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ANNUAL REPORT 2008 - 09



आरईसी
REC

असीमित ऊर्जा, अनन्त संभावनाएं
Endless energy. Infinite possibilities.

Company Information

CORPORATE OFFICE

Shri P. Uma Shankar
Chairman & Managing
Director

Shri H.D. Khunteta
Director (Finance)

Shri Guljit Kapur
Director (Technical)

Shri Rajesh Verma
Chief Vigilance Officer

Shri Rama Raman
Executive Director
(T&D/Admn)

Shri Vinod Behari
Executive Director
(HR)

Shri B.P. Yadav
Executive Director
(IA / IT)

Shri Kamal Dayani
Executive Director
(RGGVY)

Shri V.K. Arora
General Manager
(Finance)

Shri B.R. Raghunandan
General Manager &
Company Secretary

Shri P.J. Thakkar
General Manager
(RGGVY)

Shri Subodh Garg
General Manager
(DDG/HR)

Shri D.S. Ahluwalia
General Manager
(Finance)

Shri Ajeet Kumar Agarwal
General Manager
(Finance)

Shri Ashok Awasthi
General Manager
(IC & D/CP/BD/P&C/Admn.)

Shri Sanjiv Garg
General Manager
(Generation)

Shri Sunil Kumar
General Manager
(RGGVY)

Shri S.N. Gaikwad
General Manager
(Generation)

Shri R.K. Mittal
General Manager
(Law)

ZONAL OFFICES

Western Zone, Mumbai
Shri Rakesh Arora
Zonal Manager

Central Zone, Jabalpur
Shri Dinesh Kumar
Zonal Manager

Northern Zone, Panchkula
Shri V.K. Sharma
Zonal Manager

Eastern Zone, Kolkata
Shri S. Ghosh Dastidar
Zonal Manager

East Central Zone, Lucknow
Shri K.D. Chaudhary
Zonal Manager

Southern Zone, Hyderabad
Ramesh Kode
Zonal Manager

REGISTERED OFFICE

Core-4 SCOPE Complex, 7, Lodhi Road, New Delhi-110003
Tel: 91 11 24365161, Fax: 91 11 24360644, E-mail: reccorp@recl.nic.in
Website: www.karvy.com

COMPANY SECRETARY

Shri B.R. Raghunandan

REGISTRAR & SHARE TRANSFER AGENT

Karvy Computershare Private Limited
Plot 17 to 24, Vittalrao Nagar, Madhapur, Hyderabad - 500081, India, Tel: 91 40 23420815-824
Fax: 91 40 23420814, E-mail: einward.ris@karvy.com, Website: www.karvy.com

SHARES LISTED AT

National Stock Exchange of India Limited Bombay Stock Exchange Limited

DEPOSITORIES

National Securities Depository Limited Central Depository Services (India) Limited

STATUTORY AUDITORS

G.S. Mathur & Co.
Chartered Accountants

BANKERS

Reserve Bank of India
State Bank of India
State Bank of Hyderabad
Vijaya Bank
Dena Bank

Corporation Bank
HDFC Bank
ICICI Bank
IDBI Bank
Syndicate Bank

Bank of India
Standard Chartered Bank
Axis Bank
Kotak Mahindra Bank
Union Bank of India

SUBSIDIARY COMPANIES OF REC

REC Transmission Projects Company Limited
REC Power Distribution Company Limited
North Karanpura Transmission Company Limited
Talcher II Transmission Company Limited

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PERFORMANCE HIGHLIGHTS

CONSISTENT GROWTH OVER 10 YEARS

Particulars	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
RESOURCES										
(at the end of the year)										
Equity Capital (Rs. Lacs)	85866	85866	78060	78060	78060	78060	78060	78060	73060	68060
BORROWINGS (Rs. Lacs)										
From Govt. of India	6474	8192	10048	11997	14017	118336	220341	480947	566779	559894
By issue of bonds	3263148	2408962	2248372	1675724	1360591	1197511	1049404	671927	372068	277573
From LIC	335000	350000	350000	350000	350000	150000	—	—	—	—
Foreign currency borrowings	149368	104845	87209	—	—	—	—	—	—	—
Commercial Papers	129500	-	-	-	-	-	-	-	-	-
Other Banks	610105	556280	332471	366200	213200	44000	20000	21000	—	—
Reserves & Surplus (Net)	533142	450904	323211	341773	299830	248377	208105	168570	141769	121105
FINANCING OPERATIONS										
(During the year) (Rs. Lacs)										
Number of projects approved	506	881	748	661	1523	1322	1060	979	1301	1379
Financial assistance sanctioned	*4074584	*4676976	*2862985	*1659689	1631636	1597791	1212534	676394	630809	467820
Disbursements	2227786	1630370	1373299	800658	788509	601704	660664	472193	410922	305105
Repayments by borrowers	511936	560024	403444	350646	468324	358732	471594	266998	216262	155259
Outstanding at the end of the year	5065281	3861483	3126218	2456368	2106218	1830470	1593565	1418534	1218919	1029368
ACHIEVEMENTS										
Villages electrified										
During the year	^48533	#38262	+40233	181	765	122	—	207	581	1996
Upto the end of the year	443207	394674	^356412	306010	305829	305064	304942	304942	304735	304154
Pumpsets energised										
During the year	188743	181244	174750	182239	175772	132914	134583	139917	206071	252877
Upto the end of the year	9110230	8921487	8740243	8565493	8383254	8207482	8074568	7939985	7800068	7593997
Working Results										
(For the year) (Rs. Lacs)										
Total income	493128	353766	285399	224506	230209	199671	205389	166466	141961	129401
Personnel & Admn. Expenses	10924	11110	6416	5770	4434	4659	5866	4972	3141	2544
Interest on borrowings	288735	206365	174089	133913	120475	114220	120274	109879	93216	79189
Depreciation	136	139	113	110	115	103	104	151	621	623
Profit Before Tax	192011	131242	100619	82983	103665	80154	76663	50120	44647	41936
Provision for Tax	64803	45228	34593	19232	23590	18915	18811	11355	10958	10502
Profit After Tax	127208	86015	66026	63751	80075	61239	57852	38765	33690	31434
Dividend on Equity	38640	25760	17700	19126	23450	18300	17400	12000	6700	5000
Net Worth	619008	536771	401271	419833	377890	326437	286165	246630	214829	189165

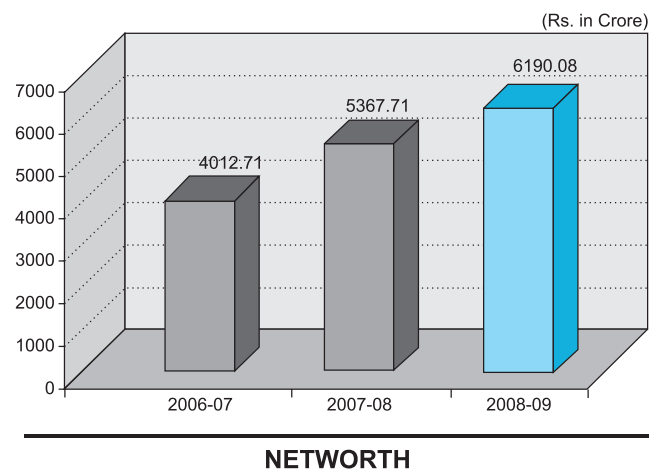
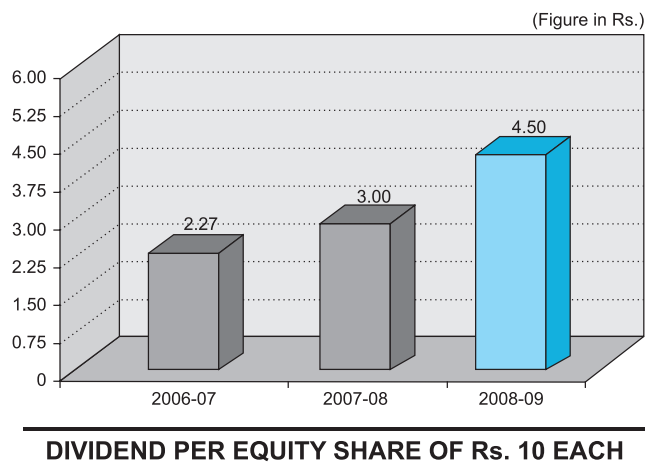
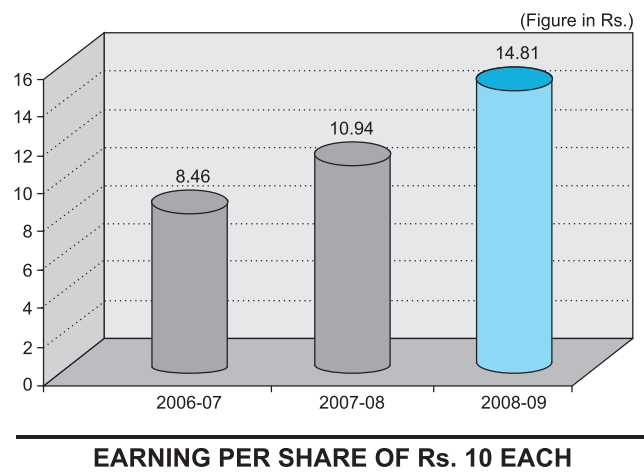
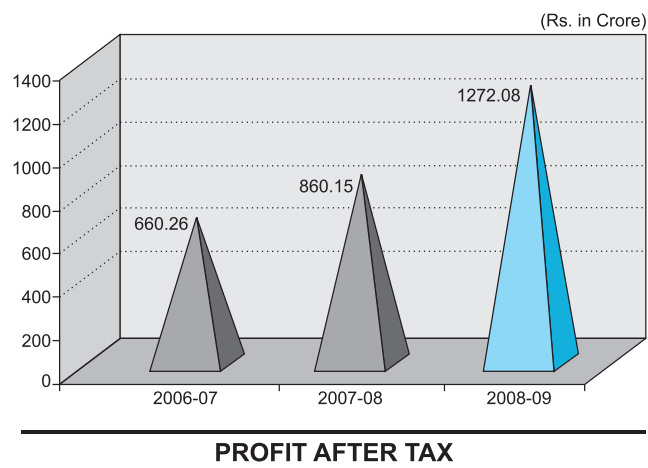
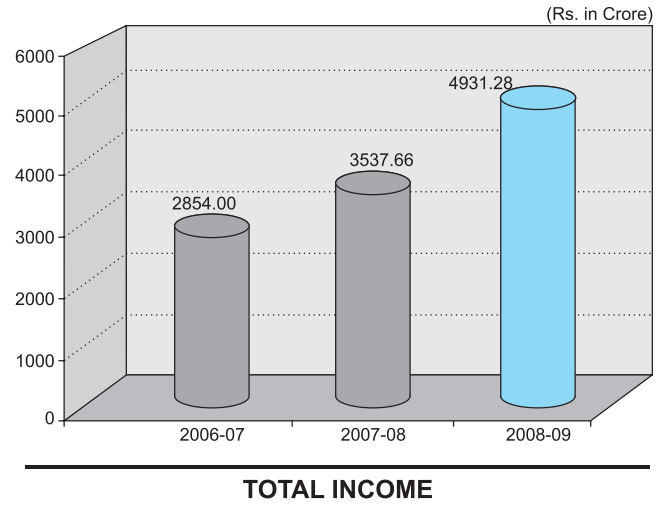
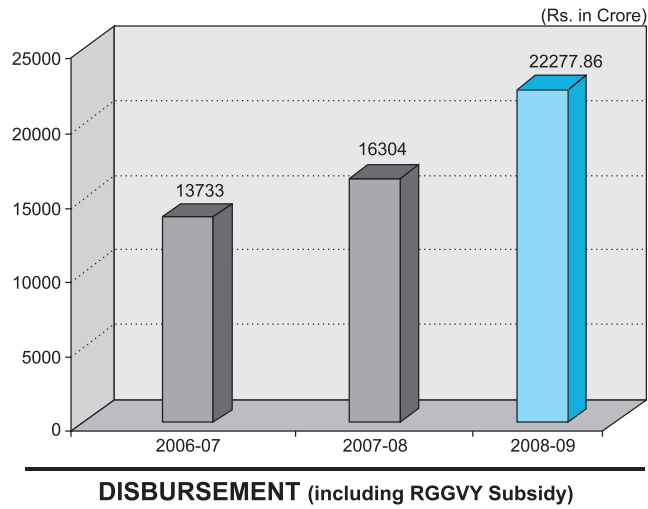
* Excluding subsidy under RGGVY.

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

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

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

^ Works in 10,169 villages (including intensive electrification in 350 electrified villages) completed under RGGVY during 2005-06 are also included.



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.

Chairman's letter to Shareholders



Ladies and Gentlemen,

I am pleased to extend a very warm welcome to all of you on the occasion of the Fortieth Annual General Meeting of the Company.

ECONOMIC ENVIRONMENT

The global environment entered a crisis phase in mid-September-2008 following growing distress among large international financial institutions. The knock-on effect of the unprecedented global developments became evident in the macroeconomic performance of the Indian economy, as it experienced some loss of growth momentum with major drivers witnessing moderation. However, the fiscal stimulus along with other committed expenditures of the Government could arrest the moderation in growth to a great extent. Notwithstanding several challenges, particularly from the global economy, the Indian economy remained relatively resilient; its financial institutions and private corporate sector remained sound and solvent. Further, the macroeconomic

management helped in maintaining lower volatility in both the financial and real sectors in India when compared to several other advanced and emerging market economies.

POWER SECTOR

Power Sector is one of the key constituents of infrastructure required for overall growth of the economy. While there was some decline in the rate of growth of Indian economy in the financial year 2008-09, owing to the global economic crisis, the Power Sector remained less affected when compared to other segments of the economy, and the ability of the borrowers in mobilizing capital and debt for new and ongoing projects continued to remain stable.

In the year 2008-09, the electricity generation grew by 2.71% from 704.45 Billion Units (BU) to 723.56 BU, whereas during the same period the requirement grew from 739.35 BU to 774.32 BU. The annual energy shortage increased to 11% from 9.9% in the previous year. The peak shortage however declined to 12% in the year 2008-09 from 16.6% in the previous year. The gross electricity requirement by the end of the Eleventh Plan as projected by the Working Group on Power is 1038 BU and peak demand estimation is 151000 MW. To fulfil the estimated electricity demand requirement, the target for capacity addition during the Eleventh Plan is kept at 78577 MW. The capacity addition during the Twelfth Plan is expected to be even higher.

Government of India estimates for investments in the Power Sector, in order to meet the required targets for Eleventh Plan, stand at Rs.10316 Billion which includes funds required for adding power generation capacity, R&M of existing power plants, expansion and upgradation of transmission and distribution infrastructure, decentralized distributed generation etc.

The three key components which drive the Power Sector are Generation, Transmission and Distribution. The total requirement of funds for generation projects, during the Eleventh Plan period is estimated at Rs.4,108,960 million, with Rs.2,020,670 million for the central sector, Rs.1,237,920 million for the state sector and Rs.850,370 million for the private sector. Investments for transmission system development and related schemes during the Eleventh Plan period is estimated at Rs.1,400,000 million, with Rs.750,000 million for the central sector and Rs.650,000 million for the state sector. The total fund requirement for sub-transmission and distribution systems development for urban as well as rural areas during the Eleventh Plan period is estimated at Rs.2,870,000 million inclusive of APDRP and RGGVY schemes.

The opportunities for financing power infrastructure projects in the coming years are thus colossal and your Company will have a sizable share in funding these power projects. Besides, as a nodal agency for monitoring and channelizing funds under the RGGVY programme, your Company continues to take up the socio-economic responsibility of village electrification and contribute to the mission of "Power for all by 2012".

PERFORMANCE HIGHLIGHTS

Your Company continued to register higher growth and record performance for the year 2008-09 under review, in key areas of Disbursements of Loans, Recoveries, Operating Income and Profits. A total sum of Rs.22277.86 Crore was disbursed during the year 2008-09, up by 37%, as against Rs.16304 Crore in the previous year, including subsidy under RGGVY. A sum of Rs.9796.97 Crore was recovered during the year as against Rs.9042 Crore in the previous year. The Operating Income went up to Rs.4757.17 Crore, up by 41%, from Rs.3378.21 in the previous year. The Profit before Tax was Rs.1920.11 Crore, up by 46%, as against Rs.1312.42 Crore in the previous year. The Profit after Tax was Rs.1272.08 Crore, up by 48%, as against Rs.860.15 Crore in the previous year.

Your directors have recommended payment of final dividend of Rs.2.50 per share for the year 2008-09, in addition to interim dividend of Rs.2 per share paid in March 2009. The total dividend for the year 2008-09 would work out to Rs.4.50 per share, up by 50%, as against Rs.3 per share paid for the previous year.

RESOURCE MOBILISATION

Your Company mobilized Rs.14,895 Crore from the market during the year 2008-09. This included loans from commercial banks, issue of Capital Gain Tax Exemption Bonds, Non-priority Sector Bonds and Commercial Paper, Official Development Assistance (ODA) loan from Kreditanstalt fur Wiederaufbau (KfW), Germany and Japan International Cooperation Agency (JICA). The domestic debt instruments of the Company continued to enjoy "AAA" rating - the highest credit rating assigned by CRISIL, CARE, FITCH & ICRA. Your Company also enjoys international credit rating equivalent to sovereign rating of India from International Credit Rating Agency Moody's and FITCH which is "Baa3" and "BBB-" respectively.

Your Company has been promptly servicing and repaying loans taken from the lending agencies as well as from the Government of India. The Company has also been promptly redeeming the Bonds on maturity and it has also been pre-paying some high cost loans and Bonds to contain the overall cost of borrowings.

In order to meet the growing demand for funding of power projects in the Eleventh Plan period, the Company is scaling up its borrowing programme from domestic and international lending agencies.

FINANCING GENERATION

During the year 2008-09, the Company sanctioned 20 Nos. new Generation/R & M loans and 3 Nos. additional loan assistance with total financial outlay of Rs.21525.31 Crore, including consortium financing with other financial institutions, and disbursed Rs.7850.56 Crore against the on-going projects. Since 2002-03 and upto 31-3-2009, your Company has sanctioned financial assistance of Rs.79527 Crore for R & M, thermal and hydro generation projects.

FINANCING TRANSMISSION & DISTRIBUTION

Your Company continued to play an active role in creating new infrastructure and improving the existing ones under the transmission and distribution network in the country. In line with the national objective of providing power for all by the year 2012 and also reduce the AT & C losses, your Company has been financing schemes for expansion and strengthening of the transmission network and more importantly, modernizing of the distribution system. During the year 2008-09, the Company sanctioned a total sum of Rs.16037.24 Crore and disbursed a total sum of Rs.6687.33 Crore for Transmission and Distribution projects.

FINANCING OF DECENTRALISED DISTRIBUTED GENERATION (DDG)

Upto 31-3-2009, your Company has sanctioned 21 DDG projects with a total loan amount of Rs.628.87 Crore and disbursed Rs.347.08 Crore. Out of 21 projects, 8 projects have been commissioned covering 36.60 MW and balance 13 projects covering 152.70 MW are under implementation.

RGGVY

Under the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), launched by the Government of India in April 2005, for the attainment of the National Common Minimum Programme goal of providing access to electricity to all households in five years, your Company is appointed as the nodal agency for overseeing the ambitious programme. Under this RGGVY programme, cumulatively up to 31-03-2009, works in 1,37,488 villages (59882 un-electrified and 77606 electrified villages) have been completed and connections to 53.78 lakh BPL households have been released. During the year 2008-09, the Company disbursed a total sum of Rs.5699.97 Crore including Government Subsidy of Rs.5120.52 Crore and Loan component of Rs.579.45 Crore.

SUBSIDIARY COMPANIES

REC Transmission Projects Company Ltd. (RECTPCL), which is a wholly owned subsidiary of your Company, was mandated the implementation of two transmission projects by Ministry of Power, Govt. of India, through tariff based bidding. These two projects are for system strengthening in northern and western region for import of power from North Karanpura & other projects and augmentation of Talcher-II transmission system. These projects shall be implemented on Build, Own, Operate and Maintain (BOOM) basis following two stage process of Request for Qualification (RFQ) and Request for Proposal (RFP). Two project-specific SPVs namely North Karanpura Transmission Company Ltd. (NKTCL) and Talcher II Transmission Company Ltd. (TTCL) have been formed for development of the above two projects. These SPVs would be merged with the Transmission Service provider of the Transmission system after the developer is granted a license by the CERC. After processing RFQ and shortlisting, six bidders have been issued letters for issuance of RFP.

REC Power Distribution Company Ltd. (RECPDCL), another wholly owned subsidiary of your Company, has secured orders from 13 Discoms and 4 RE co-operative societies for undertaking third party quality monitoring, supervision and inspection of the village electrification work awarded on turnkey basis under RGGVY covering approximately 34,934 villages in 71 districts of 9 states with a cumulative project cost of about Rs.1868 Crore. On completion of these projects, RECPDCL would get a consultancy fee of about Rs.31 Crore. During the year 2008-09, RECPDCL has been able to generate an Income of Rs.5.27 Crore and Profit after Tax of Rs.1.42 Crore and declared 100% Dividend on the paid-up capital of Rs.5 Lakh.

CORPORATE GOVERNANCE

Your Company has been complying with the requirements of Corporate Governance as stipulated in the Listing Agreement and also the provisions notified by the Department of Public Enterprises, Government of India in this regard. The Company has obtained a Certificate from the Statutory Auditors - M/s G.S.Mathur & Co. regarding compliance of conditions of Corporate Governance as per Listing Agreement.

MOU WITH THE MINISTRY OF POWER

The performance of the Company in terms of Memorandum of Understanding signed with the Government of India, Ministry of Power, for the financial year 2007-08 has been rated as 'Excellent' for the 15th year in succession. The Company has met all the targets against MOU for the year 2008-09 also, and its performance is poised for 'Excellent' Rating.

ERP

Your Company is implementing an integrated Oracle based ERP system covering all major business functions. This is being implemented by M/s Tata Consultancy Services (TCS) under the consultancy of Management Development Institute (MDI), Gurgaon. IIT, Delhi has been

working as Technical consultant for IT infrastructure. Data Migration has been completed and GO-LIVE has been achieved for most of the functional modules. As a part of implementation of IT infrastructure for ERP operation, Commissioning of ERP Data Centre and MPLS-VPN based Wide Area Network (WAN), for interconnecting all offices of REC, has been completed.

HUMAN RESOURCE DEVELOPMENT

Training and HRD continued to receive its due priority during the year and your Company remained committed to employee development by investing in training and entry level recruitment of executives to infuse fresh blood. In order to develop global exposure, several officers were deputed abroad to attend various training and development programmes.

CENTRAL INSTITUTE FOR RURAL ELECTRIFICATION (CIRE)

CIRE was established by the Company at Hyderabad 30 years ago to cater to the training and development needs of engineers and managers of Power and Energy Sector and other organizations concerned with Power and Energy. CIRE conducts regular programmes on various aspects of Transmission and Distribution of Power Sector.

During the year 2008-09, CIRE conducted as many as 98 Programmes, including 6 International Training Programmes sponsored by Ministry of External Affairs, Government of India, and trained in all 2767 participants. This is the best achievement of CIRE since its inception in 1979.

LOOKING AHEAD


The power sector will continue to provide one of the biggest avenues to participate in the development of India's infrastructure. The demand for power and the associated transmission and distribution systems is likely to be higher than what most current estimates show. Your Company is confident of making all efforts to maintain the growth rate and profitability by taking full advantage of buoyancy in the power sector and at the same time continue to make significant contribution to the development of power infrastructure in the country.

ACKNOWLEDGEMENTS

I am deeply grateful to the immense support and guidance received for the Company from the Hon'ble Minister for Power, the Hon'ble Minister of State for Power, the Secretary (Power), the Joint Secretary (Rural Electrification) and other officers in the Ministry of Power. I am also grateful to the officers in the Ministry of Finance, Planning Commission and the Reserve Bank of India, the Comptroller & Auditor General of India and the Statutory Auditors of the Company for all their support and guidance extended in ensuring smooth and successful operations of the Company. I extend my special thanks to my colleagues on the Board for their valuable guidance and support in achieving excellent performance of the Company. I take this opportunity to acknowledge the hard work, dedication and commitment by the officers and staff of the Company at all levels.

I convey my special thanks to all the other stakeholders of the Company for extending their valuable support and cooperation, and reposing continued confidence in the Company's performance.

With best wishes,


(P. Uma Shankar)
Chairman & Managing Director

NOTICE

Notice is hereby given that the Fortieth Annual General Meeting of the Rural Electrification Corporation Limited will be held at 11.00 A.M. on Saturday, the 19th September, 2009 at Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi-110010 to transact the following business:-

ORDINARY BUSINESS

- 1) To receive, consider and adopt the audited Balance Sheet as at 31st March, 2009 and Profit and Loss Account for the Financial Year ended on that date along with the Report of the Board of Directors and Auditors thereon.
- 2) To declare Final Dividend for the Financial Year 2008-09.
- 3) To appoint a Director in place of Dr. M. Govinda Rao, Director, who retires by rotation and being eligible, offers himself for re-appointment.
- 4) To appoint a Director in place of Shri P.R. Balasubramanian, Director, who retires by rotation and being eligible, offers himself for re-appointment.

SPECIAL BUSINESS

- 5) To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution:-**
“**RESOLVED THAT** Shri Guljit Kapur be and is hereby appointed as Director of the Company w.e.f. 1st December, 2008, whose period of office shall be liable to determination by retirement of Directors by rotation.”
- 6) To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution:-**
“**RESOLVED THAT** the consent of the Company be and is hereby accorded to the Board of Directors of the Company under the provisions of Section 293(1) (d) of the Companies Act, 1956 for increasing the total borrowing limit of the Company from Rs. 60,000 Crore (Rupees Sixty Thousand Crore only) to Rs. 75,000 Crore (Rupees Seventy Five Thousand Crore only) for the purpose of the business of the Company notwithstanding that the moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business), will exceed the aggregate of the paid-up capital of the Company and its free reserves.”
- 7) To consider and, if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution:-**
“**RESOLVED THAT** the consent of the Company be and is hereby accorded under the provisions of Section 293 (1) (a) of the Companies Act, 1956 to the Board of Directors of the Company to mortgage and / or create charge on all or any of the immovable and / or movable properties of the Company, both present and future, or the whole or substantially the whole of the undertaking or undertakings of the Company for securing loans upto a total amount of Rs. 75,000 Crore (Rupees Seventy Five Thousand Crore only) for the purpose of the business of the Company.”
- 8) To consider and if thought fit, to pass with or without modification (s) the following resolution as a **Special Resolution:-**
“**RESOLVED THAT** in terms of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, approval be and is hereby accorded for substitution of the existing Article 84 (2) of the Articles of Association of the Company reading as under:

Quote

“84. Without prejudice to the general powers conferred by preceding Articles and the other powers conferred by these Articles and subject to the provisions of Section 292, 293, 294 and 297 of the Act, the Directors shall have the following powers, that is to say powers:-

- (2) Work of Capital nature – to incur capital expenditure to the extent of Rs 300 crore or equal to the networth of the Corporation, whichever is lower without seeking approval of the Government of India.”

Unquote

with the following revised Article:

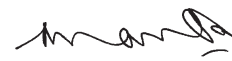
Quote

“84. Without prejudice to the general powers conferred by preceding Articles and the other powers conferred by these Articles and subject to the provisions of Section 292, 293, 294 and 297 of the Act, the Directors shall have the following powers, that is to say powers:-

- (2) Work of Capital nature – to incur capital expenditure on purchase of new items or for replacement, without any monetary ceiling.”

Unquote

By order of the Board of Directors



(B.R. Raghunandan)
GM & Company Secretary

Registered Office:

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

Dated: 27th July, 2009

NOTES:-

1. **A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and such proxy need not be a Member of the Company. Proxies, in order to be effective, must be deposited at the Registered Office of the Company, not less than forty-eight hours before the commencement of the Annual General Meeting. Blank proxy form is enclosed.**
2. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business to be transacted at the meeting is annexed hereto.
3. As required by Clause 49 of the Listing Agreement entered into with the Stock Exchanges, the relevant details of Dr. M. Govinda Rao and Shri P.R. Balasubramanian Directors retiring by rotation and seeking re-appointment under Item No. 3 and 4 of the Notice in accordance with applicable provisions of the Articles of Association of the Company, **are annexed**. The tenures of Dr. M. Govinda Rao and Shri P.R. Balasubramanian, Directors, are for a period of three years w.e.f. 20th December, 2007 i.e. date of their appointment or until further orders from the Ministry of Power, whichever event occurs earlier.
4. **The Object Clause of the Memorandum of Association of the Company is proposed to be altered for insertion of the following new-sub clause (10)* after existing sub-clause (9) thereof under the Main Object Clause III (a):-**

***(10) "To finance and to provide assistance for those activities having a forward and/or backward linkage with power projects, (including but not limited to), such as development of coal and other mining activities for use as fuel in power projects, development of other fuel supply arrangements for the power sector, and to meet other enabling infrastructure facilities that may be required for the speedy and effective development of power sector."**

In terms of Section 17(1) (d) and Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the above proposal requires consent of Members through Postal Ballot. Accordingly, a separate Notice with Explanatory Statement, Postal Ballot Form and self addressed prepaid envelope in this regard has been despatched to all the Members along with this Notice.

The result of the Postal Ballot will be announced at the 40th Annual General Meeting of the Company by the Chairman and Managing Director.

5. **The Register of Members and Share Transfer Books of the Company will remain closed from September 05, 2009 to September 19, 2009 (both days inclusive).The final dividend on equity shares, as recommended by the Board of Directors, subject to the provisions of Section 206A of the Companies Act, 1956, if approved by the members at the Annual General Meeting, will be paid on or after 25th September, 2009 to the Members or their mandates whose names appear on the Company's Register of Members on 19th September, 2009 in respect of physical shares. In respect of Dematerialised shares, the dividend will be payable to the "beneficial owners" of the shares whose name appear in the Statement of Beneficial Ownership furnished by National Securities Depository Limited and Central Depository Services (India) Limited at the close of business hours on 4th September, 2009.**
6. Corporate Members are requested to send a duly certified copy of the Board Resolution / Power of Attorney authorizing their representative to attend and vote on their behalf at the Annual General Meeting.
7. Members are requested to:-
 - a. note that copies of Annual Report will not be distributed at the Annual General Meeting and they will have to bring their copies of Annual Report;
 - b. **deliver duly completed and signed Attendance Slip at the entrance of the meeting venue as entry to the Auditorium will be strictly on the basis of the Entry Slip available at the counters at the venue to be exchanged with the Attendance Slip;**
 - c. quote their Folio / Client ID & DP ID Nos. in all correspondence;
 - d. **note that due to security reasons brief cases, eatables and other belongings are not allowed inside the Auditorium; and**
 - e. **note that no gifts / coupons will be distributed at the Annual General Meeting.**
8. Members are advised to submit their Electronic Clearing System (ECS) mandates, to enable the Company to make remittance by means of ECS. Those holding shares in physical form may obtain and send the ECS mandate form to Registrar and Share Transfer Agent (R & TA) of the Company i.e. Karvy Computershare Private Limited, at Plot No. 17- 24, Vittalrao Nagar, Madhapur, Hyderabad - 500 081, India. Those holding shares in Electronic Form may obtain and send the ECS Mandate Form directly to their Depository Participant (DP). Those who have already furnished the ECS Mandate Form to the Company /Registrar and Share Transfer Agent / DP with complete details need not send it again.

The Members who do not wish to opt for ECS facility may please mail their bankers' name, branch address and account number to Karvy Computershare Private Limited, Registrar and Transfer Agent of the Company to enable them to print these details on the dividend warrant.
9. Members are requested to send all correspondence concerning registration of transfers, transmissions, subdivision, consolidation of shares or any other shares related matter and / or change in address and bank account, to Karvy Computershare Private Limited, Registrar and Share Transfer Agent of the Company.
10. Pursuant to Section 205A read with Section 205C of the Companies Act, 1956, the dividend amounts which remain unpaid/unclaimed for a period of seven years, are required to be transferred to the Investors Education & Protection Fund of the Central Government.

After such transfer, there remains no claim of the members whatsoever on the said amount. Therefore, members are advised to encash their Dividend warrants immediately.

11. Pursuant to Section 619(2) of Companies Act, 1956, the Auditors of a Government Company are to be appointed or re-appointed by the Comptroller and Auditor General of India (C & AG) and, in terms of Section 224 (8) (aa) of the Companies Act, 1956, their remuneration shall be fixed by the company in general meeting or in such manner as the company in general meeting may determine. In pursuance of the same, C & AG of India had appointed M/s G.S. Mathur & Co, Chartered Accountants, as Statutory Auditors for the year 2008-09. In the 38th Annual General Meeting (AGM) held on 27th September, 2007 the Board of Directors was authorized for fixation of annual audit fee to the Statutory Auditors on year to year basis as and when the appointment of Statutory Auditors is notified by the C & AG of India in pursuance of Section 224 (8) (aa) of the Companies Act, 1956. Accordingly, the Board of Directors in their 342nd Meeting held on 24th October, 2008 approved the audit fee payable to the Statutory Auditors as Rs. 9,38,400/-, plus service tax as applicable, for the Financial Year 2008-09. Further, the Board also approved that in addition to the above remuneration, the Statutory Auditors may be paid such actual reasonable traveling allowance and out of pocket expenses for outstation audit work, as may be decided by CMD/ Director (Finance).
12. Annual Listing fee for the year 2009-10 has been paid to the Stock Exchanges where the shares of the Company are listed.
13. Members desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 109A of the Companies Act, 1956, are requested to write to Karvy Computershare Private Limited, Registrar and Share Transfer Agent of the Company in Form- 2B as prescribed in the Companies (Central Government's) General Rules and Forms, 1956. In case of shares held in dematerialized form, the nomination form has to be lodged directly with the respective Depository Participant (DP).
14. Members who hold shares in physical form are requested to notify immediately any change in their addresses to the Registrar and Share Transfer Agent of the Company, and, in case shares are held in electronic mode, to their respective depository participants.
15. **Members desirous of getting any information on any items of business of this meeting are requested to address their queries to the Company Secretary at the Registered Office of the Company at least ten days prior to the date of the meeting, so that the information required can be made available at the time of the meeting.**
16. The Statutory Registers of the Company and the documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all working days (except Saturdays, Sundays and other holidays) between 11.00 A.M. and 1.00 P.M. prior to the date of Annual General Meeting.
17. The entire text of Annual Report is also available at the Company's web-site www.recindia.nic.in.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 IN RESPECT OF SPECIAL BUSINESS SET OUT IN THE NOTICE.

ITEM NO. 5

Ministry of Power, Government of India, vide its Office Order No.F/46/14/2007-RE dated 17th October, 2008, in pursuance of Article 82(2) of the Articles of Association of REC, has appointed Shri Guljit Kapur, General Manager (T&D), REC as Director (Technical), REC for a period of 5 years with effect from the date of taking over charge of the post on or after 01.12.2008 or till the date of superannuation or until further orders, whichever is the earliest. In pursuance of the above order, Shri Guljit Kapur assumed charge as Director (Technical) w.e.f. 1st December, 2008.

In the 339th Meeting of the Board of Directors of REC held on 28th July, 2008, it was resolved inter alia that:

- (a) In addition to the CMD, Director (Finance) be made not liable to retire by rotation, in terms of Section 255(1) of the Companies Act and Article 82(2) of the Articles of Association of REC; and
- (b) All the balance 6 Directors shall be liable to retire by rotation in terms of Section 255(2) of the Companies Act and Article 82(3) of the Articles of Association of REC.

Accordingly, the above appointment of Shri Guljit Kapur, as Director (Technical), requires approval of the General Meeting in terms of Article 82 (3) of the Articles of Association. Brief resume of Shri Guljit Kapur **is annexed**.

Shri Guljit Kapur, Director is interested or concerned in the proposed Ordinary Resolution.

ITEM NO. 6

As per the provisions of Section 293(1) (d) of the Companies Act, 1956, the Board of Directors of the Company shall not except with the consent of the Company in General Meeting borrow moneys, together with the moneys already borrowed by the Company, in excess of the paid-up capital and free reserves of the Company. At the 39th Annual General Meeting of the Company held on 24th September, 2008, the Members of the Company had by resolution granted powers to the Board of Directors of the Company to borrow moneys upto a total amount of Rs. 60,000 crore (Rupees Sixty Thousand crore only). The Company has already raised Rs. 44,936 crore as on 31st March, 2009.

The operations of the Company have increased substantially and in order to meet its growing fund requirement, the Company will have to borrow from the market and a sum of Rs. 30,000 crore is likely to be raised during the Financial Year 2009-10, which may cross the existing limit of borrowing. Since the amount already borrowed and the amount proposed to be borrowed may exceed the existing overall borrowing limit of Rs. 60,000 crore, the consent of the Members is required under Section 293(1) (d) of the Companies Act, 1956 for increasing the limit from Rs. 60,000 crore to Rs. 75,000 crore to cover the further requirement of borrowings.

The Board of Directors of the Company at the 347th Meeting held on 23rd March, 2009 has approved the above proposal and recommends the passing of the proposed Ordinary Resolution by members of the Company as contained in the Notice.

None of the Directors is interested or concerned in the proposed Ordinary Resolution.

ITEM NO. 7

As per the provisions of Section 293(1) (a) of the Companies Act, 1956, the Board of Directors of the Company shall not except with the consent of the Company in General Meeting create mortgage and/or charge on all or any of the immovable and/or movable properties of the Company, both present and future, or of the whole or substantially the whole of the undertaking or undertakings of the Company.

The operations of the Company have increased substantially and in order to meet the growing fund requirement of the Company additional funds are required to be raised by creation of security on the immovable/movable properties of the Company. Therefore it is proposed to authorise the Board of Directors of the Company to mortgage/create charge on immovable and/or movable properties of the Company, both present and future, for securing loan upto Rs. 75,000 crore for the purpose of the business of the Company.

The Board of Directors of the Company at the 347th Meeting held on 23rd March, 2009 has approved the above proposal and recommends the passing of the proposed Ordinary Resolution by members of the Company as contained in the Notice.

None of the Directors is interested or concerned in the proposed Ordinary Resolution.

ITEM NO. 8

As per the provisions of Section 31 of the Companies Act, 1956, amendment to Articles of Association requires approval of the Members at a General Meeting by passing Special resolution.

Existing Article 84(2) of the Articles of Association (AoA) of REC provides that the Directors shall have the power to incur capital expenditure

to the extent of Rs 300 Crores or equal to the net worth of the Corporation, whichever is lower without seeking approval of the Government of India. The said limit for incurring capital expenditure was fixed based on the then status of REC as Mini Ratna Grade- I.

Subsequently, Department of Public Enterprises (DPE), Ministry of Heavy Industries and Public Enterprises, Government of India, vide its Office Memorandum No. 26(3)/2005-GM-GL-93 dated 05.05.2008 has conferred Navratna Status to REC. DPE Guidelines entails enhanced autonomy and delegation of powers to the Board of Directors of Navratnas like REC. The said Guidelines confer the power to incur capital expenditure on purchase of new items or for replacement, without any monetary ceiling.

Although REC, as a Financial Institution, may not be required to incur capital expenditure on such large scale, in keeping with the Navratna Status and the DPE Guidelines as referred to above, it is proposed to amend existing Article 84(2) of AoA of REC, to empower the Board of Directors to incur capital expenditure on purchase of new items or for replacement, without any monetary ceiling, to keep parity with other Navratna PSUs.

Such an amendment to AoA requires approval of the Members at a General Meeting by passing Special Resolution as per Section 31 of the Companies Act, 1956. The Board of Directors of the Company at the 349th Meeting held on 25th May, 2009 has approved the above proposal and recommends the passing of the proposed Special Resolution by members of the Company as contained in the Notice.

None of the Directors is interested or concerned in the proposed Special Resolution.

By order of the Board of Directors



(B.R. Raghunandan)
GM & Company Secretary

Registered Office:
Core-4, SCOPE Complex,
7, Lodi Road,
New Delhi-110003.
Dated: 27th July, 2009

BRIEF RESUME OF THE DIRECTORS SEEKING RE-ELECTION AT THE 40TH ANNUAL GENERAL MEETING

Name	Date of Birth	Date of Appointment	Qualifications	Expertise in specific Functional area	Directorship held in other companies	Membership/ Chairmanship of Committees across all public Companies other than REC
Dr. M. Govinda Rao	7 th April, 1947	20 th December, 2007	<ul style="list-style-type: none"> · Master's Degree in Economics · Doctorate in Economics 	Presently he is the Director, National Institute of Public Finance and Policy, New Delhi. He is also a Member, Economic Advisory Council to the Prime Minister of India. His past positions include Director, Institute for Social and Economic change, Banagalore (1998-2002) and fellow, Research School of Pacific and Asian Studies, Australian National University, Canberra, Australia (1995-98). Dr. Rao has a number of advisory roles which include Chairman, Technical Experts Committee on VAT (2005-06), Chairman, Expert Group on Taxation of Services (2000-01), Member Expert Committee on Multilevel Planning, Planning Commission, Ministry of Panchayati Raj, Government of India, and Chairman, Financial Resources Group, Bihar Development Council, Government of Bihar. He is also a Member of the Steering Committee for the South Asia Network of Economic Research Institutes (SANEI). Dr. Rao has been a consultant to the World Bank, International Monetary Fund, Asian Development Bank and the UNDP. He is also a Member of RBI's Southern Area Local Board.	NTPC Limited	Nil
Shri P.R. Balasubramanian	2 nd February, 1944	20 th December, 2007	<ul style="list-style-type: none"> · Bachelor's Degree in Mechanical Engineering · Fellow of the Institution of Engineers, Kolkata · Fellow of the Indian Council of Arbitration, New Delhi 	Shri Balasubramanian has 39 years of experience in the power and industrial sector and has served for five years as Director (Power) of Neyveli Lignite Corporation Limited. Prior to joining our Board, he was the Chairman and Managing Director of Fertilizers and Chemicals Travancore Limited. He has also served as the Executive Director in Gas Authority of India Limited and has also worked with the Atomic Energy Establishment and Engineers India Limited.	Indian Rare Earths Limited	Nil

BRIEF RESUME OF DIRECTOR APPOINTED SINCE LAST ANNUAL GENERAL MEETING HELD ON SEPTEMBER 24, 2008

Name	Date of Birth	Date of Appointment	Qualifications	Expertise in specific Functional area	Directorship held in other companies	Membership/ Chairmanship of Committees across all public Companies other than REC
Shri Guljit Kapur	5 th March, 1951	1 st December, 2008	Bachelor's Degree in Electrical Engineering.	<p>Shri Guljit Kapur assumed charge as Director (Technical) of the Company on 01.12.2008. He is in-charge of all technical and operational aspects of various projects in the generation, transmission and distribution sectors as well as rural electrification projects under the RGGVY scheme.</p> <p>Shri Kapur has over 38 years of experience in various Power Sector utilities namely BBMB, PSEB, POWERGRID and REC. Prior to his taking over as Director (Technical) of the Company, he was working as General Manager (Transmission and Distribution) of the Company. He joined the Company on deputation on September 14, 2005 and he was permanently absorbed in the Company on September 15, 2007. Before joining the Company, he was working as Deputy General Manager in Power Grid Corporation of India Limited (PGCIL)</p>	Nil	Nil

DIRECTORS' PROFILE



SHRI P. UMA SHANKAR *Chairman & Managing Director*

Shri P. Uma Shankar, 56 years, is the Chairman & Managing Director since March 1, 2008. He holds M.Sc in Mathematics from IIT, Madras and M.Sc in Social Policy and Planning from London School of Economics. He has been a Member of Indian Administrative Service (IAS) since 1976 in UP cadre. He has about 31 years of leadership experience in Government spanning revenue, law and order, development work, rural infrastructure, finance, housing & urban development, industries, municipal affairs and relief. Prior to being appointed on our Board, Shri Uma Shankar was Managing Director, National Cooperative Development Corporation, New Delhi wherein he was involved in nation-wide planning, promoting and financing of cooperatives engaged in marketing, storage and processing of agricultural produce and notified commodities. Earlier, he was Joint Secretary (Sugar), Ministry of Consumer Affairs, Govt. of India. Prior to this, as Additional CEO, Greater NOIDA, he was involved in development, management and maintenance of urban infrastructure for Greater NOIDA. Because of his pioneering efforts in privatization of number of services, Greater NOIDA has emerged as a high profile township with state-of-art services. In cooperative sector at State level he was responsible for their development and growth in Uttar Pradesh as Registrar of Cooperative Societies during 1994-96. The task included development of over 8000 rural credit societies as well as district cooperative banks numbering 60 through forward and backward linkages for arranging of inputs and their sale to farmers, purchase of produce through marketing societies. He has also been Managing Director of UP State Sugar Corporation which is the biggest public sector undertaking in the State of Uttar Pradesh.

Among the papers written by Shri Uma Shankar are "Enhancing effectiveness of Cooperatives: Major Problems & Policy Implications" in Cooperative Perspective, April-June'99 and "Housing the Urban Poor: Problems and Prospects" in Nagarlok.

Shri P. Uma Shankar was holding 121 equity shares in his individual capacity and 100 equity shares as nominee of the President of India, in the Company as on 31st March 2009.

SHRI HARI DAS KHUNTETA *Director (Finance)*

Shri Hari Das Khunteta, 57 years, is Director (Finance) since May 5, 2004. He holds a Bachelor's Degree in Commerce from the University of Rajasthan. He is also a Member of the ICAI. Shri Khunteta has 31 years of professional experience in the area of financial management including resource mobilization from domestic and international markets, investor servicing and corporate governance. Prior to being appointed as Director (Finance) on our Board, he held the position of Executive Director (Finance and Accounts) in National Hydroelectric Power Corporation Limited ("NHPC") and also a Non Executive Director on the Board of the Narmada Hydroelectric Development Corporation, a joint venture of NHPC and Government of Madhya Pradesh. He is in charge of all aspects of finance and accounts in our Company.

Shri Hari Das Khunteta was holding 18760 equity shares in his individual capacity and 100 equity shares as nominee of the President of India, in the Company as on 31st March 2009.



SHRI GULJIT KAPUR *Director (Technical)*



Shri Guljit Kapur, 58 years, is Director (Technical) since December 1, 2008. He holds a Bachelor's Degree in Electrical Engineering in first division from Punjab Engineering College, Chandigarh. He is in charge of all technical and operational aspects of various projects in the generation, transmission and distribution sectors as well as rural electrification projects under the RGGVY scheme. Shri Kapur has over 38 years of experience in various Power Sector utilities namely BBMB, PSEB, POWERGRID and REC. Prior to his taking over as Director (Technical) of the Company, he was working as General Manager (Transmission & Distribution) of the Company. He joined the Company on Deputation on September 14, 2005 and he was permanently absorbed in the Company on September 15, 2007. Before joining the Company, he was working as Deputy General Manager in Power Grid Corporation of India Limited (PGCIL).

Shri Guljit Kapur was Holding 12160 equity shares in his Individual capacity and 100 equity shares as nominee of the president of India, in the Company as on 31st March 2009.

SHRI DEVENDER SINGH *Government Nominee Director*

Shri Devender Singh, 46 years, currently the Joint Secretary in the Ministry of Power, where he is incharge of Rural Electrification, Energy Conservation, Coordination, Demand Side Management and Distribution. He holds a Bachelor's Degree in Electronics and Communication from the Delhi College of Engineering, Delhi and Master's Degree in Business Administration from the Indian Institute of Management (IIM), Ahmedabad. He has been a part of the IAS since 1987 in the Haryana cadre and has been in the Civil Services for about 21 years. Prior to joining Ministry of Power, Government of India, he has also served as Deputy Commissioner, Gurgaon, Haryana, Deputy Commissioner Karnal, Director Industries and Managing Director, Haryana Supply and Marketing Federation. He was Managing Director, Haryana Dairy Development Cooperative Federation Limited. He joined the Board of REC on August 29, 2007.

Shri Devender Singh was holding 100 equity shares as nominee of President of India, in the Company as on 31st March 2009.





SHRI VENUGOPAL N. DHOOT *Independent Director*

Shri Venugopal N. Dhoot, 58 years, is an Independent Director on the Board of REC since December 20, 2007. Mr. Venugopal N. Dhoot is an Engineering Graduate from Pune University. He is one of the Promoters of Videocon Group of Companies with diverse interests in the fields of Consumer Electronics and Home Appliances, Oil & Gas, Power and Telecommunications. He is instrumental in the growth of Videocon group with his rich and diverse experience of over 30 years. He was the President of the Associated Chambers of Commerce and Industry in India and is an Advisor to the Government of Orissa on issues of industrial development in Orissa. He is also holding the post of the President of the Electronics Industries Association of Marathwada.

Shri Venugopal N. Dhoot was holding Nil equity shares in the Company as on 31st March 2009.

DR. M. GOVINDA RAO *Independent Director*

Dr. M. Govinda Rao, aged 62 years, is an Independent Director on the Board of REC since December 20, 2007. He has a Doctorate Degree in Economics from Sambalpur University, Orissa. Presently, Dr. Rao is the Director, National Institute of Public Finance and Policy, New Delhi. He is also a Member, Economic Advisory Council to the Prime Minister of India. His past positions include Director, Institute for Social and Economic Change, Bangalore (1998-2002) and Fellow, Research School of Pacific and Asian Studies, Australian National University, Canberra, Australia (1995-98). Dr. Govinda Rao has a number of advisory roles which include Chairman, Technical Experts Committee on VAT (2005-06), Chairman, Expert Group on Taxation of Services (2000-01), Member Expert Committee on Multilevel Planning, Planning Commission, Ministry of Panchayati Raj, Government of India, and Chairman, Financial Resources Group, Bihar Development Council, Government of Bihar. He is also a Member of the Steering Committee for the South Asia Network of Economic Research Institutes (SANEI). Dr. Rao has been a Consultant to the World Bank, International Monetary Fund, Asian Development Bank and the UNDP. He is also a Member of RBI's Southern Area Local Board. He is also an Independent Director of National Thermal Power Corporation Limited (NTPC).



Dr. M. Govinda Rao was holding Nil equity shares in the Company as on 31st March 2009.

SHRI P.R. BALASUBRAMANIAN *Independent Director*



Shri P.R. Balasubramanian, 65 years, is an Independent Director on the Board of REC since December 20, 2007. He holds a Bachelor's Degree in Mechanical Engineering from the University of Kerala. He is Fellow of the Institution of Engineers, Kolkata and Fellow of the Indian Council of Arbitration, New Delhi. Shri Balasubramanian has 39 years of experience in the power and industrial sector and has served for five years as Director (Power) of Neyveli Lignite Corporation Limited. Prior to joining our Board, he was the Chairman and Managing Director of Fertilizers and Chemicals Travancore Limited. He has also served as the Executive Director in Gas Authority of India Limited and has also worked with the Atomic Energy Establishment and Engineers India Limited. He is also an Independent Director on the Board of Indian Rare Earths Limited (a PSU under the Department of Atomic Energy).

Shri P.R. Balasubramanian was holding Nil equity shares in the Company as on 31st March 2009.

DR. DEVI SINGH *Independent Director*

Dr. Devi Singh, 57 years, is an Independent Director on the Board of REC since January 7, 2008. He holds a Bachelor's Degree and a Master's Degree in Economics from Rajasthan University. He was also a Fellow at the Indian Institute of Management at Ahmedabad. He has a total work experience of more than 31 years with an expertise in International Finance, Financial Management and International Business. He is the Director of the Indian Institute of Management, Lucknow. He has also served as a Director of the Management Development Institute, Gurgaon. He has been a Visiting Professor at the Faculty of Management, McGill University, Montreal and the International Centre for Public Enterprises in Developing Countries, Ljubljana, Slovenia. He has also been a Professor at the International Management Institute, New Delhi. He has been honoured by the American Biographical Institute, USA with the "Man of the Millennium Award" in 2000.

Dr. Devi Singh was holding Nil equity shares in the Company as on 31st March 2009.



DIRECTORS' REPORT

To
The Shareholders,

The Directors have the pleasure in presenting the Fortieth Annual Report together with the Audited Statements of Accounts of the Company for the financial year ended 31st March, 2009.

1. PERFORMANCE HIGHLIGHTS

1.1 The highlights of performance of the Company for the year 2008-09 were as under with comparison of previous year's performance:-

Particulars	2008-09 (Rs. in crore)	2007-08 (Rs. in crore)
Loans sanctioned	40745.84*	46770.00*
Disbursements (including subsidy under RGGVY)	22277.86	16304.00
Recoveries	9796.97	9042.00
Total Operating Income	4757.17	3378.21
Profit before tax	1920.11	1312.42
Profit after tax	1272.08	860.15

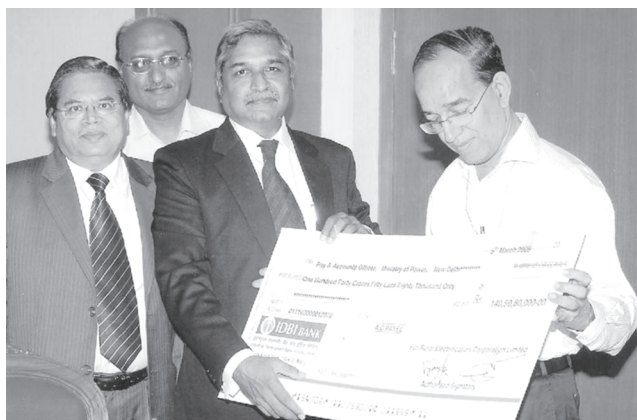
* Excluding subsidy under RGGVY.

1.2 Financial Performance

The total operating income of the company for the year increased by 41% to Rs. 4757.17 crore from Rs.3378.21 crore during the previous year. The profit before tax increased by 46% to 1920.11 crore from Rs. 1312.42 crore for the previous year and the profit after tax increased by 48% to Rs.1272.08 crore from Rs. 860.15 crore for the previous year.

1.3 Dividend

In addition to interim dividend of Rs.2 per share paid in March, 2009, your Directors are happy to recommend a final dividend of Rs.2.50 per share for the year 2008-09. The total dividend for the year will be Rs.4.50 per share as against Rs.3.00 per share paid for the previous year. The total dividend pay-out for the year will amount to Rs.386.397 crore.



Shri P. Uma Shankar, CMD, REC presents a cheque for interim dividend of Rs.140.50 Crore for the year 2008-09 to Shri V.S. Sampath, Secretary, Ministry of Power, Govt. of India

2. LOANS SANCTIONED

The Company sanctioned loans worth Rs.40745.84 crore during the year 2008-09, as against Rs.46770.00 crore in the previous year excluding subsidy under RGGVY. The state and category-wise break-up of loans sanctioned during the year are given in enclosed **Tables-1 and 2** respectively. The cumulative amount of sanctions made since inception upto 31.3.2009 was Rs.221098.72 crore including subsidy under RGGVY. The cumulative state-wise position of sanctions up to the end of 2008-09 is given in enclosed **Table-3**.

3. DISBURSEMENTS

A total sum of Rs. 22277.86 crore was disbursed during the year 2008-09 as against Rs.16304 crore in the previous year including subsidy under RGGVY. The cumulative amount disbursed since inception upto 31.3.2009 was Rs.92400.65 crore excluding subsidy under RGGVY. The state-wise disbursements and repayment by borrowers during the year together with cumulative figures and outstandings as on 31.3.2009 are given in enclosed **Table-4**.

4. RECOVERIES

4.1 The amount due for recovery during the year 2008-09 was Rs. 9788.90 crore as compared to Rs. 9002.73 crore during the previous year. The figure includes the dues from defaulting Borrowers. The Company recovered a total sum of Rs. 9796.97 crore during the year 2008-09 against of Rs. 9042 crore during the previous year.

4.2 Out of the overdues as on 31.03.2009 of Rs.201.70 crore, amount of Rs.64.42 crore stands already recovered till 30.06.2009.

4.3 The Company has also been making serious efforts for bringing down Non-Performing Assets (NPAs) to Zero level. As on 31.03.2009 the Gross NPAs of the Company stood at Rs.68.89 crores (i.e. 0.14% of Gross Loan Assets), as compared to Rs.316.18 crore (0.82% of Gross Loan Assets), as on 31.03.2008. Further out of Rs.68.89 crore, NPAs of approx. Rs.38 crore have been liquidated till 30.06.2009 in the current financial year 2009-10.

5. FINANCIAL REVIEW

5.1 A summary of Financial Results

The summary of financial results of the Company for the year ended 31st March, 2009 is given below:

(Rs. in crore)

Particulars	Standalone		Consolidated	
	2008-09	2007-08	2008-09	2007-08
Gross Income	4931.28	3537.66	4936.55	3541.25
Profit before tax	1920.11	1312.42	1922.36	1315.12
Depreciation	1.36	1.39	1.37	1.39
Provision for Income Tax, Deferred Tax & FBT	648.03	452.27	648.83	453.19
Net Profit/Profit after Tax	1272.08	860.15	1273.53	861.93

Appropriations :				
Transfer to Special Reserve	340.00	255.00	340.00	255.00
Transfer to Reserve for Bad & Doubtful Debts	80.00	58.00	80.00	58.00
Interim Dividend	171.73	-	171.73	-
Dividend Tax on Interim	29.19	-	29.19	-
Dividend				
Proposed Final Dividend	214.67	257.60	214.72	257.60
Dividend Tax on proposed Final Dividend	36.48	43.78	36.49	43.78
Transfer to General Reserve	255.00	140.00	256.00	140.00
Balance carried forward	145.01	105.77	145.40	107.55

5.2 Authorized and Paid-up Share Capital

The Authorised and Paid-up Share Capital of the Company are Rs.1200 crore and Rs.858.66 crore respectively as on 31.3.2009.

5.3 Resource Mobilization

The Company mobilized Rs.14,894.89 crore from the market during the year 2008-09. This includes Rs.1,750 crore by way of loan from commercial banks, Rs.2,525.23 crore by way of Capital Gain Tax Exemption Bonds, Rs. 8,930.20 crore by way of Non-priority Sector Bonds, Rs.1,232.81 crore through Commercial Paper(CP) and Rs.456.65 crore by way of Official Development Assistance (ODA) loan from Kreditanstalt für Wiederaufbau (KfW), Germany (Euro 22.02 Million equal to INR 140.02 crore) & Japan International Cooperation Agency (JICA) (JPY 6.68 Billion equal to INR 316.63 Crore).The domestic debt instruments of the Company continued to enjoy "AAA" rating – the highest rating assigned by CRISIL, CARE, FITCH & ICRA-Credit Rating Agencies.

Cash Credit Facilities

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

5.4 Sovereign rating

The Company enjoys international credit rating equivalent to sovereign rating of India from International Credit Rating Agencies Moody's and FITCH which is "Baa3" and "BBB-" respectively.

5.5 Cost of borrowing.

As per the Finance Act 2006, only REC and National Highway Authority of India (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 annualized average cost of funds was 9.30% during the year 2008-09. As a result REC is able to deliver debt financing at competitive rates.

5.6 Redemption and Pre-Payment

During the year, the Company repaid a sum of Rs.17.18 crore to the Government of India. It also redeemed a total sum of Rs.68.58 crore owed to Non-priority / Priority Sector

Bond Holders. In addition, Rs.2838.04 crore worth of Capital Gain Tax Exemption Bonds and Rs. 6.94 crore of Infrastructure Bonds were also redeemed. The Company also redeemed long term and short term loans from Banks of Rs.1861.76 crore.

5.7 Particulars regarding Foreign Exchange Earnings & Outgo

The particulars regarding foreign exchange outgo during the year under review are given in Point 15 of Schedule 17 of the "Notes on the Accounts" forming part of the Annual Accounts. No foreign exchange was earned during the year under review.

5.8 Financial status at the close of the year

At the close of the financial year 2008-09, the total resources of the Company stood at Rs.52082.72 crore. Out of this sum, Equity Share Capital contributed Rs.858.66 crore, Reserve and Surplus stood at Rs.5331.42 crore, Loans from LIC, Commercial Banks and Market Borrowings accounted for Rs.44935.96 crore and deferred tax liability of Rs.956.68 crore. These funds were deployed as Long / Short Term Loans of Rs.51381.45 crore and Fixed Assets of Rs.80.90 crore, Investments of Rs.1004.86 crore and balance of Rs.(-) 384.49 crore in Net Current Assets.

During the year 2008-09 an amount of Rs.3610.62 lacs was written back to Income as provision for Bad & Doubtful Debts made in earlier years was no longer required due to realisation / upgradation of Loan Assets.

6. DIRECTORS' RESPONSIBILITY STATEMENT

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

- that the applicable accounting standards had been followed in the preparation of the annual accounts, along with proper explanation relating to material departures;
- 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;
- 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;
- that the directors had prepared the annual accounts on a going concern basis.

7. FINANCING ACTIVITIES

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

7.1 Generation

During the year 2008-09, the Company sanctioned 20 nos. of new generation / R&M loans and 3 no. additional loan assistance with total financial outlay of Rs.21525.31 crore, including consortium financing with other financial institutions. Since 2002-03 and upto 31.3.2009, the Company has sanctioned financial assistance of Rs.79527

crore for thermal and hydro generation / R&M projects. The Company has disbursed Rs.7850.56 crore during 2008-09 against the on-going generation projects.

The sector wise break up of loans sanctioned including additional loan assistance is as below:

	No. of Loans	Loan Amount (Rs. in crore)
STATE SECTOR		
Fresh Loan	12	17783.31
Additional Loan	3	
PRIVATE SECTOR		
Fresh Loan	5	3742.00
Additional loan	0	
Total	20	21525.31

7.2 Transmission & Distribution

The Company continued to play an active role in creating new infrastructure and improving the existing ones under the transmission and distribution network in the country under its T&D portfolio. In line with the country's objective to provide power for all by the year 2012 and also reduce the AT&C losses, the Company has been financing schemes for expansion and strengthening of the transmission network and more importantly, modernizing of the distribution system.

7.3 System Improvement & Bulk Loan

During the year 2008-09, a total of 317 system improvement schemes and bulk loan schemes were sanctioned involving a loan outlay of Rs.14511.49 crore. This included: (i) counterpart funding under Accelerated Power Development & Reforms Programme (APDRP) of Ministry of Power involving loan outlay of Rs.155.51 crore, (ii) 28 schemes involving a loan assistance of Rs.791.91 crore for financing investment in the distribution system by way of installation of essential equipments like transformers, meters, capacitors etc. (iii) 18 schemes involving a loan assistance of Rs.1040.57 crores for conversion of Low Voltage Distribution to High Voltage Distribution System (HVDS), (iv) 154 schemes for Rs.3763.59 crores for improving the distribution system, and (v) 117 schemes for Rs.8759.91 crores for improving the transmission network.

7.4 Pumpset energization

During the year, 188743 electric irrigation pumpsets were reported energized under REC financed schemes. Total 77 new schemes for a loan assistance of Rs.874.39 crore were sanctioned during the year under this category. The state-wise details and cumulative position up to 31.3.2009 are given in the enclosed **Table-5**.

7.5 Activities in North Eastern (NE) States

A loan assistance of Rs.25 crore was disbursed to the NE states under T&D programme during the year 2008-09 as compared to Rs.41.27 crore during the previous year. 2 schemes for a loan assistance of Rs.18.79 crore & Rs.18.87 crore were sanctioned to Arunachal Pradesh & Nagaland respectively during 2008-09 under System Improvement category.

8. RAJIV GANDHI GRAMEEN VIDYUTIKARAN YOJANA (RGGVY)

Government of India, in April 2005, launched the scheme 'Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) – Scheme of Rural Electricity Infrastructure and Household Electrification', for the attainment of the National Common Minimum Programme (NCMP) goal of providing access to electricity to all households in 5 years. The scheme is being implemented through REC. Under the scheme 90% capital subsidy is being provided by Govt. of India for overall cost of the projects.



Single point connection to BPL Household under RGGVY

8.1 Electrification of villages and BPL Households

Initial approval was for implementation of Phase I of the scheme for capital subsidy of Rs.5000 crores during X-Plan period. 235 projects covering 180699 villages (68763 un-electrified and 111936 electrified villages) with the total sanctioned project cost of Rs.9733 crores were sanctioned by the Ministry of Power for implementation in X-Plan period.

Further approval has been accorded for capital subsidy of Rs.28000 crore for continuation of the scheme in XI Plan for attaining the goal of providing access to electricity to

all households, electrification of about 1.15 lakh un-electrified villages and electricity connections to 2.34 crore BPL households by 2009. 327 projects covering 290875 villages (49383 un-electrified and 241492 electrified villages) costing Rs.16268 crores have been sanctioned by Ministry of Power for implementation in XI-Plan.

The state-wise details of projects sanctioned in X Plan and XI Plan periods under RGGVY are furnished in the enclosed **Table-6.**

Under the scheme, it has been reported that works have been completed in 48,533 villages (including 12056 un-electrified and 36477 electrified villages) and connections to 36.22 Lakh rural households including 30.84 Lakh BPL households have been provided during 2008-09.

Cumulatively, works in 1,37,488 villages (59882 un-electrified and 77606 electrified villages) have been completed and connections to 53.78 Lakh BPL households have been released under the scheme up to 31.03.2009.

The state-wise details of Achievements in respect of Un-electrified villages and BPL households upto 2007-08, during 2008-09 and Cumulative Achievements upto 31.3.2009 are furnished in the enclosed **Table-7.**



REC's first ever Tableau at Republic Day Parade 2009 showcasing socio-economic impact due to implementation of RGGVY Scheme of Ministry of Power, Govt. of India

8.2 Decentralized Distributed Generation (DDG)

8.2.1 DDG under RGGVY

RGGVY provides for DDG projects from conventional or renewable non-conventional sources such as biomass, biogas, mini hydro, and solar etc. for villages where grid connectivity is either not feasible or not cost effective.

DDG Systems are small power generation units near the load centers.

Ninety per cent capital subsidy would be provided under RGGVY towards overall cost of the DDG projects under the scheme, excluding the amount of state or local taxes, which will be borne by the concerned State/State Utility. 10% of the project cost would be contributed by states through own resources/loan from financial institutions.

A provision of Rs. 540 crore has been kept as subsidy for DDG projects under XI Plan.

The Guidelines for DDG projects under RGGVY have been issued by Ministry of Power on 12.1.2009.

8.2.2 Contribution of REC in promotion of Renewable/DDG Projects

So far the Company has financed various Renewable Projects as per details given below as on 31.3.2009:

Projects under Implementation and Projects Commissioned.

Sl. No.	Description	Projects under Implementation	Projects Commissioned	TOTAL
(i)	Value of Loan sanctioned (Rs. Crore)	548.14	80.73	628.87
(ii)	Disbursement made so far (Rs. Crore)	268.74	78.34	347.08
(iii)	Value of Projects Sanctioned (Rs. Crore)	907.90	180.11	1088.01
(iv)	MW of Projects	152.70	36.60	189.30
(v)	No. of Projects	13	08	21

8.3 Standardisation, Quality Control & Monitoring

The Company has continually provided technical expertise in distribution systems to State Power Utilities. The technical specifications and constructions standards issued by the Company are used extensively by the State Power Utilities. The Company, in order to promote new technologies, has been continuously looking for innovations using latest R&D in the field of power distribution and has recently issued / updated technical specifications on single phase distribution transformers, battery, battery charger, internal wiring, vacuum circuit breaker and electricity meters.

In line with 3-Tier Quality Control for ensuring proper quality in implementation of RGGVY XI Plan schemes, REC Quality Monitors (RQM) have been appointed during the financial year covering 327 projects in 24 states of the country. And these RQMs have undertaken 126 Nos. of RGGVY project material inspections during the year under review for ensuring quality of equipment. Further, the Company has been entrusted with the task of initiating necessary processes, on behalf of MOP, for appointment of 'National Quality Monitors' for inspection of RGGVY XI Plan projects at Ministry level in line with the 3-Tier Quality Control Manual for RGGVY projects. Accordingly, the Company has initiated the process for appointment of 'National Quality Monitors' which is in the advanced stage of finalization.

9. INTERNATIONAL COOPERATION & BUSINESS DEVELOPMENT

9.1 Japan International Cooperation Agency (JICA) (earlier JBIC)

- (i) The Company entered into a loan agreement with JICA on 31.3.2006 for loan assistance of 20.629 billion Japanese Yen (approx. Rs.784 crore at an exchange rate of 100 yen = Rs 38.01 as on 31.3.2006) under the Official Development Assistance (ODA) loan package for implementation of the Rural Electricity Distribution

Backbone (REDB) Project, envisaging implementation of 749 nos. 33/11 KV new substations and augmentation of 510 substations by the respective state power distribution utilities in the states of Andhra Pradesh, Maharashtra and Madhya Pradesh. Cumulative disbursements to the tune of Rs.446.60 crore have been made to the sub-borrowers and loan amount to the tune of Rs.408.40 crore has been drawn from JICA till 31.3.2009, as a result of which implementation of 405 nos of 33/11 KV new substations and augmentation of 270 nos substations has been completed till 31.03.2009.

- (ii) The Company entered into a second loan agreement with JICA on 10.03.2008 for ODA loan of 20.902 billion Japanese Yen (approx. Rs.833 crore at an exchange rate of 100 yen = Rs.39.86 as on 10.3.2008) for implementation of transmission system project by Haryana Vidyut Prasaran Nigam Limited (HVPNL) in the state of Haryana with the objective of strengthening the intra-state transmission systems in the state. Implementation of projects has commenced and drawal of loan from JICA commenced during the financial year 2008-09. Disbursements to the tune of Rs.28 crore have been made to the sub-borrower and loan amount to the tune of Rs.28 crore has been drawn from JICA till 31.3.2009.

9.2 Indo-German Bilateral Cooperation Programme

- (i) The Company entered into a loan agreement with KfW on 08.08.2006 for ODA loan of 70 Million Euro (approx. Rs.418 crore at an exchange rate of 1 Euro = Rs.59.74 as on 08.08.2006) under KfW - Energy Efficiency Programme-I for implementation of High Voltage Distribution System (HVDS) Project by the Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL) in the Chittoor and Kadapa districts in the state of Andhra Pradesh. Cumulative disbursements to the tune of Rs.224.57 crore have been made to the sub-borrower and loan amount to the tune of Rs.185.78 crore has been drawn from KfW till 31.3.2009.
- (ii) The Company entered into a second loan agreement with KfW on 16.03.2009 for ODA loan of 70 million Euro (approx. Rs.466.13 crore at an exchange rate of 1 Euro = Rs.66.59 as on 16.03.2009) under KfW - Energy Efficiency Programme-II for implementation of Energy Efficiency HVDS project by the Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) in the state of Haryana. The Project Preparatory activities have commenced and drawal of loan from KfW is expected to commence during the financial year 2009-10.

9.3. Asian Development Bank (ADB)

ADB has approved, in-principle, a line of credit amounting to US \$ 225 million to REC on 27.11.08 to finance power transmission and distribution networks in the rural sector. The loan documentation is expected to be completed during 2009-10 and loan drawal is expected to commence during 2009-10.

9.4. Clean Development Mechanism (CDM)

4 nos of Project Design Documents (PDDs) on HVDS Project of APSPDCL being financed by the Company under REC-KfW Energy Efficiency Programme-I have received Host Country Approval from the Designated National Authority, i.e. the Ministry of Environment and Forests, Government of India, in January 2009 for availing carbon credits under

CDM. This approval is the first of its kind in the Indian Power Distribution Sector.

9.5 Business Development

9.5.1 Delegation from REA, Govt of Tanzania

The Company hosted a delegation from Rural Energy Agency (REA), Govt. of Tanzania, on 19th March 2009. The delegation was on a study tour to India and Bangladesh to exchange and share the professional expertise in the field of rural electrification. REC being the nodal agency for the RGGVY programme of Ministry of Power has helped in REC emerging as a role model amongst the international agencies seeking to promote and facilitate improved access to modern energy services in their rural areas. The delegation also visited a RGGVY project having rural infrastructure.

9.5.2 Indian Energy Exchange (IEX)

The country's first power exchange, called the Indian Energy Exchange (IEX), commenced operations in June 2008. REC is one of the co-promoters and holds equity to the extent of 4.68% in the venture. The core promoters of IEX are Financial Technologies India Ltd (FTIL) and Power Trading Corporation of India Ltd (PTC). IEX secured CERC approval on June 09, 2008 after which the exchange commenced its operations. Currently it trades for the day-ahead electricity market. IEX is India's first-ever, nationwide, automated, and online electricity trading platform. IEX is a demutualised exchange that enables efficient price discovery and price risk management.

9.5.3 Preferred Customer Policy

The Company moved a step further in taking care of its valued clients by framing a Policy for Preferred Customers. REC already has a policy of providing discount in interest rate for utilities who commit bulk business over a specified period. The current policy instead focuses on felicitating and acknowledging customers who have emerged outstanding based on a set of evaluation criteria. REC shall sponsor training and capacity building programs for selected clients both in India and abroad.

10. ERP BASED INTEGRATED INFORMATION SYSTEM

- 10.1** The Company is implementing an integrated Oracle based ERP system covering all major business function. M/s Tata Consultancy Services (TCS) is implementation partner, along with consultancy of Management Development Institute (MDI), Gurgaon and Technical Consultancy of IIT, Delhi. During the period, phases like 'AS-IS' process study, 'TO-BE' Module Testing, Integration Testing, Gap-Fit analysis & Functional Design and Customization and User Acceptance Testing (UAT) have been completed. Data Migration has been completed and GO-LIVE has started for all functional modules except Loans and Claim. In addition, training on ERP has been imparted to 250 end users of various levels covering 76 days.
- 10.2** As a part of implementation of IT infrastructure for ERP operation, Commissioning of ERP Data Centre and MPLS-VPN based Wide Area Network (WAN), for interconnecting all offices of REC except Shimla, has been completed.
- 10.3** The Local Area Network (LAN) at Corporate Office, SCOPE Complex and Palika Bhavan, New Delhi have been consolidated. LAN has been setup in all 17 Zonal / Project

offices and 1 Training Centre (CIRE) across the country.

- 10.4** The website of the Company has been made bilingual. Revamped Corporate Intranet has been developed in-house, with more attractive and dynamic features, and launched in July 2008.
- 11. CENTRAL INSTITUTE FOR RURAL ELECTRIFICATION (CIRE)**
- 11.1** CIRE was established at Hyderabad in 1979 under the aegis of REC to cater to the training and development needs of engineers and managers of Power and Energy Sector and other organizations concerned with Power and Energy. CIRE conducts regular programmes on various aspects of Transmission and Distribution of Power Sector.
- 11.2** Franchising of Distribution Management throughout the country in RGGVY villages is a mandatory requirement. In this connection, Ministry of Power, Govt. of India has chosen CIRE for imparting “National Franchisee Training Programme”. This training activity will continue upto 2011-12. During the year 2008-09, CIRE conducted 50 programmes on “Training of Trainers: Rural Electricity Distribution Franchising” under RGGVY in association with TERI.
- 11.3** CIRE also conducted 11 programmes on Distribution Reforms Upgrades and Management (DRUM), other than Franchisee programmes, and the topics covered included Disaster Management in Electrical Safety Procedures and Accident Prevention; Financial Management in Distribution Business; Communication Skills, Employee Motivation and Morale Development; Customer Satisfaction, Communication and Outreach. As per the MIS of DRUM Project Secretariat, among the 13 training institutions conducting DRUM training programmes all over the country, CIRE is one of the best performing training institutions and trained maximum number of participants.
- 11.4** CIRE was given the mandate by the Ministry of Power, Govt. of India to conduct “National Training Programme for C&D Employees”. The supporting staff in technical, non-technical areas working in distribution sector, who are the first interface with the consumers were to be provided training and skill development to effectively deliver their responsibilities and improve the customer satisfaction. Under this programme, about 75,000 C&D employees in the country will be trained during the period of Eleventh Five Year Plan. In this connection, Two Pilot programmes were organized: One on “National Capacity Building of Franchisees” at Lucknow and another on “National Training Programme for C&D (Linemen and Technicians) Employees” at Gurgaon for Dakshina Haryana Vidyut Nigam Ltd. (DHVNL).
- 11.5** Two In-house Training programmes were organised for the executives of REC on “Change Management on implementation of ERP Package” and “Monitoring of RGGVY projects”, REC being the nodal agency for implementation of RGGVY Programme.
- 11.6** Eleven Regular/Open programmes were organised on topics such as Power Trading & Tariffs - ABT Scenario; Energy Management & Conservation in Power Sector; Pilferage of Electricity - Technical and Legal Remedies; REC Specifications, Standards & Construction Practices in Distribution Systems; New Developments in Metering

Technologies; Distribution Automation, Switchgear and Protection; Power Sector Accounting with reference to ESAAR & GAAP; Power & Distribution Transformers; Safety Management in Power Sector; Power Purchase Agreement; and Power Reactor Improvement-Reactive Compensation.

- 11.7** Six International Training Programmes under ITEC/SCAAP, sponsored by Ministry of External Affairs, Govt. of India were also conducted. The programmes, each of 4 to 8 week duration, covered following topics:-
- (i) Best Practices in Generation & Transmission Systems;
 - (ii) Planning, Design and Erection of EHV Sub-systems;
 - (iii) Power Transmission and Distribution Management and Technologies;
 - (iv) Planning & Management of Power Sector in Developing Countries;
 - (v) Decentralised Distributed Generation and Rural Power Distribution Management; and
 - (vi) Power Distribution Project Financing and Accounting Systems.
- Participants came from various countries such as Mauritius, Malawi, Thailand, Zimbabwe, Turkey, Bhutan, Algeria, Afghanistan, Myanmar, Malaysia, Tanzania, Ghana, etc.
- 11.8** CIRE also conducted Three programmes on Strategic Financial Management; Human Resources Management in Power Sector and Customer Management & Information Systems in Power Sector in collaboration with the Institute of Public Enterprise (IPE) and availed the services of the best faculty resources of IPE for the benefit of the participants.
- 11.9** CIRE also conducted Seven programmes under the sponsorship of KfW, Germany on the topics of “Energy Accounting and Auditing in Power Sector - Strategies and Techniques” and “High Voltage Distribution System (HVDS)”.
- 11.10** In addition, Five customer specific / tailor-made programmes on “Pilferage of Electricity - Theft & Legal Remedies” for the Vigilance Executives and Police Officers of power utilities in Karnataka State i.e. KPTCL, BESCOM, HESCOM, GESCOM and CESCO were also conducted.
- 11.11** CIRE also organised a Training programme on “Monitoring of RGGVY Projects” to a batch of 25 executives of NESCL of NTPC.
- 11.12** CIRE as a nodal agency is entering into MoUs with various Power utilities for implementing two National Programmes as nodal agency i.e. “National Franchisee Training Programme” and “National Training Programme for C&D Employees”. CIRE will also be maintaining the MIS for both the above training programmes and coordinate for their successful implementation, as per the guidelines provided by Ministry of Power, Govt. of India.
- 11.13** In all, during the year 2008-09, CIRE has conducted 98 programmes and trained 2767 participants as per details given below:

Sl. No.	Programme	No. of Programmes	No. of Participants
1	Programmes on TOT: Rural Electricity Distribution Franchising (in association with TERI)	50	1494
2.	DRUM Programmes other than Franchising Programmes	11	333
3.	Others- Pilot Training For C&D Employees and Franchisees	2	79
4.	In-house Programmes	2	40
5.	Regular /Open Programmes	11	179
6.	International Programmes	6	65
7.	Programmes in Collaboration with IPE	3	35
8.	Sponsored Programmes	13	542
	Total	98	2767

This is the best achievement of CIRE since its inception in 1979.

11.14 CIRE was also identified as the Nodal Agency for coordinating the Meeting of Inspection by the Parliament Second Sub-Committee on Official Language at Hyderabad. Inspection of 6 Central Government institutions i.e. Indian Institute of Chemical Technology, National Consumer Cooperative Federation, Central Ground Water Board, Coconut Development Board, Central Research Institute for Dry Land Agriculture and Central Institute for Rural Electrification (CIRE) were taken up by the Sub-Committee during 19 - 20 Jan 2009. The meeting was successfully conducted by CIRE and it received an appreciation letter from the Chairman of the Parliamentary Second Sub-Committee on Official Language.

12. RISK MANAGEMENT

12.1 Asset Liability Management

The Company has a Risk Management Policy which covers inter alia Asset Liability Management, Derivatives and Investment of Surplus Funds. An Asset Liability Management Committee (ALCO) is currently functioning under the leadership of CMD with reporting responsibility to the Board. ALCO also comprises of Director (Finance), Director (Technical) and the General Managers in Finance, Generation and T&D Divisions. Asset Liability Management Committee (ALCO) monitors risk related to liquidity, interest rates and currency rates. The liquidity risk is being monitored with the help of liquidity gap analysis and the Committee managed the liquidity risk through a mix of strategies like forward looking resource raising program based on projected disbursement and maturity obligations. The interest rate risk is also managed through interest rate sensitivity analysis.

12.2 Foreign Currency Risk Management

The company has put in place a derivative policy to manage risk associated with the foreign currency borrowings. The company enters into derivative transactions to cover exchange rate and interest rate risk through various

instruments. As on 31st March 2009 the total foreign currency liabilities outstanding are JPY 33.50 billion and Euro 29.61 million which are fully hedged.

13. ISO 9001:2000 QUALITY ASSURANCE CERTIFICATION

The Company has implemented Quality Management Systems as per ISO 9001:2000 / ISO 9001:2008 standards in six major Divisions of Corporate Office, and all Project Offices across the country for claims processing activities.

14. HUMAN RESOURCES MANAGEMENT

In order to professionalize the Executive strength of REC and also to infuse fresh blood, 4 Executives were appointed in the Company through open advertisement and 3 Executives through campus recruitment during the year. The total manpower at the close of the financial year 2008-09 i.e. on 31-03-2009 was 681 which include 351 executives and 330 Non-executives.

14.1 Scheduled Caste/Scheduled Tribe Reservations

The directives issued by the Government regarding reservations for SC/ST in appointment and promotion to various posts were complied with. The group wise details of SC and ST employees out of the total strength as on 31-03-2009 is given below:

Group	Total No. of employees	SC	ST
A	316 (294)	25(28)	6(6)
B	148(183)	22(22)	4(4)
C	112(115)	19(20)	1(1)
D	105(107)	31(33)	4(5)
Grand Total:	681(699)	97(103)	15(16)

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

14.2 Training & Human Resource Development

As a means of equipping employees with a range of skills including their renewal, to enable them perform their responsibilities, Training and HRD continued to receive a place of priority during the year. Based on the assessed needs and as means to satisfy them, the company sponsored 97 employees to various training programmes, workshop etc. within the country and abroad. In addition, 16 training programmes were conducted in-house, which were attended by 298 employees including one programme conducted at CIRE, Hyderabad exclusively for the Company's employees. Taken together, these initiatives enabled the company to significantly out-perform MOU targets by achieving a figure of 1688 man-days against the target of 1000 man-days. In order to enable them develop global exposure, several officers were sent to attend various programmes abroad to various countries which included Japan, U.K., Korea, Geneva, Italy, Bangladesh etc.

14.3 Staff Welfare

The Company undertook several steps in the area of Staff Welfare during the year. These included providing better medical treatment to the employees/ their dependent family members at Corporate Office and Zonal Offices/ Project Offices, by empanelling 17 more Hospitals (including chain of Metro Hospitals) under its "Direct Payment" Scheme.

14.4 Women Cell

The Company's Women Cell celebrated the International Working Women's Day (IWD) on Friday, the 6th March, 2009 (as 8th March, 2009 was a Sunday).

14.5 Industrial Relations

The Company maintained healthy, cordial and harmonious relations at all levels.

14.6 Public Grievance Redressal Machinery

In accordance with the guidelines issued by the Govt. of India, the Company has constituted a Grievance Redressal Committee to redress the grievances of officers and staff.

15. PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956.

There is no person employed in the Company throughout the financial year 2008-09 or part thereof, who comes under the purview of Section 217(2A) of the Companies Act, 1956.

16. VIGILANCE ACTIVITIES

16.1 The Vigilance Division headed by the Chief Vigilance Officer (of the rank of Functional Director) constantly endeavoured to emphasize on "Preventive Vigilance" so as to improve upon systems and procedures and leaving minimum scope for discretion. It also ensured to enforce discipline in exercising power in a judicious way in matters relating to administrative and financial functions.

16.2 The Vigilance set up in the Company consisting of one CVO and three Managers/officers, though small, has been an effective managerial tool in enhancing the performance of the Company by way of persuasion with functional divisions to systematize /document the policies/procedures. Presently, there is no CBI case against any employee of the Company. Three disciplinary cases and two complaints are pending at the end of financial year.

16.3 During the Vigilance Awareness Week 2008 emphasis was laid on the initiatives taken for improvement of the systems and procedures and of the avenues available to the user citizen for redressal of grievances like procedure for making complaints under of Public Interest Disclosure and Protection of Informers' (PIDPI) Resolution, 2004 known as Whistle Blower Resolution highlighting the fact that the identity of the complainant is kept secret and the complainant is protected from victimization. On this occasion, various programmes were also organized at Corporate Office/Zonal/Project Offices and Central Institute for Rural Electrification, Hyderabad.

16.4 In compliance to the instructions of CVC, the sensitive posts in the Company have been identified and informed to CVC. HR Department has been advised to rotate the officers working on these posts for a long time.

16.5 Information with a vigilance bias was scrutinized carefully. Vigilance Division initiated measures to streamline and strengthen office system and procedures where some systemic failures were noticed. In this process, all important circulars as and when received from CVC and circular issued by Vigilance Division from time to time are regularly placed on Company's intranet for information of all the Zonal Offices, Project Offices / Central Institute for Rural Electrification, Hyderabad. Vigilance Division ensures implementation of the instructions contained in those circulars.

16.6 As a surveillance measure, inspections were carried out by the Officers of Vigilance Division in respect of 6 Zonal / Project Offices. More than 95% Annual Property Returns of employees were subjected to scrutiny and clarifications were sought wherever necessary.

16.7 Performance of Vigilance Division was reviewed regularly by the BOD-REC, CVO-MOP, CVC in addition to constant reviews undertaken by the CVO, REC in accordance with the prescribed norms.

17. IMPLEMENTATION OF OFFICIAL LANGUAGE

17.1 It was yet another year of achievements in the area of Rajbhasha Hindi. The Company excelled most of the targets fixed by the Department of Official Language in its Annual Programme for the year as a result of increased interest shown by its officers and employees in Hindi noting and correspondence. The Company has been honoured with "Rajbhasha Shri Sammaan" by Bharatiya Rajbhasha Vikas Sansthan.

17.2 In order to increase the use of Hindi by all in official work, eight Hindi workshops were organized in Corporate Office with participation of 122 employees. To give impetus to the correspondence in Hindi, standard formats have also been made available on Intranet. Bilingual working facilities have also been made available to all on their computers. During the year, Technical & Financial Glossary in addition to Administrative Glossary and Conduct, Discipline & Appeal rules were published bilingually for use of all the employees so that they can work in Hindi more conveniently and in an effective manner. Library budget was utilized more than the fixed target for purchase of Hindi books this year. Monthly 'E- Darpan' about activities of the Company including Hindi work were published for internal circulation.

17.3 Quarterly review meetings of Official Language Implementation Committee were regularly held this year under the chairmanship of CMD, in which detailed discussions were held to review on the progress and suggest measures to overcome the difficulties in order to achieve the targets.

17.4 The Parliamentary Committee on Official Language inspected REC's progress of Hindi work at Corporate Office on 8.4.2008 & Central Institute for Rural Electrification at Hyderabad on 20.1.2009. Rajbhasha Division of Corporate Office also inspected Six Internal Divisions as well as Six Project Offices during the year. Ministry's officials have also been associated during some of the inspections in Project Offices.

17.5 The Company organized nine Hindi competitions for Middle level officers and Non- Executives as well as Sulekh Competition for Class IV employees during Hindi Pakhwara from 1.9.2008 to 15.9.2008. A Hindi debate (Vad Vivad Pratiyogita) was organized exclusively for General Managers / Executive Directors. Cash prizes and certificates were given away to winners of these competitions by CMD, REC, Shri Ashok Chakradhar (Chief Guest), Smt. Alka Sinha & Shri I.C.P. Keshari, Joint Secretary (MOP) on this occasion. In order to encourage employees, all the incentive schemes introduced by the Government of India have been implemented in the Company. Hindi Essay competition was also organized on 27.10.2008 under the aegis of NARAKAS. The Company's website is available both in

Hindi and English and is updated from time to time. All publications, reports, memoranda, press releases, mailers, tenders etc. were issued bilingually. 20 Manuals have also been updated and published in diglot form as per instructions of Parliamentary Committee.

18. MOU WITH MINISTRY OF POWER

The performance of the Company in terms of Memorandum of Understanding signed with the Govt. of India in the Ministry of Power for the financial year 2007-08 has been rated as "Excellent". This is the 15th year in succession that the Company has received "Excellent" rating since the year 1993-94. For the year 2008-09 also, the Company has met all the MOU targets and its performance is poised for "Excellent" rating.

19. STATUTORY AND OTHER INFORMATION REQUIREMENTS

Information required to be furnished as per the Companies Act, 1956, Listing Agreement with Stock Exchanges, Government guidelines etc. is **annexed to this Report as under:-**

Particulars	Annexure
Management Discussion & Analysis	I
Company's Report on Compliance with Corporate Governance	II
Certificate on Corporate Governance issued by the Statutory Auditors of the Company	III
Statement pursuant to Section 212 (1) (e) of the Companies Act, 1956 relating to Subsidiary Companies.	IV
Non-Banking Financial Companies Auditors' Report (Revised)	V

20. CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

A policy on Corporate Social Responsibility has been adopted by the Company. The details of the policy are posted on the REC's website i.e. www.recindia.nic.in.



Responding to devastating calamity in Bihar due to floods, REC donated Rs.2.5 crore to Prime Minister's Relief Fund. CMD REC handed over cheque to Shri Sushil Kumar Shinde, Hon'ble Minister of Power, Govt. of India

21. BOARD OF DIRECTORS

21.1 Shri Bal Mukand ceased to be Director (Technical) of the Company with effect from 30th November, 2008 on attaining the age of superannuation.

21.2 In pursuance of Article 82(2) of the Articles of Association of the Company, the President of India has appointed Shri Guljit Kapur as Director (Technical), and he has taken over charge w.e.f. 1st December, 2008.

In terms of Articles 82(2) and 82(3) of the Articles of Association of the Company read with Sections 255(1) and (2) of the Companies Act, 1956, the Board of Directors of the Company has decided that Chairman and Managing Director (CMD) and Director (Finance) be made not liable to retire by rotation and the balance 6 Directors shall be liable to retire by rotation. Further, as per Article 82(3), Directors who are liable to retire by rotation will be appointed in the General Meeting in accordance with the provisions of the Companies Act.

Accordingly, it is proposed to get the appointment of Shri Guljit Kapur, as Director (Technical), approved by the shareholders at the next Annual General Meeting of the Company.

21.3 As per the terms of appointment, the tenure of Shri H.D.Khunteta, Director (Finance) of the Company expired on 04.05.2009. In pursuance of Article 82(2) of the Articles of Association of the Company, the President of India has extended the tenure of Shri H.D. Khunteta as Director (Finance) beyond 04.05.2009 till the date of his superannuation i.e. upto 31.07.2012, or until further orders, whichever is earlier.

21.4 In accordance with the provisions of Articles 82 (4) of the Articles of Association of the Company, Two Independent Directors i.e. Dr. M. Govinda Rao and Shri P.R. Balasubramanian shall retire by rotation at the next Annual General Meeting of the Company and, being eligible, offer themselves for re-appointment.

22. SUBSIDIARY COMPANIES

The Company has formed four Subsidiary Companies for undertaking specific business activities. The names of these companies and the percentage of the Holding Company's stake in these Companies are as follows:-

Sl. No.	Name of Subsidiary Company	Proportion of ownership interest
1.	REC Transmission Projects Company Limited (RECTPCL)	100%
2.	REC Power Distribution Company Limited (RECPDCL)	100%
3.	North Karanpura Transmission Company Limited (NKTCL)(a wholly owned subsidiary of RECTPCL)	100%
4.	Talcher II Transmission Company Limited (TTCL) (a wholly owned subsidiary of RECTPCL)	100%

22.1 REC Transmission Projects Company Ltd. (RECTPCL)

RECTPCL has taken up the task of selection of developer for the two transmission projects entrusted to REC. Technical Consultants and Bid Process Consultants to assist RECTPCL in the process have already been appointed. Subsequently, under RECTPCL, two projects specific SPVs namely (i) North Karanpura Transmission Company

Limited (NKTCL) and (ii) Talcher II Transmission Company Limited (TTCL) have been formed. 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.

Request For Qualification (RFQ) for the two transmission projects were issued on 6.10.2008. 13 bidders submitted their RFQ proposal for North Karanpura Transmission System and 15 bidders submitted their RFQ proposal for Talcher II transmission system which were opened in December, 2008. Six bidders have been issued letters on 8.5.2009 for issuance of RFP based on the short listing done after evaluation of RFQ for each of the above two projects which are ESSAR Power, JSW Energy, L&T Transco, Reliance Power, Lanco-Deepak Consortium and Sterlite Technology.

Financial Performance

Since RECTPCL and its two subsidiaries namely NKTCL and TTCL have not yet started its commercial operations, Profit and Loss Account for these companies were not prepared for the financial year ended 31st March, 2009. In place thereof, Statement of Incidental expenditure during Construction period were prepared.

The total Expenditure as per the Statement of Incidental Expenditure of these Companies for the year ended 31.03.2009 is as under:

Sl. No.	Name of the Company	Total Incidental expenditure during Construction for the year ended 31.3.2009 (Figures in Rupees)	Remarks
1	REC Transmission Projects Company Limited (RECTPCL)		A total expenditure of Rs.201,70,313 incurred by REC TPCL has been allocated to its two Subsidiaries NKTCL and TTCL
2	North Karanpura Transmission Company Limited (NKTCL)	118,75,059	Includes Rs. 115,65,910 allocated by RECTPCL
3	Talcher II Transmission Company Limited (TTCL)	86,35,176	Includes Rs.86,04,403 allocated by RECTPCL
	Total	205,10,235	

22.2 REC Power Distribution Company Limited (RECPDCL)

During this year, RECPDCL secured orders from 13 Discoms namely UPCL, MSEDCL, WBSEDCL, DGVCL, PGVCL, UGVCL, AVVNL, JdVVNL, JVVNL, HPSEB, UHBVNL, APEPDCL, MESEB and 4 RE co-operative societies of A.P. for third party quality monitoring, supervision and

inspection of the village electrification work awarded on turnkey basis under Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) covering approximately 34,934 villages in 71 districts of 9 states with a cumulative project cost of about Rs.1868 crores. On completion of these projects, RECPDCL would get a consultancy fee of about Rs. 31 crores.

During the year ending 31st March, 2009, third party inspection of about 7000 villages under RGGVY works and 144 nos. feeders under FRP of Ajmer Vidyut Vitaran Nigam Ltd. were completed by RECPDCL.

Financial Performance

During the year ending 31st March, 2009, RECPDCL has been able to generate an Income of Rs. 5.27 crore and Profit before Tax & Profit after Tax are Rs. 2.22 crore & Rs. 1.42 crore respectively.

23. RIGHT TO INFORMATION ACT 2005

The Company has taken action for implementation of Right To Information (RTI) Act 2005. An independent RTI Cell has been created to ensure compliance of the provisions of the RTI Act and attending to the requests for information. REC website has been updated and contains information on all the 17 items as required under Clause 4.1(b) of RTI Act, 2005.

RTI MACHINERY IN REC

CORPORATE OFFICE:

(A) Departmental Appellate Authority

Shri Rama Raman,
Executive Director (T&D)

(B) Public Information Officer

Shri B.R.Raghuandan,
General Manager & Company Secretary

(C) Asstt. Public Information Officer

Shri A.P.S. Manocha,
Chief Manager (Legal & RTI)

24. Details of unclaimed Shares

The Company went for a maiden public offer of 15,61,20,000 equity shares in February, 2008, which comprised fresh issue of 7,80,60,000 equity shares by the Company and an offer for sale of another equal number of shares by the President of India.

The details of unclaimed shares as on 31st March, 2009 is given as under :

Sl. No.	Particulars	No. of cases	No. of shares involved
1.	Aggregate number of shareholders and the outstanding unclaimed shares as on 01.04.2008	4557	453023
2.	Number of shareholders who approached for transfer of unclaimed shares during the year.	3898	397004
3.	Number of shareholders to whom unclaimed shares were transferred	3898	397004
4.	Aggregate number of shareholders and the outstanding unclaimed shares as on 31.3.2009	659	56019

The voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

25. STATUTORY AUDITORS

M/s G.S. Mathur & Co., Chartered Accountants, New Delhi were appointed as Statutory Auditors of your Company for the financial year 2008-09 by the Comptroller and Auditor General of India (C & AG of India), for the fourth year in succession. The Statutory Auditors have audited the Accounts of the Company for the year ended 31st March, 2009. Accordingly, **following documents are annexed to this Report:**

- a) Audited Accounts and Cash Flow Statement of the Company for the year ended 31st March 2009;
- b) Auditors' Report on the Audited Accounts of the Company for the year ended 31st March 2009;
- c) Annexure to be enclosed with the audited Balance Sheet for NBFC Companies as prescribed by RBI;
- d) Audited consolidated Financial Statements of the Company for the year ended 31st March 2009;
- e) Auditors' Report on the Consolidated Financial Statements of the Company and its Subsidiaries.

26. COMMENTS OF C&AG OF INDIA

Comments of the Comptroller and Auditor General of India dated 30.6.2009 on the Accounts of the Company for the year ended 31st March, 2009 **is enclosed**. It is reported therein that on the basis of audit, nothing significant has come to their knowledge which would give rise to any comment upon or supplement to Statutory Auditors' Report under Section 619(4) of the Companies Act, 1956.

27. FINANCIAL STATEMENTS / DOCUMENTS UNDER SECTION 212 OF THE COMPANIES ACT, 1956.

The financial statements and other documents in respect of Subsidiary Companies are included as a part of the Annual Report in pursuance of Section 212 of the Companies Act, 1956.

28. ACKNOWLEDGEMENTS

The Directors are grateful to the Government of India particularly the Ministries of Power & Finance, the Planning Commission and the Reserve Bank of India for their continued co-operation, support and guidance in effective management of Company's affairs and resources.

The Directors thank the State Governments, State Electricity Boards, State Power Utilities and other Borrowers for their continued interest and trust in the Company.

The Directors also place on record their sincere appreciation for the continued support and goodwill of the esteemed Investors in REC Shares and Bonds, Banks, Life Insurance Corporation, KfW of Germany, JICA (earlier JBIC) of Japan and Asian Development Bank (ADB) in the fund raising programmes of the Company.

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 also sincerely appreciate and thank the employees of the Company at all levels for their valuable contribution and dedicated efforts in steering the Company to excellent performance for yet another year in succession.

For and on behalf of the Board of Directors



New Delhi
July 15, 2009

(P. Uma Shankar)
Chairman & Managing Director

TABLE - 1
PROJECTS SANCTIONED DURING 2008-09 UNDER REC FINANCED SCHEMES

Sl. No.	State	No. of Projects	Loan Amount (Rs. in Lakh)	Coverage in Numbers			
				Pumpsets	Dalit Bastis	Villages	Households
A.	T & D Projects						
1	Andhra Pradesh	70	57670	-	-	-	-
2	Arunachal Pradesh	1	1879	-	-	-	-
3	Gujarat	3	16387	-	-	-	-
4	Haryana	26	135624	-	-	-	-
5	Himachal Pradesh	5	4039	-	-	-	-
6	Jammu and Kashmir	16	9717	-	-	-	-
7	Jharkhand	2	98487	-	-	-	-
8	Karnataka	21	53861	-	-	-	-
9	Kerala	9	45531	-	-	-	-
10	Madhya Pradesh	0	0	-	-	-	-
11	Maharashtra	77	408165	-	-	-	-
12	Mizoram		0	-	-	-	-
13	Nagaland	1	1887	-	-	-	-
14	Orissa	23	44068	-	-	-	-
15	Punjab	18	143079	-	-	-	-
16	Rajasthan	61	160539	-	-	-	-
17	Tamilnadu	55	262255	-	-	-	-
18	Uttar Pradesh	49	111714	-	-	-	-
19	Uttaranchal	4	32426	-	-	-	-
20	West Bengal	4	16396	-	-	-	-
	Sub-Total (A)	445	1603724	-	-	-	-
B	Generation Projects						
1	Andhra Pradesh	2	267000	-	-	-	-
2	Chhattisgarh	1	^ 88000	-	-	-	-
3	Jammu & Kashmir	0	^ 16500	-	-	-	-
4	Jharkhand	1	19600	-	-	-	-
5	Karnataka	2	252500	-	-	-	-
6	Kerala	1	16544	-	-	-	-
7	Madhya Pradesh	2	345200	-	-	-	-
8	Maharashtra	3	298000	-	-	-	-
9	Punjab	2	^ 40487	-	-	-	-
10	Tamil Nadu	3	808700	-	-	-	-
	Sub-Total (B)	17	#2152531	-	-	-	-
C	Short Term Loan						
1	Bihar	1	5000	-	-	-	-
2	Punjab	1	30000	-	-	-	-
3	Tamil Nadu	2	60000	-	-	-	-
4	Uttar Pradesh	10	115000	-	-	-	-
	Sub-Total (C)	14	210000	-	-	-	-
D	RGGVY Projects						
1	Arunachal Pradesh	1	2261.78	-	-	146	6680
2	Chattisgarh	3	53552.60	-	-	3884	302946
3	J&K	1	1696.22	-	-	170	5960
4	Himachal Pradesh	2	1412.32	-	-	519	2112
5	MP	3	11982.71	-	-	2379	259096
6	Rajasthan	1	20995.86	-	-	1898	73818
	Sub-Total (D)	11	*91901	-	-	**8996	***650612
E	IC&D Projects						
1	Andhra Pradesh	0	^ ^ 5549	-	-	-	-
2	Haryana	15	73765	-	-	-	-
3	Madhya Pradesh	0	^ ^ 1360	-	-	-	-
4	Maharashtra	0	^ ^ 172	-	-	-	-
	Sub-Total (E)	15	80846	-	-	-	-
F	DDG Proejects						
1	Andhra Pradesh	1	1153	-	-	-	-
2	Haryana	1	2560	-	-	-	-
3	Mizoram	0	^ ^ ^ 5593	-	-	-	-
4	Orissa	0	^ ^ ^ 844	-	-	-	-
5	West Bengal	2	8143	-	-	-	-
	Sub-Total (F)	4	18293	-	-	-	-
	Grand Total (A+B+C+D+E+F)	506	4157295	-	-	**8996	***650612
	Less: Subsidy under RGGVY						
	(equal to 90% of sanctions under RGGVY)		82711				
	Net Sanctions excluding subsidy under RGGVY		4074584				

^ Includes additional loan sanction against already sanctioned 3 nos. projects of Chattisgarh, J&K and Punjab.

Includes additional loan assistance of Rs.50448 lakhs against already sanctioned 3 nos. of projects.

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

** Includes both un-electrified, de-electrified and electrified villages(This includes 1725 unelectrified / de-electrified villages)

*** Including BPL households

^ ^ Includes additional loan sanction against already sanctioned 26 nos. projects of Andhra Pradesh, Madhya Pradesh and Maharashtra.

^ ^ ^ Includes additional loan sanction against already sanctioned 2 nos. projects of Orissa & Mizoram.

TABLE-2
 CATEGORY-WISE PROJECTS SANCTIONED DURING 2008-09 UNDER REC FINANCED SCHEMES

Sl. No.	Category	Category Code	No. of Projects	Loan Amount (Rs. In Lakh)	Coverage in Numbers			
					Pumpsets	Dalit Bastis	Villages	Households
A	T&D Projects							
1	Project: Intensive Electrification	P:IE	51	65136	-	-	-	-
2	Special Project Agriculture: Pumpset Energisation	SPA:PE	77	87439	-	-	-	-
3	Project: System Improvement	P:SI-Distribution	154	376359	-	-	-	-
4	Project: System Improvement	P:SI-Distribution (HVDS)	18	104057	-	-	-	-
5	APDRP	APDRP	0	15551	-	-	-	-
6	System Improvement: Meters (Dist.)	SI:Meter	2	6223	-	-	-	-
7	System Improvement: Transformers (Dist.)	SI-Transformer	20	66739	-	-	-	-
8	System Improvement: Panels/Capacitor/Conductors (Dist.)	SI-Panels / Capacitor	6	6229	-	-	-	-
9	Project: System Improvement	P:SI-Transmission	117	875991	-	-	-	-
10	SI-Pow Transformer	Pow Transformer	-	-	-	-	-	-
	Sub-Total		445	1603724	-	-	-	-
B	Project : Generation	P:Gen	17	#2152531	-	-	-	-
C	Short Term Loan	STL	14	210000	-	-	-	-
D	RGVY	P:RHhE	11	*91901	-	-	**8996	***650612
E	IC&D Projects	IC&D	15	^ 80846	-	-	-	-
F	DDG Projects	DDG	4	^^ 18293	-	-	-	-
	Grand Total(A+B+C+D+E+F)		506	4157295	-	-	**8996	***650612
	Less: Subsidy under RGGVY (equal to 90% of sanctions under RGGVY)			82711				
	Net Sanctions excluding subsidy under RGGVY			4074584	-	-	-	-

Includes additional loan assistance of Rs.50448 lakhs against already sanctioned 3 nos. of projects of Chhatishgarh, J&K and Punjab.

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

** Includes both un-electrified, de-electrified and electrified villages.(This includes 1725 unelectrified / de-electrified villages)

*** Including BPL households

^ Include additional Loan sanction against already sanction 26 nos. projects of AP, MP and Maharashtra.

^^ Include additional Loan sanction against already sanction 2 nos. projects of Orissa and Mizoram.

TABLE - 3
CUMULATIVE STATEWISE SANCTIONS UNDER REC PROJECTS DURING THE LAST 39 YEARS UPTO 31-03-2009

(Rs. In lakh)

Sl.No.	State	No. of Projects	Loan Sanctioned
1	Andhra Pradesh	6082	2151642
2	Arunachal Pradesh	228	195816
3	Assam	446	213585
4	Bihar	1752	398527
5	Chhatisgarh	37	482364
6	Delhi	31	441806
7	Goa	16	2007
8	Gujarat	1925	1307859
9	Haryana	1438	679560
10	Himachal Pradesh	490	196616
11	Jammu & Kashmir	588	252148
12	Jharkhand	39	403184
13	Karnataka	2931	1092860
14	Kerala	1754	508816
15	Madhya Pradesh	5281	981236
16	Maharashtra	5624	2733816
17	Manipur	151	39528
18	Meghalya	114	75364
19	Mizoram	76	38583
20	Nagaland	118	28661
21	Orissa	1707	572624
22	Punjab	1571	1342872
23	Rajasthan	3823	1733103
24	Sikkam	44	14137
25	Tamilnadu	3724	2211689
26	Tripura	181	63295
27	Uttar Pradesh	3232	1525739
28	Uttaranchal	91	346850
29	West Bengal	1483	1134898
30	DVC	1	48726
31	Generation PVT.	25	880443
32	CCI-Pvt. Party	0	1519
33	NEEPCO	0	10000
	Total	45003	22109872

TABLE-4
 STATEMENT SHOWING STATE-WISE AND PROGRAMME-WISE DISBURSEMENTS AND REPAYMENT BY BORROWERS DURING THE YEAR 2008-09
 AND OUTSTANDINGS AS ON 31-03-2009

(Rs. In Lacs)

Sl. No.	Name of State	Transmission & Distribution	Generation	RGGVY	STI/Debt Ref	Total disbursement for the year 2008-09	Disbursed upto the end of the year	Repayments		Outstanding at the end of the year 2008-09
								During the year	upto the end of year	
1	Andhra Pradesh	85600	101079	1037	0	187716	1284930	64248	575924	709006
2	Arunachal Pradesh	376	496	933	0	1805	22009	1291	9513	12496
3	Assam	0	0	5297	0	5297	32911	0	4645	28266
4	Bihar	0	0	6569	0	6569	57518	2756	22336	35182
5	Chhattisgarh	0	58750	0	0	58750	286061	15301	48719	237342
6	Goa	0	0	0	0	0	1479	0	1479	0
7	Gujarat	3302	71514	679	0	75495	612089	44541	439829	172260
8	Haryana	59194	53599	302	0	113095	379290	14802	131014	248276
9	Himachal Pradesh	3766	44700	790	0	49256	191853	8616	75774	116079
10	Jammu & Kashmir	2363	0	1852	0	4215	92420	2294	40117	52303
11	Jharkhand	9853	0	11807	0	21660	124684	0	15334	109350
12	Karnataka	25536	0	629	0	26165	402029	12992	268940	133089
13	Kerala	0	8515	0	0	8515	338668	12196	284966	53702
14	Madhya Pradesh	6288	9346	2195	0	17829	226467	6724	139467	87000
15	Maharashtra	107729	134848	2243	0	244820	1154596	87845	587475	567121
16	Manipur	0	0	412	0	412	15840	103	3069	12771
17	Meghalaya	0	0	109	0	109	41400	46	12167	29233
18	Mizoram	0	2488	799	2500	5787	23935	66	4658	19277
19	Nagaland	2123	0	580	0	2703	14415	709	6342	8073
20	Orissa	4882	611	9743	0	15236	116743	3185	91553	25190
21	Punjab	64659	66375	546	0	131580	738837	38790	332397	406440
22	Rajasthan	223596	3500	2968	16500	246564	1129232	55467	464897	664335
23	Sikkim	0	24295	444	0	24739	69500	175	2826	66674
24	Tamil Nadu	47852	104126	-13	60000	211965	643469	21887	184058	459411
25	Tripura	0	0	335	0	335	11390	0	10547	843
26	Uttar Pradesh	7460	24779	712	125000	157951	697759	97942	362006	335753
27	Uttanchal	0	0	697	0	697	238947	14715	33695	205252
28	West Bengal	14154	76035	6280	0	96469	288581	5245	20879	267702
29	Wind Energy	0	0	0	0	0	3013	0	158	2855
	Total	668733	785056	57945	204000	1715734	9240065	511936	4174784	5065281
	RGGVY Subsidy					512052				
	Grand Total					2227786				

TABLE-5
PUMPSETS ENERGISED UNDER THE PROJECTS FINANCED BY REC DURING 2008-09 AND CUMULATIVE POSITION
UPTO 31.3.2009

(Provisional)

Sl. No.	State	Achievement during 2008-09	Cumulative Achievement upto 31.3.2009
1	Chhatisgarh	81036	1734629
2	Arunachal Pradesh	-	-
3	Assam	-	1922
4	Bihar	-	113354
5	Delhi	-	-
6	Goa	-	-
7	Gujarat	-	420456
8	Haryana	-	223928
9	Himachal Pradesh	17	5935
10	Jammu & Kashmir	1202	10627
11	Jharkhand	-	-
12	Karnataka	-	862387
13	Kerala	-	340882
14	Madhya Pradesh	-	1054106
15	Chhatisgarh	-	-
16	Maharashtra	69746	1795059
17	Manipur	-	29
18	Meghalaya	-	58
19	Mizoram	-	-
20	Nagaland	-	164
21	Orissa	-	63015
22	Punjab	142	483826
23	Rajasthan	1817	489907
24	Sikkim	-	-
25	Tamil Nadu	34783	1046670
26	Tripura	-	1530
27	Uttar Pradesh	-	379544
28	Uttarakhand	-	-
29	West Bengal	-	82202
	Total:	188743	9110230

TABLE 6
DETAILS OF PROJECTS SANCTIONED IN X PLAN AND XI PLAN UNDER RGGVY

Amount in Rs. Crores

Sl. No.	State	Projects Sanctioned in X Plan						Projects Sanctioned in XI Plan						Total Projects Sanctioned								
		No. of Projects	No. of Districts	No. of un-electrified villages covered	No. of electrified h/h covered (Incl. BPL)	No. of BPL households 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 households 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 households covered	Total Sanctioned Project Cost	
1	Andhra Pradesh	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23
1	Andhra Pradesh	17	17	0	21623	3166161	2114317	648.15	9	5	0	5858	787967	477823	191.94	26	22	0	27481	3954128	2592140	840.09
2	Andhra Pradesh	2	2	237	321	7230	4377	43.30	14	14	1892	1435	69177	36433	494.39	16	16	2129	1756	76407	40910	537.69
3	Assam	3	3	903	1746	190663	148971	158.03	20	20	7622	11584	1224165	842685	1501.97	23	23	8325	13330	1414828	991656	1660.00
4	Bihar	26	25	17125	0	843499	843499	1495.80	17	13	6086	6651	5178537	1918956	1480.09	43	38	23211	6651	6022036	2762455	2975.89
5	Chhattisgarh	3	3	117	3504	270085	122326	148.94	11	11	1015	12829	1015460	654839	956.27	14	14	1132	16333	1265545	777165	1105.21
6	Gujarat	3	3	0	2409	243397	188471	60.84	22	22	0	15525	1352456	766679	294.59	25	25	0	17934	1596853	955150	360.43
7	Haryana	4	4	0	1075	116814	49198	48.48	14	14	0	4910	452872	174875	148.92	18	18	0	5985	569686	224073	197.40
8	Himachal Pradesh	1	1	0	1118	2531	647	25.02	11	11	93	9548	33948	11801	180.23	12	12	93	10666	36479	12448	205.25
9	J & K	3	3	103	1444	99088	59731	97.62	11	11	180	4606	196133	76999	536.31	14	14	283	6050	295221	136730	635.93
10	Jharkhand	13	13	8727	4379	1469520	942319	1287.67	9	9	11010	3243	1456740	748478	1374.94	22	22	19737	7622	2936260	1691797	2662.61
11	Karnataka	17	17	49	21152	1319939	631828	375.39	7	6	83	6743	516464	220442	186.32	24	23	132	27895	1836403	852270	561.71
12	Kerala	1	1	0	38	23799	17834	19.75	0	0	0	0	0	0	0.00	1	1	0	38	23799	17834	19.75
13	Madhya Pradesh	8	8	115	9653	565912	311295	395.57	24	24	691	24441	2087624	1064947	1137.77	32	32	806	34094	2653536	1376442	1533.34
14	Maharashtra	4	4	0	4052	335590	262538	78.86	30	30	6	36240	2278152	1613853	634.58	34	34	6	40292	2633742	1876391	713.44
15	Manipur	2	2	186	270	25136	14447	64.07	2	2	309	457	51131	34741	91.69	4	4	495	727	76267	49188	155.76
16	Meghalaya	2	2	174	797	41495	23676	45.99	5	5	1769	2739	147153	92771	244.42	7	7	1943	3536	188648	116447	290.41
17	Mizoram	2	2	90	209	15331	8618	41.75	6	6	47	361	29003	18799	62.50	8	8	137	570	44334	27417	104.25
18	Nagaland	2	2	12	279	21701	14290	16.25	9	9	93	873	121291	55610	94.92	11	11	105	1152	142982	69900	111.17
19	Orissa	4	4	2602	4637	598625	335080	434.10	27	26	15293	24355	4259667	2850783	3141.01	31	30	17895	28992	4858292	3185663	3575.11
20	Punjab	0	0	0	0	0	0	0	17	17	0	11840	405023	148860	154.59	17	17	0	11840	405023	148860	154.59
21	Rajasthan	25	24	1705	15608	1009310	699651	453.23	16	10	2783	19233	1221077	1050400	803.76	41	34	4488	34841	2230387	1750351	1256.99
22	Sikkim	2	2	16	158	10320	3724	26.09	2	2	9	260	17846	7734	31.01	4	4	25	418	28166	11458	57.10
23	Tamilnadu	0	0	0	0	0	0	0	26	26	0	12416	1692235	545511	447.41	26	26	0	12416	1692235	545511	447.41
24	Tripura	1	1	48	72	20548	13119	19.57	3	3	112	570	208211	181611	111.89	4	4	160	642	228759	194730	131.46
25	Uttar Pradesh	64	65	30602	3287	1694075	1120648	2719.51	0	0	0	0	0	0	0.00	64	65	30802	3287	1694075	1120648	2719.51
26	Uttaranchal	13	13	1469	14105	337309	281615	643.89	0	0	0	0	0	0	0.00	13	13	1469	14105	337309	281615	643.89
27	West Bengal	13	13	4283	0	145918	97847	385.03	15	4	290	24775	3828087	2601887	1956.60	28	17	4573	24775	3974005	2699734	2344.63
Total		235	234	68763	111936	12613896	8310366	9732.90	327	300	49383	241492	28630419	16196517	16268.12	562	534	118146	353428	41244415	24508883	26001.02

TABLE-7
STATE WISE DETAIL OF ACHIEVEMENT

Sl. No.	State	Achievement up to 2007-08		Achievement in 2008-09		Cumulative Achievement	
		Un-electrified Villages	BPL HH	Un-electrified Villages	BPL HH	Un-electrified Villages	BPL HH
1	2	3	4	5	6	7	8
1	Andhra Pradesh	–	833404	–	945368	–	1778772
2	Assam	84	–	651	32718	735	32718
3	Bihar	13362	67820	3098	474277	16460	542097
4	Chhattisgarh	–	15302	50	75592	50	90894
5	Gujarat	–	78317	–	116310	–	194627
6	Haryana	–	6907	–	16930	–	23837
7	Himachal Pradesh	–	–	–	392	–	392
8	J & K	–	4062	46	3924	46	7986
9	Jharkhand	1259	2826	4933	243830	6192	246656
10	Karnataka	47	374736	11	226046	58	600782
11	Kerala	–	6596	–	3394	–	9990
12	Madhya Pradesh	15	1099	69	76026	84	77125
13	Maharashtra	–	56287	–	145715	–	202002
14	Manipur	36	1300	57	2056	93	3356
15	Meghalaya	–	–	90	1264	90	1264
16	Orissa	–	72	1427	144056	1427	144128
17	Rajasthan	1628	255378	158	237727	1786	493105
18	Tamil Nadu	–	–	–	296	–	296
19	Uttar Pradesh	26985	447264	695	251575	27680	698839
20	Uttanchal	1226	83181	175	50111	1401	133292
21	West Bengal	3184	59219	596	37181	3780	96400
	Total	47826	2293770	12056	3084788	59882	5378558

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

[Pursuant to Clause 49 (IV) (F) of the Listing Agreement]

1. INDUSTRY STRUCTURE

In fiscal 2009, the electricity generation grew by 2.71 % from 704.45 to 723.56 BUs whereas during the same period the requirement grew from 739.35 BUs to 774.32 BUs. The annual energy shortage thus increased to 11%. This was the highest in six years, previous year shortage being 9.9%. The peak shortage however declined to 12% in the year 2009 when compared with 16.6% in the previous year. The gross electricity requirement by the end of the Eleventh Plan projected by the Working Group on power is 1038 Billion Unit (BU) and peak demand estimation is 151000 MW. To fulfil the estimated electricity demand requirement, the target for capacity addition during Eleventh Plan has been kept at 78577 MW. The three key components of the power industry include Generation, Transmission and Distribution a brief of which is given as follows:

Generation

The installed generation capacity has increased by 15635.4 MW to 147965.4 MW in the first two fiscal ears of the 11th plan.

(MW)

Sector	Installed Capacity at the end of 10 th Plan (2007)	Installed Capacity as on 31.03.2009	Increase in Installed Capacity so far in 11 th Plan	Target Capacity Addition during 11 th Plan (2012)
State	70096	76115.70	6019.70	27952
Central	45121	48971.00	3850.00	39865
Private	17113	22878.70	5765.70	10760
Total	132330	147965.40	15635.40	78577

The electricity supply industry in India is also characterized by a large amount of captive generation, which has been established by energy intensive industries such as steel and aluminium. Under the Electricity Act, captive generators are able to sell excess power to consumers.

The total requirement of funds for generation projects, during the Eleventh Plan period is estimated at Rs. 4,108,960 million, with Rs. 2,020,670 million being required for the central sector, Rs. 1,237,920 million being required for the state sector and Rs. 850,370 million being required for the private sector.

Transmission

By the end of 10th Plan the total length of transmission lines in the country comprised about 1.98 lakh ckt kms. During the first two fiscal years of the 11th plan a total of about 23239 ckt km of lines have already been commissioned. Similarly the substation transformation capacity has gone up from about 2.62 lakh MVA at the end

of the 10th Plan to 3.06 lakh MVA at the end of fiscal 2009. Investments for transmission system development and related schemes during the Eleventh Plan period is estimated at Rs. 1,400,000 million, with Rs. 750,000 million being required for the central sector and Rs. 650,000 million being required for the state sector.

The focus of transmission system development is to provide adequate inter-regional and intra-regional transmission capacity so as to consolidate and strengthen the national grid network towards a strong all-India grid. The Government of India's (GoI's) transmission perspective plans focus on the creation of a national grid in a phased manner by adding over 60,000 ckm of transmission network by 2012. It is intended that integrated grid will evacuate an additional 100,000 MW by the year 2012 and carry 60% of the power generated in the country. The existing inter-regional power transfer capacity is to be enhanced to 30,000 MW by fiscal 2012 through creation of "Transmission Super Highways".

In order to attract private sector investments in major transmission projects, the GoI launched a scheme in 2007 under the Electricity Act, pursuant to which private developers are proposed to become transmission service providers on a "build, own and operate" basis. The GoI has identified 14 transmission-related projects to be implemented on a build, own and operate basis, which are in various stages of development.

Distribution

Distribution reforms have been re-emphasized by the GoI by re-launching the APDRP scheme, which has now been made performance based. The total fund requirement for sub-transmission and distribution system development for urban and rural areas, during the eleventh Plan period is estimated at Rs. 2,870,000 million inclusive of APDRP and RGGVY schemes, however the reforms in this segment are limited by the poor financial health of the SEBs and State Public Utilities and their resultant inability to upgrade the distribution network.

To address this issue, the erstwhile APDRP has been continued through the 11th plan as R-APDRP (Restructured APDRP). The program is now focussed on actual, demonstrable performance in terms of sustained loss reduction and proposes to cover urban areas - towns and cities with population of more than 30,000 (10,000 in case of special category states). In addition, in certain high-load density rural areas with significant loads, works of separation of agricultural feeders from domestic and industrial ones, and of High Voltage Distribution System (11KV) will also be taken up. The **Part-A** of R-APDRP aims at preparation of Base-line data for the project area covering Consumer Indexing, GIS Mapping, Metering of Distribution Transformers and Feeders, and Automatic Data Logging for all Distribution Transformers and Feeders and SCADA / DMS system etc. **Part-B** aims at renovation, modernization and strengthening of 11KV level Substations, Transformers/Transformer Centers, Re-conductoring of lines at 11KV

level and below and upgradation of the entire last mile distribution infrastructure.

GoI will provide 100% Loan for part-A of the R-APDRP schemes and upto 25% (90% for special category States) Loan for part-B of the R-APDRP schemes for which funds would be channelized through PFC / REC. The entire amount of GoI loan for part-A of the project shall be converted into grant after establishment of the required base-line data system within a stipulated time frame and duly verified by third party inspection agencies. Part-B loans to the extent of 50% (90% for special category States) loan for Part-B projects shall be converted into grant in five equal tranches on achieving 15% AT&C loss in the project area duly verified by third party inspection agencies, on a sustainable basis for a period of five years.

The performance orientation built into the R-APDRP is expected to incentivise and accelerate investments in distribution infrastructure, and result in faster accomplishment of loss reduction goals.

Significant Policy Action

Policy action taken by the Government of India progressively over the years continues to enable and restructure the power sector and attract greater private capital. Starting from the introduction of the **Electricity Act, 2003** which modified the legal framework governing the electricity sector, and set the stage for attracting capital for large scale power projects, the **National Electricity Policy**, was notified in February 2005, which defined the broad goals with the following key 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) Minimum lifeline consumption of 1 unit / household / day as a merit good by year 2012 (v) Financial turnaround and commercial viability of the electricity sector; and (vi) Protection of consumer interests. The **National Tariff Policy** was notified in January 2006, which aimed 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 also became functional since July 2005. Further, **distribution reforms** were identified as the key area to bring about the efficiency and improve financial health of the power sector. Among other various initiatives, the GoI approved a scheme called "Accelerated Power Development and Reforms Programme (APDRP)" in March 2003 which has been re-launched as R-APDRP in September, 2008 by making it more performance-based and financially attractive. The **Rural Electrification Policy** was notified in August 2006, with the objective of improving access and quality of electricity supply in rural areas to ensure rapid economic development by providing electricity as an input for productive uses in agriculture, rural industries etc.

The Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) which was launched by the GoI in April 2005 envisages electrification of about 1.15 lakh un-electrified villages, free electricity connections to 2.34 crore BPL households and providing access to electricity to all rural households in the country. The scheme aims to establish (i) Rural

Electricity Distribution Backbone (REDB) with 33/11 KV (or 66/11 KV) sub-stations of adequate capacity and lines in blocks where these do not exist (ii) Village Electrification Infrastructure (VEI) with provision of distribution transformers of appropriate capacity in villages / habitation(s) and (iii) Decentralized Distributed Generation (DDG) and supply from conventional or renewable or non-conventional sources such as biomass, bio fuel, bio gas, mini hydro, geo thermal and solar etc. for villages where grid connectivity is either not feasible or not cost effective. Subsidy towards capital expenditure to the tune of 90% is being channelized through REC, which is the nodal agency for implementation of the scheme in entire country. BPL households are provided free electricity connections under the scheme in rural habitations of project areas. The management of rural distribution is envisaged through franchisees who could be Non-Governmental Organisations (NGOs), Users Association, Panchayat Institutions, Cooperatives or individual entrepreneurs. A three-tier quality control mechanism has been built into the scheme. Initially approval for capital subsidy of Rs.5000 crores was provided during the 10th Plan period and further approval has been accorded for capital subsidy of Rs.28000 crore during the Eleventh Plan period. RGGVY has thus resulted in huge investments in providing electricity supply in rural India.

2. OPPORTUNITIES

GoI estimates for investment in the power sector, for XI Plan, stand at 10316 Billion INR which includes funds required for adding power generation capacity, R&M of existing power plants, expansion and upgradation of transmission and distribution infrastructure, decentralized distributed generation etc. The capacity addition program during the XII Plan is even higher. Therefore the opportunities for financing power infrastructure projects are quite buoyant and are likely to remain so in the foreseeable future. As a nodal agency for monitoring and channelizing funds under the RGGVY program REC continues to take up the socio-economic responsibility of village electrification and contribute to the mission of "Power for all by 2012".

3. PRODUCT-WISE PERFORMANCE

The Company, as a leading Public financial institution, provides interest bearing loans to SEBs, State Power utilities/State Power Departments and Private sector for development of all segments of Power infrastructure. The Company 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 Company has sanctioned loan assistance of Rs.40745.84 crore (excluding subsidy of Rs.827.11 crore under RGGVY) and disbursed Rs. 22277.86 crore (including subsidy of Rs.5120.52 crore under RGGVY) in line with the mandate given by the Government enlarging the areas of operation of the Company to cover financing of all projects in Power Sector. The major component of the sanctions of the Company was for Generation schemes with total sanction amount of Rs. 21525.31 crore. In addition, an amount of Rs.16037.24 Crore under Transmission and Distribution (T&D) schemes, Rs.2,100 crore under Short Term Loan, Rs.808.46 crore under IC&D projects, Rs.182.93 crore under DDG projects

and Rs.91.90 crore under RGGVY (excluding subsidy of Rs.827.11 crore under RGGVY) were sanctioned. The disbursement includes Rs.7850.56 crore under Generation, Rs.5699.97 crore under RGGVY (including subsidy of Rs.5120.52 crore under RGGVY), Rs.6,687.33 crore under T & D schemes and Rs. 2,040 crore for Short Term Loan.

4. THREATS, RISKS AND CONCERNS

Raising resources in a cost-effective manner in an adverse economic environment prevalent during the year has been quite a challenging task and by and large, the Company has done well on that front. The economic slow down does not seem to have affected the power sector, and the ability of eligible borrowers in mobilising capital and debt for their projects continues to remain on track. The weak financial health of SEBs remains an area of concern even as they undergo the reform process.

5. OUTLOOK

Several years of concerted policy action in the power sector has put it on a sound footing. The progress in XI Plan projects gives an indication that actual achievements could be far higher than the previous Five Year Plans and close to the XI Plan capacity addition targets of 78577 MW of XI Plan. Activity has already begun among the shelf of projects targeted for XII plan and beyond which is over 1.55 lakh MW. Planned investments in transmission and distribution sector along with introduction of modern technologies and investments in rural electrification guide us to a continued robust growth in the power sector in India. Over the long term, the per capita energy consumption in India is bound to increase, which is currently significantly lower than world average. Power sector is one of the key constituents of infrastructure required for overall growth of the economy. With the outlook for Indian economy remaining bright, the power sector is likely to scale new highs in the coming years.

6. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

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

The Company has a separate Internal Audit Division which verifies compliance to the policies and procedures framed by the management. The Internal Audit Division covers all areas of operations of the Company as per the Annual Internal Audit Programme. The Division helps in improving accuracy and efficiency of transactions and operations by undertaking review of controls in built, scrutiny of payments and expenditure, and examination of financial and technical records of the Company.

The audit of various Zonal Offices / Project Offices / CIRE located in different parts of the country and various divisions of the Company at the Corporate Office are also carried out on bi-annual, annual and biennial basis during the year.

7. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT OF OPERATIONAL PERFORMANCE

The loan sanctioned during the year 2008-09 was Rs.40745.84 crore as compared to Rs. 46770 crore during the previous year (excluding subsidy under RGGVY). The disbursement during the year also increased to Rs.22277.86 crore as compared to Rs.16304 crore during the previous year (including subsidy under RGGVY).

The amount due for recovery during the year 2008-09 was Rs.9788.90 crore as compared to Rs. 9002.73 crore during the previous year. The figure includes the dues from defaulting Borrowers. The Company recovered a total sum of Rs. 9796.97 crore during the year 2008-09 as against Rs.9041.99 crore during the previous year.

During the financial year, the Company registered an increase of Rs1378.95 crore in operational income which went up to Rs.4757.17 crore in 2008-09 from Rs. 3378.21 crore during the year 2007-08. Profit before tax was at Rs.1920.11 crore in 2008-09 in comparison to Rs. 1312.42 crores in 2007-08. Net profit of the company was Rs.1272.08 crore, an increase of Rs.411.93 crore over the previous year's figure of Rs.860.15 crore. Net worth of the Company as on 31st March, 2009 is Rs.6190 crore.

8. MATERIAL DEVELOPMENT IN HUMAN RESOURCE / INDUSTRIAL RELATIONS FRONT INCLUDING NUMBER OF PEOPLE EMPLOYED

In order to professionalize the Executive-strength of the Company and also to infuse fresh blood, 4 executives were appointed in the Company through open advertisement and 3 executives through campus recruitment during the year. The total manpower at the close of the financial year 2008-09 was 681 which includes 351 executives and 330 non-executives.

The Company sponsored 97 employees to various training programmes, workshop etc. within the country and abroad. In addition, 16 training programmes were conducted in-house, which were attended by 298 employees including one programme at CIRE, Hyderabad exclusively for REC employees. In order to develop global exposure, several officers were sent to attend various programmes abroad to various countries which included Japan, U.K., Korea, Geneva, Italy, Bangladesh etc.

In order to provide better medical treatment to the employees / their dependent family members at Corporate Office and Zonal Offices / Project Offices, the Corporation has included 17 more Hospitals (including chain to Metro Hospitals) under its "Direct Payment" Scheme.

9. CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

The Company has formulated a policy on Corporate Social Responsibility. The brief details of the policy are given below:-

Policy

"To remain a responsible corporate entity mindful of its social responsibilities to all stakeholders including consumers, share holders, employees, local community and society at large".

Aims and Objectives

As a responsible corporate entity, the Company will consistently strive for opportunities to meet the expectation of its stake holders by pursuing the concept of sustainable development with focus on the following :-

- 1) To facilitate demonstration of commercially viable rural electricity delivery models with appropriate intervention and support on a selective basis such that they can be replicated elsewhere.
- 2) Promotion of rural enterprises and livelihood including skill development and training.
- 3) Providing development support to common facility centers /production centers in rural areas.
- 4) Promotion and development of rural technologies for micro enterprises promotion.
- 5) Making sustained efforts for environmental preservation.
- 6) Promotion of sports and games.
- 7) Promotion of the development and well being of employees and their families.
- 8) Undertaking relevant community development programmes.
- 9) Supporting initiatives of vocational, technical and higher education to the most disadvantaged and marginalized section of the society.

- 10) To be a part of national/local initiatives to provide relief/ rehabilitation in times of natural Disaster/calamities.

Mandatory Corporate Social Responsibility Activities

- (i) To offer employment opportunity to members of Scheduled Caste, Scheduled Tribes, other Backward Classes, in conformity with various guidelines from Government of India as may be applicable from time to time.
- (ii) To offer employment opportunity to persons who are physically challenged persons (suffering from various disabilities such as visual, orthopedic disability etc.) in compliance to various mandatory guidelines issued by Government of India as applicable from time to time.
- (iii) To offer necessary social security benefits to the employees of the Company in the form of benefits under Contributory Provident Fund Scheme, payment of gratuity etc. as may be applicable from time to time under various statutory provisions or otherwise under the Company's policy.
- (iv) To offer necessary facilities to the employees and their dependent family members in the area of health and medical facilities including prevention of various diseases, disabilities etc. as may be outlined in various policies of the company or statutory provisions under various laws.
- (v) To provide necessary measures of social security to women employees of the Company in terms of allowing maternity benefits as applicable under various statutory provisions or as may be decided by the Company from time to time.

REPORT ON CORPORATE GOVERNANCE

As a listed company and a good corporate entity, the Company is committed to sound corporate practices based on conscience, openness, fairness, professionalism and accountability paving the way in building confidence among all its stakeholders for achieving sustainable long term growth and profitability.

Besides adhering to the provisions of Corporate Governance as per Listing Agreement, as a Government Company- Guidelines on Corporate Governance issued by Department of Public Enterprises (DPE), Ministry of Heavy Industries and Public Enterprises, Government of India, are also followed by the Company.

A brief report on Corporate Governance is given below and the Auditors Certificate in compliance with the provisions of Corporate Governance is also enclosed separately:-

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE 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 stakeholders.

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

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.

2. BOARD OF DIRECTORS

(A) Composition of Board:

The Board of Directors of REC comprises of Eight Members out of which Three are Executive Directors including the Chairman and Managing Director and there are Five Non Executive Directors out of which One is the nominee of the Government of India and Four are Independent Directors.

The composition of the Board as on the date of the Report is as follows:

(ii) Details of Number of Board Meetings attended by Directors, attendance at last AGM, number of other Directorships (in Public Limited Companies) /Committee Memberships (viz Audit Committee and Shareholders Grievance Committee) (other than REC), held by Directors during the year 2008-09 are tabled below:-

Sl. No.	Name of Director	Board Meetings		Attendance at Last AGM (held on 24.09.2008)	No. of other Directorships as on 31.03.2009	No. of other Committee Memberships as on 31.03.2009	
		Held during the tenure	Attended			As Chairman	As Member
1.	Shri P. Uma Shankar, Chairman & Managing Director	12	12	Yes	3	Nil	Nil
2.	Shri H.D. Khunteta, Director (Finance)	12	11	Yes	Nil	Nil	Nil
3.	Shri Bal Mukand, Director (Technical) (upto 30.11.2008)	7	6	Yes	Nil	Nil	Nil
4.	Shri Guljit Kapur, Director (Technical) (from 1.12.2008)	5	5	N.A.	Nil	Nil	Nil

Executive Directors

- Shri P. Uma Shankar - Chairman and Managing Director (CMD)
 Shri H.D. Khunteta - Director (Finance)
 Shri Guljit Kapur - Director (Technical)

Non-Executive Directors

- Shri Devender Singh - Government Nominee Director
 Shri Venugopal N. Dhoot - Independent Director
 Dr. M. Govinda Rao - Independent Director
 Shri P.R. Balasubramanian - Independent Director
 Dr. Devi Singh - Independent Director

(B) Non Executive Directors compensation and disclosures

The Board of Directors in its Meeting held on 23.03.2009, has revised the payment of sitting fees to part time non-official / Independent Directors on the Board of REC for attending the Board / Committee Meetings as mentioned below:

Sl. No.	Particulars	Pre-revised Fees per meeting	Revised sitting Fees per meeting
1.	for attending Board Meeting	Rs.12,000/-	Rs.15000/-
2.	for attending Committee Meeting	Rs.10,000/-	Rs.15000/-

(C) Other provisions as to Board and Committees

(i) Details of Board Meetings held during the Financial Year 2008-09

During the Financial Year 2008-09, 12 Board Meetings were held i.e on 28.04.2008, 26.05.2008, 09.07.2008, 28.07.2008, 11.09.2008, 23.09.2008, 24.10.2008, 08.12.2008, 22.12.2008, 27.01.2009, 21.02.2009 and 23.03.2009.

The maximum time gap between two Board Meetings was less than four months. The Board has complete access to all the relevant information within the Company including those prescribed in the Listing Agreement.

5.	Shri Devender Singh, Govt. Nominee Director	12	9	Yes	1	Nil	Nil
6.	Shri Venugopal N. Dhoot, Independent Director	12	1	No	10	1	1
7.	Dr. M. Govinda Rao, Independent Director	12	12	Yes	1	Nil	Nil
8.	Shri P.R Balasubramanian, Independent Director	12	12	Yes	1	Nil	Nil
9.	Dr. Devi Singh, Independent Director	12	12	Yes	3	1	Nil

None of the Directors on the Board is a member of more than 10 Committees.

(iii) Compliance with Applicable Laws:

The Board of Directors in their Meeting held on 29.03.2007 perused an indicative list of laws applicable to the Company and identified the Officers responsible for compliance with such applicable laws. Further, in the Board Meeting held on 21.02.2009, Board reviewed the format thereby including the factual details of nature of statutory compliance as applicable and the dates/details of the compliance of the same during the quarter. The Board had reviewed the compliance with the applicable laws based on quarterly report submitted to it and there have been no case of non-compliance as on 31.03.2009.

(D) Code of Conduct

The Board of Directors has laid down a code of conduct for the Board members and Senior Management Personnel in alignment with Company's mission and objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company. A copy of the Code of conduct is available on the website of the Company i.e www.recindia.nic.in.

Declaration required under Clause 49 of the Listing Agreement

All the members covered under the "Code of Conduct for Board Members and Senior Management" have affirmed compliance with the said code for the Financial year 2008-09.

Sd/-
P. Uma Shankar
Chairman and Managing Director

(E) Code for Prevention of Insider Trading

In terms of Securities and Exchange Board of India (Insider Trading) Regulations, 1992, the Company has formulated a comprehensive Code for Prevention of Insider Trading to preserve the confidentiality and to prevent misuse of unpublished price sensitive information. Every Director, officer and designated employee of the Company has a duty to safeguard the confidentiality of all such information obtained in course of his or her work at the Company and not to misuse his or her position or information regarding the Company to gain personal benefit or to provide benefit to any third party. The Code lays down guidelines and procedures to be followed and disclosures to be made while dealing with the shares of the company and the consequences of non-compliance. The Company Secretary has been appointed as Compliance Officer and is responsible for the adherence to 'Code of prevention of Insider Trading'. A Copy of the Code has been posted on the Company's website i.e www.recindia.nic.in.

In line with the requirement of the said Code, the trading window was closed from time to time, whenever some price sensitive information was submitted to the Board. Notice of the Closure of trading window was issued to all employees well in advance and proper announcements were also made, restraining all the employees not to deal in shares of the Company when the window is closed.

3. COMMITTEES OF THE BOARD OF DIRECTORS

The Committees constituted by the Board are as follows:

- Audit Committee
- Sub-Committee for Borrowings other than Debentures
- Sub-Committee for review of lending rates for REC Loans.
- Shareholders/Investors Grievances Committee
- Loan Committee
- HR Sub-Committee

3.1 Audit Committee

(i) The current composition of the Audit Committee is as under:

Sl. No.	Name of the Director	Designation	Position in Committee
1.	Dr. M. Govinda Rao	Independent Director	Chairman
2.	Shri P. R. Balasubramanian	Independent Director	Member
3.	Dr. Devi Singh	Independent Director	Member

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

(ii) The terms of reference of the Audit Committee are as under:

- to comply with the requirements in accordance with Section 292A of the Companies Act;
- to comply with the requirements relating to the Audit Committee as envisaged in Clause 49 of the Listing Agreement and also to comply with the Guidelines on Corporate Governance issued by the Department of Public Enterprise (DPE), 2007 for CPSEs in a phased manner;
- to take on record and/or to review unaudited/audited quarterly/half-yearly/annual financial statements of the Company.

During the year 2008-09, Six Audit Committee Meetings were held on 10.05.2008, 25.05.2008, 28.07.2008, 24.10.2008, 27.01.2009 and 18.03.2009. Meetings attended by individual members during the year 2008-09 are detailed below:-

Name of the Director, Designation	Position in the Committee	No. of meetings held during his tenure	Meetings attended
Dr. M. Govinda Rao, Independent Director	Chairman	6	6
Shri P. R. Balasubramanian, Independent Director	Member	6	6
Dr. Devi Singh, Independent Director	Member	6	6

Dr. M. Govinda Rao, Chairman of the Audit Committee, was present at the last AGM held on 24.09.2008 to answer Shareholders queries.

3.2 Sub-Committee for Borrowings other than Debentures

The Sub-Committee of Board of Directors for Borrowings other than Debentures was constituted by the Board of Directors in their Meeting held on 29.04.2005. The current composition of Sub-Committee of Board of Directors for Borrowings other than Debentures is as follows:

Sl. No.	Name of the Director	Designation	Position in Committee
1	Shri P. Uma Shankar	CMD	Chairman
2.	Shri H.D Khunteta	Director (Finance)	Member
3.	Shri Guljit Kapur	Director (Technical)	Member

Quorum of the meeting is minimum 2 directors including CMD. During the year no Meeting was held.

3.3 Sub-Committee for review of lending rates for REC Loans

The Sub-Committee for review of lending rates was constituted by the Board of Directors in their Meeting held on 21.07.2006 for reviewing the lending rates of both short term and long term loans. The current composition of Sub-Committee for review of lending rates is as follows:

Sl. No.	Name of the Director	Designation	Position in Committee
1	Shri P. Uma Shankar	CMD	Chairman
2.	Shri H.D Khunteta	Director (Finance)	Member
3.	Shri Guljit Kapur	Director (Technical)	Member

The quorum for the meetings is 2 directors including CMD. During the year Eleven Meetings (including one adjourned Meeting) of the Sub-Committee were held on 09.04.2008, 03.07.2008, 09.07.2008, 23.07.2008, 08.08.2008, 03.09.2008, 24.09.2008, 01.10.2008, 21.10.2008, 13.01.2009 and 21.01.2009 (adjourned meeting)

3.4 Shareholders/Investors Grievances Committee

(i) Constitution of Shareholders/Investors Grievances Committee

The Shareholders/Investors Grievances Committee was reconstituted on 22.12.2008 on account of superannuation of

Shri Bal Mukand w.e.f. 30.11.2008 and appointment of Shri Guljit Kapur w.e.f. 1.12.2008 in his place. This Committee specifically looks into the redressal of Shareholders and Investors complaints like transfer of shares, non receipt of Balance sheet, non receipt of declared dividend etc. The Committee is chaired by Shri Devender Singh, Government Nominee Director. The current composition of Shareholders/Investors Grievances Committee is as under:

Sl. No.	Name of the Director	Designation	Position in Committee
1.	Shri Devender Singh	Government Nominee Director	Chairman
2.	Shri H.D Khunteta	Director (Finance)	Member
3.	Shri Guljit Kapur	Director (Technical)	Member

Registrar & Share Transfer Agent (RTA) appointed by the Company are standing invitees at the Meetings of Shareholders/Investors Grievances Committee. During the year 2008-09, four meetings of the Shareholders/Investors Grievances Committee were held on 26.05.2008, 28.07.2008, 24.10.2008 and 27.01.2009 to review the grievance procedure and status of pending Shareholders/Investors grievances.

(ii) Status of Shareholders/Investors Grievances

Information of Shareholders/Investor Grievance pursuant to Clause 49 of the Listing agreement for the year ended 31st March, 2009 are as follows:-

Status of Shareholders/Investors Grievances for the Period from 01.04.2008 to 31.03.2009 related to Equity Shares/Listed Debt Securities:

Pending at the beginning of the year	NIL
Received during the year	2054
Disposed off during the year	2053*
Lying unresolved as on 31.03.2009	NIL

*excludes one pending complaint related to unlisted debt securities.

3.5 Loan Committee

The Loan Committee was constituted by the Board of Directors in its Meeting held on 26.05.2008. It has been constituted for sanction of loans:

- to Central/State Government Power utilities in excess of Rs. 150 Crore but upto Rs.500 Crore in each case, with an annual ceiling of upto Rs.20,000 Crore; and
- to Private Sector Power utilities in excess of Rs.100 Crore but upto Rs.500 Crore in each case, with an annual ceiling of upto Rs.4000 Crore.

The current composition of Loan Committee is as under:

Sl. No.	Name of the Director	Designation	Position in Committee
1.	Shri P. Uma Shankar	CMD	Chairman
2.	Shri H.D Khunteta	Director (Finance)	Member
3.	Shri Guljit Kapur	Director (Technical)	Member
4.	Shri Devender Singh	Government Nominee Director	Member

Quorum of the Committee is three Directors including Chairman and Government nominee Director.

During the year 9 Meetings were held on 09.07.2008, 22.07.2008, 28.07.2008, 05.09.2008, 24.09.2008, 11.12.2008, 06.01.2009 and 27.01.2009 and 23.03. 2009.

3.6 HR Sub-Committee

The HR Sub-Committee was constituted by the Board of Directors in their Meeting held on 09.07.2008. It has been constituted for development, review and revision of Human Resources Policies including benefits / facilities of employees broadly in line with comparable Public Sector Enterprises such as Power Finance Corporation, NTPC etc. and submit the recommendations for approval of the Board.

The current composition of HR Sub- Committee is as follows:

Sl. No.	Name of the Director	Designation	Position in Committee
1.	Shri H.D Khunteta	Director(Finance)	Chairman
2.	Shri P.R. Balasubramanian	Independent Director	Member
3.	Dr. Devi Singh	Independent Director	Member

Shri Vinod Behari, ED(HR) is a standing invitee to the committee. The quorum for the committee is 2 members.

During the year 2 Meetings were held on 08.12.2008 and 18.03.2009.

3.7 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 in the Financial year 2008-09.

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

(A) Details of remuneration of Executive Directors of the Company during the financial year 2008-2009 are given below:

(Amount in Rupees)

Sl. No.	Name	Salary & Allowances	Other Benefits	Performance linked Incentive	Total
1.	Shri P. Uma Shankar, CMD	9,50,117	2,91,027	38,588	12,79,732
2.	Shri H.D.Khunteta, Director (Finance)	9,93,765	4,59,410	6,13,500	20,66,675
3.	Shri Bal Mukand, Ex-Director (Technical) (ceased to be Director w.e.f 30.11.2008)	6,66,844	14,02,496*	6,32,394	27,01,734
4.	Shri Guljit Kapur, Director (Technical) (appointed w.e.f 01.12.2008)	3,38,636	2,31,234	-	5,69,870

*Shri Bal Mukand ceased to be a director on 30.11.2008 on attaining superannuation. Other benefits include Retiral benefits paid to him.

(B) Details of Payments towards sitting fees to Independent Directors during the Financial Year 2008-09 are given below:

(Amount in Rupees)

Sl. No.	Name of Part-time non-official Directors	Sitting Fees		Total
		Board Meeting	Committee Meeting	
1.	Shri Venugopal N. Dhoot*	1	-	1
2.	Dr. M. Govinda Rao	1,47,000	60,000	2,07,000
3.	Shri P.R Balasubramanian	1,47,000	80,000	2,27,000
4.	Dr. Devi Singh	1,47,000	80,000	2,27,000

* Shri V.N. Dhoot is taking only Rupee One per meeting attended by him during the year as honorary payment.

(C) Shri Devender Singh, Director being a Government nominee is not entitled to any remuneration and sitting fees by the Company.

3.8 Share Transfer Committee

The Share Transfer Committee was reconstituted by Board of Directors in their Meeting held on 28.07.2008. The Committee has been constituted to consider and approve requests received from shareholders for splitting/consolidation and transfer of physical shares exceeding 500 equity shares per individual in each case.

The current composition of Share Transfer Committee is as follows:

Sl.No.	Name of the Director	Designation
1.	Shri B.R Raghunandan	GM & Company Secretary
2.	Shri Ajeet Kumar Agarwal	GM (Fin)- Resources

Registrar and Share Transfer Agent has been authorized to consider and approve requests received from shareholders for splitting/consolidation and transfer of physical shares upto 500 equity shares per individual in each case.

4. SUBSIDIARY COMPANIES

The Company does not have any "material non-listed Indian subsidiary" as defined in Clause 49 of the Listing Agreement. The Minutes of the Board Meetings of Unlisted Subsidiary Companies were placed before the Board of REC for information. The Financial Results of Subsidiary Companies were reviewed by the Audit Committee of Board of Directors of REC.

5. ANNUAL GENERAL MEETINGS

No.	Year	Location	Date & Time	Whether any Special Resolution passed
37th	2005-06	Registered Office, Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003	22.09.2006 4.00 P.M.	No
38th	2006-07	Registered Office, Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003	27.09.2007 3.00 P.M.	No
39th	2007-08	Air Force Auditorium Subroto Park, Dhaula Kuan New Delhi-110010	24.09.2008 10.00 A.M	No

6. POSTAL BALLOT

The Company proposes to pass Special Resolution through Postal Ballot for amendment to the Main Objects Clause of the Memorandum of Association(MOA) of REC for insertion of following additional Sub- clause No. 10 after existing Sub-clause 9 in Clause III(a) of the MOA.

"(10) To finance and to provide assistance for those activities having a forward and/ or backward linkage with power projects, (including but not limited to), such as development of coal and other mining activities for use as fuel in power projects, development of other fuel supply arrangements for the power sector, and to meet other enabling infrastructure facilities that may be required for the speedy and effective development of power sector."

Mr. Sanjay Grover, FCA, FCS, Practicing Company Secretary, New Delhi, has been appointed as Scrutinizer to conduct Postal Ballot voting process in a fair and transparent manner and to receive and scrutinize the completed Ballot Forms from the members.

Procedure followed/ to be followed for carrying out the Postal Ballot process is as follows:-

Sl. No.	Particulars	Time Schedule
1.	Board Resolution authorizing Director (Finance) & Company Secretary to be responsible for the entire postal ballot process.	25.05.2009
2.	Appointment of Scrutinizer after receiving consent from such person to scrutinize the process of Postal Ballot.	Latest by 15.07.2009
3.	Commencement of Despatch of Notice of Annual General Meeting in which the business will be transacted through Postal Ballot as per Section 192A of the Companies Act, 1956 and Postal Ballot Rules, 2001.	01.08.2009
4.	Completion of despatch of Notice along with Postal Ballot.	05.08.2009
5.	Last date for receiving Postal Ballot papers by Scrutinizer.	04.09.2009
6.	Submission of Report by the Scrutinizer to the CMD.	15.09.2009
7.	Declaration of result by the CMD at the AGM.	19.09.2009
8.	Signing of the minutes book by the chairman in which the results of ballot is recorded.	Latest by 18.10.2009
9.	Returning the Ballot papers, registers required to be maintained by the scrutinizer under rule 5(e) of the Companies (Passing of resolution by Postal Ballot) Rules, 2001 and other related papers to the Chairman by the scrutinizer.	20.10.2009
10.	Handing over the ballot papers to the designated authority.	23.10.2009

7. DISCLOSURES

- There are no materially significant transactions with related parties i.e. promoters, directors or the management, conflicting with the Company's interest. There were also no instances of non-compliance on any matter related to the Capital Markets during the last three years. There were no penalties imposed or strictures passed against the Company by the statutory authorities in this regard.
- Whistle Blower policy is not a mandatory requirement. Company is yet to frame a policy in this regard.
- The Company affirms that no personnel have been denied access to the Audit Committee.
- The Company has adopted all suggested items to be included in the Report on Corporate Governance.
- All members of Senior Management have made disclosures to the Board relating to all material financial and commercial transactions, where they have personal interest that may have a potential conflict with the interest of the Company at large (e.g. dealing in company shares, commercial dealings with bodies which have shareholding of management and their relatives etc).
- There is no inter se relationship between directors of the Company, as per declarations received.

Information on adoption/non- adoption of non-mandatory requirements is given hereunder:

Non-Mandatory Requirements

- The Board:** The Company is headed by an Executive Chairman. All the Independent Directors on the Board of the Company were appointed for the first time in December 2007/ January 2008 and the question of the period exceeding, in aggregate, a period of nine years does not arise.
- Remuneration Committee:** The appointment of Directors and payment of their remuneration are decided by the President of India as per the Articles of Association of the Company. There was no Remuneration Committee of the Company in the Financial Year 2008-09.
- Audit Qualification:** There are no audit qualifications.
- Training to Board Members:** It is need based.
- Mechanism for evaluating non-executive Board Members:** No mechanism in place.
- Whistle Blower Policy:** Not yet framed by the Company.
- Means of Communication**

Quarterly/Half yearly/Annual Financial Results of the Company are communicated to the Stock Exchange and published in financial and national newspapers like The Economic Times, The Times of India, Hindustan Times, Hindustan Times (Hindi) etc. These results are also made available on Company's Website at www.recindia.nic.in.

The Company also communicates with its institutional shareholders through investor conferences.

All important information pertaining to the Company is also mentioned in the Annual Report for each financial year containing inter alia Audited Accounts, Directors Report, Auditors Report, Report on Corporate Governance and Non Banking Financial Companies Auditors' Report which is circulated to the members and others entitled thereto.

8. CEO/CFO CERTIFICATION

As required by Clause 49 of the Listing Agreement, a Certificate duly signed by Shri P. Uma Shankar, Chairman and Managing Director and Shri H.D Khunteta, Director (Finance) was placed before the Board of Directors in its Meeting held on 25.05.2009 while consideration of the Audited Annual Accounts of the Company for the period ended 31.03.2009.

9. GENERAL SHAREHOLDER INFORMATION

(i) Annual General Meeting for 2008-09

Date	Time	Venue
19th September, 2009	11.00 A.M	Air Force Auditorium, Subroto Park, Dhaula Kuan, New Delhi- 110010

(ii) Financial Year: 2008-09

(iii) (a) Interim Dividend Details:

In pursuance of Article 104 of the Articles of Association of the Company read with Section 205 of the Companies Act, 1956 and Companies (Transfer of Profits to Reserves), the Company paid an Interim Dividend of Rs.2 per Equity Share (on the face value of Rs. 10/- each) for the financial year 2008-09.

(b) Final Dividend Details:

The Board of Directors in its meeting held on 25th May, 2009 has recommended a final dividend of Rs. 2.50 per Share (on the face value of Rs. 10/-each) for the year 2008-09 for approval of the shareholders in the ensuing Annual General Meeting to be held on 19.09.2009. The total dividend (including interim dividend) for the financial year 2008-09 will be Rs. 4.50 per share (on the face value of Rs. 10/- each)

(iv) Date of Book Closure

The Register of Members and Share Transfer Books of the Company will remain closed from 5th September, 2009 to 19th September, 2009 (both days inclusive).

(v) Record Date for Payment of Final Dividend

The Record date for the Payment of Final Dividend for the Financial Year 2008-09 is 4th September, 2009.

(vi) Listing on Stock Exchange

REC shares are listed on the following Stock Exchanges:

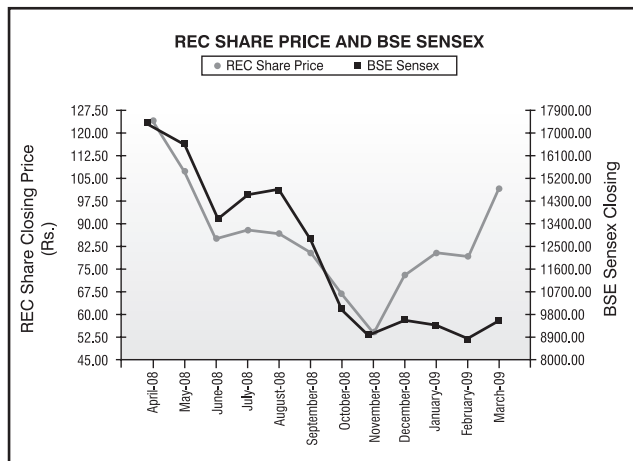
Sl. No	Name of the Stock Exchange	Scrip Code
1.	National Stock Exchange of India Limited (NSE)	RECLTD
2.	Bombay Stock Exchange Limited (BSE)	532955

(vii) Stock Code: INE020B01018

(viii) Market Price Data

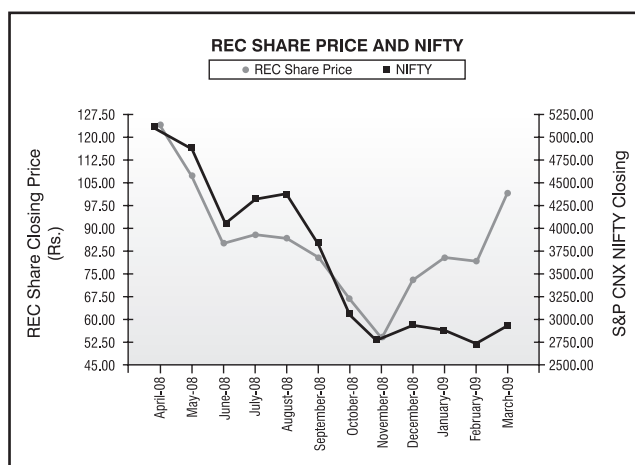
BSE

Month	High (Rs.)	Low (Rs.)	Closing Price (Rs.)
April, 08	126.25	101.60	122.40
May, 08	125.90	106.55	107.15
June, 08	108.90	83.00	83.90
July, 08	94.60	72.60	87.95
August, 08	96.90	82.00	87.05
September, 08	96.35	74.10	80.80
October, 08	85.20	55.00	66.20
November, 08	73.25	53.55	54.60
December, 08	74.80	54.05	73.00
January, 09	84.10	72.00	80.25
February, 09	89.70	76.00	79.40
March, 09	99.10	76.10	96.20



NSE

Month	High (Rs.)	Low (Rs.)	Closing Price (Rs.)
April, 08	126.20	101.10	122.55
May, 08	125.90	106.10	107.20
June, 08	108.80	83.05	83.70
July, 08	94.50	72.00	87.75
August, 08	97.10	81.90	87.15
September, 08	94.90	67.10	81.25
October, 08	84.95	56.00	65.95
November, 08	73.00	53.00	54.90
December, 08	79.00	54.10	72.90
January, 09	84.60	72.10	80.10
February, 09	89.60	75.10	78.75
March, 09	98.95	75.55	96.10



(ix) Registrar and Transfer Agents

Karvy Computershare Private Limited
 Plot 17 to 24, Vithalrao Nagar, Madhapur,
 Hyderabad- 500081, India, Tel: 91 40 23420815-824
 Fax: 91 40 23420814, E-mail: einward.ris@karvy.com
 Website: www.karvy.com

(x) Share Transfer System

The shares under physical segment are transferred through Karvy Computershare Private Limited. Karvy receives the shares to be transferred along with the transfer deed from transferee, verifies it, prepares the Memorandum of transfer etc. Request for splitting/consolidation and transfer of physical shares upto 500 equity shares per individual in each case are approved directly by M/s Karvy Computershare Private Limited.

Pursuant to Clause 49 of the Listing Agreement, a Share Transfer Committee has also been constituted to consider and approve requests received from shareholders for splitting/consolidation transfer of physical shares, **exceeding 500 equity shares per individual in each case.**

Ms. Savita Jyoti, Practising Company Secretary, Hyderabad, issues the secretarial audit report which confirms that the total issued /paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL as on 31st March 2009.

(xi) Distribution of Shareholding

- Distribution of shareholding as on 31st March, 2009

Number of shares	Number of shareholders	% of shareholders	Total No. of shares	Amount	% of shares
1-5000	363290	98.76%	32660097	326600970	3.80%
5001-10000	2219	0.60%	1688794	16887940	0.20%
10001-20000	979	0.27%	1425547	14255470	0.17%
20001-30000	353	0.10%	865935	8659350	0.10%
30001-40000	175	0.05%	616660	6166600	0.07%
40001-50000	155	0.04%	715518	7155180	0.08%
50001-100000	296	0.08%	2146249	21462490	0.25%
100001 & Above	375	0.10%	818541200	8185412000	95.33%
Total	367842	100.00%	858660000	8586600000	100.00%

• **Shareholding pattern as on 31st March, 2009**

Category	Total no. of Shares	% to Equity
President of India *	702540000	81.82%
Banks	2526330	0.29%
HUF	2167822	0.25%
Foreign Institutional Investor	29415036	3.43%
Bodies Corporate	13040211	1.52%
Non-Resident Indians	445391	0.05%
Insurance Companies	5697131	0.66%
Resident Individuals	39280785	4.57%
Trusts	94744	0.01%
Clearing Members	415715	0.05%
Mutual Funds	62169824	7.25%
Indian Financial Institutions	867011	0.10%
TOTAL	858660000	100.00%

*Including 700 shares held by 7 nominees of the President of India.

(xii) Dematerialization of shares

Number of shares held in dematerialized and physical mode as on 31st March, 2009.

Category	No. of Holders	No. of shares	% of total shares issued
Physical	5583	9029	Negligible
NSDL	254760	846013212	98.53%
CDSL	107499	12637759	1.47%
Total	367842	858660000	100%

(xiii) Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversions date and likely impact on equity.

No GDRs/ADRs/Warrants or any Convertible instruments has been issued by the Company.

(xiv) Plant Locations: Not Applicable

(xv) Address for correspondence

Rural Electrification Company Limited.
Core-4,
SCOPE Complex,
7, Lodhi Road,
New Delhi-110003, India.

(xvi) Company Secretary and Public Spokesperson

Shri B.R Raghunandan
Tel: 91 11 24367305
Fax: 91 11 24362039
E-mail: brraghu@recl.nic.in.

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Members
Rural Electrification Corporation Limited.

We have examined the compliance of conditions of Corporate Governance by Rural Electrification Corporation Limited, ("the Company") for the year ended 31st March, 2009 as stipulated in Clause 49 of the Listing Agreement executed by the Company with the Stock Exchanges and Clause 7.2.1 of Guidelines on Corporate Governance issued by the Department of Public Enterprises for Central Public Sector Enterprises (CPSEs).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to review of the procedures and implementation thereof, adopted by the Company, for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion of financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement and Clause 7.2.1 of Guidelines on Corporate Governance issued by the Department of Public Enterprises for Central Public Sector Enterprises (CPSEs).

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have reviewed and found that no investor grievances were pending for a period exceeding one month as per the records maintained by the Company.

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

(Suresh Chandra)
Partner
Membership No. 082023
Date: 18.06.2009
Place: New Delhi

BALANCE SHEET AS AT 31ST MARCH 2009

(Rs. in Lacs)			
	Sch. No.	As at 31.03.2009	As at 31.03.2008
SOURCES OF FUNDS			
Shareholders' Funds:			
Capital	1	85,866.00	85,866.00
Reserves and Surplus	2	533,142.00	450,904.80
		619,008.00	536,770.80
Loan Funds:			
Secured Loans	3	3,761,365.25	2,942,195.13
Unsecured Loans	4	732,230.45	486,083.51
		4,493,595.70	3,428,278.64
Deferred Tax Liability	8	95,668.52	81,707.82
Total		5,208,272.22	4,046,757.26
APPLICATIONS OF FUNDS			
Fixed Assets:			
	5		
Gross Block		7,110.87	8,383.36
Less Depreciation		1,447.62	1,357.78
Net Block		5,663.25	7,025.58
Capital Work in Progress		2,427.04	764.49
Investments	6	100,486.36	114,739.70
Loans	7	5,138,144.58	3,931,651.18
Current Assets, Loans & Advances:			
	9		
Cash and Bank Balances		188,604.14	125,303.79
Other Current Assets		45,839.00	49,911.99
Loans and Advances		114,478.38	62,038.29
		348,921.52	237,254.07
Less: Current Liabilities & Provisions:			
	10		
Liabilities		243,670.95	148,656.92
Provisions		143,699.58	96,020.84
		387,370.53	244,677.76
Net Current Assets		(38,449.01)	(7,423.69)
Total		5,208,272.22	4,046,757.26

Notes on accounts

17

Schedule 1 to 17 and Significant Accounting Policies form an integral part of Accounts.

In terms of our Report of even date

For and on behalf of the Board

For G.S. Mathur & Co.
Chartered Accountants

Suresh Chandra
Partner
M.No. 82023

B.R. Raghunandan
Company Secretary

H.D. Khunteta
Director Finance

P. Uma Shankar
Chairman & Managing Director

Place: New Delhi
Date: 25th May, 2009

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

(Rs. in Lacs)			
	Sch. No.	Year ended 31.03.2009	Year ended 31.03.2008
INCOME			
Operating Income (Net)	11	475,717.01	337,821.94
Other Income	12	17,410.79	15,944.16
Total		493,127.80	353,766.10
EXPENSES			
Interest and Other Charges	13	288,734.95	206,365.09
Establishment Expenses	14	8,722.35	9,230.01
Administration Expenses	15	2,240.55	1,823.77
Bond/ Debt Instrument Issue Expenses	16	979.50	910.36
Provision for bad & doubtful debts		237.05	3,999.34
Provision for Diminution in Investments		105.34	0.00
Depreciation		136.16	138.55
Total		301,155.90	222,467.12
PROFIT FOR THE YEAR BEFORE PRIOR PERIOD ITEMS			
		191,971.90	131,298.98
Prior period adjustment - expenses/ (Income) (net)		(38.73)	56.65
PROFIT BEFORE TAX			
		192,010.63	131,242.33
Provision for Tax			
Tax -Current Year		50,688.31	37,380.10
- Earlier year		2.15	-
Deferred tax - Current Year		13,960.70	7,741.03
Fringe Benefit Tax		151.71	106.55
Total		64,802.87	45,227.68
PROFIT AFTER TAX AND AVAILABLE FOR APPROPRIATION			
		127,207.76	86,014.65
Appropriations:			
Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961		34,000.00	25,500.00
Reserve u/s 36(1)(viiia) of the Income Tax Act,1961 for Bad & Doubtful Debts		8,000.00	5,800.00
Interim Dividend Paid		17,173.20	-
Corporate Dividend Tax			
- Interim Dividend		2,918.58	-
Proposed Dividend		21,466.50	25,759.80
Dividend Tax on Proposed Dividend		3,648.23	4,377.88
Transfer to General Reserve		25,500.00	14,000.00
Surplus carried to Balance Sheet		14,501.25	10,576.97
Total		127,207.76	86,014.65
Basic & diluted Earning Per Share of Rs 10/- each- Amount in Rs. [refer note on accounts (Schedule-17)]			
		14.81	10.94

Notes on accounts

17

Schedule 1 to 17 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 AccountantsSuresh Chandra
Partner
M.No. 82023B.R. Raghunandan
Company SecretaryH.D. Khunteta
Director FinanceP. Uma Shankar
Chairman & Managing DirectorPlace: New Delhi
Date: 25th May, 2009

SCHEDULE '1' SHARE CAPITAL

	(Rs. in Lacs)	
	As at 31.03.2009	As at 31.03.2008
Authorised		
1200,000,000 (Previous Year 1200,000,000) Equity shares of Rs.10 each	120,000.00	120,000.00
Issued, Subscribed and Paid up		
858,660,000 (Previous Year 858,660,000) fully paid up Equity shares of Rs 10 each	85,866.00	85,866.00
Total	85,866.00	85,866.00

SCHEDULE '2' RESERVES AND SURPLUS

	(Rs. in Lacs)			
	Opening Balance as on 01.04.2008	Additions/ adjustments during the year	Deductions/ adjustments during the year	Closing Balance as at 31.03.2009
a) Capital Reserve (Grant from USAID)	10,500.00	-	-	10,500.00
b) Security Premium*	71,980.53	235.95	-	72,216.48
c) Special Reserve created u/s 36(1) (viii) of the Income Tax act,1961 upto Fin.year 1996-97	5,173.77	-	-	5,173.77
d) Special Reserve created u/s 36(1) (viii) of the Income Tax act,1961 from Fin.year 1997-98	244,606.00	34,000.00	-	278,606.00
e) Reserve for Bad and doubtful debts u/s 36(1)(viiia) of the Income Tax act,1961	26,369.13	8,000.00	-	34,369.13
f) General Reserve	79,387.38	25,500.00	-	104,887.38
g) Surplus	12,887.99	14,501.25	-	27,389.24
Total	450,904.80	82,237.20	-	533,142.00

* Represents the amount credited to Share Premium account being net of amount written back in respect of liability excess provided last year.

SCHEDULE '3' SECURED LOANS

	(Rs. in Lacs)	
	As at 31.03.2009	As at 31.03.2008
TERM LOANS FROM BANKS/ INSTITUTIONS (Secured against the receivables)	205,325.00	232,200.00
LOAN FROM LIFE INSURANCE CORPORATION OF INDIA (Secured against receivables)	335,000.00	350,000.00
LOAN THROUGH BONDS (Cumulative & Non- Cumulative) (Secured by charge against receivables and/ Immovable property at Maharashtra & Delhi as per the terms of the private placement and to the satisfaction of the respective trustees).		
I TAXFREE SECURED BONDS		
a) Long Term		
41st Series - 8.25% Redeemable at par on 22.02.2010	7,500.00	7,500.00
53rd Series - 7.10% Redeemable at par on 23.03.2011	5,000.00	5,000.00
II TAXABLE SECURED BONDS		
64th Series - 6.90% Redeemable at par on 27.09.2009	15,000.00	15,000.00
66th Series - 6.00% Redeemable at par on 31.01.2010	13,900.00	13,900.00
69th Series - 6.05% Redeemable at par on 23.01.2014	66,920.00	66,920.00
72nd Series - 6.60% Redeemable at par on 18.08.2011	38,570.00	38,570.00
73rd Series - 6.90% Redeemable at par on 08.10.2014	23,390.00	23,390.00
75th Series - 7.20% Redeemable at par on 17.03.2015	50,000.00	50,000.00
77th Series - 7.30% Redeemable at par on 30.06.2015	98,550.00	98,550.00

78th Series	- 7.65% Redeemable at par on 31.01.2016	179,570.00	179,570.00
79th Series	- 7.85% Redeemable at par on 14.03.2016	50,000.00	50,000.00
80th Series	- 8.20% Redeemable at par on 20.03.2016	50,000.00	50,000.00
81st Series	- 8.85% Redeemable at par on 20.01.2017	31,480.00	31,480.00
82nd Series	- 9.85% Redeemable at par on 28.09.2017	88,310.00	88,310.00
83rd Series	- 9.07% Redeemable at par on 28.02.2018	68,520.00	68,520.00
84th Series	- 9.45% Redeemable at par on 04.04.2013	100,000.00	-
85th Series	- 9.68% Redeemable at par on 13.06.2018	50,000.00	-
86th Series	- 10.75% Redeemable at par on 24.07.2013	72,790.00	-
86-A th Series	- 10.70% Redeemable at par on 29.07.2018	50,000.00	-
86-B-I st Series	- 10.95% Redeemable at par on 14.08.2011	92,420.00	-
86-B-II nd Series	- 10.90% Redeemable at par on 14.08.2013	35,410.00	-
86-B-III rd Series	- 10.85% Redeemable at par on 14.08.2018	43,200.00	-
87-I st Series	- 10.90% Redeemable at par on 30.09.2013	37,020.00	-
87-II nd Series	- 10.85% Redeemable at par on 30.09.2018	65,740.00	-
87 A I st Series	- 11.35% Redeemable at par on 24.10.2013	24,970.00	-
87 A II nd Series	- 11.20% Redeemable at par on 24.10.2018	3,640.00	-
87 A III rd Series	- 11.15% Redeemable at par on 24.10.2018	6,180.00	-
87 B Series	- 11.75% Redeemable at par on 03.11.2011	94,090.00	-
87 C I Series	- 11.45% Redeemable at par on 26.05.2010	22,910.00	-
87 C II Series	- 11.45% Redeemable at par on 26.11.2010	59,150.00	-
87 C III Series	- 11.50% Redeemable at par on 26.11.2013	86,000.00	-
88th Series	- 8.65% Redeemable at par on 15.01.2019	149,500.00	-
CAPITAL GAINS BONDS (Redeemable at par)			
Series-I		1,552.60	3,349.70
Series-II		1,639.40	6,969.70
Series-III		6,502.30	15,425.70
Series-IV		20,638.20	35,930.90
Series-V		81,013.50	333,474.18
Series-VI		449,421.30	449,421.30
Series-VI A		285,867.00	285,867.00
Series-VII		340,274.40	340,274.40
Series-VIII		252,523.30	-
INFRASTRUCTURE BONDS (Redeemable at par)			
Series-I & II		924.70	1,503.00
Series-III		533.55	649.25
Series-IV		420.00	420.00
Bond Application Money		-	100,000.00
Total Secured Loans		3,761,365.25	2,942,195.13
Due for repayment/redemption within one year		990,348.69	397,302.46

Notes to Schedule No 3 :-

- a) Secured loan of Rs. 37,61,365.25 lacs includes :-
 - (i) Taxable secured bonds of Series 87 A & B amounting to Rs. 1,28,880 lacs for which registration of charge is pending ; and
 - (ii) Taxable secured bonds of Series 87 C & 88 amounting to Rs. 3,17,560 lacs against which the formalities for execution of mortgage /hypothecation deed and creation of charges are under process.
- b) 64th, 66th 72nd and 87 A-II Series of bonds have put/call option at the end of 5 years, i.e. 27.09.2007, 31.01.2008,18.08.2009 and 24.10.2013 respectively. Rs 90 Crores and Rs. 135 crores of Bonds of 64th & 66th Series were redeemed on 27-09-2007 & 31.01.2008 respectively on put option exercised by Bond holders.
- c) 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.
- d) 75th series of bonds shall be redeemed at par in 10 equal instalments at half yearly intervals from 5½ years to 10 years by way of STRPPs.

- e) 78th, 79th, 80th, 81st, 82nd, 83rd, 85th, 86 A, 86 B-III, 87 -II, 87 A-III and 88th series are redeemable at par at the end of 10 years i.e. 31.01.2016, 14.03.2016, 20.03.2016, 20.01.2017, 28.09.2017, 28.02.2018, 13.06.2018, 29.07.2018, 14.08.2018, 30.09.2018, 24.10.2018 and 15.01.2019 respectively.
- f) 84th, 86th, 86B-II, 87-I and 87 C -III series are redeemable at par at the end of 5 years i.e. 04.04.2013, 24.07.2013, 14.08.2013, 30.09.2013 and 26.11.2013 respectively.
- g) 86 B-I and 87 B series are redeemable at par at the end of 3 years i.e. 14.08.2011 and 03.11.2011 respectively.
- h) 87 A-I series of bonds have put/call options at the end of 3 years i.e. 24.10.2011.
- i) 87 C-I series is redeemable at par at the end of 18 months i.e. 26.05.2010.
- j) 87 C-II series is redeemable at par at the end of 24 months i.e. 26.11.2010.
- k) Bonds for Rs. 440 lakh and Rs. 20 lakh are held by REC CP Fund Trust and REC Gratuity Fund respectively on 31.03.2009.
- l) 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/ without cumulative options. These bonds have put/call option at the end of 3/5 years. In the current year(08-09) Capital Gain Exemption Bond Issue Sr VIII has a 3 years tenor at 5.75%(upto 30.10.08) and thereafter 6.25% payable annually. Infrastructure bonds have been issued for a tenure of 3 to 5 years at different interest rates varying between 6.00% to 9.00% payable annually. These bonds have put option at the end of 3/5 years from the date of allotment.

SCHEDULE '4' UNSECURED LOANS

(Rs. in Lacs)

	As at 31.03.2009	As at 31.03.2008
LOAN FROM GOVERNMENT OF INDIA	6,474.48	8,192.48
TERM LOANS		
(a) Long term Loan from Banks	274,780.00	211,280.00
(b) Short term Loan from Banks	130,000.00	112,800.00
FOREIGN CURRENCY BORROWINGS		
(a) Long term		
ECB- Syndicated Loan from Banks	87,026.32	87,026.32
JBIC Loan- Govt. of India Guaranteed	43,941.29	13,033.02
Kfw Loan- Govt. of India Guaranteed	18,400.36	4,785.69
COMMERCIAL PAPER	129,500.00	-
LOAN THROUGH BONDS		
Long term		
(A) Non- Cumulative ,Guaranteed by Government of India		
18th Series - 11.5% Redeemable at par on 12.12.2008	-	6,858.00
21st Series - 11.5% Redeemable at par on 29.12.2009	6,908.00	6,908.00
22nd Series - 11.5% Redeemable at par on 27.12.2010	4,900.00	4,900.00
23rd Series-1 - 12% Redeemable at par on 05.12.2011	2,265.00	2,265.00
23rd Series-2 - 12% Redeemable at par on 21.02.2012	3,035.00	3,035.00
(B) Other Bonds		
74th Series - 7.22% Redeemable at par on 31.12.2014	25,000.00	25,000.00
Total Unsecured Loans	732,230.45	486,083.51
Due for repayment/ redemption within one year	325,388.00	30,679.00

Note:- Bonds for Rs.2.00 lacs are held as on 31.03.2009 by REC Ltd. CP Fund Trust.

SCHEDULE- 5-SUMMARY OF FIXED ASSETS FOR THE YEAR ENDED 31ST MARCH 2009

(Rs in Lacs)

FIXED ASSETS	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK		
	As on 1.04.2008	Additions during the year	Sales/ adjustment during the year	As at 31.03.2009	As on 01.04.2008	Dep during the year	Disp/Written off during the year	As at 31.03.2009	As at 31.03.2008
Freehold Land	4,673.87	-	* 1,485.00	3,188.87	-	-	-	3,188.87	4,673.87
Leasehold Land	145.51	-	-	145.51	12.79	1.40	-	14.19	132.72
Buildings	2,193.93	22.19	-	2,216.12	464.15	34.09	-	498.24	1,729.78
Furniture & Fixtures	403.16	164.95	2.99	565.12	255.56	27.90	0.40	283.06	147.60
EDP Equipments	539.01	42.56	52.81	528.76	348.09	48.18	45.72	350.55	190.92
Office Equipments	312.45	22.36	2.89	331.92	180.42	13.92	0.20	194.14	132.03
Vehicles	94.38	12.62	-	107.00	77.27	4.87	-	82.14	17.11
Minor Value Assets-Furniture	7.41	1.70	-	9.11	7.41	1.70	-	9.11	-
Minor Value Assets-EDP	0.96	0.41	-	1.37	0.96	0.41	-	1.37	-
Minor Value Assets-Office Equipments	9.15	3.09	-	12.24	9.15	3.09	-	12.24	-
Other Intangible Assets (Computer Software)	3.54	1.31	-	4.85	1.98	0.60	-	2.58	1.56
Grand Total	8,383.36	271.19	1,543.69	7,110.87	1,357.78	136.16	46.32	1,447.62	7,025.58
Previous Year	6,755.42	1,633.57	5.63	8,383.36	1,218.46	142.52	3.21	1,357.78	5,536.96
Capital WIP	764.49	1,764.59	102.04	2,427.04	-	-	-	2,427.04	764.49
Previous Year	826.01	180.59	242.11	764.49	-	-	-	764.49	826.01

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

*The figure represents Land shown under Freehold land last year but pending receipt of Possession letter transferred to Capital (WIP) (inclusive of Capital Advances) in the current year

SCHEDULE '6' INVESTMENTS

(Rs. in Lacs)

	As at 31.03.2009	As at 31.03.2008
Long Term (Unquoted)		
Non-Trade Investments		
8% Government of Madhya Pradesh Power Bonds-II Maturing in 30 equal half yearly Installments w.e.f. 1.04.05 (21 Bonds of Face Value of Rs 4716 Lacs each) (Previous year 24 Bonds of Face Value of Rs 4716 Lacs each)	99,036.00	113,184.00
KSK Energy Ventures Limited 1,44,70,381 units of "Small is Beautiful" Fund at Net assets Value (NAV) of Rs. 9.09 per unit (Previous Year 1,44,70,381 units of "Small is Beautiful" Fund at Net assets Value (NAV) of Rs. 9.818 per unit) (Face Value per unit is Rs 10/-)	1,315.36	1,420.70
Investment in Indian Energy Exchange 12,50,000 Equity shares of Rs. 10/- each	125.00	125.00
Investment in REC Power Distribution Co.Ltd,Subsidiary Co. 50,000 equity shares of Rs 10 each paid up	5.00	5.00
Investment in REC Transmission Project Co. Ltd,Subsidiary Co. 50,000 equity shares of Rs 10 each paid up	5.00	5.00
Current Investment (Unquoted)		
Investment in units of Mutual Funds	-	-
Total	100,486.36	114,739.70

SCHEDULE '7' LOANS

(Rs. in Lacs)

	As at 31.03.2009	As at 31.03.2008
(i) State Electricity Boards/Corpn., Co-operatives and State Governments		
(a) Unsecured, considered good and guaranteed by respective State Governments	2,093,859.39	1,907,561.52
(b) Classified Doubtful	1,753.81	15,564.37
Less: Prov. for Bad & doubtful debts	1,717.68	36.13
		3,999.39
(ii) State Electricity Boards/Corpn. (Secured by hypothecation of materials with respective State Electricity Boards/ Corpn.) Considered Good	2,390,960.36	1,639,950.32
(iii) Others (Secured by hypothecation of tangible assets)		
(a) Considered Good	291,026.32	125,481.68
(b) Classified Doubtful	5,135.42	16,054.05
Less: Prov. for Bad & doubtful debts	3,083.04	2,052.38
		4,174.90
(iv) Others (Unsecured) - Considered good	282,546.15	156,870.93
Sub Total (i to iv)	5,060,480.73	3,853,308.58
(i) Interest accrued and due on Loans	1,827.98	2,523.59
(ii) Interest accrued on rescheduled loans	75,835.87	75,819.01
Grand Total	5,138,144.58	3,931,651.18

SCHEDULE '8' DEFERRED TAX LIABILITY/(ASSETS)

(Rs. in Lacs)

	As at 31.03.2009	As at 31.03.2008
Opening Balance	81,707.82	73,966.79
Add: Addition during the Year	13,960.70	7,741.03
Total	95,668.52	81,707.82

SCHEDULE '9' CURRENT ASSETS, LOAN & ADVANCES

(Rs. in Lacs)

	As at 31.03.2009	As at 31.03.2008
I CURRENT ASSETS		
A) Cash and bank balances :		
(i) Cash/Cheque in hand/transit (incl.Postage & imprest)	0.29	0.26
(ii) In current accounts - with RBI	1.85	78.96
- with Scheduled Banks	32,170.79	24,913.49
- with Scheduled Banks (for RGGVY Scheme)	659.89	58,752.76
- with Scheduled Banks (Funds for AG & SP Sch.)	55.95	3,719.06
(iii) In Deposit accounts with Scheduled Banks	155,715.37	37,839.26
Total - (A)	188,604.14	125,303.79
B) Other Current Assets		
(i) Interest accrued but not due on term deposits	136.16	80.71
(ii) Interest accrued but not due		
- on Loans	45,169.58	45,249.76
- on Govt. Securities	-	4,014.41
- on loans to employees	222.38	208.18
(iii) Recoverable from SEB /Govt. Deptts.	101.95	330.20
Less: Provision for Bad & Doubtful Debt	-	180.20
(iv) Recoverable from GOI - RGGVY Expenses	208.93	208.93
- Others	-	208.93
Total - (B)	45,839.00	49,911.99
II LOANS AND ADVANCES		
A) Loans		
(i) Employees (Secured)	238.53	271.01
(ii) Employees (Unsecured)	853.41	117.77
B) Advances		
(Unsecured considered good)		
(i) Advances recoverable in cash or in kind or for value to be received	526.74	982.82
(ii) Prepaid financial charges on Commercial Paper	4,083.72	-
(iii) Advance Income-Tax & TDS	108,775.66	60,666.40
(iv) Income Tax recoverable (Bond)	0.32	0.29
Total - (C)	114,478.38	62,038.29
Total - (A+B+C)	348,921.52	237,254.07

SCHEDULE '10' CURRENT LIABILITIES AND PROVISIONS

(Rs. in Lacs)

	As at 31.03.2009		As at 31.03.2008	
I CURRENT ASSETS				
A) Cash and bank balances :				
A) CURRENT LIABILITIES				
(a) Advance Receipts		2,525.41		934.36
(b) Other Liabilities		4,226.04		8,548.32
- Dues of creditors other than Micro, Small and Medium Enterprises				
(c) (i) Grant from Government of India for disbursement	1,460,887.62		919,899.56	
(ii) Interest on RGGVY Grant	3,633.68		-	
Total	1,464,521.30		919,899.56	
Less: Disbursed to Beneficiaries	(1,359,454.04)		(848,044.01)	
Un-disbursed Grant		105,067.26		71,855.55
(d) Interest accrued but not due				
- on bonds	117,683.76		54,009.44	
- Government/ LIC Loans	12,841.89	130,525.65	12,488.16	66,497.60
(e) Unclaimed Interest & Principal On Bonds and Govt. Loans				
- Interest	1,243.49		709.52	
- Principal	83.10	1,326.59	111.57	821.09
Total - (A)		243,670.95		148,656.92
B) PROVISIONS				
(a) Income Tax		109,648.13		58,993.44
(b) Staff Benefits		4,819.63		3,643.43
(c) Gratuity		974.96		207.88
(d) Provision for Incentive & Ex Gratia		1,791.40		2,204.37
(e) Wealth Tax		33.82		0.20
(f) Fringe Benefit Tax		36.09		17.00
(g) Proposed Dividend		21,466.50		25,759.80
(h) Dividend Tax on Proposed Dividend		3,648.23		4,377.88
(i) Wage Revision		1,280.00		816.84
(j) Contingencies		0.82		-
Total - (B)		143,699.58		96,020.84
Total - (A+B)		387,370.53		244,677.76

SCHEDULE '11' OPERATING INCOME

(Rs. in Lacs)

	Year ended 31.03.2009		Year ended 31.03.2008	
A. On Lending Operations				
Interest on Loans				
-Long term financing	438,541.59		307,560.77	
Less: Rebate for timely payments/completion etc	1,346.05	437,195.54	1,799.56	305,761.21
-Short term financing		29,297.94		30,290.22
		466,493.48		336,051.43
B. Long Term Lease Revenue		544.60		-
C. Processing fees, Upfront fees, Service charges etc		1,343.18		1,310.38
D. Prepayment Premium		353.64		-
E. Agency Charges for RGGVY Implementation		6,982.11		460.13
Total		475,717.01		337,821.94

SCHEDULE '12' OTHER INCOME

(Rs. in Lacs)

	Year ended 31.03.2009		Year ended 31.03.2008	
A. On Investment/Deposit Operations				
Interest on deposits	3,718.69		6,449.97	
Interest on Govt. Securities (TDS Rs. 961.78 lac, Previous Year Rs. 491.58 lac)	8,704.32	12,423.01	9,243.36	15,693.33
B. Other Income				
Provision for Bad Debts written back	3,610.62		-	
Difference in exchange rate	1,142.17		-	
Excess Provision written back	0.37		18.35	
Interest on staff advances	49.62		28.31	
Interest from Subsidiary Companies	16.21		4.54	
Dividend on Investment in Venture Fund	11.02		33.02	
Miscellaneous Income	156.70		142.32	
Profit on sale of assets	1.07		0.41	
Provision of Fall in Value of Investments in Venture Fund written back	-		23.88	
Total	17,410.79		15,944.16	

SCHEDULE '13' INTEREST AND OTHER CHARGES

(Rs. in Lacs)

	Year ended 31.03.2009	Year ended 31.03.2008
Interest on -		
- Govt. Loans	534.07	660.84
- REC Bonds	203,485.20	137,112.06
- Banks/Fin Insts.	73,794.15	62,434.99
- External Commercial Borrowings	7,712.49	4,898.71
- Commercial Paper	2,134.76	-
	287,660.67	205,106.60
Difference in Exchange Rates	-	959.53
Interest on AREP Subsidy	122.22	148.60
Guarantee Fee	797.45	25.65
Other Finance Charges	154.61	124.71
Total	288,734.95	206,365.09

SCHEDULE '14' ESTABLISHMENT EXPENSES

(Rs. in Lacs)

	Year ended 31.03.2009	Year ended 31.03.2008
Salaries and Allowances	5,226.13	6,566.87
Post Retirement Medical expenses	1,144.31	1,233.47
Contribution to Provident and Other Funds	1,466.36	435.48
Staff Welfare expenses	885.55	994.19
Total	8,722.35	9,230.01

SCHEDULE '15' ADMINISTRATION EXPENSES

(Rs. in Lacs)

	Year ended 31.03.2009	Year ended 31.03.2008
Rent- office	175.16	210.62
Rates and Taxes	40.68	22.48
Electricity and Water Charges	54.91	48.29
Insurance Charges	4.44	2.79
Repairs and Maintenance		
Building	242.32	292.92
Others	29.53	37.06
Printing and Stationery	192.50	73.70
Travelling and Conveyance		
- Directors	55.53	44.99
- Others	468.24	430.96
Postage, Telegram and Telephone	106.56	108.59
Publicity & Promotion Expenses	202.75	146.73
Auditors' Remuneration	23.11	15.25
Miscellaneous Expenses	324.66	264.47
Consultancy Charges	73.53	113.50
Donations & Charity	246.59	10.20
(Paid to Prime Minister National Relief Fund, previous year Nil)		
Loss on Sale of Assets	0.04	1.22
Total	2,240.55	1,823.77

SCHEDULE '16' BOND/DEBT INSTRUMENT ISSUE EXPENSES

(Rs. in Lacs)

	Year ended 31.03.2009	Year ended 31.03.2008
Bonds Handling Charges	321.29	535.77
Bonds Brokerage A/c	366.68	102.99
Bonds Stamp Duty	21.05	6.01
Others	270.48	265.59
Total	979.50	910.36

SCHEDULE '17' NOTES ON THE ACCOUNTS

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

(Rs. in lacs)

	As at 31.3.2009	As at 31.3.2008
(a) Claims against the Corporation not acknowledged as debts, (including Rs. 3,460.53 lacs pending in various courts including arbitration cases as on 31.03.2009 (Previous year Rs. 5,153.60 lacs)	3,469.37	6,331.37
(b) Estimated amount of the contracts remaining to be executed on capital account and not provided for	1,165.97	360.21
(c) Others	134,263.00	56,489.00

The amounts referred to in (a) above are dependent upon the outcome of settlement of court/arbitration cases.

The amounts under 1(c) refers to Letters of comfort issued to various Banks for opening of Letters of credit to procure generation equipment against loan sanctioned by the Corporation to its borrowers.

2. The Corporation is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company (NBFC) since 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 1934 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. Moreover in view of the non applicability of the provisions of section 45 (I) C of the RBI Act, 1934 regarding creation of Reserve Fund, the Reserve Fund is not created.

3. There has been shortfall in creation of Special Fund by some of the RE Cooperative Societies amounting to Rs 500.89 lacs (Previous year Rs.501.18lacs) and the societies are pursued to create the required Special Fund.
4. Balance confirmation has been received from some of the borrowers.
5. Income Tax as applicable in respect of Interest accrued on bonds is deducted at source at the time of actual payment of interest to the bond holders since such bonds are freely transferable.
6. The formalities regarding registration of conveyance deeds etc. in respect of some of the Land & Building acquired by the Corporation amounting to Rs.3,996.51 lacs (Previous year Rs.5,792.70 lacs) are in the process of completion.
7. In terms of Accounting Policy No. 11.2, the balances in respect of Interest Warrants Accounts (both for institutional and 54EC & Infra bonds) as on 31.3.2009 held in specified banks are Rs.5,025.32 lacs (previous year Rs. 12,045.48 lacs).
8. 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.
9. Provision for 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 the Corporation's Assets in terms of AS-28.
10. The company has no outstanding liability towards Micro, Small and Medium undertakings.
11. No Bond Redemption Reserve (BRR) has been created since in terms of 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.
12. During the year the Corporation has earned Rs.420.16 lacs (Previous Year Rs.953.32 lacs) on account of swap (coupon only) transaction which has resulted in reduction in cost of borrowing to that extent.

The Corporation had entered into various Coupon only swap transactions and cross currency swap transactions. The Net Mark to Market position in respect of the above swap transactions as on 31.03.2009 is of Rs.24,271.25 lacs (favourable)

13. Directors' Remuneration:

(Rs. in lacs)

	Year ended 31.3.2009	Year ended 31.3.2008
Salaries and Allowances	44.33	40.87
Perquisites/reimbursement	15.18	14.97
Retirement Benefits	6.70	1.45
Total	66.21	57.29

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 of Rs. 780/- per month as per DPE guidelines.

Loans and Advances include Rs 10.66 lacs (Previous year Rs.0.81lacs) due from Directors of the Corporation, maximum amount outstanding during the year Rs.14.17 lacs (Previous year Rs.1.89 lacs).

14. Auditors' Remuneration includes:

(Rs. in lacs)

	Year ended 31.3.2009	Year ended 31.3.2008
a) Audit fees – Current year	16.79	13.14
b) Tax Audit Fee	2.25	0.25
c) Reimbursement of expenses	1.75	1.29
d) Payment for Other services *(including for IPO certification)	2.32	15.57*
Total	23.11	30.25

15. Expenditure in Foreign Currency:

(Rs. In lacs)

Particulars	As at 31.03.2009	As at 31.03.2008
Royalty, Know-how, Professional, consultation fees	NIL	1.06
Interest	161.66	241.08
Finance Charges	79.03	97.75
Others Expenses	53.22	103.79
Total	293.91	443.68

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

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

Investments include Rs.1,447.04 Lacs (previous year Rs.1,447.04 Lacs) representing company's contribution in the units of Joint venture 'Small is Beautiful fund (SIB Fund) Venture Capital fund' promoted by KSK Energy Ventures Limited

Name of the Company	Contribution towards Fund	Country of Residence	Proportion of ownership
SIB Fund of KSK Energy Ventures Ltd.	Rs. 1,447.04 Lacs	India	9.74%

There is no further commitment for contribution.

17. Related Party Disclosure:

- A. Key Management Personnel:

Sh. P. Uma Shankar	Chairman cum Managing Director
Sh. H.D Khunteta	Director (Finance)
Sh. Bal Mukand	Director (Technical) (Up-to 30.11.2008)
Sh. Guljit Kapur	Director (Technical) (w.e.f. 01.12.2008)

Remuneration to whole time Directors including Chairman & Managing Director is disclosed in Note No.13

Advance due from whole time Directors including Chairman & Managing Directors have been disclosed in Note No.13

B. Other Related Parties with whom transaction exist:

Subsidiary Companies :	Relationship
1. REC Transmission Projects Company Ltd.	Subsidiary
2. REC Power Distribution Company Ltd.	Subsidiary

Wholly owned Subsidiary of REC Transmission Projects Company Ltd :

1. North Karanpura Transmission Company Ltd.	Fellow Subsidiary
2. Talcher-II Transmission Company Ltd	Fellow Subsidiary

C. Loans and advances due from subsidiaries:

Rs. In lacs

Name of Subsidiary	Outstanding Balance		Maximum Amount	
	31.03.09	31.03.08	31.03.09	31.03.08
1. REC Trns. Proj. Com. Ltd	193.16	30.80	193.16	30.80
2. REC Power Dist. Co. Ltd.	3.78	71.85	71.85	71.85
3. North Karanpura Transmission Company Ltd.	3.27	2.96	3.27	2.96
4. Talcher-II Transmission Company Ltd	0.44	0.40	0.44	0.40

Transactions during the year with related parties.

Rs. In lacs

Nature of transaction	Subsidiaries	Key Mang. Personnel
1. Loans & advances	111.21 (Prev. yr. 71.85 lacs)	
2. Unsecured Loans	Nil (Prev.yr. 30.80 lacs)	8.01 (Prev.yr. 0.81 lacs)
3. Remuneration	66.21 (prev. yr. 57.29 lacs)	

18. 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.

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

i) Amortisation Rate 20%;
100% in case of cost of asset is Rs. 5,000 or less

ii) Amortisation Method Straight Line

Reconciliation Statement (Rs. in Lacs)

	As at 31.03.2009	As at 31.03.2008
iii) Gross Carrying Amount	4.86	3.54
iv) Accumulated depreciation	2.59	1.98
v) Gross carrying amount-Opening Balance	3.54	3.54
vi) Less: Accumulated Depreciation	1.98	1.30
vii) Carrying amount	1.56	2.24
viii) Additions during the year	1.31	NIL
ix) Less: Amortisation during the year	0.60	0.68
x) Carrying amount as on Balance sheet Date	2.27	1.56

20. 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.13960.70 Lacs (previous year Rs. 7741.02 Lacs) as deferred tax liability.

Major components of deferred tax liability as on 31.03.2009 are given as under:-

(Rs in Lacs)

Particulars	As at 31.03.2009	As at 31.03.2008
Deferred Tax Assets		
Provision for Earn Leave Encashment	482.37	427.96
Provision for Sick Leave	198.29	42.96
Provision for Post Retirement Medical Benefits	263.28	263.28
Provision for fall in investments	44.76	8.95
Provision for others	144.68	2,759.64
	1,133.38	3,502.79
Deferred Tax Liabilities		
Depreciation	345.15	310.46
Reserve under section 36 (i)(viii) of I.T Act	96,456.74	84,900.14
Total	96,801.89	85,210.60
Net Deferred Tax (Liability)/Asset	(95,668.51)	(81,707.81)
Deferred Tax Asset/(Liability) as on 31.3.2009	(81,707.81)	(73,966.79)
Net liability for the year charged in P&L	(13,960.70)	(7,741.02)

21. 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 31.03.2009	As at 31.03.2008
Numerator		
Profit after Tax as per Profit and Loss Account	127,207.76	86,014.18
Denominator		
Weighted average number of equity shares	858,660,000	786,374,301
Basic & Diluted Earning per share (Rs./per share)	14.81	10.94

22. 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 in the past. Consequently, the liabilities of the erstwhile SEBs stand transferred to new entities and transfer agreements in most of the cases are to be executed amongst the Corporation, new entities and the State Governments.
23. Subsequent to settlement of liabilities of REC between MPSEB and CSEB on bifurcation of erstwhile State of MP, there is a legal dispute between them regarding sharing of dues, as a result of which CSEB has been claiming refund of approx. Rs.16,000 lacs plus interest which if accrues shall be payable by MPSEB.
24. The expenses of Rs.643.98 lacs incurred up to 2006-07 on RGGVY implementation were adjusted out of interest earned on such funds. The Corporation had approached MOP for regularization of above adjustments which is still pending. The management considers that amount is still recoverable from Govt. of India.
25. The pay revision of the employees of the Corporation is due w.e.f.1st January 2007. Pending final calculation of revised pay scales (including perks) as notified by Govt. of India and considered by Board of Directors an estimated additional provision of Rs.463.16 lacs based on average salary (Previous year Rs.816.84 lacs) had been made towards wage revision arrears during the year and accordingly Rs.1,280 lacs is cumulatively available toward provision for wage revision including for non executive employee for whom no such notification is available but there arrear have also been considered in line with such notification. Actuarial valuation of employees benefit has been carried out considering the estimated revised wages.

26. Details of provision as required in AS-29

(Rs. In lacs)

	As on 31.03.2009	As on 31.03.2008
(a) Interim Dividend		
As per last Balance Sheet		Nil
Addition during the year	17,173.20	Nil
Amounts paid/utilised during the year	17,173.20	Nil
Closing Balance	Nil	Nil
(b) Proposed Dividend		
As per last Balance Sheet	25,759.80	17,700.00
Addition during the year	-	25,759.80
Amounts paid/utilised during the year	25,759.80	17,700.00
Closing Balance		25,759.80
(c) Corporate Dividend Tax		
As per last Balance Sheet	4,377.88	3,008.12
Addition during the year	2,918.58	4,377.88
Amounts paid/utilised during the year	7,296.46	3,008.12
Closing Balance	Nil	4,377.88

27. The Corporation has adopted AS15 (revised 2005) 'Employees Benefit'. Defined employee benefit scheme are as follows:

a. Provident Fund

Corporation pays fixed contribution of Provident Fund at pre-determined rates to a separate trust which invests the funds in permitted securities. The trust is required to pay a minimum rate of interest on contribution to the members of the trust. As per Actuarial report, the fair value of the assets of the Provident fund including the returns of the assets thereof, as at 31st March 2009 is greater than the obligation under the defined contribution plan.

b. Gratuity

The Corporation has a defined benefit gratuity plan. Every employee is entitled to gratuity as per the provision of the payment of Gratuity Act. The scheme is funded by the Corporation and is managed by separate trust. The liability of Gratuity is recognized on the basis of actuarial valuation.

c. Post-Retirement Medical Facility (PRMF)

The corporation has Post Retirement Medical Facility and Settlement benefits under which entitled employee (including spouse) are covered as per Corporation's rule.

d. Leave Travel Concession (LTC)

The Corporation has a scheme of providing LTC to employees and their dependents. This is recognized in the profit & loss account on the basis of actuarial valuation on annual basis.

e. Other Defined Retirement Benefit (ODRB)

The Corporation has a scheme for settlement at the time of superannuation at home town for employees and dependents. This is recognized in the profit & loss account on the basis of actuarial valuation on annual basis.

28. The summarized position of various defined benefit recognized in the Profit & Loss Account, Balance sheet and the funded status are as under :

Expense recognized in P&L A/c:-

Rs. In Lacs

Particulars	Gratuity		PRMF		ODRB	
	(31.03.09)	(31.03.08)	(31.03.09)	(31.03.08)	(31.03.09)	(31.03.08)
a) Current Service Cost	116.14	112.34	46.79	35.05	0.72	0.66
b) Interest Cost	110.43	104.19	128.48	108.02	1.07	1.17
c) Expected Return on Plan Assets	(135.04)	(110.00)	NIL	NIL	NIL	NIL
d) Actuarial (Gain) Loss recognized in P&L A/c	(65.04)	111.36	385.24	433.61	3.26	4.74
e) Past Service Cost	948.48	NIL	NIL	NIL	NIL	NIL
f) Expensed recognized in P&L A/c	974.96	217.89	560.51	576.68	5.05	6.57

Amounts recognized in Balance Sheet:-

Rs. In Lacs

Particulars	Gratuity		PRMF		ODRB	
	(31.03.09)	(31.03.08)	(31.03.09)	(31.03.08)	(31.03.09)	(31.03.08)
a) Present value of obligation as at the end of year	2,640.04	1,577.53	2,244.78	1,835.43	17.48	15.30
b) Fair value of Plan Assets as at the end of the year	1,672.62	1,368.88	NIL	NIL	NIL	NIL
c) Difference (b - a)	(967.42)	(208.65)	2,244.78	(1,835.43)	(17.48)	(15.30)
d) Excess of actual over Estimated	(6.19)	NIL	NIL	NIL	NIL	NIL
e) Net Assets/ (Liability) recognized * (of gratuity trust)	(967.42)*	(208.65)	(2,244.78)	(1,835.43)	(17.48)	(15.30)

Changes in the Present value of defined benefit/ Obligation:-

Rs. In Lacs

Particulars	Gratuity		PRMF		ODRB	
	(31.03.09)	(31.03.08)	(31.03.09)	(31.03.08)	(31.03.09)	(31.03.08)
a) Present value of obligation as at the beginning of the period	1,577.53	1,302.44	1,835.43	1,350.27	15.29	14.58
b) Interest Cost	110.42	104.19	128.48	108.02	1.07	1.16
c) Past Service Cost	948.48	NIL	NIL	NIL	NIL	NIL
d) Current Service Cost	116.14	112.34	46.79	35.05	0.72	0.67
e) Benefit Paid	(41.29)	(52.80)	(151.17)	(91.52)	(2.86)	(5.86)
f) Net Actuarial Gain/ Loss	(71.24)	111.36	385.24	433.61	3.26	4.74
g) Present Value of defined benefit obligation at the end of the period	2,640.04	1,577.53	2,244.77	1,835.43	17.48	15.29

Changes in the Fair value of Plan Assets:-

Rs. In Lacs

Particulars	Gratuity		PRMF		ODRB	
	(31.03.09)	(31.03.08)	(31.03.09)	(31.03.08)	(31.03.09)	(31.03.08)
a) Fair value of Plan Assets as at the beginning of the period *(of the gratuity trust)	1,577.53*	1,302.44	NIL	NIL	NIL	NIL
b) Expected return on Plan Assets	135.03	110.00	NIL	NIL	NIL	NIL
c) Actual Company Contribution	7.54	9.24	NIL	NIL	NIL	NIL
d) Benefit Paid	(41.29)	(52.80)	NIL	NIL	NIL	NIL
e) Actuarial gain (Loss) on Plan Assets	(6.19)	NIL	NIL	NIL	NIL	NIL
f) Fair value of Plan Assets as on 31.03.2009	1,672.62	1,368.88	NIL	NIL	NIL	NIL

Details of Plan Assets (Gratuity) at cost as on 31.03.2009:-

Rs. In Lakh

Particulars	Gratuity	
	(31.03.09)	(31.03.08)
a) Govt. of India Securities (both Central & State)	805.96	685.32
b) Corporate Bonds	707.43	567.20
c) Others	29.61	20.15
TOTAL	1,543.00	1,272.67

During the year the corporation has provided Liability towards Contribution to the Gratuity Trust of Rs.974.96 lacs (Previous Year Rs.169.90 lacs), PRMF of Rs.409.34 lacs (Previous Year Rs.485.16 lacs) and to ODRB of Rs.2.19 lacs (Previous Year Rs.15.30 lacs)

OTHER EMPLOYEE BENEFITS :-

Provision for Earned Leave Encashment amounting to Rs.160.09 lacs(Previous Year Rs.644.49 lacs) and for sick leave Rs.583.36 lacs (Previous year Rs.126.39 lacs) for the year have been made on the basis of Actuarial Valuation at the year end and charged to P&L A/c.

In terms of A.S-15 (revised 2005) on 'Employees benefits' LTC has been accounted for the basis of Actuarial valuation. Accordingly an amount of Rs.21.22 lacs for the year has been made and charged to P&L A/c.

The effect of an increase/ decrease of one percent point on PRMF:-

Rs. in lacs

Particulars	1% (+)	1% (-)
a) Service & interest Cost	22.64	(19.10)
b) PBO (Closing)	174.70	(152.05)

Actuarial Assumptions :-

Particulars	Gratuity	PRMF
a) Method used	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)
b) Discount rate	7.00 (8.00)	7.00 (8.00)
c) Expected Rate of Return on Assets	8.56 (8.45)	NIL
d) Future salary increase	5.50 (5.50)	5.50 (5.50)

- The Expected Rate on Return on Assets over the accounting period is assumed rate of return.
- The Principle assumptions are the discount rate and salary growth rate. The discount rate is generally based on the market yields available on govt. bonds at the accounting date with a term that matches of the liabilities and the salary Growth rate takes account of inflation, seniority, promotions and other relevant factors as long term basis. The above information is certified by the Actuary.

- 29 Government of India has appointed REC as a nodal agency for implementation of RGGVY. The funds received for disbursement to various agencies under such schemes are kept

in a separate bank account. The undisbursed funds and interest earned thereto are classified as current liabilities.

During current year interest earned of Rs.2,933.95 lacs (Previous Year Rs.699.72 lacs) including TDS of Rs. 658.95 lacs (Previous Year Rs.158.08 lacs) has been taken to RGGVY grant account and such TDS credits are being taken by REC for ultimately passing off the benefit of same to the credit of Govt. Funds.

30. During the year, Corporation has invested its surplus funds with the Public Mutual Funds in Liquid Scheme and Liquid Plus Scheme. The same have been disinvested during the year itself
31. The Corporation does not have more than one reportable segment in terms of Accounting Standard No.17 issued by the Institute of Chartered Accountants of India.
32. Prepaid expenses and prior period expenses up to Rs.5,00,000/- amounting to Rs.5.87 lacs & Rs.0.96 lacs(net of income of Rs.13.32 lacs and expenditure of Rs.12.36 lacs) respectively have been charged to the natural heads of accounts. Due to change in accounting policy of recognizing prior period /prepaid items up to Rs.5,00,000/- to natural head of account, prior period and prepaid items have been decreased by Rs.0.96 lacs and increased by Rs.5.87 lacs respectively and there is no impact on profit.
33. Previous year figures have been regrouped/rearranged/recasted, wherever necessary, to make them comparable with the current year's figures.
34. Figures have been rounded off to the nearest lacs.
35. Schedules 1 to 17 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	2009
	Date	Month	Year

Amount (Rs. in lacs)

2. CAPITAL RAISED DURING THE YEAR NIL

3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

Total Liabilities 52,08,272.22

Total Assets 52,08,272.22

SOURCES OF FUNDS

Paid up Capital 85,866.00

Reserves and Surplus 5,33,142.00

Secured Loans 37,61,365.25

Unsecured Loans 7,32,230.45

Deferred Tax Liability 95,668.52

APPLICATIONS OF FUNDS:

Net Fixed Assets	8,090.29
Investments (Incl. Capital WIP)	1,00,486.36
Net Current Assets	(38,449.01)
Loans	51,38,144.58
Deferred Tax Assets	NIL
Misc. Expenditure	NIL
Accumulated Losses	NIL

4. PERFORMANCE OF COMPANY (Rs. In Lacs)

Turnover	4,93,127.80
Total Expenditure	3,01,117.17
Profit before Tax	1,92,010.63
Profit after Tax	1,27,207.76
EPS in Rs.	14.81
Dividend Rate	Rs.4.50 per share
(On an equity share of Rs. 10/- face value)	

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

Item Code No.	N.A.	Financial Services
		Signatures to all Schedules 1 to 17

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

B.R.Raghunandan Company Secretary	H.D.Khunteta Director (Finance)	P. Uma Shankar Chairman and Managing Director
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**In terms of our Report of even date
For G.S. Mathur & Co.,
Chartered Accountants**

Place: New Delhi
Dated: 25th May 2009

(Suresh Chandra)
Partner
Membership No.82023

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. Actual results could differ from these estimates. **Difference between the actual results and estimates are recognized in the period in which results materialize.**

2. REVENUE RECOGNITION.

The Corporation has formulated its own detailed Prudential Norms which are broadly based on the Prudential Norms prescribed by RBI for NBFCS. Accounting is done in accordance with these Prudential Norms of REC and the salient features of the same for Income Recognition, Asset classification and Provisioning are as under:

2.1. Income Recognition

Income on Non Performing Assets where interest/ principal has become overdue for two quarters or more is recognized as and when received and appropriated. Any such income recognized before the asset becomes non-performing and remaining unrealized is reversed.

Unless otherwise agreed, the recoveries from the borrowers are appropriated in the order of (i) costs and expenses of REC (ii) penal interest including interest tax, if any (iii) overdue interest including interest tax, if any, and (iv) repayment of principal, the oldest being adjusted first.

In respect of loans whose terms are renegotiated / rescheduled / restructured, income is recognized on accrual basis when it is reasonably expected that there is no uncertainty of receipt of dues from the borrowers and a legally binding Memorandum of Agreement has been executed and there has been satisfactory performance under the renegotiated or rescheduled or restructured terms till a period of at least one year from the effective date of the corresponding MOU.

Income of Agency Charges on RGGVY schemes is recognized at the time of disbursement of subsidy /loan in proportion to the amount disbursed.

ASSETS CLASSIFICATION/PROVISIONING NORMS

2.2 Assets Classification

Loans and advances and any other form of credit are classified into the following classes, namely:

- (i) Standard Assets
- (ii) Sub-Standard Assets
- (iii) Doubtful Assets

(iv) Loss Assets

For the purpose of application of Prudential Norms and provisioning Norms,

- i. Facilities granted to State/Central Sector entities are considered loan wise.
- ii. Facilities granted to other entities are considered borrower wise.

2.3 Provisioning against Loans

The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted shall be as under:

(i) **Loss Assets** – The entire asset shall be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding shall be provided for:

(ii) **Doubtful assets** –

(a) 100% provision to the extent to which the advance is not covered by the realizable value of the security to which REC has a valid recourse shall be made. The realizable value is to be estimated on a realistic basis; Loans covered by Central/State Govt. guarantee or State Govt. Undertaking for deduction from Central Plan Allocation or loans to any State Govt. shall be treated as secured;

(b) In addition to item(a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e. estimated realizable value of the outstanding) shall be made on the following basis :-

Period for which the asset has been considered as doubtful	% of provision
Up to one year	20%
1 to 3 years	30%
More than 3 years	50%

(iii) **Sub-standard assets** - A provision of 10% shall be made.

An asset which has been renegotiated or rescheduled or restructured shall be a sub-standard asset or continue to remain in the same category in which it was prior to its renegotiation or re-schedulement or restructuring, as a doubtful asset or a loss asset as the case may be. Necessary provision is required to be made as applicable to such asset till it is upgraded.

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 amortized 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. 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.

8. 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.

9. 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.

10. BOND / DEBT ISSUE.

- 10.1. Expenditure on rising of funds by way of bonds is charged to revenue in the year of issue of such bonds.
- 10.2. 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.
- 10.3. Expenditure incurred on raising of funds is charged to the Profit and Loss Account in the year in which it is incurred except the discount/interest on the Commercial Papers, which are amortized proportionately over the period of its tenure.

11. 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.

12. PRIOR PERIOD/ PREPAID ADJUSTMENTS.

- 12.1. **Considering the nature of business, interest income/ expenditure for the earlier years ascertained and determined during the year is accounted for in the year in which it is so ascertained/determined.**
- 12.2. **Other items not exceeding Rs.5,00,000/- in each case are accounted for under natural heads of account.**

13. EMPLOYEES BENEFITS.

- 13.1. The liability for employees benefit in respect of Gratuity is ascertained on actuarial valuation is provided and funded separately.
- 13.2. Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related services is rendered.
- 13.3. Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employees has rendered services. The expense is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit & loss account.

14. TRANSACTION IN FOREIGN CURRENCY

- 14.1. 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.

15. GRANTS/FUNDS FROM GOVERNMENT

Un-disbursed funds of grant received for further disbursements are classified as current liabilities. Interest wherever earned on such funds is either credited to respective grant account if terms of the grant so requires or to "other income".

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

(Rs. in Lacs)

	Year ended 31.03.2009	Year ended 31.03.2008
A. Cash Flow from Operating Activities :		
Net Profit before Tax	192,010.63	131,242.33
Adjustments for:		
1. Profit / Loss on Sale of Fixed Assets	(1.03)	0.81
2. Transfer from general reserve	-	(163.79)
3. Depreciation	136.16	138.55
4. Provision for fall in value of investments	105.34	(23.88)
5. Provision for Bad & doubtful debts	237.05	3,994.34
6. Excess Provision written back	(0.37)	(18.35)
7. Profit on sale/income of investment in units of "small is Beautiful Fund"	(11.02)	(33.02)
8. Gain on Exchange Rate fluctuation	(1,142.17)	959.53
9. Amount transferred to security premium	235.95	-
Operating profit before working Capital Charges :	191,570.54	136,096.52
Increase / Decrease :		
1. Loans	(1,206,730.45)	(725,735.42)
2. Other Current Assets	4,072.99	(18,676.12)
3. Other Loans & Advances	(4,330.83)	(807.25)
4. Current Liabilities	63,796.96	63,917.48
Cash outflow from Operations	(951,620.79)	(545,204.79)
1. Advance Income Tax Paid	(48,109.26)	(74,962.20)
2. Wealth Tax paid	(2.15)	(0.15)
3. Fringe Benefit tax paid	(132.62)	(106.55)
Net Cash used in Operating Activities	(999,864.82)	(620,273.69)
B. Cash Flow from Investing Activities		
1. Sale of Fixed Assets	13.40	1.61
2. Purchase of Fixed Assets (incl. Advance for Capital exp.)	(448.74)	(1,567.94)
3. Redemption of 8% Government of Madhya Pradesh Power Bonds-II	14,148.00	4,716.00
4. Investments in units of "Small is Beautiful" Fund	-	(194.81)
5. Income on Investments in units of "Small is Beautiful" Fund	11.02	379.86
6. Investment in Shares of Subsidiary Co."REC Power Distribution Co Ltd.	-	(5.00)
7. Investment in REC Transmission Project Co. Ltd,Subsidiary Co.	-	-
8. Investment in Shares of Indian Energy Exchange	-	(125.00)
Net Cash used in investing Activities	13,723.68	3,204.72
C. Cash Flow from Financial Activities		
1. Issue of Bonds	1,380,733.12	607,392.38
2. Redemption of Bonds	(526,546.00)	(359,593.94)
3. Raising of Term Loans/STL from Banks/FIs	537,463.31	437,250.00
4. Repayment of Term loans/STL from Banks/FIs	(498,638.31)	(300,650.00)
5. Raising of Foreign Currency Loan	45,665.12	16,676.53
6. Grants received from GOI (Net of refund)	544,621.74	390,289.91
7. Disbursement of grants	(511,410.03)	(335,941.46)
8. Repayment of Govt. Loan	(1,718.00)	(1,855.96)
9. Final Dividend paid	(25,759.80)	(17,700.00)
10. Corporate Dividend Tax paid on Final Dividend	(4,377.88)	(3,008.12)
11. Issue of Shares	-	79,786.53
12. Issue of Commercial Paper	129,500.00	-
13. Interim Dividend paid	(17,173.20)	-
14. Corporate Dividend Tax paid on Interim Dividend	(2,918.58)	-
Net Cash in-flow from Financing Activities	1,049,441.49	512,645.87
Net Increase/Decrease in Cash & Cash Equivalents	63,300.35	(104,423.10)
Cash & Cash Equivalents as at 1st April, 2008	125,303.79	229,726.89
Cash & Cash Equivalents as at 31st March, 2009	188,604.14	125,303.79
Net Increase/Decrease in Cash & Cash Equivalents	63,300.35	(104,423.10)

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

Suresh Chandra
Partner
M.No. 82023

B.R. Raghunandan
Company Secretary

H.D. Khunteta
Director Finance

P. Uma Shankar
Chairman & Managing Director

Place: New Delhi
Date: 25th May, 2009

ANNEXURE TO BE ENCLOSED WITH BALANCE SHEET AS AT 31st MARCH, 2009

(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	
LIABILITY SIDE:			
Loans and advances availed by the NBFCs			
inclusive of interest accrued thereon but not paid:			
(a) Debentures/Bonds :			
(i) Secured	3,221,040.25	–	
(ii) Unsecured	42,108.00	–	
(b) Foreign Currency Loan	149,367.97	–	
(c) Term Loan from Govt. of India	6,474.48	–	
(d) Term Loan from Financial Institution	335,000.00	–	
(e) Term Loan from Banks	610,105.00	–	
(f) Overdrafts from Bank	–	–	
(g) Cash Credit from Banks	–	–	
(h) Commercial Paper	129,500.00	–	
ASSET SIDE :			
Break-up of Loans and Advances including bills receivable			
(a) Secured	4,782,735.30		
(b) Unsecured	282,546.14		
Borrower Group-wise classification of all leased assets, stock-on-hire and loans and advances :			
	AMOUNT NET OF PROVISIONS		
Category	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	–	200.64	200.64
(b) Companies in the same Group	–	–	–
(c) Other related Parties	–	–	–
2. Other than Related Parties	4,782,735.30	282,546.14	5,065,281.44
Total	4,782,735.30	282,746.78	5,065,482.08
Other Information			
Particulars			Amount
(i) Gross Non-Performing Assets			
(a) Related Parties			–
(b) Other than related Parties			6,889.23
(ii) Net Non-Performing Assets			
(a) Related Parties			–
(b) Other than related Parties			2,088.51
(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

Suresh Chandra
Partner
M.No. 82023

B.R. Raghunandan
Company Secretary

H.D. Khunteta
Director Finance

P. Uma Shankar
Chairman & Managing Director

Place: New Delhi
Date: 25th May, 2009

AUDITORS' REPORT

To

The Members of

Rural Electrification Corporation Ltd,

1. We have audited the attached Balance Sheet of RURAL ELECTRIFICATION CORPORATION LIMITED as at 31st March 2009 and also the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended 31st March 2009 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 (as amended) 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:
 - 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 to the extent applicable;
- 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 more specifically to the note no. 31 of schedule 17 regarding change in accounting policy by way of increasing the monetary limits in respect of prepaid and prior period expenditures having no impact on net profit of the company, give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet of the State of Affairs of the Company as at 31st March 2009.
 - 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

(Suresh Chandra)
Partner

Place: New Delhi
Dated: 25.05.2009

Membership. No. 82023.

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, 2009

1. a) The Company has maintained fixed assets records for the year under review.
- b) The Company has a phased programme of physical verification of its fixed assets, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, substantial assets were physically verified by the management during the period. Discrepancies noticed on such verification have been properly dealt with in the books of accounts.
- c) In our opinion and according to the information and explanation given to us, there was no substantial disposal of fixed assets during the year.
2. The Company, being Non-banking Financial Company, does not have any inventory.
3. a) According to information & explanation given to us, the company has granted unsecured loan to two of its subsidiary companies, and two fellow subsidiary companies of RECTPCL who are listed in the register maintained u/s 301 of companies Act 1956. The maximum amount involved during the year was Rs. 268.72 Lacs and the year end balance of loans granted to such companies was Rs.200.65 Lacs. There is no stipulation as to repayment of principal amount. However interest is being claimed on the basis of general lending rate of Rural Electrification Corporation Ltd applicable for T&D Scheme. Hence the same is prima facie not prejudicial to the interest of the Company.
- 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, clause 4 (iii) (f) and (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
4. 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 including Loan accounting; Loan pricing being not linked to rating linked policy in certain cases; Review of T&D lending norms prescribing appropriate debt equity ratios; adoption of control records regarding status of loan documents including formulation of legal manual ; 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. 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. The Company has not accepted any deposits from public to which the provisions of sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and rules framed there under, apply.
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. In our opinion Internal Audit needs to be further strengthened with identification of critical areas for risk based audit.
8. To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub section (1) of section 209 of the Companies Act, 1956, for the products/services of the Company. Accordingly, clause 4 (viii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
9. a) The Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investor's education protection fund, employee's state insurance, income tax, wealth tax and other material statutory dues applicable to it.
- 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 31.03.2009 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 Income Tax, Custom Duty, Wealth Tax, Excise Duty and Cess, which has not been deposited on account of dispute.
10. 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. Accordingly, clause 4 (x) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
11. 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 as at the balance sheet date.
12. The Company has maintained records and documents in respect loan granted by it to various State Electricity Boards, Transmission, Distribution and Generation companies including independent power producers on the basis of security including collateral security by way of pledge of share and other security.

13. In our opinion and according to the information and explanation given to us, 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 (as amended) are not applicable to the company.
14. In our opinion and according to the information and explanation given to us, 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 (as amended) are not applicable to the Company.
15. In our opinion and according to the information and explanation given to us the Company has not given guarantee for loans, taken by others, from banks or financial institutions.
16. In our opinion and according to the information and explanation given to us the term loan has been applied for the purpose for which they were raised.
17. According to information and explanation given to us and on overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term deployment/investment.
18. 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. According to the information and explanation given to us, during the period covered by our audit report, the company had issued 99302 Institutional bonds of Rs. 10 Lacs each and 2,525,233 Capital Gain tax exemption bonds of Rs. 10,000/- each. The company has created security in respect of Institutional & capital gain tax exemption bonds in the form of charge on current assets (book debts) and legal mortgage on the immovable properties of the Company at Mumbai & Delhi.
20. The Company has not raised any monies by issue of securities to public during the year. Consequently, this clause on disclosure on end use of money raised is not applicable.
21. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanation given by the management, we report that 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

(Suresh Chandra)
Partner

Place: New Delhi
Dated: 25.05.2009

Membership. No. 82023.

NON-BANKING FINANCIAL COMPANIES AUDITORS' REPORT (REVISED)

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 has not accepted any public deposits during the year 2008-09. Board of Directors of the Corporation has passed resolution for acceptance of Public Deposit in 299th 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 for obtaining permission thereof.
4. For the Financial year ended 31.03.2009 the Corporation has complied with the accounting standards and prudential norms applicable to Systematically Important NBFCs. Income recognition, provisioning for bad and doubtful debts, capital adequacy & exposure norms are as per the prudential norms as detailed in accounting policies of the Company, subject to our comments in annexure to auditors Report.

For G.S. MATHUR & CO.
Chartered Accountants

Place: New Delhi
Dated: 29.06.09

(Suresh Chandra)
Partner
Membership No. 82023.

COMMENTS OF THE COMPTROLLER & AUDITORS GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF THE RURAL ELECTRIFICATION CORPORATION FOR THE YEAR ENDED 31 MARCH 2009

The preparation of financial statements of **Rural Electrification Corporation Limited** for the year ended 31 March 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on the independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountant of India. this is stated to have been done by them vide their Audit Report dated 25 May 2009.

In on behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act, 1956 of the financial statements of **Rural Electrification Corporation Limited** for the year ended 31 March 2009. This supplementary audit have been carried out independently without access to the working papers of the statutory auditor and is limited primarily to the inquiries of the statutory and Company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 619 (4) of the Companies Act, 1956.

For and on behalf of the
Comptroller and Auditors General of India

(Saroj Punhani)
Principal Director of Commercial Audit
& Ex-officio Member Audit Board-II,
New Delhi

Place: New Delhi
Date: 30.06.2009

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANIES.**

Name of the subsidiary	REC Transmission Projects Company Limited	REC Power Distribution Company Limited	North Karanpura Transmission Company Limited [#]	Talcher-II Transmission Company Limited [#]
1. Financial year of the Subsidiary ended on	31.03.2009	31.03.2009	31.03.2009	31.03.2009
2. Date from which they became subsidiary	08.01.2007	12.07.2007	23.04.2007	01.05.2007
3. Share of the subsidiary held by the company as on 31 st March, 2009.				
(a) Number & face value	50,000 equity shares of Rs.10/- each	50,000 equity shares of Rs.10/- each	50,000 equity shares of Rs.10/- each	50,000 equity shares of Rs.10/- each
(b) Extent of holding	100%	100%	100%	100%
4. The net aggregate amount of the Subsidiary Companies Profit/(Loss) so far as it concerns the members of the holding Company				
(a) Not dealt with in the holding Company's accounts:-				
(i) For the financial year ended 31 st March, 2009.	No Profit earned by the Company.*	Rs.14,214,497 (Profit after tax)	No Profit earned by the Company.*	No Profit earned by the Company*
(ii) up to the previous financial year of the subsidiary company	NIL	Rs.17,788,587 (Profit after tax)	NIL	NIL
(b) Dealt with in the holding Company's accounts:-				
(i) For the financial year ended 31 st March, 2009.	NIL	NIL	NIL	NIL
(ii) For the previous financial year of the subsidiary company since they became the holding Company's Subsidiaries.	NIL	NIL	NIL	NIL

* Since the Company has not yet started its business it has not earned any profit for the year.

[#] 100% Shares of these Companies are held by REC Transmission Projects Company Limited which is a direct subsidiary of the Company. In pursuance of provision of Section 4 (1) (c) of the Companies Act, 1956, these companies are also subsidiaries of Rural Electrification Corporation Limited.

B.R. Raghunandan
GM & Company Secretary

H.D. Khunteta
Director (Finance)

P. Uma Shankar
Chairman & Managing Director

SUBSIDIARY COMPANIES

REC TRANSMISSION PROJECTS COMPANY LIMITED DIRECTORS' REPORT

Your Directors have pleasure in presenting the Second Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2009.

REVIEW OF OPERATIONS

RECTPCL has taken up the task of selection of developer for the two transmission projects entrusted to REC. Technical Consultants and Bid Process Consultants to assist RECTPCL in the process have already been appointed. Subsequently, under REC Transmission Projects Company Limited, two projects specific SPVs namely (i) North Karanpura Transmission Company Limited (NKTCL) and (ii) Talcher-II Transmission Company Limited (TTCL) have also been formed subsequently. These SPVs would be merged with the Transmission Service Provider (TS) of the Transmission System after the developer is granted a license by the CERC. Request For Qualification (RFQ) for the two Transmission projects were issued on 06.10.2008. 13 bidders submitted their RFQ proposal for North Karanpura Transmission System and 15 bidders submitted their RFQ proposal for Talcher-II Transmission System which were opened in December, 2008. Six bidders have been issued letters on 08.05.2009 for issuance of RFP based on the short listing done after evaluation of RFQ for each of the above two projects which are ESSAR Power, JSW Energy, L & T Transco, Reliance Power, Lanco-Deepak Consortium and Sterlite Technology.

CAPITAL STRUCTURE

The Authorized and Paid up Share Capital of the Company is Rs.5,00,000 (Rupees Five Lakhs Only) each.

FINANCIAL PERFORMANCE

Since the Company is yet to commence its commercial operations, no Profit & Loss Account was prepared for the second financial year ended 31st March, 2009. In place thereof a Statement of Incidental Expenditure during Construction Period was prepared which is as under:

(Figures in Rupees)

Particulars	Amount
Total Expenditure (inclusive of Salary and other establishment expenses, Administration expenses and Interest allocated by REC)	21,297,234
Less: Other Income (Interest on Term Deposits and Document cost recovered)	1,126,921
Net Expenses	20,170,313
Less : Allocated to the two wholly owned subsidiaries (Direct Expenditure allocated to the respective subsidiary and indirect expenses allocated in equal proportion):	
a) North Karanpura Transmission Company Limited	(-)11,565,910
b) Talcher II Transmission Company Limited	(-) 8,604,403
Balance carried to Balance Sheet (CWIP)	Nil

BOARD OF DIRECTORS

Sl. No.	Name	Designation	Date of Appointment / Re-appointment	Date of Cessation
1.	Shri P. Uma Shankar	Chairman	01.03.2008	Continuing
2.	Shri Rama Raman	Director	8.01.2007 / 2.07.2008	Continuing
3.	Shri P.J. Thakkar	Director	8.01.2007 / 2.07.2008	Continuing
4.	Shri Ajeet Kumar Agarwal	Director	27.12.2008	Continuing
5.	Shri Guljit Kapur	Director	8.01.2007 / 2.07.2008	26.12.2008

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956, Shri P.J. Thakkar retires by rotation in the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Board of Directors recommends the appointment of Shri Ajeet Kumar Agarwal as Director, whose period of office shall be liable to determination by retirement of Directors by rotation, subject to the approval of shareholders in ensuing Annual General Meeting.

STATUTORY AUDITOR

M/s Rattan Vinod Anil & Co., Chartered Accountants were appointed by the Comptroller & Auditor General of India as Statutory Auditors of the Company for the second financial year ended 31st March, 2009.

The Statutory Auditors have audited the Accounts of the Company for the above said period. The Audited Accounts and Cash Flow Statement together with the Auditors Report thereon are annexed to this Report.

PARTICULARS OF EMPLOYEES

There being no employee in the Company with earning over the specified amount, the particulars of employees as prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not required to be given.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Since the Company is yet to commence its commercial operations, there are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988. During the period under review the Company had no earnings or outgo in foreign exchange.

DEPOSITS

Your Company has not accepted any public deposit during the period under review.

DIRECTORS' RESPONSIBILITY STATEMENT U/S 217 (2AA)

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors based on the representation received from the operative management, confirm that:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- that they have 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 financial year;
- that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that they have prepared the annual accounts on a going concern basis.

APPRECIATION

The Directors place on record their deep appreciation of all the valuable contributions made by Ex-Director Shri Guljit Kapur during his association with the Company.

COMMENTS OF THE C&AG OF INDIA

The Comments of the Comptroller & Auditor General (C&AG) of India under Section 619 (4) of the Companies Act, 1956 on the Accounts of the Company for the period ended 31st March, 2009 is appended herewith.

ACKNOWLEDGEMENT

The Directors take this opportunity to thank the Employees as well as Bankers for their co-operation and support.

The Directors also thank the Statutory Auditors, M/s Rattan Vinod Anil & Co. and the Comptroller and Auditor General of India for their valuable co-operation and support.

On behalf of the Board

(P. Uma Shankar)
Chairman

Place: New Delhi

Date: 13th July, 2009

REC TRANSMISSION PROJECTS COMPANY LIMITED
(A wholly owned subsidiary of
Rural Electrification Corporation Limited)
BALANCE SHEET AS AT 31st MARCH, 2009

Figures in Rupees

Description	Sch. No.	As at 31.03.2009	As at 31.03.2008
SOURCES OF FUNDS			
Shareholder's Funds:			
Share Capital	1	500,000	500,000
Reserves & Surplus		-	-
Loan Funds:			
Secured Loan		-	-
Unsecured Loan		-	-
Total		500,000	500,000
APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block		-	-
Less Depreciation		-	-
Net Block		-	-
Capital Work in Progress			
Investments	2	1,000,000	1,000,000
Current Assets,			
Loans & Advances			
Cash and Bank Balances	3	104,966	999,275
Other Current Assets		760	-
Loans and Advances		21,248,918	1,524,909
		21,354,644	2,524,184
Less: Current Liabilities & Provisions			
Current Liabilities	4	21,921,528	3,091,068
Provisions		-	-
Net Current Assets		(566,884)	(566,884)
Miscellaneous Expenditure		66,884	66,884
(To the extent not written off or adjusted)			
Total		500,000	500,000

Significant accounting policies 5

Notes on accounts 6

Schedule 1 to 6 form an integral part of Accounts

In terms of our report of even date For and on behalf of the Board
For Rattan Vinod Anil & Co. Chartered Accountants

Anil Kumar Subodh Garg P.J. Thakkar A.K. Agarwal
Partner CEO Director Director

Place : New Delhi
Date :12-05-2009

STATEMENT OF INCIDENTAL EXPENDITURE DURING
CONSTRUCTION PERIOD
FOR THE YEAR ENDED 31st MARCH,2009

Figures in Rupees

Description	For the Year ended 31.03.2009	For the Period ending 31.03.2008
(A) Direct Expenses:		
Survey Charges - North Karanpura	6,296,504	-
Survey Charges- Talcher - II	3,276,231	-
Consultancy Charges - North Karanpura	273,035	-
Consultancy Charges - Talcher - II	361,800	-
Sub- Total (A)	10,207,570	-
(B) Indirect Expenses:		
Salary and other establishment exp. allocated by REC	5,729,119	927,710
Administration expenses allocated by REC	1,374,989	222,654
Meeting and conference	-	697,758
Statutory Auditors' fee	27,575	11,236
Audit Out of Pocket Expenses Reimbursement	5,000	-
Advertisement Expenses	2,590,316	-
Printing and Stationery	19,765	5,650

Books & Periodicals	1,025	-
Entertainment Expenses	7,700	-
Legal & Professional Charges	9,152	-
Miscellaneous Expenses	12,017	-
Bank charges	750	725
Interest payable to REC (TDS Rs 270,325/- Previous Year Rs Nil)	1,312,256	159,176
Sub- Total (B)	11,089,664	2,024,909
Total Expenses (A)+(B)	21,297,234	2,024,909
(C) Other Income :		
Interest Received on Term Deposits (TDS Rs 3696/- Previous Year Rs Nil)	16,921	-
Document Cost Recd - North Karanpura	540,000	-
Document Cost Recd - Talcher - II	570,000	-
Sub- Total (C)	1,126,921	-
Net Expenses (A)+(B)-(C)	20,170,313	2,024,909
Less : Allocated to:		
North Karanpura Transmission Company Limited	11,565,910	1,012,455
Talcher-II Transmission Company Limited	8,604,403	1,012,454
Sub- Total	20,170,313	2,024,909
Balance carried to Balance Sheet (CWIP)	-	-

Schedule 1 to 6 form an integral part of Accounts

In terms of our report of even date For and on behalf of the Board
For Rattan Vinod Anil & Co. Chartered Accountants

Anil Kumar Subodh Garg P.J. Thakkar A.K. Agarwal
Partner CEO Director Director

Place : New Delhi
Date :12-05-2009

SCHEDULE '1' - SHARE CAPITAL

Figures in Rupees

Description	As at 31.03.2009	As at 31.03.2008
Authorised		
50,000 Equity shares of Rs. 10 each	500,000	500,000
Issued, Subscribed and Paid up		
50,000 fully paid up Equity shares of Rs 10 each	500,000	500,000
Total	500,000	500,000

SCHEDULE '2' - INVESTMENTS

Figures in Rupees

Description	As at 31.03.2009	As at 31.03.2008
Long Term (Unquoted) Non-Traded Investments		
Subsidiary Companies:		
North Karanpura Transmission Projects Co. Ltd.		
50000 equity shares of Rs. 10 each paid up	500,000	500,000
Talcher-II Transmission Company Limited	500,000	500,000
50000 equity shares of Rs. 10 each paid up		
Total	1,000,000	1,000,000

SCHEDULE '3' - CURRENT ASSETS, LOAN AND ADVANCES

Figures in Rupees

Description	As at 31.03.2009	As at 31.03.2008
I CURRENT ASSETS		
(A) Cash and bank balances:		
In Current Account with Schedule Bank	4,966	999,275
In Deposit Accounts with Scheduled Bank	100,000	-
Total (A)	104,966	999,275
(B) Other Current Assets:		
Interest Accrued but not due on term deposits	760	-
Total (B)	760	-
Total (A) + (B)	105,726	999,275

II LOANS AND ADVANCES		
(C) Advances:		
(Unsecured considered good)		
Dues from Subsidiaries		
North Karanpura Transmission Company Limited	12,103,365	712,455
Talcher-II Transmission Company Limited	9,141,857	812,454
TDS from Interest on Term Deposits by Bank	3,696	-
Total (C)	21,248,918	1,524,909
Total (A)+(B)+ (C)	21,354,644	2,524,184

SCHEDULE '4' - CURRENT LIABILITIES AND PROVISIONS

Figures in Rupees

Description	As at 31.03.2009	As at 31.03.2008
(A) Current Liabilities		
Auditors Remuneration	24,735	11,236
Tax Deducted at Source	534,598	-
Survey Charges	2,046,008	-
Rural Electrification Corporation Limited (Holding Company)	19,316,187	3,079,832
Total (A)	21,921,528	3,091,068
(B) Provisions		
Provisions	-	-
Total (B)	-	-
Total (A) + (B)	21,921,528	3,091,068

SCHEDULE NO. 5 SIGNIFICANT ACCOUNTING POLICIES**1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

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 standards in India. The financial statements adhere to the relevant presentation requirement of the Companies Act, 1956.

2. 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.

3. DEPRECIATION

3.1 Depreciation on assets is provided on pro rata basis on straight-line method at the rates prescribed under schedule XIV of the Companies Act, 1956.

3.2 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.

3.3 Depreciation on assets purchased during the year up to Rs. 5,000/- is provided @ 100%.

4. CAPITAL WORK IN PROGRESS

Expenditure incurred on Survey/ Studies/ Investigations/ Consultancy/ Administration/ Depreciation/ Interest has been treated as Capital Work In Progress.

5. CURRENT LIABILITIES

Expenditure incurred by the company for the Projects is financed by the Holding Company and considered as Current Liabilities payable to Holding Company. Interest has been charged on funds deployed by them.

6. CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby Incidental Expenditure during Construction is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular operating, financial and investing activities of the Company are segregated.

SCHEDULE NO. 6 NOTES ON ACCOUNTS

1. The Company was incorporated on January 08, 2007 under the Companies Act, 1956. Certificate for Commencement of Business was issued on February 05, 2007. The Company is a special purpose vehicle incorporated to undertake preliminary survey work, identification of

route, preparation of survey report, initiation of the process of land acquisition, forest clearance, if required and to conduct bidding process etc for selection of the transmission service provider.

2. The Company is a wholly owned subsidiary of Rural Electrification Corporation Limited (REC), a Govt. of India Enterprise. The Key Management Personnel of the Company are employees of the Holding Company (REC Ltd) deployed on part time basis. No management remuneration is paid to such representatives by the company. The details of such Key Management Personnel are as follows:-

S. No.	Name	Designation	Date of Appointment	Date of Separation
1.	Sh. P. Uma Shankar	Chairman & Director	01.03.2008	Continuing
2.	Sh. Rama Raman	Director	08.01.2007	Continuing
3.	Sh. Guljit Kapur	Director	08.01.2007	26.12.2008
4.	Sh. Ajeet Kumar Agarwal	Director	27.12.2008	Continuing
5.	Sh. Prakash J.Thakkar	Director	08.01.2007	Continuing

The other personnel working for the Company are also from the Holding Company. The related expenses in respect of Mr. Rama Raman, Director and other personnel working for the Company are paid by the Holding Company and allocated to the subsidiary company as part of administration expenses of Holding Company. The administration expenses of the Company also include common administration expenses apportioned and allocated by Holding company.

3. Wherever, payments relating to the company are made by the Holding Company, procedural and statutory requirements with regard to deduction of Tax at Source and Fringe Benefit Tax and deposit thereof as applicable are also complied with by the Holding Company against payments released on their account.

4. REC Transmission Projects Company Limited shall pay interest to REC on the expenditure incurred by it. Interest on current liabilities payable to the Rural Electrification Corporation Limited is accounted for on the basis of general lending rate of Rural Electrification Corporation Ltd., holding company, applicable for T&D schemes.

5. The common employees/ establishment cost and administration expenses of the Holding Company have been accounted for as apportioned by Holding company on the following basis:-

For employees of Holding Company working on full time basis for Subsidiary Company (RECTPCL), total Cost to the Company (CTC) of employees on full time basis have been recognised as expenditure. Whereas for the employees of Holding Company working partially for the Subsidiary Company, percentage of total cost of employees on part time basis according to the estimated time spent by these employees, have been recognised as expenditure, on the basis of cost ratio details provided by Holding Company.

Interest on cost incurred by Holding Company on behalf of Subsidiary Company is provided on the basis of general lending rate of Rural Electrification Corporation Ltd., holding company, applicable for T&D schemes.

Administrative overheads allocation of Holding Company has been taken on the basis of basic salary of employees of Holding Company working in Subsidiary company multiplied by ratio of total overhead cost and the total basic salary of the Holding Company according to the estimated time spent by these employees.

6. The company has not yet commenced its commercial operations therefore no Profit & Loss account has been prepared. In lieu of Profit and Loss A/c, a statement of Incidental Expenditure During Construction period has been prepared in accordance with the requirement of part II of Schedule VI of Companies Act, 1956 and annexed to Balance Sheet. Expenditure incurred during construction period has been treated as Incidental Expenditure during Construction Period and further, since the Company is incurring these expenses for its two subsidiaries, North Karanpura Transmission Company Limited and Talcher-II Transmission Company Limited, the expenses have been allocated at the year end to its two Subsidiaries. Direct Expenses have been allocated to the respective subsidiary for which the expenditure has been incurred. Indirect Expenses have been allocated to the two subsidiaries in equal proportion.

Further expenditure incurred on filing/legal fees regarding formation of the Company and all expenses incurred prior to the incorporation

of the company have been treated as Preliminary expenses. No provision has been made for write off of Preliminary expenses during the year. The same will be written off after commencement of Business of the company in five years.

7. The Company has complied with all applicable Accounting Standards issued by the Institute of Chartered Accountants of India and section 211 of the Companies Act, 1956.
8. The Company has no outstanding liability towards micro, small and medium undertakings.
9. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs 4,089,315 (Previous Year – Nil).
10. Expenditure in Foreign Currency - Nil (Previous Year – Nil)
Earning in Foreign Currency - Nil (Previous Year – Nil)
11. Auditors Remuneration

	2008-09	Previous Year
Audit Fee	2,5000	10,000
Service Tax	2,575	1,236
Reimbursement of expenses	5,000	Nil

12. Figures have been rounded off to the nearest rupees.
13. The disclosure as per AS18 – Related Party Disclosure :
A. The REC Transmission Projects Company Limited is a wholly owned subsidiary of Rural Electrification Corporation Limited. All key decisions are taken by the Board of REC Transmission Company Limited where the REC nominees exercise the control.

The detail of transactions with the Holding Company is as under:-
Current Liabilities payable to Holding Company:

Sr.No.	Name	Amount in Rupees			
		2008-09		2007-08	
		Out standing Balance at the year end including interest thereon	Maximum Balance during the year	Out standing Balance at the year end including interest thereon	Maximum Balance during the year
1	Rural Electrification Corporation Ltd.	19,316,187	19,316,187	3,079,832	3,079,832

- B. The REC Transmission Projects Company Limited is holding two wholly owned subsidiaries namely (i) North Karanpura Transmission Company Limited and (ii) Talcher – II Transmission Company Limited with equity contribution of Rs 500000/- each.

The details of amounts recoverable from the respective subsidiaries are as under:-
Advances recoverable from subsidiaries:

Sr. No.	Name	Amount in Rupees			
		2008-09		2007-08	
		Out standing Balance at the year end including interest thereon	Maximum Balance during the year	Out standing Balance at the year end including interest thereon	Maximum Balance during the year
1	North Karanpura Transmission Company Ltd.	12,103,365	12,103,365	712,455	712,455
2	Talcher – II Transmission Company Ltd.	9,141,857	9,141,857	812,454	812,454

14. The disclosure required vide Part IV of Schedule VI of the Companies Act, 1956 relating to Balance Sheet Abstract and Company's General Business Profile is enclosed as appendix.
15. The Significant Accounting Policy No. 5 (Schedule 5) relating to classification of outstanding balance at the year end payable to Holding Company Rs 19,316,187/- (Previous Year Rs 3,079,832/-) has

been changed during the year. The amount so payable was classified as Unsecured Loan in the previous year has now been classified as Current Liabilities in the current year.

16. Previous year's figures have been regrouped/rearranged/recast, wherever necessary, to make them comparable with the current year's figures.
Signatures to the schedules forming part of the Balance Sheet and Statement of Incidental Expenditure during Construction Period and to the above Significant Accounting Policies and Notes on Accounts.

In terms of our report of even date For and on behalf of the Board
For Rattan Vinod Anil & Co.
Chartered Accountants

Anil Kumar Subodh Garg P.J. Thakkar A.K. Agarwal
Partner CEO Director Director

Place : New Delhi
Date :12-05-2009

Appendix

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. REGISTRATION DETAILS :	
State Code :	55
Registration No.	U40101DL2007GOI157558
Balance Sheet Date :31	03 2009
Date	Month Year
2. CAPITAL RAISED DURING THE YEAR :	Amount in Rs
Public Issue	-
Right Issue	-
Bonus Issue	-
Private Placement	-
3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS :	
Total Liabilities	22,421,528
Total Assets	22,421,528
SOURCES OF FUNDS :	
Paid up Capital	500,000
Reserves & Surplus	-
Secured Loans	-
Unsecured Loans	-
Deferred Tax Liability	-
APPLICATIONS OF FUNDS:	
Net Fixed Assets	-
(Incl. Capital WIP)	
Investments	1,000,000
Net Current Assets	(566,884)
Loans	-
Accumulated Losses	-
Misc. Expenditure	66,884
Deferred Tax Assets	-
4. PERFORMANCE OF COMPANY :	
Turnover	-
Total Expenditure	-
Profit before Tax	-
Profit after Tax	-
EPS in Rs.	-
Dividend Rate	-
5. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY :	
Item Code No.(ITC Code)	-

In terms of our report of even date For and on behalf of the Board
For Rattan Vinod Anil & Co.
Chartered Accountants

Anil Kumar Subodh Garg P.J. Thakkar A.K. Agarwal
Partner CEO Director Director

Place : New Delhi
Date :12-05-2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

Description	Figures in Rupees	
	For the Year ended 31.03.2009	For the Period ending 31.03.2008
A. Cash Flow from Operating Activities:		
Incidental Expenditure During Construction	-	-
Adjustment for:		
Depreciation	-	-
B. Cash Flow from Investing Activities:		
Purchase of Fixed Assets	-	-
Capital Work in Progress	-	-
Investments	-	(1,000,000)
Preliminary Expenses	-	(66,884)
C. Cash Flow from Financial Activities:		
Share Capital	-	500,000
Current Liabilities	18,830,460	3,091,068
Unsecured Loan	-	-
Other Current Assets	(760)	
Loans and Advances	(19,724,009)	(1,524,909)
Net Increase/ Decrease in Cash and Cash Equivalents	(894,309)	999,275
Cash and Cash Equivalents as at 1st April, 2008	999,275	-
Cash and Cash Equivalents as at 30th March, 2009	104,966	999,275
Net Increase/ Decrease in Cash and Cash Equivalents	(894,309)	999,275
In terms of our report of even date For Rattan Vinod Anil & Co. Chartered Accountants	For and on behalf of the Board	

Anil Kumar Partner
 Subodh Garg CEO
 P.J. Thakkar Director
 A.K. Agarwal Director

Place : New Delhi
 Date : 12-05-2009

AUDITORS' REPORT

To
 The Members of
 REC Transmission Projects Company Limited,

1. We have audited the attached Balance Sheet of **REC TRANSMISSION PROJECTS COMPANY LIMITED** as at 31st March 2009 and also the Statement of Incidental Expenses during the Construction period for the year ended on that date and Cash Flow Statement for the year Annexed hereto. Since the Company has not started its operation, no Profit and Loss Account has been prepared for the year ended 31st March 2009.

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 Company.
4. Further to our comments in the Annexure referred in paragraph 3 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, Incidental Expenses during the Construction period and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
- iv) In our opinion, the Balance Sheet, Incidental Expenses during the Construction period and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- v) Vide notification No. 2/5/2001-CLV dated 22.03.2002 of the Department of Company Affairs, Government of India, Government Companies have been exempted from applicability of the provisions of Section 274(1)(g) of the Companies Act, 1956.
- vi) In our opinion and to the best of our information and according to explanations given to us, the said statements of accounts read together with notes and accounting policies thereon give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- a) In the case of the Balance Sheet of the State of Affairs of the Company as at 31st March, 2009;
- b) In the case of the statement showing Incidental Expenses during the Construction Period for expenses incurred 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 Rattan Vinod Anil & Co.
Chartered Accountants

(Anil Kumar)
 Partner
 M. No. 084295

Place : New Delhi
 Date : 12th May, 2009

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 2 of our report of even date on the Accounts) for the year ended 31st March, 2009 of **REC TRANSMISSION PROJECTS COMPANY LIMITED**

In terms of the information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state as under:

- 1(a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register, maintained under section 301 of the Companies Act, 1956. However there exists Advances on the Balance Sheet in the name of its wholly owned subsidiaries, North Karanpura Transmission Company Limited and Talcher-II Transmission Company Limited on account of various expenditure incurred by the Company. The balance at the year end and the maximum balance during the year were as under:-

Company	Balance at the year end	Maximum Balance during the year
North Karanpura Transmission Company Ltd.	12,103,365	12,103,365
Talcher-II Transmission Company Limited	9,141,857	9,141,857

- 1(b) The company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register, maintained under section 301 of the Companies Act, 1956. However there exists Current Liability on the Balance Sheet in the name of Holding Company, Rural Electrification Corporation Limited, on account of various expenditure incurred by them. The amount outstanding at the year end and the maximum amount outstanding during the year was Rs.19,316,187/-.

- 2 There is an adequate internal control procedure commensurate with the size of the company.
- 3(a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Cess and any other statutory dues with the appropriate authorities. Wherever payments relating to the company are made by the Holding Company, statutory dues with regard to payments released by them are deposited by the Holding Company.
- 3(b) No undisputed amounts payable in respect of above Statutory dues were in arrears as at 31st March, 2009 for a period of more than six months from the date they became payable as explained to us.
- 4 During the course of audit no fraud case has come to our notice. Further as informed to us the company has not noticed/ reported any fraud case during the year.
- 5 The provision of para I, II, V, VI, VII, VIII, X, XI, XII, XIII, XIV, XV, XVI, XVII, XVIII, XIX and XX are not applicable during the year ended March 31, 2009.

**For Rattan Vinod Anil & Co.
Chartered Accountants**

**(Anil Kumar)
Partner
M. No. 084295**

Place : New Delhi
Date : 12th May, 2009

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF REC TRANSMISSION PROJECTS COMPANY LIMITED FOR THE YEAR ENDED 31st MARCH 2009.

The preparation of financial statements of **REC TRANSMISSION PROJECTS COMPANY LIMITED** for the year ended **31st March 2009** in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 12th May, 2009.

I on behalf of the Comptroller and Auditor General of India have decided not to review the report of the Statutory Auditors on the accounts of **REC TRANSMISSION PROJECTS COMPANY LIMITED** for the year ended **31st March, 2009** and as such have no comments to make under section 619 (4) of the Companies Act, 1956.

**For and on behalf of the
Comptroller and Auditor General of India**

**(Saroj Punhani)
Principal Director of Commercial Audit
& Ex-officio Member Audit Board-II, New Delhi**

Place: New Delhi
Dated: June 10, 2009

REC TRANSMISSION PROJECTS COMPANY LIMITED
 (A wholly owned subsidiary of Rural Electrification Corporation Limited)

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT,1956
RELATING TO SUBSIDIARY COMPANIES

S.No.	Details	North Karanpura Transmission Company Limited	Talcher – II Transmission Company Limited
1	Financial year of the Subsidiary ended on	31-03-2009	31-03-2009
2	Date from which they became subsidiary	23-04-2007	01-05-2007
3.	Share of the subsidiary held by the company as on 31st March,2009		
(a)	Number & face value	50,000 equity shares of Rs 10/- each	50,000 equity shares of Rs 10/- each
(b)	Extent of holding	100 %	100 %
4.	The net aggregate amount of the subsidiary companies Profit/(Loss) so far as it concerns the members of the holding company		
(a)	Not dealt with in the holding company's accounts:-		
(i)	For the financial year ended on 31st March,2009	* No Profit earned by the Company	* No Profit earned by the Company
(ii)	Upto the previous financial year of the subsidiary company	* No Profit earned by the Company	* No Profit earned by the Company
(b)	Dealt with in the holding company's accounts:-		
(i)	For the financial year ended on 31st March,2009	Nil	Nil
(ii)	Upto the previous financial year of the subsidiary company	Nil	Nil

* Since the Company has not yet started its business it has not earned profit for the year.

Subodh Garg
CEO

Prakash J. Thakkar
Director

Ajeet Kumar Agarwal
Director

TALCHER-II TRANSMISSION COMPANY LIMITED DIRECTORS' REPORT

Your Directors have pleasure in presenting the Second Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2009.

REVIEW OF OPERATIONS

RECTPCL (Holding Company of Talcher-II Transmission Company Limited) issued Request For Qualification (RFQ) on 06.10.2008. 15 bidders submitted their RFQ proposal for Talcher-II Transmission System which were opened in December, 2008. Six bidders have been issued letters on 08.05.2009 for issuance of RFP based on the short listing done after evaluation of RFQ for the above project. The successful bidders are ESSAR Power, JSW Energy, L & T Transco, Reliance Power, Lanco-Deepak Consortium and Sterlite Technology.

CAPITAL STRUCTURE

The Authorized and Paid up Share Capital of the Company is Rs.5,00,000 (Rupees Five Lakhs Only) each.

FINANCIAL PERFORMANCE

Since the Company is yet to commence its commercial operations, no Profit & Loss Account was prepared for the second financial year ended 31st March, 2009. In place thereof, a Statement of Incidental Expenditure during Construction Period was prepared. A total Expenditure of Rs.8,635,176/- was incurred during the period year ended 31.03.2009.

PAYMENT OF DIVIDEND

Since company is yet to commence its Business and to earn profit, there is no amount of Dividend.

BOARD OF DIRECTORS

Sl. No.	Name	Designation	Date of Appointment	Date of Cessation
1.	Shri P. J. Thakkar	Chairman	01.05.2007	Continuing
2.	Smt. Valli Natrajan	Director	01.05.2007	Continuing
3.	Smt. Harinder Kaur Chani	Director	01.05.2007	Continuing

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956, Smt. Valli Natarajn retires by rotation in the ensuing Annual General Meeting and being eligible, offers herself for re-appointment.

STATUTORY AUDITORS

M/s Aqil & Sharma Associates, Chartered Accountants were appointed by the Comptroller & Auditor General of India as Statutory Auditors of the Company for the Financial Year ended 31st March, 2009.

The Statutory Auditors have audited the Accounts of the Company for the above said period. The Audited Accounts and Cash Flow Statement together with the Auditors Report thereon are annexed to this Report.

PARTICULARS OF EMPLOYEES

None of the employees of the Company is in receipt of remuneration in excess of limits prescribed under section 217 (2A) of the Companies Act, 1956 and the Rules framed there under.

DEPOSITS

Your Company has not accepted any public deposit during the period under review.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- that they have 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 financial year;
- that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that they have prepared the annual accounts on a going concern basis.

COMMENTS OF THE C&AG OF INDIA

The Comments of the Comptroller & Auditor General (C&AG) of India under Section 619 (4) of the Companies Act, 1956 on the Accounts of the Company for the period ended 31st March, 2009 is appended herewith.

ACKNOWLEDGEMENT

The Directors take this opportunity to thank the employees as well as Bankers for their co-operation and support.

The Directors also thank the Statutory Auditors Aqil & Sharma Associates and the Comptroller and Auditor General of India for their valuable cooperation and support.

On behalf of the Board

(P. J. Thakkar)
Chairman

Place: New Delhi

Date: 07.07-2009

TALCHER-II TRANSMISSION COMPANY LIMITED (A wholly owned subsidiary of REC Transmission Projects Company Limited)

BALANCE SHEET AS AT 31st MARCH, 2009

Figures in Rupees

Description	Sch. No.	As at 31.03.2009	As at 31.03.2008
SOURCES OF FUNDS			
Shareholder's Funds:			
Share Capital	1	500,000	500,000
Loan Funds:			
Secured Loan		-	-
Unsecured Loan		-	-
Total		500,000	500,000
APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block		-	-
Less Depreciation		-	-
Net Block		-	-
Capital Work in Progress	2	9,658,962	1,023,786
Current Assets, Loans & Advances	3		
Cash and Bank Balances		12,738	499,700
Loans and Advances		-	-
		12,738	499,700
Less: Current Liabilities & Provisions			
Current Liabilities	4	9,208,849	1,060,635
Provisions		-	-
Net Current Assets		(9,196,111)	(560,935)
Miscellaneous Expenditure		37,149	37,149
(To the extent not written off or adjusted)			
Total		500,000	500,000

Significant accounting policies 5
Notes on accounts 6

Schedule 1 to 6 form an integral part of Accounts

In terms of our report of even date For and on behalf of the Board

For Aqil & Sharma Associates
Chartered Accountants

Aditya Kumar Sharma Partner
P.J. Thakkar Chairman
H. Kaur Chani Director
Valli Natrajan Director

Place : New Delhi

Date :19-05-2009

**STATEMENT OF INCIDENTAL EXPENDITURE DURING
CONSTRUCTION PERIOD
FOR THE YEAR ENDED 31st MARCH,2009**

Figures in Rupees

Description	For the Year ended 31.03.2009	For the Period ending 31.03.2008
Expenses		
Expenses Allocated by REC TPCL	8,604,403	1,012,454
Printing and Stationery	-	550
Bank charges	535	300
Statutory Auditors' fee	22,060	8,427
Audit Out of Pocket Expenses Reimbursement	3,000	-
Interest (TDS Rs 1067/- Previous Year Rs Nil)	5,178	2,055
Balance carried to Balance Sheet (CWIP)	8,635,176	1,023,786

Schedule 1 to 6 form an integral part of Accounts

In terms of our report of even date For and on behalf of the Board

For Aqil & Sharma Associates
Chartered Accountants

Aditya Kumar Sharma
Partner

P.J. Thakkar
Chairman

H. Kaur Chani
Director

Valli Natrajan
Director

Place : New Delhi
Date :19-05-2009

SCHEDULE '1' - SHARE CAPITAL

Figures in Rupees

Description	As at 31.03.2009	As at 31.03.2008
Authorised		
50,000 Equity shares of Rs. 10 each	500,000	500,000
Issued, Subscribed and Paid up		
50,000 fully paid up Equity shares of Rs 10 each	500,000	500,000
Total	500,000	500,000

SCHEDULE '2' - CAPITAL WORK IN PROGRESS

Figures in Rupees

Description	As at 31.03.2009	As at 31.03.2008
Opening Balance	1,023,786	-
Add: CWIP transferred from Statement of Incidental Expenditure during Const.	8,635,176	1,023,786
Total	9,658,962	1,023,786

SCHEDULE '3' - CURRENT ASSETS, LOAN AND ADVANCES

Figures in Rupees

Description	As at 31.03.2009	As at 31.03.2008
CURRENT ASSETS		
Cash and bank balances:		
In current account	12,738	499,700
with Scheduled Bank		
Total	12,738	499,700

SCHEDULE '4' - CURRENT LIABILITIES AND PROVISIONS

Figures in Rupees

Description	As at 31.03.2009	As at 31.03.2008
(A) Current Liabilities		
Earnest Money	-	200,000
Tax Deducted at Source	3,339	-
Auditors' Remuneration Payable	19,788	8,427
REC Transmission Projects Company Limited (Holding Company)	9,141,857	812,454
Rural Electrification Corporation Limited (Holding Company of REC Transmission Projects Co. Ltd.)	43,865	39,754
Total (A)	9,208,849	1,060,635
(B) Provisions		
Provisions	-	-
Total (B)	-	-
Total (A) + (B)	9,208,849	1,060,635

SCHEDULE NO. 5 SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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 standards in India. The financial statements adhere to the relevant presentation requirement of the Companies Act, 1956.

2. 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.

3. DEPRECIATION

3.1 Depreciation on assets is provided on pro rata basis on straight-line method at the rates prescribed under schedule XIV of the Companies Act, 1956.

3.2 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.

3.3 Depreciation on assets purchased during the year up to Rs. 5,000/- is provided @ 100%.

4. CAPITAL WORK IN PROGRESS

Expenditure incurred on Survey/ Studies/ Investigations/ Consultancy/ Administration/ Depreciation/ Interest has been treated as Capital Work In Progress.

5. CURRENT LIABILITIES

Expenditure incurred by the company for the Projects is financed by REC Transmission Projects Company Limited (Holding Company) and Rural Electrification Corporation Limited (Holding Company of REC Transmission Projects Company Limited) and considered as Current Liabilities. Interest has been charged on funds deployed by them.

6. CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby Incidental Expenditure during construction is adjusted for the effects of transactions of 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.

SCHEDULE NO. 6 NOTES ON ACCOUNTS

1. The Company was incorporated on May 01, 2007 and Certificate for Commencement of Business was issued on August 06, 2007. The Company is a special purpose vehicle incorporated to undertake preliminary survey work, identification of route, preparation of survey report, initiation of the process of land acquisition, forest clearance, if required and to conduct bidding process etc for selection of the transmission service provider.

2. The Company is a wholly owned subsidiary of REC Transmission Projects Company Limited (REC-TPCL), which is further wholly owned by Rural Electrification Corporation Limited (REC). The Key Management Personnel of the Company are employees of REC, deployed on part time basis. No management remuneration is paid to such representatives by the company. The details of such Key Management Personnel are as follows:-

The details of such Key Management Personnel are as follows:-

S. No.	Name	Designation	Date of Appointment	Date of Separation
1.	Sh. Prakash J. Thakkar	Chairman & Director	01.05.2007	Continuing
2.	Ms. Valli Natrajan	Director	01.05.2007	Continuing
3.	Ms. Harinder Kaur Chani	Director	01.05.2007	Continuing

The other personnel working for the Company are also from REC. The related expenses in respect of personnel working for the Company are paid by REC and allocated to the subsidiary company (REC-TPCL) as part of administration expenses of Holding Company, which is further allocated by REC-TPCL to its two subsidiaries, North Karanpura Transmission Company Limited and Talcher-II Transmission Company Limited in equal proportion .

3. Wherever, payments relating to the company are made by the Holding Company (REC TPCL) and the ultimate Holding Company (REC), procedural and statutory requirements with regard to deduction of Tax at Source and Fringe Benefit Tax and deposit thereof as applicable

are also complied with by the Holding Company and the ultimate Holding Company against payments released on their account.

4. Talcher-II Transmission Company Limited shall pay interest to REC on the expenditure incurred by it. Interest on current liabilities payable to the Rural Electrification Corporation Limited is accounted for on the basis of general lending rate of REC, applicable for T&D schemes.
5. The company has not yet commenced its commercial operations therefore no Profit & Loss account has been prepared. In lieu of Profit and Loss A/c, a statement of Incidental Expenditure During Construction period has been prepared in accordance with the requirement of part II of Schedule VI of Companies Act, 1956 and annexed to Balance Sheet. Expenditures incurred during construction period has been treated as Incidental Expenditure during Construction Period. In addition, the incidental expenditure during construction period appearing in REC-TPCL's books at the year end is allocated at year end to its two wholly owned subsidiaries North Karanpura Transmission Company Limited and Talcher-II Transmission Company Limited. Direct Expenses have been allocated to the respective subsidiary for which the expenditure has been incurred. Indirect Expenses have been allocated to the two subsidiaries in equal proportion.

Further expenditure incurred on filing/legal fees regarding formation of the Company and all expenses incurred prior to the incorporation of the company have been treated as Preliminary expenses. No provision has been made for write off of Preliminary expenses during the year. The same will be written off after commencement of Business of the company in five years.

6. The Company has complied with all the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and section 211 of the Companies Act, 1956.
7. The Company has no outstanding liability towards micro, small and medium undertakings.
8. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs 1,600,144/- (Previous Year - Nil).
9. Expenditure in Foreign Currency - Nil (Previous Year - Nil)
Earning in Foreign Currency - Nil (Previous Year - Nil)
10. Auditors Remuneration

	2008-09	Previous Year
Audit Fee	20,000	7,500
Service Tax	2,060	927
Reimbursement of expenses	3,000	Nil

11. Figures have been rounded off to the nearest rupees.
12. The disclosure as per AS18 - Related Party Disclosure :
Talcher-II Transmission Projects Company Limited is wholly owned subsidiary of REC Transmission Projects Company Limited, which is further a wholly owned subsidiary of Rural Electrification Corporation Limited. All key decisions are taken by the Board of REC Transmission Company Limited where the REC nominees exercise the control.

The related Party Transactions done with REC-TPCL and REC are as follows:-

Current Liabilities payable to Holding Companies:
Amount in Rupees

Sr.No.	Name	2008-09		2007-08	
		Out standing Balance at the year end including interest thereon	Maximum Balance during the year	Out standing Balance at the year end including interest thereon	Maximum Balance during the year
1	Rural Electrification Corporation Ltd.	43,865	43,865	39,754	39,754
2	REC Transmission Projects Company Ltd.	9,141,857	9,141,857	812,454	812,454

13. The disclosure required vide Part IV of Schedule VI of the Companies Act, 1956 relating to Balance Sheet Abstract and Company's General Business Profile is enclosed as appendix.
14. The Significant Accounting Policy No. 5 (Schedule 5) relating to classification of outstanding balance at the year end payable to Holding Companies REC Transmission Projects Company Ltd. Rs 9,141,857/- (Previous Year Rs 812,454/-) and Rural Electrification Corporation Ltd. Rs 43,865/- (Previous Year Rs 39,754/-) has been changed during the year. The amount so payable was classified as Unsecured Loan in the previous year has now been classified as Current Liabilities in the current year.
15. Previous year's figures have been regrouped/rearranged/recast, wherever necessary, to make them comparable with the current year's figures.

Signatures to the schedules forming part of the Balance Sheet and Statement of Incidental Expenditure during Construction Period and to the above Significant Accounting Policies and Notes on Accounts.

In terms of our report of even date For and on behalf of the Board

For Aqil & Sharma Associates
Chartered Accountants

Aditya Kumar Sharma Partner
P.J. Thakkar Chairman
H. Kaur Chani Director
Valli Natrajan Director

Place : New Delhi
Date : 19-05-2009

Appendix

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. REGISTRATION DETAILS :		
State Code :	55	
Registration No.	U40101DL2007GOI157558	
Balance Sheet Date :	31	03 2009
	Date	Month Year
		Amount in Rs
2. CAPITAL RAISED DURING THE YEAR :		
Public Issue		-
Right Issue		-
Bonus Issue		-
Private Placement		-
3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS :		
Total Liabilities		9,708,849
Total Assets		9,708,849
SOURCES OF FUNDS :		
Paid up Capital		500,000
Reserves & Surplus		-
Secured Loans		-
Unsecured Loans		-
Deffered Tax Liability		-
APPLICATIONS OF FUNDS:		
Net Fixed Assets (Incl. Capital WIP)		9,658,962
Investments		-
Net Current Assets		(9,196,111)
Loans		-
Accumulated Losses		-
Misc. Expenditure		37,149
Deferred Tax Assests		-
4. PERFORMANCE OF COMPANY :		
Turnover		-
Total Expenditure		-
Profit before Tax		-

Profit after Tax	-
EPS in Rs.	-
Dividend Rate	-
5. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY :	
Item Code No.(ITC Code)	-

In terms of our report of even date For and on behalf of the Board

For Aqil & Sharma Associates
Chartered Accountants

Aditya Kumar Sharma Partner P.J. Thakkar Chairman H. Kaur Chani Director Valli Natrajan Director

Place : New Delhi
Date :19-05-2009

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

Figures in Rupees

Description	For the Year ended 31.03.2009	For the Period ending 31.03.2008
A. Cash Flow from Operating Activities:		
Incidental Expenditure During Construction	-	-
Adjustment for:		
Depreciation	-	-
B. Cash Flow from Investing Activities:		
Purchase of Fixed Assets	-	-
Capital Work in Progress	(8,635,176)	(1,023,786)
Preliminary Expenses	-	(37,149)
C. Cash Flow from Financing Activities:		
Share capital	-	500,000
Current Liabilities	8,148,214	1,060,635
Unsecured Loan	-	-
Net Increase/ Decrease in Cash and Cash Equivalents	(486,962)	499,700
Cash and Cash Equivalents as at 01st April,2008	499,700	-
Cash and Cash Equivalents as at 30th June,2008	12,738	499,700
Net Increase/Decrease in Cash and cash Equivalents	(486,962)	499,700

In terms of our report of even date For and on behalf of the Board

For Aqil & Sharma Associates
Chartered Accountants

Aditya Kumar Sharma Partner P.J. Thakkar Chairman H. Kaur Chani Director Valli Natrajan Director

Place : New Delhi
Date :19-05-2009

Auditors' Report

To
The Members of

Talcher II Transmission Company Limited,

1. We have audited the attached Balance Sheet of **TALCHER II TRANSMISSION COMPANY LIMITED** as at 31st March 2009 and also the Statement of Incidental Expenses during the Construction period for the year ended on that date and Cash Flow Statement for the year Annexed hereto. Since the company has not started its operation, no Profit and Loss Account has been prepared for the period ended 31st March 2009.

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 Company.
4. Further to our comments in the Annexure referred in paragraph 3 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, Incidental Expenses during the Construction period and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - iv) In our opinion, the Balance Sheet, Incidental Expenses during the Construction period and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - v) Vide notification No. 2/5/2001-CLV dated 22.03.2002 of the Department of Company Affairs, Government of India, Government Companies have been exempted from applicability of the provisions of Section 274(1)(g) of the Companies Act, 1956.
 - vi) In our opinion and to the best of our information and according to explanations given to us, the said statements of accounts read together with notes and accounting policies thereon give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Balance Sheet of the State of Affairs of the Company as at 31st March, 2009;
 - b) In the case of the statement showing Incidental Expenses during the Construction Period for expenses incurred 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 Aqil & Sharma Associates
Chartered Accountants

(Aditya Kumar Sharma)
Partner
M. No. 085805

Place : New Delhi
Date : 19th May,2009

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 2 of our report of even date on the Accounts) for the period ended 31st March, 2009 of
TALCHER II TRANSMISSION COMPANY LIMITED

In terms of the information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state as under:

- 1 (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register, maintained under section 301 of the Companies Act,1956.
- 1 (b) The company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register, maintained under section 301 of the Companies Act,1956. However there exists Current Liability on the Balance Sheet in the name of REC Transmission Projects Company Limited (Holding Company) and Rural Electrification Corporation Limited (Holding Company of REC Transmission Projects Company Limited) on account of various expenditure incurred by them. The amount outstanding at the year

end and the maximum amount outstanding during the year were as under :-

Company	Balance at the year end	Maximum Balance during the year
REC Transmission Projects Company Limited (Holding Company)	9,141,857	9,141,857
Rural Electrification Corporation Limited (Holding Company of REC Transmission Projects Company Limited)	43,865	43,865

- 2 There is an adequate internal control procedure commensurate with the size of the company.
- 3 (a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Cess and any other statutory dues with the appropriate authorities. Wherever payments relating to the company are made by the Holding Company REC Transmission Projects Company Limited and holding company of holding company Rural Electrification Corporation Limited, statutory dues with regard to payments released by them are deposited by them.
- 3 (b) No undisputed amounts payable in respect of above Statutory dues were in arrears as at 31st March, 2009 for a period of more than six months from the date they became payable as explained to us.
- 4 During the course of audit no fraud case has come to our notice. Further as informed to us the company has not noticed/ reported any fraud case during the year.
- 5 The provision of para I, II, V, VI, VII, VIII, X, XI, XII, XIII, XIV, XV, XVI, XVII, XVIII, XIX and XX are not applicable during the period ended March 31, 2009.

**For Aqil & Sharma Associates
Chartered Accountants**

**(Aditya Kumar Sharma)
Partner**

M. No. 085805

Place : New Delhi
Date : 19th May, 2009

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF TALCHER-II TRANSMISSION COMPANY LIMITED FOR THE YEAR ENDED 31st MARCH 2009

The preparation of financial statements of **TALCHER-II TRANSMISSION COMPANY LIMITED** for the year ended **31st March 2009** in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 19th May, 2009.

I on behalf of comptroller and Auditor General of India have decided not to review the report of the Statutory Auditors on the accounts of **TALCHER-II TRANSMISSION COMPANY LIMITED** for the year ended **31st March 2009** and as such have no comments to make under section 619 (4) of the Companies Act, 1956.

**For and on behalf of the
Comptroller and Auditor General of India**

**(Saroj Punhani)
Principal Director of Commercial Audit
& Ex-officio Member Audit Board-II, New Delhi**

Place: New Delhi
Dated: June 12, 2009

NORTH KARANPURA TRANSMISSION COMPANY LIMITED
 (A wholly owned subsidiary of REC Transmission Projects
 Company Limited)

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Second Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2009.

REVIEW OF OPERATIONS

RECTPCL (Holding Company of North Karanpura Transmission Company Limited) issued Request For Qualification (RFQ) on 06.10.2008. 13 bidders submitted their RFQ proposal for North Karanpura Transmission System which were opened in December, 2008. Six bidders have been issued letters on 08.05.2009 for issuance of RFP based on the short listing done after evaluation of RFQ for the above project. The successful bidders are ESSAR Power, JSW Energy, L & T Transco, Reliance Power, Lanco-Deepak Consortium and Sterlite Technology.

CAPITAL STRUCTURE

The Authorized and Paid up Share Capital of the Company is Rs.5,00,000 (Rupees Five Lakhs Only) each.

FINANCIAL PERFORMANCE

Since the Company is yet to commence its commercial operations, no Profit & Loss Account was prepared for the second financial year ended 31st March, 2009. In place thereof, a Statement of Incidental Expenditure during Construction Period was prepared. A total Expenditure of Rs.11,875,059/- was incurred during the period year ended 31.03.2009.

BOARD OF DIRECTORS

Sl. No.	Name	Designation	Date of Appointment	Date of Cessation
1.	Shri Guljit Kapur	Chairman	23.04.2007	29.12.2008
2.	Shri P. J. Thakkar	Chairman	30.12.2008	Continuing
3.	Smt. Valli Natrajan	Director	23.04.2007	Continuing
4.	Smt. Harinder Kaur Chani	Director	23.04.2007	Continuing

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956, Smt. H.K. Chani retires by rotation in the ensuing Annual General Meeting and being eligible, offers herself for re-appointment.

Board of Directors recommends the appointment of Shri P.J. Thakkar as Director, whose period of office shall be liable to determination by retirement of Directors by rotation, subject to the approval of shareholders in ensuing Annual General Meeting.

STATUTORY AUDITORS

M/s S S A S & Associates Chartered Accountants were appointed by the Comptroller & Auditor General of India as Statutory Auditors of the Company for the Financial Year ended 31st March, 2009.

The Statutory Auditors have audited the Accounts of the Company for the above said period. The Audited Accounts and Cash Flow Statement together with the Auditors Report thereon are annexed to this Report.

PARTICULARS OF EMPLOYEES

There being no employee in the Company with earning over the specified amount, the particulars of employees as prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not required to be given.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION, FOREIGN EXCHANGE EARRINGS AND OUTGO

Since the Company is yet to commence its commercial operations, there are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988. During the period under review the Company had no earnings or outgo in foreign exchange.

DEPOSITS

Your Company has not accepted any public deposit during the period under review.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- that they have 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 financial year;

- that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that they have prepared the annual accounts on a going concern basis.

COMMENTS OF THE C&AG OF INDIA

The Comments of the Comptroller & Auditor General (C&AG) of India under Section 619 (4) of the Companies Act, 1956 on the Accounts of the Company for the period ended 31st March, 2009 is appended herewith.

ACKNOWLEDGEMENT

The Directors take this opportunity to thank the employees as well as Bankers for their co-operation and support.

The Directors also thank the Statutory Auditors S S A S & Associates Chartered Accountants and the Comptroller and Auditor General of India for their valuable co-operation and support.

On behalf of the Board

(Shri P.J. Thakkar)
Chairman

Place: New Delhi

Date: 07.07.2009

NORTH KARANPURA TRANSMISSION COMPANY LIMITED
 (A wholly owned subsidiary of REC Transmission Projects
 Company Limited)

BALANCE SHEET AS AT 31st MARCH, 2009

Description	Sch. No.	Figures in Rupees	
		As at 31.03.2009	As at 31.03.2008
SOURCES OF FUNDS			
Shareholder's Funds:			
Share Capital	1	500,000	500,000
Loan Funds:			
Secured Loan		-	-
Unsecured Loan		-	-
Total		500,000	500,000
APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block		-	-
Less Depreciation		-	-
Net Block		-	-
Capital Work in Progress	2	12,912,089	1,037,030
Current Assets, Loans & Advances	3		
Cash and Bank Balances		10,738	499,700
Loans and Advances		-	243,000
		10,738	742,700
Less: Current Liabilities & Provisions	4		
Current Liabilities		12,459,976	1,316,879
Provisions		-	-
Net Current Assets		(12,449,238)	(574,179)
Miscellaneous Expenditure		37,149	37,149
(To the extent not written off or adjusted)			
Total		500,000	500,000

Significant accounting policies 5
Notes on accounts 6

Schedule 1 to 6 form an integral part of Accounts

In terms of our report of even date For and on behalf of the Board
 For S S A S & Associates
 Chartered Accountants

Alpana Saxena Partner Place : New Delhi Date : 19-05-2009	P.J. Thakkar Chairman	Valli Natrajan Director	H. Kaur Chani Director
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**STATEMENT OF INCIDENTAL EXPENDITURE DURING
CONSTRUCTION PERIOD
FOR THE YEAR ENDED 31st MARCH, 2009**

Figures in Rupees

Description	For the Year ended 31.03.2009	For the Period ending 31.03.2008
Expenses		
Expenses Allocated by RECTPCL	11,565,910	1,012,455
Consultancy Charges	243,000	-
Printing and Stationery	-	550
Bank charges	535	300
Statutory Auditors' fee	22,060	8,427
Audit Out of Pocket Expenses		
Reimbursement	5,000	-
Interest (TDS Rs 7942/- Previous Year Rs Nil)	38,554	15,298
Balance carried to Balance Sheet (CWIP)	11,875,059	1,037,030

Schedule 1 to 6 form an integral part of Accounts

In terms of our report of even date For and on behalf of the Board
For S S A S & Associates
Chartered Accountants

Alpana Saxena Partner Place : New Delhi Date : 19-05-2009
P.J. Thakkar Chairman
Valli Natrajan Director
H. Kaur Chani Director

SCHEDULE '1' - SHARE CAPITAL

Figures in Rupees

Description	As at 31.03.2009	As at 31.03.2008
Authorised		
50,000 Equity shares of Rs. 10 each	500,000	500,000
Issued, Subscribed and Paid up		
50,000 fully paid up Equity shares of Rs 10 each	500,000	500,000
Total	500,000	500,000

SCHEDULE '2' - CAPITAL WORK IN PROGRESS

Figures in Rupees

Description	As at 31.03.2009	As at 31.03.2008
Opening Balance	1,037,030	-
Add: CWIP transferred from Statement of Incidental Expenditure during Const.	11,875,059	1,037,030
Total	12,912,089	1,037,030

SCHEDULE '3' - CURRENT ASSETS, LOAN AND ADVANCES

Figures in Rupees

Description	As at 31.03.2009	As at 31.03.2008
I CURRENT ASSETS		
(A) Cash and bank balances:		
In current account with Scheduled Bank	10,738	499,700
Total - (A)	10,738	499,700
II LOANS AND ADVANCES		
(A) Advances:		
(Unsecured considered good) Advances recoverable in cash or in kind or for value to be received	-	243,000
Total - (B)	-	243,000
Total	10,738	742,700

SCHEDULE '4' - CURRENT LIABILITIES AND PROVISIONS

Figures in Rupees

Description	As at 31.03.2009	As at 31.03.2008
(A) Current Liabilities		
Earnest Money	-	300,000
Tax Deducted at Source	10,214	-
Auditors' Remuneration Payable	19,788	8,427
REC Transmission Projects Company Limited (Holding Company)	12,103,365	712,455
Rural Electrification Corporation Limited (Holding Company of REC Transmission Projects Co. Ltd.)	326,609	295,997
Total (A)	12,459,976	1,316,879
(B) Provisions		
Provisions	-	-
Total (B)	-	-
Total (A) + (B)	12,459,976	1,316,879

SCHEDULE NO. 5 SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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 standards in India. The financial statements adhere to the relevant presentation requirement of the Companies Act, 1956.

2. 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.

3. DEPRECIATION

- 3.1 Depreciation on assets is provided on pro rata basis on straight-line method at the rates prescribed under schedule XIV of the Companies Act, 1956.
- 3.2 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.
- 3.3 Depreciation on assets purchased during the year up to Rs. 5,000/- is provided @ 100%.

4. CAPITAL WORK IN PROGRESS

Expenditure incurred on Survey/ Studies/ Investigations/ Consultancy/ Administration/ Depreciation/ Interest has been treated as Capital Work In Progress.

5. CURRENT LIABILITIES

Expenditure incurred by the company for the Projects is financed by REC Transmission Projects Company Limited (Holding Company) and Rural Electrification Corporation Limited (holding Company of REC Transmission Projects Company Limited) and considered as Current Liabilities. Interest has been charged on funds deployed by them.

6. CASH FLOW STATEMENT

Cash flows are reported using the indirect method, whereby Incidental Expenditure during construction is adjusted for the effects of transactions of 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.

SCHEDULE NO. 6 NOTES ON ACCOUNTS

1. The Company was incorporated on April 23, 2007 and Certificate for Commencement of Business was issued on August 06, 2007. The Company is a special purpose vehicle incorporated to undertake preliminary survey work, identification of route, preparation of survey report, initiation of the process of land acquisition, forest clearance, if required and to conduct bidding process etc for selection of the transmission service provider.
2. The Company is a wholly owned subsidiary of REC Transmission Projects Company Limited (REC-TPCL), which is further wholly owned by Rural Electrification Corporation Limited (REC). The Key Management Personnel of the Company are employees of REC, deployed on part time basis. No management remuneration is paid

to such representatives by the company.

The details of such Key Management Personnel are as follows:-

S. No.	Name	Designation	Date of Appointment	Date of Separation
1.	Sh. Guljit Kapur	Chairman & Director	23.04.2007	29.12.2008
2.	Sh. Prakash J.Thakkar	Chairman & Director	30.12.2008	Continuing
3.	Ms. Valli Natrajan	Director	23.04.2007	Continuing
4.	Ms. Harinder Kaur Chani	Director	23.04.2007	Continuing

The other personnel working for the Company are also from REC. The related expenses in respect of personnel working for the Company are paid by REC and allocated to the subsidiary company (RECTPCL) as part of administration expenses of Holding Company, which is further allocated by RECTPCL to its two subsidiaries, North Karanpura Transmission Company Limited and Talcher-II Transmission Company Limited in equal proportion .

3. Wherever, payments relating to the company are made by the Holding Company (RECTPCL) and the ultimate Holding Company (REC), procedural and statutory requirements with regard to deduction of Tax at Source and Fringe Benefit Tax and deposit thereof as applicable are also complied with by the Holding Company and the ultimate Holding Company against payments released on their account.

4. North Karanpura Transmission Company Limited shall pay interest to REC on the expenditure incurred by it. Interest on current liabilities payable to the Rural Electrification Corporation Limited is accounted for on the basis of general lending rate of REC, applicable for T&D schemes.

5. The company has not yet commenced its commercial operations therefore no Profit & Loss account has been prepared. In lieu of Profit and Loss A/c, a statement of Incidental Expenditure During Construction period has been prepared in accordance with the requirement of part II of Schedule VI of Companies Act, 1956 and annexed to Balance Sheet. Expenditures incurred during construction period has been treated as Incidental Expenditure during Construction Period. In addition, the incidental expenditure during construction period appearing in REC-TPCL's books at the year end is allocated at year end to its two wholly owned subsidiaries North Karanpura Transmission Company Limited and Talcher-II Transmission Company Limited. Direct Expenses have been allocated to the respective subsidiary for which the expenditure has been incurred. Indirect Expenses have been allocated to the two subsidiaries in equal proportion.

Further expenditure incurred on filing/legal fees regarding formation of the Company and all expenses incurred prior to the incorporation of the company have been treated as Preliminary expenses. No provision has been made for write off of Preliminary expenses during the year. The same will be written off after commencement of Operations of the company in five years.

6. The Company has complied with all the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and section 211 of the Companies Act,1956.

7. The Company has no outstanding liability towards micro, small and medium undertakings.

8. Estimated amount of contracts remaining to be executed on capital account and not provided for is Rs 2,489,171 (Previous Year – Nil).

9. Expenditure in Foreign Currency - Nil (Previous Year – Nil)
Earning in Foreign Currency - Nil (Previous Year – Nil)

10. Auditors Remuneration

	2008-09	Previous Year
Audit Fee	20,000	7,500
Service Tax	2,060	927
Reimbursement of expenses	5,000	Nil

11. Figures have been rounded off to the nearest rupees.

12. The disclosure as per AS18 – Related Party Disclosure :
North Karanpura Transmission Projects Company Limited is wholly owned subsidiary of REC Transmission Projects Company Limited, which is further a wholly owned subsidiary of Rural Electrification Corporation Limited. All key decisions are taken by the Board of REC Transmission Company Limited where the REC nominees exercise the control.

The related Party Transactions done with REC-TPCL and REC are as follows:-

Current Liabilities payable to Holding Companies:

Amount in Rupees

Sr.No.	Name	2008-09		2007-08	
		Out standing Balance at the year end including interest thereon	Maximum Balance during the year	Out standing Balance at the year end including interest thereon	Maximum Balance during the year
1	Rural Electrification Corporation Ltd.	326,609	326,609	295,997	295,997
2	REC Transmission Projects Company Ltd.	12,103,365	12,103,365	712,455	712,455

13. The disclosure required vide Part IV of Schedule VI of the Companies Act,1956 relating to Balance Sheet Abstract and Company's General Business Profile is enclosed as appendix.

14. The Significant Accounting Policy No. 5 (Schedule 5) relating to classification of outstanding balance at the year end payable to Holding Companies REC Transmission Projects Company Ltd. Rs 12,103,365/- (Previous Year Rs 712,455/-) and Rural Electrification Corporation Ltd. Rs 326,609/- (Previous Year Rs 295,997/-) has been changed during the year. The amount so payable was classified as Unsecured Loan in the previous year has now been classified as Current Liabilities in the current year.

15. Previous year's figures have been regrouped/rearranged/recast, wherever necessary, to make them comparable with the current year's figures.
Signatures to the schedules forming part of the Balance Sheet and Statement of Incidental Expenditure during Construction Period and to the above Significant Accounting Policies and Notes on Accounts.

In terms of our report of even date

For and on behalf of the Board

For S S A S & Associates
Chartered Accountants

Alpana Saxena
Partner
Place : New Delhi
Date : 19-05-2009

PJ. Thakkar Valli Natrajan H. Kaur Chani
Chairman Director Director

Appendix

INFORMATION PURSUANT TO PART IV OF SCHEDULE VI OF THE COMPANIES ACT,1956 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

1. REGISTRATION DETAILS :

State Code :	55
Registration No.	U40101DL2007GOI157558
Balance Sheet Date :	31 03 2009
	Date Month Year

Amount in Rs

2. CAPITAL RAISED DURING THE YEAR :

Public Issue	-
Right Issue	-
Bonus Issue	-
Private Placement	-

3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS :

Total Liabilities	12,959,976
Total Assets	12,959,976

SOURCES OF FUNDS :

Paid up Capital	500,000
Reserves & Surplus	-
Secured Loans	-
Unsecured Loans	0
Deferred Tax Liability	-

APPLICATIONS OF FUNDS:

Net Fixed Assets (Incl. Capital WIP)	12,912,089
Investments	-
Net Current Assets	(12,449,238)
Loans	-
Accumulated Losses	-
Misc. Expenditure	37,149
Deferred Tax Assets	-

4. PERFORMANCE OF COMPANY :	
Turnover	-
Total Expenditure	-
Profit before Tax	-
Profit after Tax	-
EPS in Rs.	-
Dividend Rate	-
5. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY :	
Item Code No.(ITC Code)	-

In terms of our report of even date For and on behalf of the Board
For S S A S & Associates
Chartered Accountants

Alpana Saxena Partner
Place : New Delhi
Date : 19-05-2009

P.J. Thakkar Chairman
Valli Natrajan Director
H. Kaur Chani Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

Figures in Rupees

Description	For the Year ended 31.03.2009	For the Period ending 31.03.2008
A. Cash Flow from Operating Activities:		
Incidental Expenditure During Construction Adjustment for:	-	-
Depreciation	-	-
B. Cash Flow from Investing Activities:		
Purchase of Fixed Assets	-	-
Capital Work in Progress	(11,875,059)	(1,037,030)
Preliminary Expenses	-	(37,149)
C. Cash Flow from Financial Activities:		
Share capital	-	500,000
Current Liabilities	11,143,097	1,316,879
Unsecured Loan	-	-
Loans and Advances and Current assets	243,000	(243,000)
Net Increase/ Decrease in Cash and Cash Equivalents	(488,962)	499,700
Cash and Cash Equivalents as at 1st April,2008	499,700	-
Cash and Cash Equivalents as at 31st March,2009	10,738	499,700
Net Increase/Decrease in Cash and cash Equivalents	(488,962)	499,700

In terms of our report of even date For and on behalf of the Board
For S S A S & Associates
Chartered Accountants

Alpana Saxena Partner
Place : New Delhi
Date : 19-05-2009

P.J. Thakkar Chairman
Valli Natrajan Director
H. Kaur Chani Director

Auditors' Report

To
The Members of
North Karanpura Transmission Company Limited,

- We have audited the attached Balance Sheet of NORTH KARANPURA TRANSMISSION COMPANY LIMITED as at 31st March 2009 and also the Statement of Incidental Expenses during the Construction period for the year ended on that date and Cash Flow Statement for the year Annexed hereto. Since the company has not started its operation, no Profit and Loss Account has been prepared for the year ended 31st March 2009.

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.

- 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.

- 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 Company.
- Further to our comments in the Annexure referred in paragraph 3 above, we report that:
 - 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;
 - 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;
 - The Balance Sheet, Incidental Expenses during the Construction period and Cash Flow Statement dealt with by this report are in agreement with the books of accounts;
 - In our opinion, the Balance Sheet, Incidental Expenses during the Construction period and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - Vide notification No. 2/5/2001-CLV dated 22.03.2002 of the Department of Company Affairs, Government of India, Government Companies have been exempted from applicability of the provisions of Section 274(1)(g) of the Companies Act, 1956.
 - 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:
 - In the case of the Balance Sheet of the State of Affairs of the Company as at 31st March, 2009;
 - In the case of the statement showing Incidental Expenses during the Construction Period for expenses incurred for the year ended on that date; and
 - In the case of the Cash Flow Statement, of the Cash flows for the year ended on that date.

For S S A S & Associates
Chartered Accountants

(Alpana Saxena)
Partner
M. No. 095837

Place : New Delhi
Date : 19th May, 2009

ANNEXURE TO THE AUDITOR'S REPORT

(Referred to in paragraph 2 of our report of even date on the Accounts)
for the period ended 31st March, 2009 of
NORTH KARANPURA TRANSMISSION COMPANY LIMITED

In terms of the information and explanations given to us and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state as under:

- (a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register, maintained under section 301 of the Companies Act,1956.
- (b) The company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register, maintained under section 301 of the Companies Act,1956. However there exists Current Liability on the Balance Sheet in the name of REC Transmission Projects Company Limited (Holding Company) and Rural Electrification Corporation Limited (Holding Company of REC Transmission Projects Company Limited) on account of various expenditure incurred by them. The amount outstanding at the year

end and the maximum amount outstanding during the year were as under :-

Company	Balance at the year end	Maximum Balance during the year
REC Transmission Projects Company Limited (Holding Company)	12,103,365	12,103,365
Rural Electrification Corporation Limited (Holding Company of REC Transmission Projects Company Limited)	326,609	326,609

- 2 There is an adequate internal control procedure commensurate with the size of the company.
- 3(a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income Tax, Cess and any other statutory dues with the appropriate authorities. Wherever payments relating to the company are made by the Holding Company REC Transmission Projects Company Limited and holding company of holding company Rural Electrification Corporation Limited, statutory dues with regard to payments released by them are deposited by them.
- 3(b) No undisputed amounts payable in respect of above Statutory dues were in arrears as at 31st March, 2009 for a period of more than six months from the date they became payable as explained to us.
- 4 During the course of audit no fraud case has come to our notice. Further as informed to us the company has not noticed/ reported any fraud case during the year.
- 5 The provision of para I, II, V, VI, VII, VIII, X, XI, XII, XIII, XIV, XV, XVI, XVII, XVIII, XIX and XX are not applicable during the period ended March 31, 2009.

For S S A S & Associates
Chartered Accountants

(Alpana Saxena)
Partner
M. No. 095837

Place : New Delhi
 Date : 19th May, 2009

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF NORTH KARANPURA TRANSMISSION COMPANY LIMITED FOR THE YEAR ENDED 31ST MARCH 2009

The preparation of financial statements of **NORTH KARANPURA TRANSMISSION COMPANY LIMITED** for the year ended **31st March 2009** in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 19th May, 2009.

I on behalf of comptroller and Auditor General of India have decided not to review the report of the Statutory Auditors on the accounts of **NORTH KARANPURA TRANSMISSION COMPANY LIMITED** for the year ended **31st March 2009** and as such have no comments to make under section 619 (4) of the Companies Act, 1956.

For and on behalf of the
Comptroller and Auditor General of India

(Saroj Punhani)
Principal Director of Commercial Audit
& Ex-officio Member Audit Board-II, New Delhi

Place: New Delhi
 Dated: June 12, 2009

REC POWER DISTRIBUTION COMPANY LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Second Annual Report of the company together with the Audited Accounts for the year ended March 31, 2009.

FINANCIAL RESULTS

A Summary of the financial performance of the company for the year ended 31st March, 2009 and 31st March, 2008 is as under:

(Figures in Rupees)

Financial year	March 31, 2009	March 31, 2008
Gross Income	52,704,793	35,932,882
Profit before Tax	22,285,540	26,948,322
Provision for Taxation	8,071,043	9,159,735
Profit after Tax	14,214,497	17,788,587

A. CAPITAL STRUCTURE

Capital	Amount in rupees
Authorised Capital	200,000,000
Issued, Subscribed and Paid up Capital	500,000

B. TRANSFER TO RESERVES

The company proposes to transfer Rs 10,000,000 to the General Reserve out of the amount available for appropriations.

C. PAYMENT OF DIVIDEND

Based on the company's performance, the Directors are pleased to recommend for approval of the Members Dividend of Rs.10/-per share (100% on par value of Rs.10/- per share) for the year ended March 31, 2009.

REVIEW OF OPERATIONS

This is the second financial year of the company and your directors have pleasure to state that the company continued to do profitable business in the financial year 2008-09 and earned total income of Rs. 52,704,793/- and Net Profit after tax of Rs 14,214,497/-. In fact, this is the first full year of operations and company succeeded in execution of existing projects, as well as getting new business of more than Rs 31 crores.

During the year ended, third party inspections of about 7000 villages and 144 nos. of feeders were completed by the company.

During this period, the company secured orders for third party inspections for 34934 villages in 71 districts of 9 states, with a cumulative project cost of Rs.1868 crores, which will accrue approximately Rs 31 crores gross income to the company from 13 distribution companies including:-

- Uttarakhand Power Corporation Ltd
- Maharashtra State Electricity Distribution Company Ltd
- West Bengal state electricity distribution company
- Dakshin Gujarat Vidut Company Ltd
- Pashchim Gujarat Vidut Company Ltd
- Uttar Gujarat Vidut Company Ltd
- Ajmer Vidut Vitaran Nigam Ltd
- Jodhpur Vidut Vitaran Nigam Ltd
- Jaipur Vidut Vitaran Nigam Ltd
- HP State Electricity Board
- Uttar Haryana Bijli Vitaran Nigam Ltd
- AP East Power Distribution Company Ltd
- Meghalya State Electricity Board
- Four RE cooperative societies

NEW INITIATIVES

For sustainable growth, the company has taken up following initiatives:-

- Quality execution of work:** For quality execution of work in a time bounded manner, the company has decided outsourcing of field / data collection work to some reputed agencies, and to concentrate on analytical reporting to the client. Empanelment of agencies as associates for third party inspection work of Distribution network (RGGVY/FRP) was completed for speedy execution of works. Further empanelment is planned for other works like energy audit, Detailed Project Report (DPR) preparation, Distribution Franchise, Decentralized Distribution Centre (DDG), Clean Development Mechanism (CDM), Distribution Automation etc.
- MOU with client:** To tap bulk orders from clients, efforts are being

made to enter into Memorandum of Understanding with Discoms for awarding / outsourcing all the works of the Discoms related to technical expertise of the company. In the line, MOU has been entered with Uttar Haryana Power Distribution Company. Other Distribution companies are also in discussion for such understandings. This will bring large business to the company.

- Diversification of business line:** The company has entered MOU with M/s HCL Infosystems Limited, Noida, UP and M/s Tata Consultancy Services Limited, New Delhi for taking of projects jointly/together in 'IT in Power Sector' area and Revised Accelerated Power Development and Reform Programme, Part A. Proposals have also been submitted on Automated Meter Reading (AMR), billing automation, energy usage analysis etc to the Discoms for considerations. This will be a new line of business for the company and will contribute to the growth.

QUALITY

The company has always given top priority for giving quality assurance to the client. There are multiple levels of checks for quality maintenance. The company has been giving quality third party inspection reports to the client, on the basis of which, repeat orders were obtained from clients like Ajmer Discom, Jodhpur Discom, MSEDCL, West Bengal State Electricity Board and Uttar Haryana Bijli Vitaran Nigam Limited.

BOARD OF DIRECTORS

Sl. No.	Name	Designation	Date of Appointment / Reappointment	Date of Cessation
1.	Shri P. Uma Shankar	Chairman	01.03.2008	Continuing
2.	Shri Rama Raman	Director	12.7.2007 / 21.07.2008	Continuing
3.	Shri Sanjiv Garg	Director	10.8.2007 / 21.07.2008	Continuing
4.	Shri D.S. Ahluwalia	Director	4.04.2008 / 21.07.2008	Continuing

In accordance with the provisions of Section 255 and 256 of the Companies Act, 1956, Shri Rama Raman retires by rotation in the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

STATUTORY AUDITOR

M/s Satyendra Jain & Associates, Chartered Accountants were appointed by the Comptroller & Auditor General of India, as Statutory Auditors of the company for the second financial year ended 31st March, 2009.

The Statutory Auditors have audited the Accounts of the company for the said period. The Audited Accounts and Cash Flow Statement together with the Modified Auditors Report are annexed to this Report.

Para-wise replies of the Management of REC, to the qualifications / observations made by the Auditors in their Audit Report, as required under Section 217(3) of the Companies Act, 1956, are attached, as addendum to this report.

PARTICULARS OF EMPLOYEES

There being no employee in the company with earning over the specified amount, the particulars of employees as prescribed under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not required to be given.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION, FOREIGN EXCHANGE EARNINGS AND OUTGO

During the period under review, there are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988. In addition the company had no earnings or outgo in foreign exchange.

DEPOSITS

Your company has not accepted any public deposit during the period under review.

DIRECTORS' RESPONSIBILITY STATEMENT U/S 217 (2AA)

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors based on the representation received from the operative management, confirm that:

- that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- that they have 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 financial year and of the profit or loss of the Company for that period;
- that they have taken proper and sufficient care for the maintenance

of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) that they have prepared the annual accounts on a going concern basis.

PERSONNEL

The employer- employee relations throughout the year were very cordial. The company enjoys the healthy working atmosphere that inspires the employees to put their best foot forward in achieving sustained growth. The Directors also wish to place on record the support and confidence reposed in the management by the employees. Total quality in every sphere of activities, employee training and development continues to be on the top priority of your management.

COMMENTS OF THE C&G OF INDIA

The Comments of the Comptroller & Auditor General (C&AG) of India under Section 619 (4) of the Companies Act, 1956 on the Accounts of the company for the period ended 31st March, 2009 is appended herewith.

ACKNOWLEDGEMENT

The Directors take this opportunity to thank the Employees as well as Bankers for their co-operation and support.

The Directors also thank the Statutory Auditors, M/s Satyendra Jain & Associates and the Comptroller and Auditor General of India for their valuable co-operation and support.

On behalf of the Board

(P. Uma Shankar)
Chairman

Place : New Delhi
Date : 14.07.2009

ADDENDUM TO DIRECTOR'S REPORT

Para-wise replies of Management to the Observation in the Auditors Report

S No.	Auditors Observations	Management's Reply
Auditors' Report (Para 1)	The accounting policy of the company in respect of Revenue Recognition is not in conformity with the Accounting Standard issued by the Institute of Chartered Accountants of India, due to which Revenue being consultancy income has been overstated by Rs. 83 lacs and Reserve & Surplus have been overstated to the extent. Had the same been considered the Revenue being consultancy income would have been Rs.420 lacs and Reserve & Surplus would have been Rs.231 lacs	Noted. The accounting policy would be reviewed to align in accordance with Accounting Standards.
Annexure to Auditors' Report (Para 7)	In our opinion and according to information and explanation given to us, the company has no internal audit system.	Internal Audit Division, REC (Holding company) has included audit of REC Power Distribution Company in its annual audit programme during 2009-10.

For and on Behalf of the Board of Directors

(P. Uma Shankar)
Chairman

Place : New Delhi
Date: 14.07.2009

REC POWER DISTRIBUTION COMPANY LIMITED (A wholly owned subsidiary of Rural Electrification Corporation Limited) BALANCE SHEET AS AT 31st MARCH 2009

Figures in Rupees

Description	Schedule No.	As at 31.03.2009	As at 31.03.2008
SOURCES OF FUNDS			
Shareholder's Funds:			
Share Capital	1	500,000	500,000
Reserve & Surplus	2	31,418,109	17,788,587
Deferred Tax Liability		2,669	-
Loan Funds:			
Secured Loans		-	-
Unsecured Loan		-	-
Total		3,190,778	18,288,587
APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block	3	1,061,767	-
Less Depreciation		91,471	-
Net Block		970,296	-
Capital Work in Progress		-	-
Investments		-	-
Current Assets, Loans & Advances			
Cash and Bank Balances	4	22,166,653	24,239,760
Sundry Debtors		11,070,975	-
Other Current assets		256,652	226,540
Loans and Advances		15,496,894	9,816,207
Total		48,991,174	34,282,507
Less: Current Liabilities & Provisions			
Current Liabilities	5	9,411,760	8,002,259
Provisions		8,628,932	9,159,735
Total		18,040,692	17,161,994
Net Current Assets		30,950,482	17,120,513
Miscellaneous Expenditure (To the extent not written off or adjusted)		-	1,168,074
Total		31,920,778	18,288,587

Significant accounting policies 8

Notes on accounts 9

Schedule 1 to 9 form an integral part of Accounts

In terms of our report of even dated. For and on behalf of the Board
Satyendra Jain & Associates
Chartered Accountants

Anil Kumar Jain B.P. Yadav D.S. Ahulwalia Sanjiv Garg
M. No. 072783 CEO Director Director
Partner

Place : New Delhi
Date : 18.05.2009

Profit & Loss Account FOR THE PERIOD ENDED 31st MARCH 2009

Figures in Rupees

Description	Sch. No.	Period ended 31.03.2009	Period ended 31.03.2008
INCOME			
Consultancy Income		50,343,225	35,494,220
Other Income		2,361,568	438,662
Total Income		52,704,793	35,932,882
EXPENDITURE			
Project Expenses	6	25,441,213	8,335,674
Establishment & Administrative Expenses	7	3,723,192	356,868
Depreciation		91,471	-
Preliminary Expenses Written Off		1,168,074	292,018
Total expenses		30,423,950	8,984,560
Profit for the Year		22,280,842	26,948,322
Prior Period Adjustment (net)		4,697	-
Profit before Tax		22,285,540	26,948,322

Provision for Taxation		
-Current Tax	7,969,215	9,159,735
-Deferred tax	2,669	-
- Fring benefit tax	99,159	-
Profit after Tax	14,214,497	17,788,587
APPROPRIATIONS		
Transfer to General Reserve	10,000,000	-
Proposed Dividend	500,000	-
Divident tax	84,975	-
Net Balance of Profit & Loss Account	3,629,522	17,788,587
Earning per share (basic & diluted of Rs.10/- each) (in Rupees)	284.29	355.77

Schedule 1 to 9 form an integral part of Accounts
 In terms of our report of even date For and on behalf of the Board
 Satyendra Jain & Associates
 Chartered Accountants

Anil Kumar Jain B.P. Yadav D.S. Ahulwalia Sanjiv Garg
 M. No. 072783 CEO Director Director
 Partner

Place : New Delhi
 Date : 18.05.2009

SCHEDULE '1' - SHARE CAPITAL

Figures in Rupees

Description	As at 31.03.2009	As at 31.03.2008
Authorised		
20,000,000 Equity shares of Rs. 10 each	200,000,000	200,000,000
Issued, Subscribed and Paid up		
50,000 fully paid up Equity shares of Rs 10 each	500,000	500,000
Total	500,000	500,000

SCHEDULE '2' - RESERVES & SURPLUS

Figures in Rupees

Description	Details	As at 31.03.2009	As at 31.03.2008
General reserve			
Opening Bal			
Add: Transfer during the year	10,000,000	10,000,000	-
Profit and loss Account			
Opening Bal	17,788,587		
Add: Transfer during the year	3,629,522	21,418,109	17,788,587
Total		31,418,109	17,788,587

SCHEDULE -3 Fixed Assets Schedule for the year ending 31.3.09

FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	AS ON 01.04.08	Additions during the year	Sales/ adjustment during the year	As at 31.03.09	As on 01.04.08	Dep during the year	Disp / Written off	As at 31.03.09	As at 31.03.09	As at 31.03.08
Camera	0	500300	0	500300	0	12080	0	12080	488220	0
Computer Software	0	34200	0	34200	0	5130	0	5130	29070	0
Furniture & Fitting	0	82363	0	82363	0	68267	0	68267	14096	0
GPS	0	444904	0	444904	0	5994	0	5994	438910	0
Grand Total		1061767		1061767	0	91471		91471	970296	0
Capital WIP	0	0	0	0	0	0	0	0	0	0
Previous Years	0	0	0	0	0	0	0	0	0	0

SCHEDULE '4' - CURRENT ASSETS, LOAN AND ADVANCES

Figures in Rupees

Description	Details	As at 31.03.2009	As at 31.03.2008
I CURRENT ASSETS			
(A) Cash and bank balances:			
(i) In current account with Scheduled Bank	666,653		4,239,760
(ii) In Deposit Accounts with Scheduled Banks	21,500,000	22,166,653	20,000,000
(B) Sundry Debtors			-
(i) Debt outstanding for a period of more than six months: considered good	-		
considered doubtful	-		
(ii) Other debts - considered good	11,070,975	11,070,975	-
(C) OTHER CURRENT ASSETS			
(i) Interest accrued on term deposits (net of TDS Rs80124/-)	256,652		226,540
(ii) other current assets	-	256,652	-
Total		33,494,280	24,466,300
II LOANS AND ADVANCES			
(A) Loans			
(B) Advances:			
(secured)			
(i) Advance Income -Tax	10,199,319		9,525,000
(ii) TDS Recoverable	2,835,611		58,776
(iii) Service Tax (CENVAT)	701,559		232,431
(Unsecured considered good)			
(iv) Supplier	1,743,405		-

(v) Rent	11,000	-
(vi) Employee	6,000	-
Total :	15,496,894	9,816,207
Grand Total	48,991,174	34,282,507

SCHEDULE '5' - CURRENT LIABILITIES & PROVISIONS

Figures in Rupees

Description	Details	As at 31.03.2009	As at 31.03.2008
(A) Current Liabilities			
(i) Creditors for Expenses			
Dues to Small Scale Ind.			
Undertakings	0		-
Others	1,862,306		597,778
(ii) Earnest money Deposits	617,200		40,000
(iii) Rural Electrification Corporation Limited (Holding Company)	377,786		7,184,935
(iv) Other Liabilities	1,880,242		96,727
(v) TDS payable	61,556		-
(vi) Service tax due but not payable	4,612,670		82,819
Total A		9,411,760	8,002,259
(B) Provisions			
Income Tax	7,969,215		9,159,735
FBT Payable	74,742		-
Proposed Dividend	500,000		-
Dividend tax payable	84,975		-
Total B		8,628,932	9,159,735
Total (A+B)		18,040,692	17,161,994

SCHEDULE '6' - Project Expenses

Figures in Rupees

Description	As at	As at
	31.03.2009	31.03.2008
Fee for consultancy obtained	4,292,547	2,887,897
Manpower hiring cost for TPI	11,582,432	-
Salary allocated for REC deployment	5,246,568	4,393,362
Administration Overhead allocated by REC	1,245,989	1,054,415
Other project expenses	3,073,677	-
Total	25,441,213	8,335,674

SCHEDULE '7' - Establishment & ADMINISTRATION EXPENSES

Figures in Rupees

Description	Details	As at	As at
		31.03.2009	31.03.2008
Administration Overhead allocated by REC		904,233	-
Salary allocated for REC deployment		1,743,702	-
Payment to Statutory Auditors			
-Statutory Audit Fees	40,000		
-Tax Audit Fee	25,000	65,000	33,708
Meeting & Conference Exp.		90,748	-
Consultancy charges		96,000	8,989
Other Misc Expenses		823,509	314,171
Total		3,723,192	356,868

SCHEDULE NO. '8' SIGNIFICANT ACCOUNTING POLICIES**1. 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 standards in India. The financial statements adhere to the relevant presentation requirement of the Companies Act, 1956.

2. FIXED ASSETS

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

3. DEPRECIATION

Depreciation on assets is provided on pro rata basis on straight-line Method at the rates prescribed under schedule XIV of the Companies Act, 1956. Full amount is provided as depreciation on assets purchased during the year for a value up to Rs. 5,000/-. 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. EXPENDITURE INCURRED BY HOLDING COMPANY

Expenditures incurred by the Holding Company on behalf of our company are recognised on accrual basis and same are classified as Current Liabilities payable to Holding Company.

5. CASH FLOW STATEMENT

Cash flows are reported using the indirect method.

6. REVENUE RECOGNITION

6.1 Income and expenses are accounted for on accrual basis.

6.2 Consultancy fee is recognized as income on the basis of terms and conditions of the consultancy contract where due and receipt of such fee is stipulated as a separate item and linked with the scope of work defined in the consultancy contract. However initial /advance fees received as per terms of contract is recognised as income immediately on mobilisation of activities and resources required for execution of consultancy work.

6.3 In case of lump-sum contracts:

(i) As per invoice (bill) raised in accordance with the contractual stipulations.

(ii) Where payments are received in advance irrespective of the progress of the work, consultancy income is recognised as income on mobilisation of activities and resources required for execution of consultancy work.

6.4 Consultancy fees is taken as income excluding the amount of Service Tax collected as payable under the Service Tax Act 1994.

SCHEDULE NO. '9' NOTES ON ACCOUNTS

1. The Company is a wholly owned subsidiary of Rural Electrification Corporation Limited (A Govt. of India Enterprise). The Key Management Personnel of the Company are employees of the Holding Company (REC Ltd) deployed on part time basis. No management remuneration is paid to such representatives by the company. The details of such Key Management Personnel are as follows:-
The details of such Key Management Personnel are as follows:-

S. No.	Name	Designation	Date of Appointment	Date of Resignation
1	Sh. Rama Raman	Director	12.07.2007	Continuing
2	Sh. Sanjeev Garg	Director	10.08.2007	Continuing
3	Sh. D.S. Ahulwalia	Director	04.04.2008	Continuing
4	Sh. P. Uma Shankar	Chairman	01.03.2008	Continuing

2. In respect of the expenditure payments relating to our company, which are incurred by Holding Company, the statutory requirements with regard to Fringe Benefit Tax and deposit thereof as applicable are complied with by the Holding Company on behalf of the Company. However, the expenditure directly paid by REC Power Distribution Co Ltd is considered for Fringe Benefit Tax and tax liability accordingly paid.

3. The common employees/ establishment cost and administration expenses of the Holding Company have been accounted for as apportioned by Holding company on the following basis:-

For employees of holding company working on full time basis for subsidiary Company (RECPDCL), total Cost to the Company (CTC) of employees on full time basis have been recognised as expenditure whereas for the employees of holding company working partially for the subsidiary company, percentage of total cost of employees on part time basis according to the estimated time spent by these employees, have been recognised as expenditure, on the basis of cost ratio details provided by holding company.

Interest on cost incurred by holding company on behalf of our company is provided as per the average cost of borrowings (of the holding company excluding borrowings under section 54 EC of the Income Tax Act).

Administrative overheads allocation of holding company has been taken on the basis of total basic salary of employees working in our company multiplied by ratio of total overhead cost and the total basic salary of the holding company.

4. The Company has complied with all the applicable Accounting Standards issued by the Institute of Chartered Accountants of India.

5. The Company has no outstanding liability towards micro, small & medium undertakings.

6. Balances of Debtors and creditors are subject to confirmations.

7. Computer Software procured during year would be amortised over the five years.

8. Information regarding foreign currency transactions disclosure as required under Schedule VI of the Companies Act, 1956 is nil.

9. Figures have been rounded off to the nearest rupees.

10. The disclosure as per AS18-Related Party Disclosure:-

The REC Power Distribution Company Limited is a wholly owned Subsidiary of Rural Electrification Corporation Limited. All key decisions are taken by the Board of REC Power Distribution Company Limited where the REC nominees exercise the control. There is no related Party Transactions with Holding Company except reimbursement of expenses on account of services provided to the company as detailed below.

Name of related party	2008-09		2007-08	
	Balance at year end	Maximum Balance during year	Balance at year end	Maximum Balance during year
REC Ltd.	377,786	7,184,935	7,184,935	7,184,935

11. In compliance to the Accounting Standard - 22 on "Accounting for taxes on income" issued by the Institute of Chartered Accountants of India, Deferred Tax Accounting has been made which is as below:-

	As on 31.3.2009	As on 31.3.2008
Deferred Tax Assets	Nil	Nil
Deferred Tax Liability		
> Depreciation	2,669	Nil
Net Deferred Tax Liability	2,669	Nil
Deferred Tax Exp for the period	2,669	Nil

12. Advances dues from Directors & other Officers of the Company :

Designation Category Officer	As on 31.3.2009	Maximum Amount During 2008-09	As on 31.3.2008	Maximum Amount During 2007-08
Chairman Company	Nil	Nil	Nil	Nil
Secretary	Nil	Nil	Nil	Nil

13. The Previous year figures have been regrouped/recasted/rearranged, wherever necessary.

14. As per Accounting Standards -26, preliminary expenses remained to be amortized at close of last year, has been written off during the year.

In terms of our report of even dated.

Satyendra Jain & Associates
Chartered Accountants

For and on behalf of the Board

Anil Kumar Jain M. No. 072783 Partner
B.P. Yadav CEO
D.S. Ahulwalia Director
Sanjiv Garg Director

Balance Sheet Abstract and Company's General Business Profile as per Part IV of the Companies Act 1956 :

1. REGISTRATION DETAILS :		Amount (Rs. in lacs)
Registration No.	U40101DL2007G01165779	
Balance Sheet Date :	31 03 2009	
	Date Month Year	
2. CAPITAL RAISED DURING THE YEAR :		0
3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS		
Total Liabilities		500
Total Assets		500
SOURCES OF FUNDS		
PAID UP CAPITAL		5
Reserves & Surplus		314
Secured Loans		-
Unsecured Loans		-
Deffered Tax Liability		-
APPLICATIONS OF FUNDS:		
Net Fixed Assets Incl. Capital WIP)		10
Investments		-
Net Current Assets		309
Loans		-
Deferred Tax Assets		-
Accumulated Losses		-
Misc. Expenditure		0
4. PERFORMANCE OF COMPANY		
Turnover including other income		527
Total Expenditure		304
Profit before Tax		223
Profit after Tax		142
EPS in Rs. (On a share of Rs.10/-)		284
Dividend Rate		100%
5. GENERIC NAMES OF PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY		
Consultancy		
Item Code No.		N.A.

Signature to all Schedules 1 to 9

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

In terms of our report of even dated.

For and on behalf of the Board

Satyendra Jain & Associates
Chartered Accountants

Anil Kumar Jain M. No. 072783 Partner
B.P. Yadav CEO
D.S. Ahulwalia Director
Sanjiv Garg Director

Place : New Delhi
Date : 18.05.2009

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH 2009

Figures in Rupees

Description	Period ended 31.03.2009	Period ended 31.03.2008
A. Cash Flow from Operating Activities:		
Net profit before Tax and extraordinary Activities	22,285,540	26,948,322
Adjustment for		
Depreciation	91,471	-
Preliminary expenses written off	1,168,074	-
Operating profit before working capital changes	23,545,085	26,948,322
Increase/(Decrease)		
Debtors	(11,070,975)	-
Other current assets	(30,112)	(226,540)
Other Loans & Advances	(5,684,687)	(9,816,207)
Current Liabilities	881,367	17,161,994
Cash Inflow from Operations	7,644,678	34,067,569
Provisions	(8,656,018)	(9,159,735)
Net Inflow from Operating Activities	(1,011,340)	24,907,834
B. Cash Flow from Investing Activities:		
Preliminary Expenses	-	(1,168,074)
Purchase of fixed assets	(1,061,767)	-
C. Cash Flow from Financing Activities:		
Share capital	-	500,000
Net Increase/ Decrease in Cash & equivalents	(2,073,107)	24,239,760
Cash and Cash Equivalents (opening balance)	24,239,760	0
Cash and Cash Equivalents (closing balance)	22,166,653	24,239,760
Net Increase in Cash and Cash Equivalents	(2,073,107)	24,239,760

In terms of our report of even dated.

For and on behalf of the Board

Satyendra Jain & Associates
Chartered Accountants

Anil Kumar Jain M. No. 072783 Partner
B.P. Yadav CEO
D.S. Ahulwalia Director
Sanjiv Garg Director

Place : New Delhi
Date : 18.05.2009

MODIFIED AUDITOR'S REPORT

TO THE MEMBERS OF
REC Power Distribution Company Limited
Core-4, SCOPE Complex, 7 Lodhi road,
NEW DELHI 110003

We have audited the accompanying financial statements of M/s REC Power Distribution Company Limited which comprise the Balance Sheet as on 31st March, 2009 and the statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

These financial statements are the responsibility of the Company's management. Our responsibility is to express our opinion on these financial statements based on our audit.

We have conducted our audit in accordance with 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 management, as well as evaluating the overall financial statement presentation. We believe that the audit evidence we have obtained is sufficient to provide a basis for our qualified audit opinion.

As a result of observations of CAG, the Audit Report have been modified and Para no. 1, and (VI) III have been added while Para no. 7 of annexure of the report have been revised.

As required by the Companies (Auditor's Report) Order, 2003 ('Order') and as amended by the Company's Auditors report (Amendment) Order, 2004 issued by the Central Government of India, in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we enclose in the annexure a statement on the matters specified in Paragraphs 4 & 5 of the said Order to the extent applicable to the Company. Further to our comments in the Annexure referred to the above, we report that:

- 1) The accounting policy of the company in respect of Revenue Recognition is not in conformity with the Accounting Standards issued by the Institute of Chartered Accountants of India, due to which Revenue being consultancy income has been overstated by Rs 83 lacs and Reserve & Surplus have been overstated to that extent. Had the same been considered the Revenue being consultancy income would have been Rs. 420 lacs and Reserve & Surplus would have been Rs. 321 lacs.
- 2) We further report:
 - i) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose 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 those books;
 - iii) The Balance Sheet, Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, subject to point no. 1 above, the Balance Sheet, Profit and Loss Account comply with the requirements of the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956.
 - v) In our opinion, and based on the information and explanations given to us, none of the directors are disqualified as on 31st March 2009 from being appointed as a director in terms of clause (g) of the sub-section(1) of section 274 of the Companies Act, 1956.
 - vi) Subject to our observation in para 1 above and their consequential impact on accounts, in our opinion and to the best of our information and according to the explanation given to us, the said accounts read with the Accounting Policies and Notes 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.
- I. in the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2009;
- II. in the case of profit and Loss Account, of the Profit for the year ended on that date;
- III. in the case of Cash Flow Statement, of the cash flows for the year then ended.

For Satyendra Jain & Associates
 CHARTERED ACCOUNTANTS

(Anil Kumar Jain)
 Partner

Membership No. 072783

PLACE: NEW DELHI
 DATED: 01.07.2009

**ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITOR'S
 REPORT TO THE MEMBERS OF REC POWER DISTRIBUTION
 COMPANY LIMITED**

This is the Annexure referred to in our report on the balance sheet of **REC POWER DISTRIBUTION COMPANY LIMITED**, as at 31ST March 2009.

- (1) (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets on the basis of available information.
- (b) As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
- (c) Since a substantial part of fixed assets have not been disposed off during the year so as to affect the going concern principle, paragraph 4(I)(c) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the Order) is not applicable.
- (2) The company does not have any stocks accordingly provisions of clause II(a),(b),(c) of the Order are not applicable.
- (3) (a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, paragraph 4(iii) of the Order is not applicable.
- (b) The company has not taken any loan from parties covered under section 301 of the Companies Act, 1956.
- (4) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business.
- (5) (a) Based upon the audit procedures applied by us and according to the information and explanations given to us we are of the opinion that the transactions required to be entered into the register maintained under section 301 of the Companies Act 1956 have been so entered.
- (b) In our opinion, and according to the information and explanations given to us the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act 1956 aggregating during the year to Rs. 5,00,000/- or more in respect of each party have been made at prices which are reasonable having regard to market price for such transactions, prevailing at the relevant time, where such market price are available.
- (6) Since the Company has not accepted deposits from the public, paragraph 4(vi) of the Order is not applicable.
- (7) In our opinion and according to the information and explanations given to us, the company has no internal audit system.
- (8) We were informed that the maintenance of cost records has not been prescribed for the company by the Central Government under section 209 (1) (d) of the Companies Act, 1956.
- (9) According to the records of the company, the company is regular in depositing undisputed statutory dues including Provident Fund, Employees' state Insurance, Income Tax, Sales Tax, Wealth Tax, Customs Duty, Excise Duty, Cess and other statutory dues with appropriate authorities. According to the information and explanation given to us, there are no undisputed amounts payable in respect of such statutory dues which have remained outstanding as at 31st March 2009 for a period more than six months from the date they become payable.
- (10) The Company does not have accumulated losses at the end of the financial year. Further, the Company has not incurred cash losses in the financial year as well as in the immediately preceding financial year.
- (11) The company has not defaulted in repayment of its dues to the financial institution and banks and debenture holders.
- (12) Since the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures or other securities, paragraph 4(xii) of the Order is not applicable.
- (13) Since the provision of special statute applicable to chit fund, nidhi or mutual benefits fund / societies are not applicable to the Company; paragraph 4(xiii) of the Order is not applicable.
- (14) In our opinion the company is not dealing or trading in shares, securities, debentures or other investments and hence, paragraph 4 (xiv) is not applicable.
- (15) As informed to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.
- (16) The company did not raise any long term loan during the year.
- (17) On the basis of our examination, the funds raised on short- term basis have not been used for long- term investments and vise-versa.

- (18) The Company has not made any preferential allotments of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (19) Since the Company has not issued any debentures, paragraph 4(xix) of the Order is not applicable.
- (20) Since the company has not raised any money by way of public issue, paragraph 4(xx) of the Order is not applicable.
- (21) As informed to us, there has not been any fraud on or by the Company noticed or reported during the year.

For Satyendra Jain & Associates
CHARTERED ACCOUNTANTS

(Anil Kumar Jain)

Partner

Membership No. 072783

PLACE: NEW DELHI
DATED: 01.07.2009

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956 ON THE ACCOUNTS OF REC POWER DISTRIBUTION COMPANY LIMITED FOR THE YEAR ENDED 31ST MARCH 2009

The preparation of financial statements of **REC POWER DISTRIBUTION COMPANY LIMITED** for the year ended **31st March 2009** in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the management of the Company. The statutory auditor appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Modified Auditors' Report dated 1st July, 2009.

I on behalf of comptroller and Auditor General of India have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of **REC POWER DISTRIBUTION COMPANY LIMITED** for the year ended **31st March 2009**. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditor and Company personnel and a selective examination of some of the accounting records. In view of the modified Auditors' Report submitted by the statutory auditors, as result of my audit observations highlighted during supplementary audit as indicated in the Para No. 1, Para 2 (VI) III and Para 7 of annexure to the report. I have no further comments to offer upon or supplement to Statutory Auditors' Report, under Section 619 (4) of the Companies Act, 1956.

**For and on behalf of the
Comptroller and Auditor General of India**

(Saroj Punhani)

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

Place: New Delhi
Dated: 06.07.2009

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2009

(Rs. in Lacs)			
	Sch. No.	As at 31.03.2009	As at 31.03.2008
SOURCES OF FUNDS			
Shareholders' Funds:			
Capital	1	85,866.00	85,866.00
Reserves and Surplus	2	533,456.19	451,082.68
		619,322.19	536,948.68
Loan Funds:			
Secured Loans	3	3,761,365.25	2,942,195.13
Unsecured Loans	4	732,230.45	486,083.51
		4,493,595.70	3,428,278.64
Deferred Tax Liability	8	95,668.55	81,707.82
Total		5,208,586.44	4,046,935.14
APPLICATIONS OF FUNDS			
Fixed Assets:			
	5		
Gross Block		7,121.48	8,383.36
Less Depreciation		1,448.53	1,357.78
Net Block		5,672.95	7,025.58
Capital Work in Progress		2,652.74	785.09
Investments	6	100,476.36	114,729.70
Loans	7	5,138,144.58	3,931,651.18
Current Assets, Loans & Advances:	9		
Cash and Bank Balances		188,829.67	125,568.45
Other Current Assets		45,839.00	49,911.99
Loans and Advances		114,543.46	62,032.87
		349,212.13	237,513.31
Less: Current Liabilities & Provisions:	10		
Liabilities		243,787.86	148,670.38
Provisions		143,785.87	96,112.44
		387,573.73	244,782.82
Net Current Assets		(38,361.60)	(7,269.51)
Misc Exp. To the extent not written off		1.41	13.10
Total		5,208,586.44	4,046,935.14

Notes on accounts

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Schedule 1 to 17 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 AccountantsSuresh Chandra
Partner
M.No. 82023B.R. Raghunandan
Company SecretaryH.D. Khunteta
Director FinanceP. Uma Shankar
Chairman & Managing DirectorPlace: New Delhi
Date: 25th May, 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

	Sch. No.	Year ended 31.03.2009	Year ended 31.03.2008
(Rs. in Lacs)			
INCOME			
Operating Income (Net)	11	475,717.01	337,821.94
Other Income	12	17,937.88	16,303.48
Total		493,654.89	354,125.42
EXPENSES			
Interest and Other Charges	13	288,734.95	206,365.09
Establishment Expenses	14	8,909.75	9,284.49
Administration Expenses	15	2,353.83	1,859.14
Bond/ Debt Instrument Issue Expenses	16	979.50	910.36
Provision for bad & doubtful debts		237.05	3,999.34
Provision for Diminution in Investments		105.34	-
Depreciation		137.07	138.55
Total		301,457.49	222,556.97
PROFIT FOR THE YEAR BEFORE PRIOR PERIOD ITEMS		192,197.40	131,568.45
Prior period adjustment - expenses/ (Income) (net)		(38.73)	56.65
PROFIT BEFORE TAX		192,236.13	131,511.80
Provision for Tax:			
Tax - Current Year		50,768.00	37,471.69
- Earlier year		2.15	-
Deferred tax - Current Year		13,960.73	7,741.03
Fringe Benefit Tax		152.70	106.55
Total		64,883.58	45,319.27
PROFIT AFTER TAX AND AVAILABLE FOR APPROPRIATION		127,352.55	86,192.53
Appropriations:			
Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act,1961		34,000.00	25,500.00
Reserve u/s 36(1)(viia) of the Income Tax Act,1961 for Bad & Doubtful Debts		8,000.00	5,800.00
Interim Dividend Paid		17,173.20	-
Corporate Dividend Tax		-	-
- Interim Dividend		2,918.58	-
Proposed Dividend		21,471.50	25,759.80
Dividend Tax on Proposed Dividend		3,649.08	4,377.88
Transfer to General Reserve		25,600.00	14,000.00
Surplus carried to Balance Sheet		14,540.19	10,754.85
Total		127,352.55	86,192.53
Basic & diluted Earning Per Share of Rs 10/- each			
Amount in Rs. [refer note on accounts (Schedule-17)]		14.83	10.96

Notes on accounts

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Schedule 1 to 17 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

Suresh Chandra
Partner
M.No. 82023

B.R. Raghunandan
Company Secretary

H.D. Khunteta
Director Finance

P. Uma Shankar
Chairman & Managing Director

Place: New Delhi
Date: 25th May, 2009

SCHEDULE '1' SHARE CAPITAL

	(Rs. in Lacs)	
	As at 31.03.2009	As at 31.03.2008
Authorised		
1200,000,000 (Previous Year 1,200,000,000) Equity shares of Rs.10 each	120,000.00	120,000.00
Issued, Subscribed and Paid up		
858,660,000 (Previous Year 858,660,000) fully paid up Equity shares of Rs 10 each	85,866.00	85,866.00
Total	85,866.00	85,866.00

SCHEDULE '2' RESERVES AND SURPLUS

	(Rs. in Lacs)			
	Opening Balance as on 01.04.2008	Additions/ adjustments during the year	Deductions/ adjustments during the year	Closing Balance as at 31.03.2009
a) Capital Reserve (Grant from USAID)	10,500.00	-	-	10,500.00
b) Security Premium*	71,980.53	235.95	-	72,216.48
c) Special Reserve created u/s 36(1) (viii) of the Income Tax act,1961 upto Fin.year 1996-97	5,173.77	-	-	5,173.77
d) Special Reserve created u/s 36(1) (viii) of the Income Tax act,1961 from Fin.year 1997-98	244,606.00	34,000.00	-	278,606.00
e) Reserve for Bad and doubtful debts u/s u/s 36(1)(viia) of the Income Tax act,1961	26,369.13	8,000.00	-	34,369.13
f) General Reserve	79,387.38	25,600.00	-	104,987.38
g) Surplus	13,065.87	14,537.56	-	27,603.43
Total	451,082.68	82,373.51	-	533,456.19

* Represents the amount credited to Share Premium account being net of amount written back in respect of liability excess provided last year.

SCHEDULE '3' SECURED LOANS

	(Rs. in Lacs)	
	As at 31.03.2009	As at 31.03.2008
TERM LOANS FROM BANKS/ INSTITUTIONS (Secured against the receivables)	205,325.00	232,200.00
LOAN FROM LIFE INSURANCE CORPORATION OF INDIA (Secured against receivables)	335,000.00	350,000.00
LOAN THROUGH BONDS (Cumulative & Non- Cumulative) (Secured by charge against receivables and/ Immovable property at Maharashtra & Delhi as per the terms of the private placement and to the satisfaction of the respective trustees).		
a) Long Term		
I TAXFREE SECURED BONDS		
41st Series - 8.25% Redeemable at par on 22.02.2010	7,500.00	7,500.00
53rd Series - 7.10% Redeemable at par on 23.03.2011	5,000.00	5,000.00
II TAXABLE SECURED BONDS		
64th Series - 6.90% Redeemable at par on 27.09.2009	15,000.00	15,000.00
66th Series - 6.00% Redeemable at par on 31.01.2010	13,900.00	13,900.00
69th Series - 6.05% Redeemable at par on 23.01.2014	66,920.00	66,920.00
72nd Series - 6.60% Redeemable at par on 18.08.2011	38,570.00	38,570.00
73rd Series - 6.90% Redeemable at par on 08.10.2014	23,390.00	23,390.00
75th Series - 7.20% Redeemable at par on 17.03.2015	50,000.00	50,000.00
77th Series - 7.30% Redeemable at par on 30.06.2015	98,550.00	98,550.00

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78th Series	- 7.65% Redeemable at par on 31.01.2016	179,570.00	179,570.00
79th Series	- 7.85% Redeemable at par on 14.03.2016	50,000.00	50,000.00
80th Series	- 8.20% Redeemable at par on 20.03.2016	50,000.00	50,000.00
81st Series	- 8.85% Redeemable at par on 20.01.2017	31,480.00	31,480.00
82nd Series	- 9.85% Redeemable at par on 28.09.2017	88,310.00	88,310.00
83rd Series	- 9.07% Redeemable at par on 28.02.2018	68,520.00	68,520.00
84th Series	- 9.45% Redeemable at par on 04.04.2013	100,000.00	-
85th Series	- 9.68% Redeemable at par on 13.06.2018	50,000.00	-
86th Series	- 10.75% Redeemable at par on 24.07.2013	72,790.00	-
86-A th Series	- 10.70% Redeemable at par on 29.07.2018	50,000.00	-
86-B-I st Series	- 10.95% Redeemable at par on 14.08.2011	92,420.00	-
86-B-II nd Series	- 10.90% Redeemable at par on 14.08.2013	35,410.00	-
86-B-III rd Series	- 10.85% Redeemable at par on 14.08.2018	43,200.00	-
87-I st Series	- 10.90% Redeemable at par on 30.09.2013	37,020.00	-
87-II nd Series	- 10.85% Redeemable at par on 30.09.2018	65,740.00	-
87 A I st Series	- 11.35% Redeemable at par on 24.10.2013	24,970.00	-
87 A II nd Series	- 11.20% Redeemable at par on 24.10.2018	3,640.00	-
87 A III rd Series	- 11.15% Redeemable at par on 24.10.2018	6,180.00	-
87 B Series	- 11.75% Redeemable at par on 03.11.2011	94,090.00	-
87 C I Series	- 11.45% Redeemable at par on 26.05.2010	22,910.00	-
87 C II Series	- 11.45% Redeemable at par on 26.11.2010	59,150.00	-
87 C III Series	- 11.50% Redeemable at par on 26.11.2013	86,000.00	-
88th Series	- 8.65% Redeemable at par on 15.01.2019	149,500.00	-
CAPITAL GAINS BONDS (Redeemable at par)			
Series-I		1,552.60	3,349.70
Series-II		1,639.40	6,969.70
Series-III		6,502.30	15,425.70
Series-IV		20,638.20	35,930.90
Series-V		81,013.50	333,474.18
Series-VI		449,421.30	449,421.30
Series-VI A		285,867.00	285,867.00
Series-VII		340,274.40	340,274.40
Series-VIII		252,523.30	-
INFRASTRUCTURE BONDS (Redeemable at par)			
Series-I & II		924.70	1,503.00
Series-III		533.55	649.25
Series-IV		420.00	420.00
Bond Application Money		-	100,000.00
Total Secured Loans		3,761,365.25	2,942,195.13
Due for repayment/redemption within one year		990,348.69	397,302.46

Notes to Schedule No 3 :-

- a) Secured loan of Rs. 37,61,365.25 lacs includes :-
 - (i) Taxable secured bonds of Series 87 A & B amounting to Rs. 1,28,880 lacs for which registration of charge is pending ; and
 - (ii) Taxable secured bonds of Series 87 C & 88 amounting to Rs. 3,17,560 lacs against which the formalities for execution of mortgage / hypothecation deed and creation of charges are under process.
- b) 64th, 66th, 72nd and 87 A-II Series of bonds have put/call option at the end of 5 years, i.e. 27.09.2007, 31.01.2008, 18.08.2009 and 24.10.2013 respectively. Rs 90 Crores and Rs. 135 crores of Bonds of 64th & 66th Series were redeemed on 27-09-2007 & 31.01.2008 respectively on put option exercised by Bond holders.
- c) 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.
- d) 75th series of bonds shall be redeemed at par in 10 equal instalments at half yearly intervals from 5½ years to 10 years by way of STRPPs.

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- e) 78th, 79th, 80th, 81st, 82nd, 83rd, 85th, 86 A, 86 B-III, 87 -II, 87 A-III and 88th series are redeemable at par at the end of 10 years i.e. 31.01.2016, 14.03.2016, 20.03.2016, 20.01.2017, 28.09.2017, 28.02.2018, 13.06.2018, 29.07.2018, 14.08.2018, 30.09.2018, 24.10.2018 and 15.01.2019 respectively
- f) 84th, 86th, 86B-II, 87-I and 87 C -III series are redeemable at par at the end of 5 years i.e, 04.04.2013, 24.07.2013, 14.08.2013, 30.09.2013 and 26.11.2013 respectively.
- g) 86 B-I and 87 B series are redeemable at par at the end of 3 years i.e, 14.08.2011 and 03.11.2011 respectively.
- h) 87 A-I series of bonds have put/call options at the end of 3 years i.e, 24.10.2011.
- i) 87 C-I series is redeemable at par at the end of 18 months i.e, 26.05.2010.
- j) 87 C-II series is redeemable at par at the end of 24 months i.e, 26.11.2010.
- k) Bonds for Rs. 440 lakh and Rs. 20 lakh are held by REC CP Fund Trust and REC Gratuity Fund respectively on 31.03.2009.
- l) 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/ without cumulative options. These bonds have put/call option at the end of 3/5 years. In the current year(08-09) Capital Gain Exemption Bond Issue Sr VIII has a 3 years tenor at 5.75%(upto 30.10.08) and thereafter 6.25% payable annually. Infrastructure bonds have been issued for a tenure of 3 to 5 years at different interest rates varying between 6.00% to 9.00% payable annually. These bonds have put option at the end of 3/5 years from the date of allotment.

SCHEDULE '4' UNSECURED LOANS

(Rs. in Lacs)

	As at 31.03.2009	As at 31.03.2008
LOAN FROM GOVERNMENT OF INDIA	6,474.48	8,192.48
TERM LOANS		
(a) Long term Loan from Banks	274,780.00	211,280.00
(b) Short term Loan from Banks	130,000.00	112,800.00
FOREIGN CURRENCY BORROWINGS		
(a) Long term		
ECB- Syndicated Loan from Banks	87,026.32	87,026.32
JBIC Loan- Govt. of India Guaranteed	43,941.29	13,033.02
Kfw Loan- Govt. of India Guaranteed	18,400.36	4,785.69
COMMERCIAL PAPER	129,500.00	-
LOAN THROUGH BONDS		
Long term		
(A) Non- Cumulative, Guaranteed by Government of India		
18th Series - 11.5% Redeemable at par on 12.12.2008	-	6,858.00
21st Series - 11.5% Redeemable at par on 29.12.2009	6,908.00	6,908.00
22nd Series - 11.5% Redeemable at par on 27.12.2010	4,900.00	4,900.00
23rd Series-1 - 12% Redeemable at par on 05.12.2011	2,265.00	2,265.00
23rd Series-2 - 12% Redeemable at par on 21.02.2012	3,035.00	3,035.00
(B) Other Bonds		
74th Series - 7.22% Redeemable at par on 31.12.2014	25,000.00	25,000.00
Total Unsecured Loans	732,230.45	486,083.51
Due for repayment/ redemption within one year	325,388.00	30,679.00

Note:- Bonds for Rs.2.00 lacs are held as on 31.03.2009 by REC Ltd. CP Fund Trust.

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SCHEDULE- 5-CONSOLIDATED SUMMARY OF FIXED ASSETS FOR THE YEAR ENDED 31ST MARCH 2009

(Rs in Lacs)

FIXED ASSETS	GROSS BLOCK			DEPRECIATION BLOCK			NET BLOCK		
	As on 1.04.2008	Additions during the year	Sales/ adjustment during the year	As at 31.03.2009	As on 01.04.2008	Dep during the year	Disp/Written off during the year	As at 31.03.2009	As at 31.03.2008
Freehold Land	4,673.87	-	* 1,485.00	3,188.87	-	-	-	3,188.87	4,673.87
Leasehold Land	145.51	-	-	145.51	12.79	1.40	-	131.32	132.72
Buildings	2,193.93	22.19	-	2,216.12	464.15	34.09	-	1,717.88	1,729.78
Furniture & Fixtures	403.16	165.77	2.99	565.94	255.56	28.58	0.40	282.20	147.60
EDP Equipments	539.01	42.56	52.81	528.76	348.09	48.18	45.72	178.21	190.92
Office Equipments	312.45	31.81	2.89	341.37	180.42	14.10	0.20	147.05	132.03
Vehicles	94.38	12.62	-	107.00	77.27	4.87	-	24.86	17.11
Minor Value Assets -Furniture	7.41	1.70	-	9.11	7.41	1.70	-	9.11	-
Minor Value Assets-EDP	0.96	0.41	-	1.37	0.96	0.41	-	1.37	-
Minor Value Assets -Office Equipments	9.15	3.09	-	12.24	9.15	3.09	-	12.24	-
Other Intangible Assets (Computer Software)	3.54	1.65	-	5.19	1.98	0.65	-	2.63	1.56
Grand Total	8,383.36	281.80	1,543.69	7,121.48	1,357.78	137.07	46.32	5,672.95	7,025.58
Capital WIP (inclusive of Capital Advances)	785.09	1,969.69	102.04	2,652.74	-	-	-	2,652.74	785.09

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

*The figure represents Land shown under Freehold land last year but pending receipt of Possession letter transferred to Capital (WIP) (inclusive of Capital Advances) in the current year

SCHEDULE '6' INVESTMENTS

(Rs. in Lacs)

	As at 31.03.2009	As at 31.03.2008
Long Term (Unquoted)		
Non-Trade Investments		
8% Government of Madhya Pradesh Power Bonds-II Maturing in 30 equal half yearly Installments w.e.f. 1.04.05 (21 Bonds of Face Value of Rs 4716 Lacs each) (Previous year 24 Bonds of Face Value of Rs 4716 Lacs each)	99,036.00	113,184.00
KSK Energy Ventures Limited 1,44,70,381 units of "Small is Beautiful" Fund at Net assets Value (NAV) of Rs. 9.09 per unit (Previous Year 1,44,70,381 units of "Small is Beautiful" Fund at Net assets Value (NAV) of Rs. 9.818 per unit) (Face Value per unit is Rs 10/-)	1,315.36	1,420.70
Investment in Indian Energy Exchange 12,50,000 Equity shares of Rs. 10/- each	125.00	125.00
Current Investment (Unquoted)		
Investment in units of Mutual Funds	-	-
Total	100,476.36	114,729.70

SCHEDULE '7' LOANS

(Rs. in Lacs)

	As at 31.03.2009	As at 31.03.2008
(i) State Electricity Boards/Corpn., Co-operatives and State Governments		
(a) Unsecured, considered good and guaranteed by respective State Governments	2,093,859.39	1,907,561.52
(b) Classified Doubtful	1,753.81	15,564.37
Less: Prov. for Bad & doubtful debts	1,717.68 36.13	3,999.39 11,564.98
(ii) State Electricity Boards/Corpn. (Secured by hypothecation of materials with respective State Electricity Boards/ Corpn.) Considered Good	2,390,960.36	1,639,950.32
(iii) Others (Secured by hypothecation of tangible assets)		
(a) Considered Good	291,026.32	125,481.68
(b) Classified Doubtful	5,135.42	16,054.05
Less: Prov. for Bad & doubtful debts	3,083.04 2,052.38	4,174.90 11,879.15
(iv) Others (Unsecured)- Considered good	282,546.15	156,870.93
Sub Total (i to iv)	5,060,480.73	3,853,308.58
(i) Interest accrued and due on Loans	1,827.98	2,523.59
(ii) Interest accrued on rescheduled loans	75,835.87	75,819.01
Grand Total	5,138,144.58	3,931,651.18

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SCHEDULE '8' DEFERRED TAX LIABILITY/(ASSETS)

(Rs. in Lacs)

	As at 31.03.2009	As at 31.03.2008
Opening Balance	81,707.82	73,966.79
Add: Addition during the Year	13,960.73	7,741.03
Total	95,668.55	81,707.82

SCHEDULE '9' CURRENT ASSETS, LOAN & ADVANCES

(Rs. in Lacs)

	As at 31.03.2009	As at 31.03.2008
I CURRENT ASSETS		
A) Cash and bank balances :		
(i) Cash/Cheque in hand/transit (incl.Postage & imprest)	0.29	0.26
(ii) In current accounts		
- with RBI	1.85	78.96
- with Scheduled Banks	32,177.74	24,975.88
- with Scheduled Banks (for RGGVY Scheme)	659.89	58,752.76
- with Scheduled Banks (Funds for AG & SP Sch.)	55.95	3,719.06
(iii) In Deposit accounts with Scheduled Banks	155,933.95	38,041.53
Total - (A)	188,829.67	125,568.45
B) Other Current Assets		
(i) Interest accrued but not due on term deposits	136.16	80.71
(ii) Interest accrued but not due		
- on Loans	45,169.58	45,249.76
- on Govt. Securities	-	4,014.41
- on loans to employees	222.38	208.18
(iii) Recoverable from SEB /Govt. Deptts.	101.95	330.20
Less: Provision for Bad & Doubtful Debt	-	180.20
(iv) Recoverable from GOI		
- RGGVY Expenses	208.93	208.93
- Others	-	208.93
Total - (B)	45,839.00	49,911.99
II LOANS AND ADVANCES		
A) Loans		
(i) Employees (Secured)	238.53	271.01
(ii) Employees (Unsecured)	853.47	117.77
B) Advances		
(Unsecured considered good)		
(i) Advances recoverable in cash or in kind or for value to be received	461.37	881.56
(ii) Prepaid financial charges on Commercial Paper	4,083.72	-
(iii) Advance Income-Tax & TDS	108,906.05	60,762.24
(iv) Income Tax recoverable (Bond)	0.32	0.29
Total - (C)	114,543.46	62,032.87
Total - (A+B+C)	349,212.13	237,513.31

SCHEDULE '10' CURRENT LIABILITIES AND PROVISIONS

(Rs. in Lacs)

	As at 31.03.2009		As at 31.03.2008	
A) CURRENT LIABILITIES				
(a) Advance Receipts		2,525.41		934.36
(b) Other Liabilities		4,342.95		8,561.78
- Dues of creditors other than Micro, Small and Medium Enterprises				
(c) (i) Grant from Government of India for disbursement	1,460,887.62		919,899.56	
(ii) Interest on RGGVY Grant	3,633.68		-	
Total	1,464,521.30		919,899.56	
Less: Disbursed to Beneficiaries	(1,359,454.04)		(848,044.01)	
Un-disbursed Grant		105,067.26		71,855.55
(d) Interest accrued but not due				
- on bonds	117,683.76		54,009.44	
- Government/ LIC Loans	12,841.89	130,525.65	12,488.16	66,497.60
(e) Unclaimed Interest & Principal On Bonds and Govt. Loans				
- Interest	1,243.49		709.52	
- Principal	83.10	1,326.59	111.57	821.09
Total - (A)		243,787.86		148,670.38
B) PROVISIONS				
(a) Income Tax		109,727.82		59,085.04
(b) Staff Benefits		4,819.63		3,643.43
(c) Gratuity		974.96		207.88
(d) Provision for Incentive & Ex Gratia		1,791.40		2,204.37
(e) Wealth Tax		33.82		0.20
(f) Fringe Benefit Tax		36.84		17.00
(g) Proposed Dividend		21,471.50		25,759.80
(h) Dividend Tax on Proposed Dividend		3,649.08		4,377.88
(i) Wage Revision		1,280.00		816.84
(j) Contingencies		0.82		-
Total - (B)		143,785.87		96,112.44
Total - (A+B)		387,573.73		244,782.82

SCHEDULE '11' OPERATING INCOME

(Rs. in Lacs)

	Year ended 31.03.2009		Year ended 31.03.2008	
A. On Lending Operations				
Interest on Loans				
-Long term financing		438,541.59		307,560.77
Less: Rebate for timely payments/completion etc		1,346.05	437,195.54	1,799.56
-Short term financing			29,297.94	30,290.22
			466,493.48	336,051.43
B. Long Term Lease Revenue		544.60		-
C. Processing fees, Upfront fees, Service charges etc		1,343.18		1,310.38
D. Prepayment Premium		353.64		-
E. Agency Charges for RGGVY Implementation		6,982.11		460.13
Total		475,717.01		337,821.94

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SCHEDULE '12' OTHER INCOME

(Rs. in Lacs)

	Year ended 31.03.2009		Year ended 31.03.2008	
A. On Investment/Deposit Operations				
Interest on deposits	3,718.69		6,449.97	
Interest on Govt. Securities	8,704.32	12,423.01	9,243.36	15,693.33
(TDS Rs. 961.78 lac, Previous Year Rs. 491.58 lac)				
B. Other Income				
Provision for Bad Debts written back	3,610.62		-	
Difference in exchange rate	1,142.17		-	
Excess Provision written back	0.37		18.35	
Interest on staff advances	49.62		28.31	
Interest from Subsidiary Companies	16.21		4.54	
Dividend on Investment in Venture Fund	11.02		33.02	
Miscellaneous Income	683.79		501.64	
Profit on sale of assets	1.07		0.41	
Provision of Fall in Value of Investments in Venture Fund written back	-		23.88	
Total	17,937.88		16,303.48	

SCHEDULE '13' INTEREST AND OTHER CHARGES

(Rs. in Lacs)

	Year ended 31.03.2009	Year ended 31.03.2008
Interest on -		
- Govt. Loans	534.07	660.84
- REC Bonds	203,485.20	137,112.06
- Banks/Fin Insts.	73,794.15	62,434.99
- External Commercial Borrowings	7,712.49	4,898.71
- Commercial Paper	2,134.76	-
	287,660.67	205,106.60
Difference in Exchange Rates	-	959.53
Interest on AREP Subsidy	122.22	148.60
Guarantee Fee	797.45	25.65
Other Finance Charges	154.61	124.71
Total	288,734.95	206,365.09

SCHEDULE '14' ESTABLISHMENT EXPENSES

(Rs. in Lacs)

	Year ended 31.03.2009	Year ended 31.03.2008
Salaries and Allowances	5,413.53	6,621.35
Post Retirement Medical expenses	1,144.31	1,233.47
Contribution to Provident and Other Funds	1,466.36	435.48
Staff Welfare expenses	885.55	994.19
Total	8,909.75	9,284.49

SCHEDULE '15' ADMINISTRATION EXPENSES

(Rs. in Lacs)

	Year ended 31.03.2009		Year ended 31.03.2008	
Rent- office		175.16		210.62
Rates and Taxes		40.68		22.48
Electricity and Water Charges		54.91		48.29
Insurance Charges		4.44		2.79
Repairs and Maintenance				
Building	259.50		292.92	
Others	29.53	289.03	37.06	329.98
Printing and Stationery		192.50		73.70
Travelling and Conveyance				
- Directors	55.53		44.99	
- Others	468.24	523.77	430.96	475.95
Postage, Telegram and Telephone		106.56		108.59
Publicity & Promotion Expenses		202.75		146.73
Auditors' Remuneration		23.76		15.59
Miscellaneous Expenses		376.22		270.53
Consultancy Charges		117.42		142.47
Donations & Charity		246.59		10.20
(Paid to Prime Minister National Relief Fund, previous year Nil)				
Loss on Sale of Assets		0.04		1.22
Total		2,353.83		1,859.14

SCHEDULE '16' BOND/DEBT INSTRUMENT ISSUE EXPENSES

(Rs. in Lacs)

	Year ended 31.03.2009	Year ended 31.03.2008
Bonds Handling Charges	321.29	535.77
Bonds Brokerage A/c	366.68	102.99
Bonds Stamp Duty	21.05	6.01
Others	270.48	265.59
Total	979.50	910.36

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SCHEDULE '17' NOTES ON THE ACCOUNTS

1. The subsidiary companies considered in the consolidated financial statements are:

Name of the Subsidiaries	Country of Incorporation	Proportion of ownership interest
REC Transmission Projects Co. Ltd. (RTPCL)	India	100%
REC Power Distribution Co. Ltd. (RPDCL)	India	100%
North Karanpura Transmission Co. Ltd. (NKTCL) (A wholly owned subsidiary of RTPCL)	India	100%
Talcher II Transmission Company Ltd. (TTCL) (A wholly owned subsidiary of RTPCL)	India	100%

2. EARNING PER SHARE (EPS)

	2008-09	2007-08
Net profit after tax (Rs. in lacs)	127,352.55	86,192.53
Net Profit attributable to equity shareholders (Rs. in lacs)	127,352.55	86,192.53
Weighted Average number of equity shares	858,660,000	786,374,301
Basic and diluted earning per share	14.83	10.96
Face Value per equity shares	10	10

3. Contingent Liabilities not provided for in respect of:

(Rs. In lacs)

	As at 31.3.2009	As at 31.03.2008
(a) Claims against the Corporation not acknowledged as debts, (including Rs. 3460.53 lacs pending in various courts including arbitration cases as on 31.03.2009 (Previous year Rs.5153.60 lacs)	3,469.37	6,331.37
(b) Estimated amount of the contracts remaining to be executed on capital account and not provided for	1,247.75	408.21
(c) Others	134,263.00	56,489.00

The amounts referred to in (a) above are dependent upon the outcome of settlement of court/arbitration cases.

The amounts under 1(c) refers to Letters of comfort issued to various Banks for opening of Letters of credit to procure generation equipment against loan sanctioned by the Corporation to its borrowers.

4. Auditors' Remuneration includes:

(Rs. in lacs)

	Year ended 31.3.2009	Year ended 31.03.2008
a) Audit fees - Current year	17.91*	13.59
b) Tax Audit Fee	2.50	0.25
c) Reimbursement of expenses	1.88*	1.29
d) Payment for Other services (including for IPO certification)	2.32	15.57
Total	24.61	30.70

* Payment to auditors for RTPCL, NKTCL & TTCL (total amounting Rs.0.85 Lacs) has been taken in CWIP

5. The Corporation is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company (NBFC) since 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 1934 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. Moreover in view of the non applicability of the provisions of section 45 (I) C of the RBI Act, 1934 regarding creation of Reserve Fund, the Reserve Fund is not created.
6. There has been shortfall in creation of Special Fund by some of the RE Cooperative Societies amounting to Rs.500.89 lacs (previous year Rs.501.18 lacs) and the societies are pursued to create the required Special Fund.
7. Balance confirmation has been received from some of the borrowers.
8. Income Tax as applicable in respect of Interest Accrued on bonds is deducted at source at the time of actual payment of interest to the bond holders since such bonds are transferable.
9. The formalities regarding registration of conveyance deeds, etc. in respect of some of the land and buildings acquired by the Corporation amounting to Rs.3,996.51 lacs (Previous year Rs.5,792.70 lacs) are in the process of completion.
10. The balances in respect of Interest Warrants Accounts (both for institutional and 54EC & infra bonds) as on 31.3.2009 held in specified banks are Rs.5,025.32 lacs (previous year Rs.12,045.48 lacs)
11. In the opinion of the management, the current assets, loans and advances appearing in the balance sheet have a value equivalent to the amount stated therein if realized during the ordinary course of business and all known liabilities have been provided.
12. Provision for 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 the Corporation's Assets in terms of AS-28.
13. The company has no outstanding liability towards Micro, Small and Medium undertakings.
14. No Bond Redemption Reserve (BRR) has been created since in terms of clarification issued by the Department of Company Affairs, Govt. of India vide no.6/3/2001-CL.V dated 18.4.2002,

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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.

15. During the year the Corporation has earned Rs.420.16 lacs (Previous Year Rs.953.32 lacs) on account of swap (coupon only) transaction which has resulted in reduction in cost of borrowing to that extent.

The Corporation had entered into various Coupon only swap transactions and cross currency swap transactions. The Net Mark to Market position in respect of the above swap transactions as on 31.03.2009 is of Rs.24,271.25 lacs (favourable)

16. Directors' Remuneration: (Rs. in lacs)

	Year ended 31.3.2009	Year ended 31.03.2008
Salaries and Allowances	44.33	40.87
Perquisites/reimbursement	15.18	14.97
Retirement Benefits	6.70	1.45
Total	66.21	57.29

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 of Rs.780/- per month as per DPE guidelines.

Loans and Advances include Rs.10.66 lacs (Previous year Rs.0.81 lacs) due from Directors of the Corporation, maximum amount outstanding during the year Rs.14.17 lacs (Previous year Rs.1.89 lacs).

17. Expenditure in Foreign Currency: (Rs. In lacs)

Particulars	As at 31.03.2009	As at 31.03.2008
Royalty, Know-how, Professional, consultation fees	NIL	1.06
Interest	161.66	241.08
Finance Charges	79.03	97.75
Others Expenses	53.22	103.79
Total	293.91	443.68

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

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

18. Investments include Rs.1,447.04 Lacs representing company's contribution in the units of Joint venture Small is Beautiful fund (SIB Fund) Venture Capital fund promoted by KSK Energy Ventures Limited

Name of the Company	Contribution towards Fund	Country of Residence	Proportion of ownership
SIB Fund of KSK Energy Ventures Ltd	Rs.1,447.04 Lacs	India	9.74%

There is no further commitment for contribution.

19. 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.

20. 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

(Rs. in Lacs)

Reconciliation Statement.	As at 31.03.2009	As at 31.03.2008
iii) Gross Carrying Amount	4.86	3.54
iv) Accumulated depreciation	2.59	1.98
v) Gross carrying amount-Opening Balance	3.54	3.54
Less: Accumulate Depreciation	1.98	1.30
Carrying amount	1.56	2.25
Additions during the year	1.31	Nil
Less: Amortization during the year	0.60	0.68
Carrying amount as on Balance sheet Date	2.27	1.56

21. 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.13,960.72 Lacs (previous year Rs.7,741.03 lacs) as deferred tax liability.

Major components of deferred tax liability as on 31.03.2009 are given as under:

(Rs in Lacs)

Particulars	As at 31.03.2009	As at 31.03.2008
Deferred Tax Assets		
Leave Encashment	482.37	427.96
Provision for sick leave	198.29	42.96
Provision for Post Retirement Medical Benefits	263.28	263.28
Provision for fall in investments	44.76	8.95
Provision for other expenses	144.68	2,759.64
Total	1,133.38	3,502.79
Deferred Tax Liabilities		
Depreciation	345.17	310.46
Reserve under section 36 (i)(viii) of I.T Act	96,456.74	84,900.14
Total	96,801.91	85,210.60
Net Deferred Tax (Liability)/Asset	(95,668.53)	(81,707.82)
Deferred Tax Asset/(Liability) as on 31.3.2009	(81,707.81)	(73,966.79)
Net liability for the year charged in P&L	(13,960.72)	(7,741.03)

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22. Subsequent to settlement of liabilities of REC between MPSEB and CSEB on bifurcation of erstwhile State of MP, there is a legal dispute between them regarding sharing of dues, as a result of which CSEB has been claiming refund of approx. Rs.16000 Lacs plus interest which if accrues shall be payable by MPSEB.
23. 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 in the past. Consequently, the liabilities of the erstwhile SEBs stand transferred to new entities and transfer agreements in most of the cases are to be executed amongst the Corporation, new entities and the State Governments.
24. The pay revision of the employees of the Corporation is due w.e.f.1st January 2007. Pending final calculation of revised pay scales (including perks) as notified by Govt. of India and considered by Board of Directors an estimated additional provision 463.16 lacs based on average salary (Previous year Rs.816.84 lacs) had been made towards wage revision arrears during the year and accordingly Rs.1280 lacs is cumulatively available toward provision for wage revision including for non executive employee for whom no such notification is available but there arrear have also been considered in line with such notification. Actuarial valuation of employees benefit has been carried out considering the estimated revised wages.
25. The expenses of Rs.643.98 lacs incurred up to 2006-07 on RGGVY implementation were adjusted out of interest earned on such funds. The Corporation had approached MOP for regularization of above adjustments which is still pending. The management considers that amount is still recoverable from Govt. of India.
26. Details of provision as required in AS-29

(Rs. In lacs)

	As on 31.03.2009	As on 31.03.2008
(a) Interim Dividend		
As per last Balance Sheet		Nil
Addition during the year	17,173.20	Nil
Amounts paid/utilised during the year	17,173.20	Nil
Closing Balance	Nil	Nil
(b) Proposed Dividend		
As per last Balance Sheet	25,759.80	17,700.00
Addition during the year	-	25,759.80

Expense recognized in P&L A/c:-

Rs. In Lacs

Particulars	Gratuity		PRMF		ODRB	
	(31.03.09)	(31.03.08)	(31.03.09)	(31.03.08)	(31.03.09)	(31.03.08)
a) Current Service Cost	116.14	112.34	46.79	35.05	0.72	0.66
b) Interest Cost	110.43	104.19	128.48	108.02	1.07	1.17
c) Expected Return on Plan Assets	(135.04)	(110.00)	NIL	NIL	NIL	NIL
d) Actuarial (Gain) Loss recognized in P&L A/c	(65.04)	111.36	385.24	433.61	3.26	4.74
e) Past Service Cost	948.48	NIL	NIL	NIL	NIL	NIL
f) Expensed recognized in P&L A/c	974.96	217.89	560.51	576.68	5.05	6.57

Amounts paid/utilised during the year	25,759.80	17,700.00
Closing Balance		25,759.80
(c) Corporate Dividend Tax		
As per last Balance Sheet	4,377.88	3,008.12
Addition during the year	2,918.58	4,377.88
Amounts paid/utilised during the year	7,296.46	3,008.12
Closing Balance	Nil	4,377.88

27. The Corporation has adopted AS15 (revised 2005) 'Employees Benefit'. Defined employee benefit scheme are as follows:

a. Provident Fund

Corporation pays fixed contribution of Provident Fund at pre-determined rates to a separate trust which invests the funds in permitted securities. The trust is required to pay a minimum rate of interest on contribution to the members of the trust. The fair value of the assets of the Provident fund including the returns of the assets thereof, as at 31st March 2009 is greater than the obligation under the defined contribution plan.

b. Gratuity

The Corporation has a defined benefit gratuity plan. Every employee is entitled to gratuity as per the provision of the payment of Gratuity Act. The scheme is funded by the Corporation and is managed by separate trust. The liability of Gratuity is recognized on the basis of actuarial valuation.

c. Post-Retirement Medical Facility (PRMF)

The corporation has Post Retirement Medical Facility and Settlement benefits under which entitled employee (including spouse) are covered as per Corporation's rule.

d. Leave Travel Concession (LTC)

The Corporation has a scheme of providing LTC to employees and their dependents. This is recognized in the profit & loss account on the basis of actuarial valuation on annual basis.

e. Other Defined Retirement Benefit (ODRB)

The Corporation has a scheme for settlement at the time of superannuation at home town for employees and dependents. This is recognized in the profit & loss account on the basis of actuarial valuation on annual basis.

The summarized position of various defined benefit recognized in the Profit & Loss Account, Balance sheet and the funded status are as under:

Amounts recognized in Balance Sheet:-

Rs. In Lacs

Particulars	Gratuity		PRMF		ODRB	
	(31.03.09)	(31.03.08)	(31.03.09)	(31.03.08)	(31.03.09)	(31.03.08)
a) Present value of obligation as at the end of year	2,640.04	1,577.53	2,244.78	1,835.43	17.48	15.30
b) Fair value of Plan Assets as at the end of the year	1,672.62	1,368.88	NIL	NIL	NIL	NIL
c) Difference (b - a)	(967.42)	(208.65)	2,244.78	(1,835.43)	(17.48)	(15.30)
d) Excess of actual over Estimated	(6.19)	NIL	NIL	NIL	NIL	NIL
e) Net Assets/ (Liability) recognized* (of gratuity trust)	(967.42)*	(208.65)	(2,244.78)	(1,835.43)	(17.48)	(15.30)

Changes in the Present value of defined benefit/ Obligation:-

Rs. In Lacs

Particulars	Gratuity		PRMF		ODRB	
	(31.03.09)	(31.03.08)	(31.03.09)	(31.03.08)	(31.03.09)	(31.03.08)
a) Present value of obligation as at the beginning of the period	1,577.53	1,302.44	1,835.43	1,350.27	15.29	14.58
b) Interest Cost	110.42	104.19	128.48	108.02	1.07	1.16
c) Past Service Cost	948.48	NIL	NIL	NIL	NIL	NIL
d) Current Service Cost	116.14	112.34	46.79	35.05	0.72	0.67
e) Benefit Paid	(41.29)	(52.80)	(151.17)	(91.52)	(2.86)	(5.86)
f) Net Actuarial Gain/ Loss	(71.24)	111.36	385.24	433.61	3.26	4.74
g) Present Value of defined benefit obligation at the end of the period	2,640.04	1,577.53	2,244.77	1,835.43	17.48	15.29

Changes in the Fair value of Plan Assets:-

Rs. In Lacs

Particulars	Gratuity		PRMF		ODRB	
	(31.03.09)	(31.03.08)	(31.03.09)	(31.03.08)	(31.03.09)	(31.03.08)
a) Fair value of Plan Assets as at the beginning of the period *(of the gratuity trust)	1,577.53*	1,302.44	NIL	NIL	NIL	NIL
b) Expected return on Plan Assets	135.03	110.00	NIL	NIL	NIL	NIL
c) Actual Company Contribution	7.54	9.24	NIL	NIL	NIL	NIL
d) Benefit Paid	(41.29)	(52.80)	NIL	NIL	NIL	NIL
e) Actuarial gain (Loss) on Plan Assets	(6.19)	NIL	NIL	NIL	NIL	NIL
f) Fair value of Plan Assets as on 31.03.2009	1,672.62	1,368.88	NIL	NIL	NIL	NIL

Details of Plan Assets (Gratuity) at cost as on 31.03.2009:-

Rs. In Lakh

Particulars	Gratuity	
	(31.03.09)	(31.03.08)
a) Govt. of India Securities (both Central & State)	805.96	685.32
b) Corporate Bonds	707.43	567.20
c) Others	29.61	20.15
TOTAL	1,543.00	1,272.67

During the year the corporation has provided Liability towards Contribution to the Gratuity Trust of Rs.974.96 lacs (Previous Year Rs.169.90 lacs), PRMF of Rs.409.34 lacs (Previous Year

Rs.485.16 lacs) and to ODRB of Rs.2.19 lacs (Previous Year Rs.15.30 lacs)

OTHER EMPLOYEE BENEFITS :-

Provision for Earned Leave Encashment amounting to Rs.160.09 lacs (Previous Year Rs.644.49 lacs) and for sick leave Rs.583.36 lacs (Previous year Rs.126.39 lacs) for the year have been made on the basis of Actuarial Valuation at the year end and charged to P&L A/c.

In terms of A.S-15 (revised 2005) on 'Employees benefits' LTC has been accounted for the basis of Actuarial valuation. Accordingly an amount of Rs.21.22 lacs for the year has been made and charged to P&L A/c.

CONSOLIDATED

The effect of an increase/ decrease of one percent point on PRMF:-

Rs. in lacs

Particulars	1% (+)	1% (-)
a) Service & interest Cost	22.64	(19.10)
b) PBO (Closing)	174.70	(152.05)

Actuarial Assumptions :-

Particulars	Gratuity	PRMF
a) Method used	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)
b) Discount rate	7.00 (8.00)	7.00 (8.00)
c) Expected Rate of Return on Assets	8.56 (8.45)	NIL
d) Future salary increase	5.50 (5.50)	5.50 (5.50)

- The Expected Rate on Return on Assets over the accounting period is assumed rate of return.
- The Principle assumptions are the discount rate and salary growth rate. The discount rate is generally based on the market yields available on govt. bonds at the accounting date with a term that matches of the liabilities and the salary Growth rate takes account of inflation, seniority, promotions and other relevant factors as long term basis. The above information is certified by the Actuary.

- The Corporation does not have more than one reportable segment in terms of Accounting Standard No.17 issued by the Institute of Chartered Accountants of India.
- Government of India has appointed REC as a nodal agency for implementation of RGGVY. The funds received for disbursement to various agencies under such schemes are kept in a separate bank account. The undisbursed funds and interest earned thereto are classified as current liabilities.
During current year interest earned of Rs.2933.95 lacs (Previous Year Rs.699.72 lacs) including TDS of Rs. 658.95 lacs (Previous Year Rs.158.08 lacs) has been taken to RGGVY grant account and such TDS credits are being taken by REC for ultimately passing off the benefit of same to the credit of Govt. Funds.
- During the year, Corporation has invested its surplus funds with the Public Mutual Funds in Liquid Scheme and Liquid Plus Scheme. The same have been disinvested during the year itself.
- Prepaid expenses and prior period expenses up to Rs.5,00,000/- amounting to Rs.5.87 lacs & Rs.0.96 lacs (net of income of Rs.13.32 lacs and expenditure of Rs.12.36 lacs) respectively have been charged to the natural heads of accounts. Due to change in accounting policy of recognizing prior period /prepaid items up to Rs.5,00,000/- to natural head of account, prior period and prepaid items have been decreased by Rs. .096 lacs and increased by Rs.5.87 lacs respectively and there is no impact on profit.
- The common employees/establishment cost and administration expenses of the subsidiaries company is apportioned by the Holding company on the following basis:-
For employees of holding company working on full time basis for subsidiary companies, total cost to the company (CTC) of

employees on full time basis have been recognized as expenditure whereas for the employees of holding company working partially for the subsidiary companies, percentage of total cost of employees on part time basis according to the estimated time spent by these employees, have been recognized as expenditure on the basis of cost ratio details provided by holding company.

Interest on cost incurred by holding company on behalf of subsidiaries company is provided as per the average cost of borrowing (of the holding company excluding borrowing under section 54EC of the Income Tax Act).

Administrative overheads allocation of holding company has been taken on the basis of total basic salary of employees working in subsidiary companies multiplied with by ratio of total overhead cost and the total basic salary of the holding company.

- REC Transmission projects Ltd. has not yet commenced commercial operation.
- In respect of the expenditure payments relating to subsidiary companies which are incurred by Holding Company, the statutory requirements with regard to Fringe Benefit Tax and deposit thereof as applicable are complied with by the Holding Company on behalf of the subsidiary companies. However the expenditure directly paid by the subsidiary companies is considered for fringe Benefit Tax and tax liability thereon is paid accordingly.
- The subsidiary companies are wholly owned by the holding company. The Key Management Personnel of these companies are employees of the holding company deployed on part time basis.

The details of such key management personnel are as follows:

- Sh. Rama Raman Director
- Sh. D.S.Ahluwalia Director
(w.e.f. 04.04.2008)
- Sh. Sanjeev Garg Director
- Sh. Ajeet Kumar Agarwal Director
(w.e.f. 16.01.2009)
- Sh. Prakash J.Thakkar Director

- Figures have been rounded off to the nearest lacs.
- Schedules 1 to 17 form an integral part of the Balance Sheet and Profit & Loss Account and have been duly authenticated.

B.R.Raghuandan **H.D.Khunteta** **P. Uma Shankar**
Company Secretary Director (Finance) Chairman and
Managing Director

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

(Suresh Chandra)
Partner

Place: New Delhi
Dated: 25th May 2009

Membership No.82023

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2009

(Rs. in Lacs)

	Year ended 31.03.2009	Year ended 31.03.2008
A. Cash Flow from Operating Activities :		
Net Profit before Tax	192,233.49	131,511.81
Adjustments for:		
1. Profit / Loss on Sale of Fixed Assets	(1.03)	0.81
2. Transfer from general reserve	-	(163.79)
3. Depreciation	137.07	138.55
4. Provision for fall in value of investments	105.34	(23.88)
5. Provision for Bad & doubtful debts	237.05	3,994.34
6. Excess Provision written back	(0.37)	(18.35)
7. Preliminary expenses written off	11.68	-
8. Profit on sale/income of investment in units of "small is Beautiful Fund"	(11.02)	(33.02)
9. Gain on Exchange Rate fluctuation	(1,142.17)	959.53
10. Amount transferred to security premium	235.95	-
Operating profit before working Capital Charges :	<u>191,805.99</u>	<u>136,366.00</u>
Increase / Decrease :		
1. Loans	(1,206,730.45)	(725,735.42)
2. Other Current Assets	4,072.68	(18,678.39)
3. Other Loans & Advances	(4,693.16)	(923.10)
4. Current Liabilities & Provisions	64,100.43	64,052.21
Cash outflow from Operations	<u>(951,444.51)</u>	<u>(544,918.70)</u>
1. Advance Income Tax Paid	(48,109.26)	(74,962.20)
2. Wealth Tax paid	(2.15)	(0.15)
3. Fringe Benefit tax paid	(132.62)	(106.55)
Net Cash used in Operating Activities	<u>(999,688.54)</u>	<u>(619,987.60)</u>
B. Cash Flow from Investing Activities		
1. Sale of Fixed Assets	13.40	1.61
2. Purchase of Fixed Assets (incl. Advance for Capital exp.)	(664.46)	(1,588.55)
3. Redemption of 8% Government of Madhya Pradesh Power Bonds-II	14,148.00	4,716.00
4. Investments in units of "Small is Beautiful" Fund	-	(194.81)
5. Income on Investments in units of "Small is Beautiful" Fund	11.02	379.86
6. Investment in Shares of Subsidiary Co."REC Power Distribution Co Ltd.	-	-
7. Investment in REC Transmission Project Co. Ltd,Subsidiary Co.	-	5.00
8. Investment in Shares of Indian Energy Exchange	-	(136.68)
9. Preliminary expenses	-	(1.41)
Net Cash used in investing Activities	<u>13,507.96</u>	<u>3,181.02</u>
C. Cash Flow from Financial Activities		
1. Issue of Bonds	1,380,733.12	607,392.38
2. Redemption of Bonds	(526,546.00)	(359,593.94)
3. Raising of Term Loans/STL from Banks/FIs	537,463.31	437,250.00
4. Repayment of Term loans/STL from Banks/FIs	(498,638.31)	(300,650.00)
5. Raising of Foreign Currency Loan	45,665.12	16,676.53
6. Grants received from GOI (Net of refund)	544,621.74	390,289.91
7. Disbursement of grants	(511,410.03)	(335,941.46)
8. Repayment of Govt. Loan	(1,718.00)	(1,855.96)
9. Final Dividend paid	(25,759.80)	(17,700.00)
10. Corporate Dividend Tax paid on Final Dividend	(4,377.88)	(3,008.12)
11. Issue of Shares	-	79,786.53
12. Issue of Commercial Paper	129,500.00	-
13. Interim Dividend paid	(17,173.20)	-
14. Corporate Dividend Tax paid on Interim Dividend	(2,918.58)	-
Net Cash in-flow from Financing Activities	<u>1,049,441.49</u>	<u>512,645.87</u>
Net Increase/Decrease in Cash & Cash Equivalents	<u>63,260.91</u>	<u>(104,160.71)</u>
Cash & Cash Equivalents as at 1st April, 2008	<u>125,566.18</u>	<u>229,726.89</u>
Cash & Cash Equivalents as at 31st March, 2009	<u>188,827.09</u>	<u>125,566.18</u>
Net Increase/Decrease in Cash & Cash Equivalents	<u>63,260.91</u>	<u>(104,160.71)</u>

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

Suresh Chandra
Partner
M.No. 82023

B.R. Raghunandan
Company Secretary

H.D. Khunteta
Director Finance

P. Uma Shankar
Chairman & Managing Director

Place: New Delhi
Date: 25th May, 2009

SIGNIFICANT ACCOUNTING POLICIES

1. Principles of consolidation

The Consolidated Financial Statements relate to Rural Electrification Corporation Ltd. ('the Company') and its subsidiary companies. The consolidated financial statements have been prepared on the following basis:

The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements."

As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Corporation's separate financial statements.

2. Other significant accounting policies

These are set out under "Significant Accounting Policies" as given in the standalone Financial Statements of Rural Electrification Corporation Ltd. and its subsidiaries and fellow subsidiaries.

AUDITORS REPORT TO THE BOARD OF DIRECTORS OF RURAL ELECTRIFICATION CORPORATION LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF RURAL ELECTRIFICATION CORPORATION LIMITED AND ITS SUBSIDIARIES.

1. We have audited the attached Consolidated Balance Sheet of M/s Rural Electrification Corporation Ltd. Core - 4, SCOPE Complex, 7 Lodi Road New Delhi-110003 as at 31st March, 2009 and also the annexed Consolidated Profit & Loss Account and consolidated Cash Flow Statement of the Company for the year ended on that date annexed thereto. These Consolidated financial statements are the responsibility of the Company's Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 management, as well as evaluation the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by the company's management in accordance with the requirements of Accounting Standard (AS) 21 'Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India.
4. We did not audit the financial statements of subsidiaries of the company, whose audited financial statements reflects total assets of Rs. 2.88 Crores (P.Y. - Rs.2.93 Crores) as at March 31, 2009, total revenues of Rs. 2.22 Crores (P.Y. - Rs. 2.69) Crores

for the year ended on that date. The financial statements and other financial information of the subsidiary companies audited by other auditors, and our opinion, in so far as it relates to the amounts included in respects of these subsidiaries, is based solely on audited accounts of the subsidiary companies.

Subject to our comments, and based on our audit and on consideration of report of other auditors on separate financial statements and on other financial information of the components, and to the best of our information and according to explanations given to us, we are of the opinion that the attached consolidated financial statements of the Rural Electrification Corporation Limited give a true and fair view in conformity with the accounting principles generally accepted in India.

- i) In the case of Consolidated Balance-Sheet, of the state of affairs of the Rural Electrification Corporation Group as at 31st March, 2009.
- ii) In the case of Consolidated Profit & Loss Account, Profit of the Rural Electrification Corporation Group for the period ended on that date.
- iii) In case of Consolidated Cash Flow statements, of the cash flow of the Rural Electrification Corporation Group for the period ended on that date.

For G.S. MATHUR & CO.
Chartered Accountants

(Suresh Chandra)
Partner

Place: New Delhi
Dated: 25.05.2009

Membership. No. 82023.

ADDRESSES OF REC OFFICES

Sl. No.	State/Union	Address	Telephone numbers	Fax / E-mail
1	2	3	4	5
	Corporate office	Core- 4, SCOPE Complex, 7 Lodhi Road , New Delhi-110003	41020101	Fax : 011-24360644 E-mail : reccorp@recl.nic.in
	Zonal Offices			
Sl. No.	Zone/Location of Zonal Office/ Project Offices/States & UTs under the jurisdiction of Zonal Offices	Address	Telephone Numbers	Fax / E-mail
1.	Southern Zone Hyderabad Andhra Pradesh, Kerala, Pondicherry & Tamil Nadu	Shivramapally Post NPA, Near Aramghar, National Highway No. 7, Hyderabad-500052	24014034 24014420 24016023 24018587	Fax : 040-24014235, E-mail : zmhyderabad@recl.nic.in
2.	Eastern Zone Kolkata West Bengal, North-Eastern States, Andaman & Nicobar Islands, Sikkim and Jharkhand	ICMARD Building, 7th Floor, Block 14/2, CIT Scheme-VIII (M), Ultadanga Kolkata-700067	23566989 23567017 23567018	Fax : 033-23566991 E-mail : zmkolkata@recl.nic.in
3.	East Central Zone Lucknow Bihar, Uttaranchal, Uttar Pradesh	19/8, Indira Nagar Extension, Ring Road, Lucknow-226016	2716324 2716446 2717376	Fax : 0522-2716815 E-mail : recuppo@yahoo.co.in : zmlucknow@recl.nic.in
4.	Western Zone Mumbai Maharashtra, Karnataka, Goa, Daman & Diu, Gujarat, Dadara & Nagar Haveli	51-B, Mittal Tower, 5th Floor, Nariman Point Mumbai-400021	22831004 22830985 22833055	Fax : 022-22831004 E-mail : zmmumbai@recl.nic.in
5.	Northern Zone New Delhi Haryana, Delhi, Rajasthan, Jammu & Kashmir, Punjab, Himachal Pradesh	Core- 4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003	41020101	Fax : 011-24360644 E-mail : reccorp@recl.nic.in
6.	Central Zone Jabalpur Madhya Pradesh, Chattisgarh, Orissa	JDA Building, Madan Mahal, Nagpur Road, Jabalpur-482001	2424696 2423994	Fax : 0761-2671124 E-mail : reccentralzone@yahoo.com : zmjabalpur@recl.nic.in
	Project Office			
1.	Andhra Pradesh	Shivramapally Post NPA, Near Aramghar, National Highway No. 7, Hyderabad-500052	24014034 24014420 24016023 24018587	Fax : 040-24014235, E-mail : zmhyderabad@recl.nic.in
2.	Assam, Nagaland, Arunachal Pradesh	“SRADDHA” M.G. Road-G.S. Road Crossing(SOHUM/ HDFC Point) Christian Basti, Guwahati-781005	2343712 2343713	Fax : 0361-2343712 E-mail : cpmpeg@sify.com : poguwahati@recl.nic.in
3.	Bihar	‘Maurya Lok’ Complex Block-C, 4th Floor, New Dak Bangalow Road, Patna- 800001	2221131 2224596 2520023 (R)	Fax : 0612-2224596 E-mail : recpatna@yahoo.co.in : popatna@recl.nic.in
4.	Gujarat, Dadara & Nagar Haveli	Plot No. 585, T.P Scheme No.2, Behind Pusti Complex, Opp. VMC Ward Office, Atma Jyoti Ashram Road, Subhanpura, Vadodara-390023	2386760 2397487 2252473 (R)	Fax : 0265-2397652 E-mail : recbaroda@gmail.com : recvadodara@gmail.com : povadodara@recl.nic.in

Sl. No.	State/Union	Address	Telephone numbers	Fax / E-mail
1	2	3	4	5
5.	Haryana, Delhi and Chandigarh	BAY No.7-8, Sector-2 Panchkula-134112	2563864 2563863 2563822 2580477 2580476 4621148 (R) ^{ZM} 2583072 (R) ^{CPM}	Fax : 0172-2567692 E-mail : popanchkula@recl.nic.in : zmpanchkula@recl.nic.in
6.	Himachal Pradesh	Pt. Padamdev Commercial, Complex, Phase-II, First Floor, The Ridge, Shimla-171001	2653411 2804077	Fax : 0177-2804077 E-mail : poshimla@recl.nic.in
7.	Jammu & Kashmir	157-A, Gandhi Nagar, Behind Apsara Cinema, Jammu-180004	2450868 2566701 (R)	Fax : 0191-2450868 E-mail : pojammu@recl.nic.in
8.	Karnataka	No. 1/5, Ulsore Road, Bangalore-560042	25598244 25598243	Fax : 080-25598243 E-mail : pobangalore@recl.nic.in : ruralblr_cpm@dataone.in
9.	Kerala and Lakshadweep	'O'-5, 4th Floor, "Saphallyam" Commercial Complex TRIDA Building Palayam, Thiruvananthapuram-695034	2328662 2328579	Fax : 0471-2328579 E-mail : tvmrec@dataone.in : recpotvm@dataone.in : potrivandrum@recl.nic.in
10.	Madhya Pradesh	JDA Building, Madan Mahal, Nagpur Road, Jabalpur-482001	2424696 2423994	Fax : 0761-2671124 E-mail : reccentralzone@yahoo.com
11.	Maharashtra, Goa Daman & Diu	51-B, Mittal Tower,5th Floor, Nariman Point, Mumbai-400021	22831004 22830985 22833055	Fax : 022-22831004 E-mail : zmmumbai@recl.nic.in
12.	Meghalaya, Manipur & Mizoram	Rinadee Old Jowai Road Lachumire, Shillong-793001	2210190 2225687 2536860 (R)	Fax : 0364-2225687 E-mail : poshillong@recl.nic.in
13.	Orissa	Deen Dayal Bhawan Fifth Floor, Ashok Nagar, Janpath, Bhubaneswar-751009	2536649 2393206	Fax : 0674-2536669 E-mail : repobbsr@yahoo.co.in : pobhubaneswar@recl.nic.in
14.	Rajasthan	J-4-A, Jhalana Dungari, Institutional Area, Jaipur-302004	2706986 2707840 2700161 2700162	Fax : 0141-2706986 E-mail : pojairpur@recl.nic.in
15.	Tamil Nadu & Pondicherry	No. 12 & 13 T.N.H.B. Complex, Luz Church Road, 180 (Luz Corner) Mylapore, Chennai-600004	24672376 24987960 24671196	Fax : 044-24670595 E-mail : pochennai@recl.nic.in
16.	Uttar Pradesh	19/8, Indira Nagar Extension, Ring Road, Lucknow-226016	2716324 2717376 2716446	Fax : 0522-2716815 E-mail : recuppo@yahoo.co.in : zmlucknow@recl.nic.in
17.	West Bengal, Tripura, Sikkim, A & N Islands	ICMARD Building, 7th Floor, Block 14/2, CIT Scheme-VIII (M), Ultadanga, Kolkata-700067	23566989 23567017 23567018	Fax : 033-23566991 E-mail : zmkolkata@recl.nic.in
Training Centre				
	Central Institute for Rural Electrification (CIRE)	Shivrampally, Post NPA, Near Aramghar, National Highway No. 7 Hyderabad-500052	24017252(H) 24018583 24015901	Fax : 040-24015896 E-mail : cire@recl.nic.in
Sub Office				
	Bihar	A-101 & D-104, Om Shree Enclave, Near Loyola School, Airport Road, HINOO, Ranchi-834002	0651-2253123 9431129476	Fax : 0651-2253123 E-mail : rec_ranchi@yahoo.com : soranchi@recl.nic.in



RURAL ELECTRIFICATION CORPORATION LIMITED
Regd. Office: Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003

PROXY FORM

DP ID No.

Client ID No.

No. of share held

* Regd. Folio No.

I/We s/o.....in the district of being a member/members of Rural Electrification Corporation Limited, hereby appointof as my/our proxy to attend and vote for me/us and on my/our behalf at the 40th Annual General Meeting of the Company to be held at 11.00 a.m. on Saturday, the 19th Day of September 2009, and at any adjournment thereof.

Signed this Day of, 2009.

(Signature)

Affix revenue stamp of appropriate value

* Applicable for investors holding shares in Physical Form.

Note: The Proxy form duly completed and signed should be deposited at the registered office of the Company, not later than 48 hours before the commencement of the Annual General Meeting.



RURAL ELECTRIFICATION CORPORATION LIMITED
Regd. Office: Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003

ATTENDANCE SLIP

Member or their proxies are requested to present this form for admission, duly signed in accordance with their specimen signature registered with the Company.

NAME OF ATTENDING PERSON (IN BLOCK LETTERS) :

* Regd. Folio no. :

No. of Shares held :

DP ID No. _____

Client ID No. _____

I HEREBY RECORD MY PRESENCE AT THE 40TH ANNUAL GENERAL MEETING OF THE COMPANY BEING HELD ON SATURDAY THE 19TH DAY OF SEPTEMBER, 2009 AT 11.00 A.M. AT AIR FORCE AUDITORIUM, SUBROTO PARK, DHAULA KUAN, NEW DELHI-110010.

Please (√) in the box

Member Proxy

Member's / Proxy's Signature

* Applicable for investors holding shares in Physical Form.





आरईसी
REC

असीमित ऊर्जा, अनन्त संभावनाएं
Endless energy. Infinite possibilities.

Rural Electrification Corporation Limited

(A Government of India Enterprise)

Core-4, SCOPE Complex, 7 Lodhi Road
New Delhi-110 003, Tel. : 24365161
Fax: 24360644, E-mail: reccorp@recl.nic.in.
Website: www.recindia.nic.in

