IN REC

From 1.4.06 to 1.11.2007

	PARTICULARS	Appl. Recd	Information furnished
I.	TOTAL RTI APPLICATIONS RECEIVED	83	82*
	i) On Personnel Matters	40	39*
	ii) On administrative matters	15	15
	iii) On Bonds/Finance	12	12
	iv) On RGGVY/T&D/GENERATION	16	16
II.	Appeals filed with Appellate Authority	14	14
III.	Appeals filed in C.I.C.	Nil	Nil

\* One application received on 31.10.07 under process



# Management Team



**Shri Arun Kumar**  
Chief Vigilance Officer



**Dr. Dolly Chakrabarty**  
Executive Director  
(CP/BD/IA/IC&D)



**Shri K. Vidyasagar**  
Executive Director  
(RGGVY)



**Shri Rama Raman**  
Executive Director  
(T&D)



**Shri Vinod Behari**  
Executive Director  
(HR)



**Shri S.K. Agarwal**  
Executive Director  
(Finance)



**Shri V.K. Arora**  
General Manager  
(Finance)



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



**Shri A.B.L. Srivastava**  
General Manager  
(Finance/IPO)



**Shri Guljeet Kapur**  
General Manager  
(T & D)



**Shri P.J. Thakkar**  
General Manager  
(RGGVY)



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



**Shri Vijay Kumar Lakhanpal**  
General Manager  
(Economic Research)



**Shri Jogendra Singh**  
General Manager  
(Quality Control)



**Shri Subodh Garg**  
General Manager  
(DDG)



**Shri D.S. Ahluwalia**  
General Manager  
(Finance)



**Shri Ajeet Kumar Agarwal**  
General Manager  
(Finance)



**Shri Ashok Awasthi**  
General Manager  
(IC & D/CP/BD)



**Shri Sanjiv Garg**  
General Manager  
(Generation)



**Shri Sunil Kumar**  
Zonal Manager  
(East Central Zone)



**Shri J. Kalyan Chakraborty**  
Zonal Manager  
(Southern Zone)



**Shri Rakesh Arora**  
Zonal Manager  
(Western Zone)



**Shri T.S.C. Bosh**  
Zonal Manager  
(Central Zone)



**Shri G.S. Dastidar**  
Zonal Manager  
(Eastern Zone)



## ADDRESSES OF REC OFFICES

Sl. No.	State/Union	Address	Telephone numbers	Telegraphic address & Fax Numbers
1	2	3	4	5
	<b>Corporate office</b>	Core- 4, SCOPE Complex, 7 Lodhi Road New Delhi-110003	24365161	RECTRIC Fax: 011-24360644 E-mail : reccorp@recl.nic.in
	<b>Zonal Offices</b>			
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.	<b>Southern Zone Hyderabad</b> 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.	<b>Eastern Zone Kolkata</b> West Bengal, North-Eastern States, Andaman & Nicobar Islands, Sikkim and Jharkhand	ICMARD Building, 7th Floor, Block 14/2, CIT Scheme-VII (M), Ultadanga, Kolkata-700067	23341652 23341646	PORECTRIC Fax : 033-23344923 E-mail : recpokol@vsnl.net
3.	<b>East Central Zone Lucknow</b> 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.	<b>Western Zone Mumbai</b> 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.	<b>Northern Zone New Delhi</b> 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.	<b>Central Zone Jabalpur</b> 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
<b>Project Office</b>				
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 4621148 (R)	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	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
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

Sl. No.	State/Union	Address	Telephone numbers	Telegraphic address & Fax Numbers
1	2	3	4	5
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	2536649 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 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	REPO Fax: 0522-2716815 E-mail : recuppo@yahoo.co.in
17.	West Bengal, Tripura, Sikkim, A & N Islands	ICMARD Building, 7th Floor, Block 14/2, CIT Scheme-VII (M), Ultadanga, Kolkata-700067	23341652 23341646	PORECTRIC Fax : 033-23344923 E-mail : recpokol@vsnl.net
<b>Training Centre</b>				
	Central Institute for Rural Electrification (CIRE)	Shivrampally, Post NPA, Near Aramghar, National Highway No. 7 Hyderabad-500052	24017252 (H) 24018583 24015901	CIRECTRIC Fax : 040-24015896 E-mail : cire@sancharnet.in
<b>Sub Office</b>				
	Bihar	A-101 & D-104, Om Shree Enclave Near Loyola School, Airport Road, HINOO, Ranchi-834002	0651-2481372 9431815522	E-mail : v2vltld2003@sify.com rec_ranchi@yahoo.com



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Core-4, SCOPE Complex, 7 Lodi Road, New Delhi-110 003,

Tel. : 24365161, Fax: 24360644, E-mail: [reccorp@recl.nic.in](mailto:reccorp@recl.nic.in). Website: [www.recindia.nic.in](http://www.recindia.nic.in)