आरईसी REC
अमोघित ऊर्जा, अनन्त संभावनाएं
Endless energy. Infinite possibilities.

आर ई सी लिमिटेड | REC Limited
(Formerly Rural Electrification Corporation Limited)
(भारत सरकार का उद्यम) / (A Government of India Enterprise)
Regd. Office: Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi 110 003
Tel: +91-11-4309 1500 | Fax: +91-11-2436 0644 | Website: www.recindia.com
CIN : L40101DL1969GOI005095 | GST No.: 07AAACR4512R1Z3

स्वच्छ भारत
एक कदम स्वच्छता की ओर

**SEC-1/187(2)/2019/ 223** **Dated: August 2, 2019**

| | |
|---|---|
| **Listing Department,**<br>National Stock Exchange of India Limited<br>Exchange Plaza, Bandra Kurla Complex,<br>Bandra (East),<br>**Mumbai – 400 051.** | **Corporate Relationship Department**<br>BSE Limited<br>1st Floor, Phiroze Jeejeebhoy Towers<br>Dalal Street, Fort,<br>**Mumbai – 400 001.** |
| **Scrip Code-- RECLTD** | **Scrip Code—532955** |

**Sub: 50th Annual Report of REC Limited for the Financial Year 2018-19.**

Dear Sir(s),

In pursuance of Regulation 34(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and continuation of our letter dated July 24, 2019 regarding convening of 50thAnnual General Meeting of the Company, please find attached a copy of Annual Report of REC Limited for the Financial Year 2018-19, *inter-alia* containing the Notice of 50th AGM alongwith Attendance Slip & Proxy Form, of the Company.

The Annual Report is also hosted on Company's website at www.recindia.com.

This is for your kind information and records.

Thanking you,

Yours faithfully,

**(J.S. Amitabh)**
**Executive Director & Company Secretary**

Encl: As above

आरईसी
REC
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Endless energy. Infinite possibilities.



# Annual Report 2018-19

50 YEARS
1969-2019

## GLORIOUS PAST, INSPIRING FUTURE

# MISSION/VISION & OBJECTIVES

## MISSION/VISION

(i) To facilitate availability of electricity for accelerated growth and for enrichment of quality of life of rural and urban population.

(ii) To act as a competitive, client-friendly and development oriented organization for financing and promoting projects covering power generation, power conservation, power transmission and power distribution network in the country.

## OBJECTIVES

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

1. To promote and finance projects aimed at integrated system improvement, power generation, promotion of decentralized and non-conventional energy sources, energy conservation, renovation and maintenance, power distribution with focus on pumpset energisation, implementation of Deendayal Upadhyaya Gram Jyoti Yojana, a Government of India scheme.

2. To expand and diversify into other related areas and activities like financing of decentralized power generation projects, use of new and renewable energy sources, consultancy services, transmission, sub-transmission and distribution systems, renovation, modernization & maintenance etc. for optimization of reliability of power supply to rural and urban areas including remote, hill, desert, tribal, riverine and other difficult/remote areas.

3. To mobilize funds from various sources including raising of funds from domestic and international agencies and sanction loans to the State Electricity Boards, Power Utilities, State Governments, Rural Electric Cooperatives, Non-Government Organizations (NGOs) and private power developers.

4. To optimize the rate of economic and financial returns for its operations while fulfilling the corporate goals *viz.* (i) laying of power infrastructure; (ii) power load development; (iii) rapid socio-economic development of rural and urban areas; and (iv) technology up-gradation.

5. To ensure client satisfaction and safeguard customers' interests through mutual trust and self respect within the organization as well as with business partners by effecting continuous improvement in operations and providing the requisite services.

6. To assist State Electricity Boards/Power Utilities/State Governments, Rural Electric Cooperatives and other loanees by providing technical guidance, consultancy services and training facilities for formulation of economically and financially viable schemes and for accelerating the growth of rural and urban India.

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# COMPANY INFORMATION

## Board of Directors

**Shri Ajeet Kumar Agarwal**
Chairman & Managing Director
(Additional Charge) and Director (Finance)

**Smt. Asha Swarup**
Part time Non-Official Independent Director

**Dr. Bhagvat Kisanrao Karad**
Part time Non-Official Independent Director

**Shri Sanjeev Kumar Gupta**
Director (Technical)

**Shri Aravamudan Krishna Kumar**
Part time Non-Official Independent Director

**Shri Praveen Kumar Singh**
Nominee Director
(Power Finance Corporation Limited)

**Dr. Arun Kumar Verma**
Government Nominee Director

**Professor T. T. Ram Mohan**
Part time Non-Official Independent Director

### Chief Vigilance officer
Dr. Sunita Singh

### Company Secretary
Shri J. S. Amitabh

### Registered & Corporate Office
Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003, India.
Tel: 011-24365161, Fax: 011-24360644
E-mail: complianceofficer@recl.in Website: www.recindia.com
CIN: L40101DL1969GOI005095

### Shares listed at
National Stock Exchange of India Limited
BSE Limited

### Depositories
National Securities Depository Limited
Central Depository Services (India) Limited

### Statutory Auditors
G.S. Mathur & Co., Chartered Accountants
A.R. & Co., Chartered Accountants

### Secretarial Auditor
Chandrasekaran Associates,
Company Secretaries

### Holding Company
Power Finance Corporation Limited

### Wholly Owned Subsidiaries of REC
REC Transmission Projects Company Limited (RECTPCL)
REC Power Distribution Company Limited (RECPDCL)

### Wholly Owned Subsidiaries of RECTPCL
Dinchang Transmission Limited
Koderma Transmission Limited
Mandar Transmission Limited
Udupi Kasargode Transmission Limited
Rampur Sambhal Transco Limited
Jam Khambaliya Transco Limited
Lakadia Banaskantha Transco Limited
Chandil Transmission Limited
Dumka Transmission Limited
Bhind Guna Transmission Limited
Ajmer Phagi Transco Limited
Khetri Transco Limited
WRSS XXI (A) Transco Limited

### Bankers
Axis Bank
Corporation Bank
Dena Bank (now Bank of Baroda )
HDFC Bank
ICICI Bank
IDBI Bank
IndusInd Bank
Yes Bank
Reserve Bank of India
State Bank of India
Vijaya Bank

### Registrar & Share Transfer Agent (For Equity & Debt Securities)
Karvy Fintech Private Limited (formerly Karvy Computershare Private Limited)
Karvy Selenium Tower-B, Plot 31-32, Gachibowli Financial District,
Nanakramguda, Hyderabad-500032, India.
Toll Free No. : 1800-345-4001
Tel. : 040-67162222 | Fax : 040-23001153
E-mail : einward.ris@karvy.com | Website : www.karvyfintech.com

### Registrar & Share Transfer Agent (for Debt Securities)
Beetal Financial & Computer Services (P) Limited,
Beetal House, 3rd Floor, 99 Madangir,
Behind Local Shopping Centre,
Near Dada Harsukhdas Mandir, New Delhi-110062
Tel. : 011-29961281-83 | Fax : 011-29961284
E-mail : recbonds@gmail.com; beetel@beetelfinancial.com

# BOARD OF DIRECTORS



**SHRI AJEET KUMAR AGARWAL**
CMD (Additional Charge) & Director (Finance)



**SHRI SANJEEV KUMAR GUPTA**
Director (Technical)



**DR. ARUN KUMAR VERMA**
Government Nominee Director



**SMT. ASHA SWARUP**
Part time Non-Official
Independent Director



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



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



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



**SHRI PRAVEEN KUMAR SINGH**
Nominee Director (PFC)

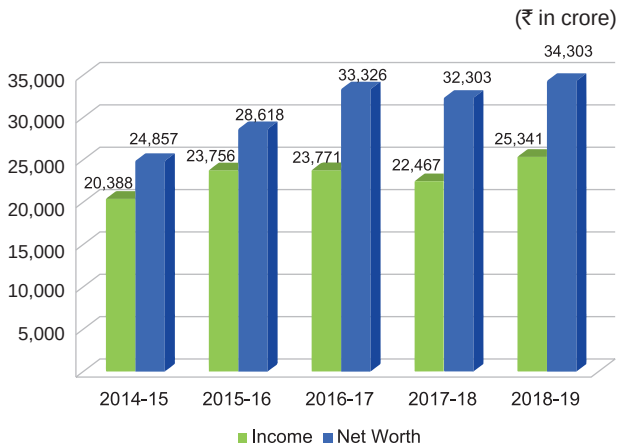
# PERFORMANCE HIGHLIGHTS

## CONSISTENT GROWTH OVER 10 YEARS

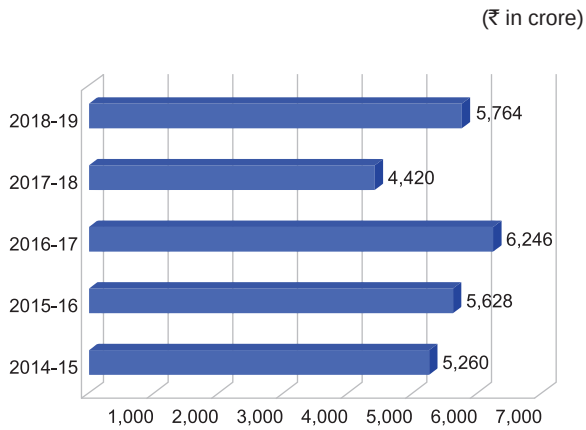
| Particulars | 2018-19 | 2017-18 | 2016-17 | 2015-16 | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 | 2009-10 |
|---|---|---|---|---|---|---|---|---|---|---|
| **SHAREHOLDERS' FUND** | | | | | | | | | | |
| (at the end of the year) (₹ in crore) | | | | | | | | | | |
| Equity Share Capital | **1974.92** | 1974.92 | 1974.92 | 987.46 | 987.46 | 987.46 | 987.46 | 987.46 | 987.46 | 987.46 |
| Other Equity / Reserves & Surplus | **32328.02** | 30328.23 | 31350.67 | 27630.30 | 23869.57 | 19682.00 | 16466.92 | 13575.58 | 11801.16 | 10092.88 |
| **Net Worth** | **34302.94** | 32303.15 | 33325.59 | 28617.76 | 24857.03 | 20669.46 | 17454.38 | 14563.04 | 12788.62 | 11080.34 |
| **BORROWINGS** (₹ in crore) | | | | | | | | | | |
| From Government of India | **5000.00** | - | - | - | 3.07 | 7.93 | 15.14 | 24.64 | 36.13 | 49.42 |
| Bonds/Debentures | **171803.83** | 165334.89 | 145686.84 | 139732.73 | 124683.85 | 102806.71 | 85249.04 | 71372.20 | 51208.53 | 40857.14 |
| From Financial Institutions | **1200** | 400 | 750 | 1100 | 1450 | 2995 | 4020 | 4370 | 4720 | 4070 |
| Foreign Currency Borrowings | **31368.12** | 27530.08 | 21080.55 | 21923.72 | 24028.20 | 17621.15 | 15238.19 | 10698.09 | 7605.90 | 2076.37 |
| Term Loans from Banks | **18550.00** | - | - | - | 125.00 | 269.40 | 788.80 | 1091.54 | 6469.14 | 5811.43 |
| Commercial Papers | **7975.00** | 3250.00 | - | 5600.00 | - | 2540.00 | 980.00 | - | - | 2450.00 |
| Short-Term/Demand Loans/Others | **3389.50** | 2276.54 | - | 749.93 | 734.00 | - | 1500.00 | 2500.00 | - | 630.00 |
| **Total** | **239286.45** | 198791.51 | 167517.39 | 169106.38 | 151024.12 | 126240.19 | 107791.17 | 90056.47 | 70039.70 | 55944.36 |
| Fund Mobilization | **69383.22** | 51164.89 | 28495.18 | 31254.92 | 41189.82 | 36934.37 | 30759.16 | 29709.36 | 25855.35 | 24028.24 |
| **FINANCING OPERATIONS** (During the year) (₹ in crore) | | | | | | | | | | |
| Number of projects approved | **914** | 895 | 997 | 625 | 609 | 1035 | 1031 | 1091 | 658 | 492 |
| Financial assistance sanctioned | **115957.35** | 107534.05 | 83870.82 | 65471.10 | 61421.37 | 70739.48 | 79470.49 | 51296.77 | 66419.98 | 45357.36 |
| Disbursements | **91827.56** | 72281.19 | 66076.15 | 50630.81 | 46446.82 | 37969.99 | 40183.06 | 30593.30 | 28517.11 | 27127.14 |
| Repayments by borrowers | **30405.09** | 24191.82 | 57388.24 | 24394.48 | 11812.63 | 14260.45 | 13345.92 | 8119.69 | 8772.58 | 5806.54 |
| Outstanding at the end of the year | **281209.68** | 239449.34 | 201928.68 | 201278.29 | 179646.94 | 148641.10 | 127355.52 | 101426.26 | 81725.45 | 65978.75 |
| **ACHIEVEMENTS** (in Nos.) | | | | | | | | | | |
| **Electrification of un-electrified villages** | | | | | | | | | | |
| During the year | **1515** | 3736 | 6015 | 7108 | 1405 | 1197 | 2587 | 7934 | 18306 | 18374 |
| Upto end of the year | **127410** | 125895 | 122159 | 116144 | 109524 | 108280 | 107083 | 104496 | 96562 | 78256 |
| **Release of free Electricity Connections to BPL Households and other than BPL** | | | | | | | | | | |
| During the year | **22239037** | 5041996 | 2242763 | 1439144 | 759377 | 961730 | 1296541 | 3444902 | 5883355 | 4718468 |
| Upto end of the year | **52749233** | 30510196 | 25468200 | 23225437 | 21833995 | 21683554 | 20721824 | 19425283 | 15980381 | 10097026 |
| **WORKING RESULTS** (₹ in crore) | | | | | | | | | | |
| Total Income | **25341.16** | 22467.35 | 23770.58 | 23756.28 | 20388.05 | 17120.80 | 13598.67 | 10509.07 | 8495.26 | 6707.60 |
| Finance Costs including Net exchange loss, Fees & Commission Expenses | **16197.11** | 13381.06 | 13450.35 | 14283.12 | 11844.61 | 10038.46 | 8083.76 | 6431.35 | 4851.01 | 3912.85 |
| Provisions and Contingencies / Impairment on financial instruments | **240.33** | 2297.12 | 1109.47 | 1089.85 | 802.96 | 312.02 | 130.68 | 52.27 | 0.22 | 0.22 |
| Net loss on fair value changes | **348.52** | 573.37 | - | - | - | - | - | - | - | - |
| Other Expenses | **447.53** | 326.00 | 345.02 | 332.65 | 306.68 | 234.99 | 216.53 | 229.32 | 164.72 | 145.27 |
| Depreciation | **7.17** | 5.65 | 5.04 | 5.45 | 6.76 | 4.21 | 3.75 | 3.27 | 3.03 | 2.15 |
| Profit Before Tax | **8100.50** | 5884.15 | 8860.70 | 8045.21 | 7427.04 | 6531.12 | 5163.95 | 3792.86 | 3476.28 | 2647.11 |
| Provision for Taxation/ Tax Expenses | **2336.78** | 1464.26 | 2614.94 | 2417.55 | 2167.17 | 1847.42 | 1346.33 | 975.83 | 906.35 | 645.69 |
| Profit After Tax | **5763.72** | 4419.89 | 6245.76 | 5627.66 | 5259.87 | 4683.70 | 3817.62 | 2817.03 | 2569.93 | 2001.42 |
| Other Comprehensive Income for the Period | **(60.54)** | 4.24 | - | - | - | - | - | - | - | - |
| Total Comprehensive Income | **5703.18** | 4424.13 | - | - | - | - | - | - | - | - |
| Dividend on Equity | **2172.41** | 1807.05 | 1905.80 | 1688.55 | 1056.58 | 938.09 | 814.65 | 740.59 | 740.59 | 603.21 |

*Financial figures for financial year 2017-18 and 2018-19 have been prepared as per Ind-AS and figures for prior years have been prepared as per IGAAP.*

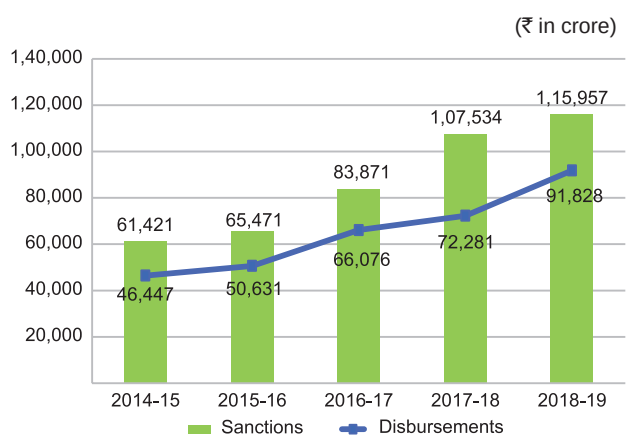
## PERFORMANCE GROWTH



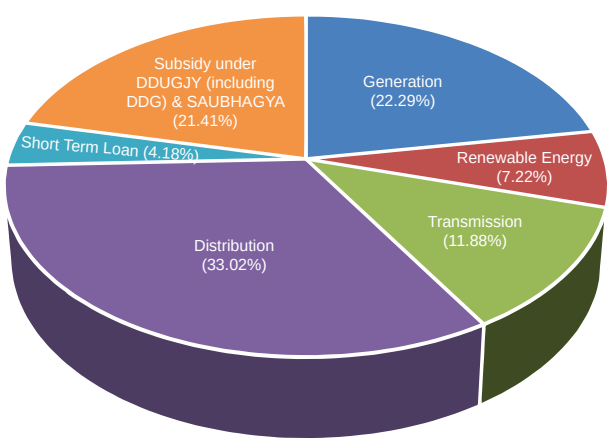

## PROFIT AFTER TAX



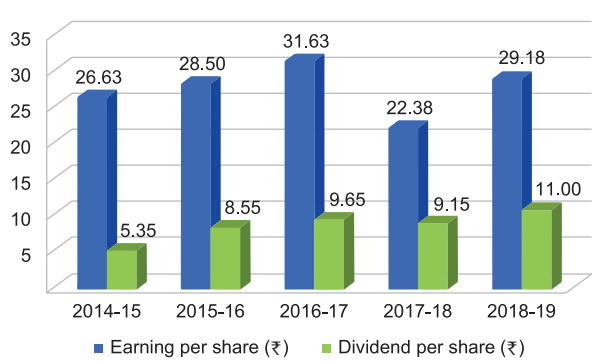

## GROWTH IN SANCTIONS & DISBURSEMENTS



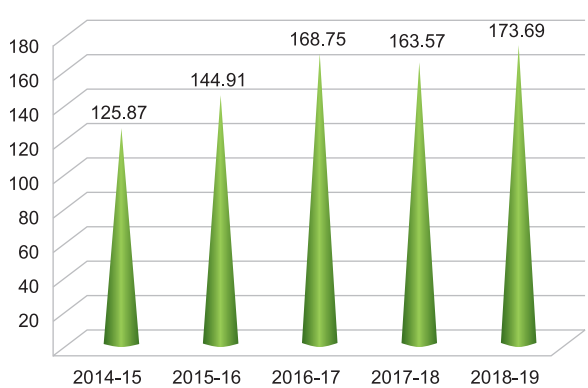

## SECTOR-WISE DISBURSEMENTS DURING FY 2018-19




## EPS vs. DIVIDEND




## BOOK VALUE PER SHARE (₹)




*Financial figures for financial year 2017-18 and 2018-19 have been prepared as per Ind-AS and figures for prior years have been prepared as per IGAAP.*
*Figures for EPS, Dividend and Book Value for the previous years adjusted in line with issue of Bonus shares in the ratio 1:1 by REC during the financial year 2016-17.*

# CHAIRMAN'S MESSAGE



**Dear Shareholders,**

It is my privilege to present the 50th Annual Report of the Company, marking the Golden Jubilee year of REC. Established in 1969 for energization of agricultural pumpsets to support the green revolution of early seventies, REC has come a long way in the service of the nation by supporting electrification of all villages and millions of households in the country. The Company is a premier financial institution financing all needs of the power sector in India across the value chain. As REC completes its 50th year, its Golden Jubilee logo aptly reads as "***Glorious Past, Inspiring Future***", capturing the essence of its journey so far and the path ahead.

In the last five decades, REC has built a strong presence in financing generation, transmission & distribution projects across India, thus evolving as a key player in the country's power-sector landscape. REC is currently focussing on financing renewable energy projects; and is also supporting various flagship programmes of the Ministry of Power, such as the Deendayal Upadhyaya Gram Jyoti Yojana, Ujwal DISCOM Assurance Yojana and most notably, Pradhan Mantri Sahaj Bijli Har Ghar Yojana or '*Saubhagya*', which has brought electricity in millions of homes of the country for the first time. I hope, with utmost sincerity, that the coming years will see REC scaling greater heights in making India both energy sufficient and energy efficient.

## BUSINESS ENVIRONMENT

The global economy continues to expand, but the expansion has weakened significantly in the second half of 2018 owing to escalation of US-China trade tensions, disruptions in auto sector in Germany, tighter credit policies in China, weakening financial market sentiment and trade policy uncertainty, alongside normalization of monetary policy in larger advanced economies. The global economy, which a year ago was projected to grow at 3.9% in 2019, is now projected to grow at 3.3% in the current year.

Crude oil prices have also been volatile since last August, reflecting supply influences, including the US policy on Iranian oil exports and more recently, fears of softening global demand. Prices of metals and agricultural commodities have softened slightly since August 2018, in part due to subdued demand from China. Consumer price inflation has generally remained contained in the recent months in the advanced economies, but has inched up in the United States where above-trend growth continues.

In the backdrop of global economic conditions, India continues to be the fastest growing major economy in the world. The Indian economy stands 6th largest in the world, up from 11th position five years ago. In terms of purchasing power parity, India is already the world's 3rd largest economy, next to China and USA. The IMF, World Bank and RBI have predicted India's growth forecast for the financial year 2019-20 at 7.3%, 7.5% and 7.0% respectively. Further, Bloomberg has forecasted an expansion of 7.6% for the GDP of India in fiscal 2020. In fact, with the improvement in economic scenario and investments in various sectors, India is expected to become a 5 trillion dollar economy by the year 2024-25.

The global power sector scenario is also undergoing a significant change, with renewables gaining share as the primary source of energy substituting coal, nuclear and hydro power. It is expected that by 2040, the share of renewables would surpass the share of coal in the global energy mix. This would consistently reduce the world's dependence on fossil fuels. Further, the market share of Electric-vehicles is also growing rapidly. India has the potential to become a hub of manufacturing E-vehicles in the near future, thereby generating employment and growth opportunities.

## POWER SECTOR SCENARIO

India is the 3rd largest producer and also 3rd largest consumer of electricity in the world. India is also the fastest growing energy market in the world. As on March 31, 2019, the installed generation capacity of the country stood at 356 GW. The country's investment in the energy sector grew at a rate of 12% in 2018, which, according to the International Energy Agency, is the highest growth rate compared to any other country. The Renewable Energy potential of India at 900 GW is also huge, which includes 750 GW of Solar Power, 102 GW of Wind Power, 20 GW of Small Hydro Power and 25 GW of Bio-Energy. The Government of India has given priority to the development of Renewable Energy sector through various policies and programmes, including the target of 175 GW of renewable energy capacity by 2022 and plans to shift completely to E-vehicles by 2030.

India's power sector is one of the most diversified in the world, with power sources ranging from coal, lignite, natural gas, oil, hydro and nuclear power in the conventional energy category, to wind, solar, small hydro, agricultural & domestic waste in the viable non-conventional category. The generation mix of the country is witnessing an increased penetration of renewables. Further, sustained economic growth and the Government's focus on attaining 'Power for All' are also driving the power demand in the country. In the last few years, the Government has brought in important changes in the policy framework of the power sector, such as issue of draft amendment to the Electricity Act, launch of various consumer-centric initiatives, efforts to turn around debt-ridden DISCOMs and lowering of operational costs of conventional power plants, while trying to achieve the country's climate change goal of becoming a low carbon economy. The Government's key initiatives for power sector include '24X7 Power for All' by 2019, DDUGJY, SAUBHAGYA, UDAY, IPDS, Implementation of Outage Management System, 11 kV Rural Feeder Management System, Development of National Power Portal and steps to resolve the Stressed Assets in the sector, to name a few.

One of the major developments in the recent times has been the Government's universal household electrification programme. In April 2018, the Government achieved 100% electrification of all inhabited census villages in the country. This was followed by 100% electrification of all willing households in all States of the country as on March 31, 2019, except for Chhattisgarh, where also over 99% household electrification has been achieved so far. Another major focus area of the Government is energy efficiency. India could very soon become the world's first country to use LEDs for all its lighting needs, thereby saving ₹40,000 crore on an annual basis.

While the present business environment promises a bright future for the power sector, there are also risks and concerns on the horizon such as rising NPAs, prevailing exposure norms, poor financial position of some DISCOMs, limited fuel availability, entry of new players in the market, rising competition from banks & multilateral agencies, fluctuation in rupee and no likely addition of conventional generation capacity in the next five years. General economic conditions may also have a direct bearing on the viability of power projects, which may affect the capacity of the borrowers to service their loans. These risks are being addressed by the Government through various policy changes. REC too, is making its best efforts to foresee, assess and mitigate such risks associated with the business environment in which it operates. The Company is committed to raising of resources at a low cost and ensuring their deployment in avenues offering the best returns, in order to achieve sustainable growth, profitability and the best interest of all stakeholders.

## FLAGSHIP GOVERNMENT PROGRAMMES

REC is proud to be associated with various flagship programs of the Ministry of Power, Government of India, which are contributing immensely towards the development of the power sector and improvement of economic conditions of the country.

The Hon'ble Prime Minister of India, in his address to the nation on August 15, 2015 i.e., Independence Day, had announced that all 18,452 remaining Un-Electrified (UE) villages in the country would be electrified within 1000 days. The Ministry of Power had fast-tracked the electrification of all UE villages on priority mode; and had assigned the coordination and monitoring of electrification works to REC. To support this initiative, REC had devised a rigorous intensive monitoring mechanism, under which the entire village electrification process was divided into 12 milestones. Further, REC had developed an online web-portal *viz*. 'GARV App' for transparent and accountable monitoring of the village electrification works. The Company had also appointed young electrical engineers *viz*. *Gram Vidyut Abhiyantas* at block and district level, for successful and fast completion of the assigned task. With closely coordinated and focused efforts, 100% electrification was achieved in all inhabited census villages of the country on the historic day of April 28, 2018.

After village electrification, household electrification became a key focus area of the Government. REC is the Nodal Agency for Pradhan Mantri Sahaj Bijli Har Ghar Yojana i.e. 'Saubhagya' scheme for universal household electrification, launched by the Government in financial year 2017-18 for providing last mile connectivity and electricity connections to all households in rural and urban areas, with free electricity connections to all households in rural areas and poor families in urban areas. As the Nodal Agency, REC is supporting the Ministry of Power, State Governments and the implementing agencies in planning, facilitation, coordination, capacity development, monitoring and reporting etc., to ensure timely completion of the programme. REC has developed a dedicated web portal (Saubhagya) for dissemination of real-time information about the progress of household electrification works. The Company has also deployed Gram Vidyut Abhiyantas at areas where major un-electrified households remain.

Further, REC is the Nodal Agency for Deendayal Upadhyaya Gram Jyoti Yojana i.e., DDUGJY, a flagship scheme of the Government of India launched in financial year 2014-15, covering all aspects of rural power distribution, facilitating towards achievement of '24x7 Power for All' in rural areas of the country through defined project components. REC is also supporting the Ministry of Power for implementation of Ujwal DISCOM Assurance Yojana i.e., UDAY scheme launched in financial year 2015-16 for financial turnaround and revival of Power DISCOMs in the country. REC has developed a state-of-the-art web portal and an online App for monitoring the performance of DISCOMs, which has resulted in transparency and accountability. Further, REC has been coordinating various review meetings etc. with each State/DISCOM. With the implementation of UDAY, significant positive results have started to emerge for DISCOMs of the country.

## OPERATIONAL PERFORMANCE

REC is engaged in the financing of projects & schemes of power generation (conventional and renewable energy), transmission & distribution, rural electrification, system improvement, renovation and modernization of power plants etc. in both public and private sectors. REC's key products include Long Term Loans, Medium Term Loans, Short Terms Loans etc. for the entire power sector value chain. In addition, REC also acts as Nodal Agency or supports the Ministry of Power in various flagship Government schemes for the power sector, such as DDUGJY, SAUBHAGYA, UDAY etc.

During the financial year 2018-19, the Company sanctioned a total loan assistance of ₹115,957.35 crore towards various power sector projects/schemes, which was 7.83% higher than the previous year. The same included ₹41,431.87 crore towards Conventional Generation projects, ₹11,875.20 crore towards Renewable Energy projects, ₹50,610.28 crore towards T&D projects and ₹12,040 crore towards Short Term Loans & Other Loans. It is pertinent to mention that REC's sanctions under the Renewable Energy category were 69% higher than the previous year. A total of 36 Renewable Energy projects were sanctioned during the year, which included 12 solar photo-voltaic projects, 13 wind energy projects, 2 small hydro projects, 1 solar pumpset project consisting of 6,583 No. of pumpsets, 1 solar PV roof-top project, 1 Electric-vehicle project and 6 loans to State DISCOMs for meeting their renewable purchase obligations.

Further, the Company disbursed ₹72,165.43 crore in the financial year 2018-19, which was 16.94% higher than the previous year. The same included ₹19,581.64 crore towards Conventional Generation projects, ₹6,627.76 crore towards Renewable Energy projects, ₹31,364.41 crore towards T&D projects, ₹8,870 crore towards Short Term & Other Loans and ₹5,721.62 crore towards the loan component of various DDUGJY schemes, including Decentralized Distributed Generation (DDG). In addition, grant/subsidy of ₹19,662.13 crore was released to various States/implementing agencies during the financial year 2018-19 under the DDUGJY, SAUBHAGYA and DDG schemes of the Government of India.

## FINANCIAL PERFORMANCE

For the financial year 2018-19, REC's Total Operating Income was ₹25,309.72 crore, which was 12.71% higher than the previous year. Further, the Profit After Tax and Total Comprehensive Income for the year were ₹5,763.72 crore and ₹5,703.18 crore respectively, registering a growth of 30.40% and 28.91% over the previous year.

REC's Gross Loan Asset Book as on March 31, 2019 stood at ₹2,81,209.68 crore and its outstanding borrowings as on the said date were ₹2,39,286.45 crore. The Net Worth of REC as on March 31, 2019 was 6% higher than the last year, at ₹34,302.94 crore. REC's overall weighted average annualized interest rate of borrowings was 7.96% for the funds raised during financial year 2018-19; and 7.76% for the borrowings outstanding as on March 31, 2019. As a result, REC was able to deliver financial assistance at competitive rates.

The domestic debt instruments of REC are rated as "AAA", the highest rating assigned by CRISIL, CARE, India Ratings & Research and ICRA. Further, REC's international credit ratings from Moody's and FITCH are "Baa3" and "BBB-" respectively.

The Company's Credit Impaired Assets (NPAs-Stage III) continue to be at low levels. As on March 31, 2019, the Gross Credit Impaired Assets were ₹20,349 crore, i.e., 7.24% of the Gross Loan Assets; and the Net Credit Impaired Assets (NPAs-Stage III) were ₹10,650 crore, i.e., 3.79% of the Net Loan Assets. REC continues to take various measures to maintain the quality of its assets and minimize its NPAs.

## DIVIDEND

The Board of Directors of REC had declared an interim dividend of ₹11/- per equity share of ₹10/- each for the financial year 2018-19, which was paid in March, 2019. The Board has not recommended any final dividend for the year.

Thus, the total dividend for the financial year 2018-19 works out to ₹11/- per equity share of ₹10/- each, representing 110% of the paid-up equity share capital of the Company, as against the total dividend of ₹9.15 per equity share of ₹10/- each paid last year, representing 91.50% of the paid-up equity share capital.

## CAPITAL STRUCTURE

As on March 31, 2019, the Authorized Share Capital of the Company was ₹5,000 crore consisting of 500,00,00,000 equity shares of ₹10/- each; and the Issued & Paid up Share Capital of the Company was ₹1,974.92 crore consisting of 197,49,18,000 equity shares of ₹10/- each.

At the beginning of the financial year 2018-19, the President of India held 58.32% equity stake in the Company comprising of 1,15,16,78,783 equity shares of ₹10/- each. During the year, the President of India acting through the Ministry of Power, Government of India divested/sold 64,73,244 equity shares (0.33% equity stake) in June 2018 through an off-market sale of shares under Bharat 22 Exchange Traded Fund, followed by another divestment/sale of 10,14,70,139 equity shares (5.14% equity stake) in December 2018 under the 3rd Further Fund Offer of CPSE ETF Mutual Fund Scheme; and another divestment/sale of 43,36,057 equity shares (0.22% equity stake) in February 2019 to ICICI Prudential Asset Management Company Limited, i.e., the Asset Management Company of Bharat 22 ETF Scheme. As a result, the President of India's equity stake in REC was reduced to 52.63% as on February 21, 2019.

Further, in line with the "in-principle" approval of the Cabinet Committee on Economic Affairs on December 6, 2018 and subsequently, in terms of the Share Purchase Agreement dated March 20, 2019 entered into between the President of India, acting through the Ministry of Power, Government of India and Power Finance Corporation Limited (PFC), a Government Company, the President of India divested/sold its entire equity stake of 52.63% in REC comprising of 1,03,93,99,343 equity shares of face value of ₹10/- each to PFC on March 28, 2019.

## CHANGE OF NAME TO *"REC LIMITED"*

During the financial year 2018-19, the name of the Company was changed from "Rural Electrification Corporation Limited" to "**REC Limited**". This was done to reflect the remarkable presence of the Company under the well-recognized name of "REC" / "RECL" in financing all segments of the Indian Power Sector i.e., generation, transmission, distribution, renewable energy etc., as against the earlier name, which implied the Company's presence in only rural electrification activities. The fresh certificate of incorporation in this regard was issued by the Registrar of Companies on October 13, 2018.

## POLICY INITIATIVES

The Company regularly adopts or amends its policy framework from time to time, to meet its corporate objectives and to align with market trends and statutory requirements. During the financial year 2018-19, REC adopted / amended various policies including the Policy for Interest Rate Reduction for Conventional Private Sector Borrowers for generation projects; Policy for Renewable Energy Loans; Integrated Rating Guidelines for Entity & Project Appraisal of private sector power projects; Policy for financing of Inter-State Transmission projects in private sector awarded through Tariff Based Competitive Bidding route; Policy on the forms of equity instruments for infusion of promoters' contribution of equity for funding of all categories of power projects; revision in loan sanctioning limits under the Delegation of Powers; modification in the Company's Comprehensive Risk Management Policy and Policy for payment of nominal fee to related party(ies), towards administrative expenses in related party assignments.

Despite the growing competition and dynamic market trends, REC has been able to maintain healthy spreads, thereby achieving the objectives of sustainable growth and profitability.

## HUMAN RESOURCES MANAGEMENT

REC's human resources continue to play a significant role in the journey of this organization of 50 years and beyond. On one hand, the Company focuses on training, capacity building and effective deployment of its human resources for meeting the organizational goals; and on the other hand it strives to create an atmosphere of nurturing and care for the well-being of all its employees, by adopting various welfare-oriented policies. We are proud of our dedicated workforce and their collective contribution towards the success of this organization.

## INFORMATION TECHNOLOGY INITIATIVES

REC gives utmost importance to the use of Information Technology for automation and enhancement of its business operations. Last year, REC became the first CPSE in the country to go paperless, by introducing 'E-office' system in all its offices and subsidiaries. The Company also carried out a comprehensive upgrade of its Business ERP, on which the core business functions run. REC already provides the facility of an online portal to its borrowers for directly submitting loan applications from the public domain. Video conferencing is also extensively used in the Company at various locations, for conduct of review meetings, management meetings, Board Meetings, conferences, interviews, training sessions etc. The Corporate Website and Intranet portals of the Company were also revamped during the year, in order to make them more user-friendly, dynamic and interactive.

Information and data security continue to be key areas of importance for REC. The Company has complied with the IT Security framework prescribed by RBI under the Master Direction of IT Framework for NBFCs. The Primary Data Centre and Disaster Recovery Center of REC are ISO/IEC 27001:2013 certified and comply with the Government's National Cyber Security Policy. REC has also implemented Data Leakage & Prevention system for preventing sharing of confidential and critical information outside its corporate network.

## REC INSTITUTE OF POWER MANAGEMENT AND TRAINING

The Company has a training institute at Hyderabad, namely, REC Institute of Power Management and Training (RECIPMT) which conducts specialized training programs relevant to the power sector. The trainings are imparted to engineers, managers and other staff from various organizations in India and abroad, besides in-house training sessions for the employees of REC. The training topics range from power generation, transmission & distribution, renewable energy, appraisal of power sector projects, etc. to general management, finance, tax and behavioral skills. During the year 2018-19, RECIPMT conducted 255 programmes on various topics and trained 7,397 personnel with 24,821 man-days of training. RECIPMT also coordinated and monitored National Training Programmes for employees of C&D category, sponsored by the Ministry of Power, Government of India.

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

REC's CSR and Sustainable Development initiatives are pursued with a key focus on addressing community, societal and environmental concerns, while co-creating value with local institutions and people. The Company's CSR funds are channelized through 'REC Foundation', a society registered under the Societies Registration Act, 1860. REC Foundation has been recently strengthened with additional manpower and resources for effective management of REC's CSR initiatives. During the financial year 2018-19, the Company sanctioned a total amount of ₹158.72 crore towards various CSR projects in the fields of health care, drinking water and sanitation, skill development, education, environmental sustainability, rural development and community development. The implementation of CSR projects is done in project-mode with baseline survey, specified time-frame, identified milestones, periodic monitoring and impact assessment. The disbursement towards CSR projects is linked with the achievement of pre-defined milestones and deliverables. During the financial year 2018-19, the Company disbursed a total amount of ₹103.39 crore towards various CSR projects.

The Company also observed *Swachhta Pakhwada* during the year, where employees at all office locations undertook special cleanliness drive. Further, the Company organized various *Nukkad Nataks*, interactive sessions etc. for its employees and the general public, for creating awareness about hygiene, sanitation and waste management.

## CORPORATE GOVERNANCE

REC is committed to the highest standards of Corporate Governance. We strive to conduct the business operations in an ethical and responsible manner, within the prevalent regulatory framework, for sustainable value creation for all our stakeholders. As a listed Public-Sector Enterprise, REC complies with all applicable provisions relating to Corporate Governance stipulated under the Companies Act, SEBI (Listing Obligations & Disclosure Requirements) Regulations, DPE Guidelines and other laws.

During the year under review, REC received the prestigious **Golden Peacock Award 2018 for Excellence in Corporate Governance** conferred by the Institute of Directors, at a ceremony held in London.

## MoU RATING AND AWARDS

The performance of the Company in terms of MoU signed with the Ministry of Power for the financial year 2017-18 has been rated as "Very Good". Further, during the year 2018-19, REC has received various awards and recognitions at several prestigious forums including Dalal Street Investment Journal Award for Highest Employee Efficiency Enterprise, Golden Peacock Award 2018 for Corporate Governance, CIMSME Banking Excellence Award, Dun & Bradstreet PSU Award 2018 for Financial Services, Award for Best PSU Issuer on Electronic Bidding Platform of NSE and India Smart Grid Forum Innovation Award 2019 for Best Household Electrification Programme (Saubhagya).

## SUBSIDIARY COMPANIES AND JOINT VENTURES

The Company has two wholly-owned subsidiaries, namely **REC Transmission Projects Company Limited (RECTPCL)** and **REC Power Distribution Company Limited (RECPDCL)**, which provide consultancy services in the areas of transmission & distribution, bid process coordination, transaction advisory services, project implementation and project monitoring etc.

RECTPCL acts as the "Bid Process Coordinator", for selection of Transmission Service Providers through Tariff Based Competitive Bidding process for independent inter-state and intra-state transmission projects, assigned by the Ministry of Power and State Governments from time to time. For each such project, RECTPCL establishes a project specific Special Purpose Vehicle, which is later transferred alongwith all assets & liabilities to the successful bidder. RECTPCL is also handling other assignments under

the guidance of the Ministry of Power, such as Outage Management System, 11 kV Rural Feeder Monitoring Scheme and Tarang i.e., Transmission App for Real Time Monitoring & Growth. During the financial year 2018-19, RECTPCL's Total Revenue and Profit After Tax were ₹40.45 crore and ₹24.60 crore respectively; and its Net Worth as on March 31, 2019 was ₹118.44 crore.

RECPDCL's core business includes preparation of detailed project reports, third party inspection, material inspection and project management consultancy etc. As on March 31, 2019, RECPDCL was working on 96 on-going projects spread in 46 DISCOMs/ Power Departments/Co-operative Societies across 27 States and 4 Union Territories of the country, with estimated aggregate project cost of over ₹80,000 crore. During the financial year 2018-19, RECPDCL's Total Revenue and Profit After Tax were ₹159.77 crore and ₹26.34 crore respectively; and its Net Worth as on March 31, 2019 was ₹155.73 crore.

REC also has a joint venture company namely Energy Efficiency Services Limited (EESL), which is a market leader in the field of energy efficiency. EESL was formed in 2009 alongwith three other power sector PSUs; and REC's equity stake in the same was 21.7% as on March 31, 2019. EESL is a Super Energy Service Company and is also leading the market-related activities of National Mission for Enhanced Energy Efficiency (NMEEE). Further, EESL is implementing the world's largest non-subsidy-based LED lighting programme i.e. UJALA, for distribution of LED bulbs, LED tube lights and energy-efficient fans to domestic consumers. EESL's energy efficient appliances and technologies have saved over 50 billion kilowatt hours of estimated energy for the country annually. During the financial year 2018-19, EESL earned a revenue of ₹1,936 crore and its net profit was ₹95 crore, on a standalone basis.

## THE PATH AHEAD

India's power sector is experiencing a considerable reformation, that has redefined the industry outlook. The Government's proactive efforts suggest impending transition from a fossil-fuel centric system to a more renewable-centric and energy efficient paradigm. The Government has already affirmed its commitment to implementation of the covenants of Paris Agreement and has set a target of 175 GW of renewable energy by 2022. The Sector is also looking forward to the increase in the share of green energy to 40% of the total installed capacity by 2030, push for Electric Mobility, promotion of energy saving devices and adoption of new & emerging energy technologies. Further, India's persistent economic and agricultural growth are driving the country's electricity demand, which should lead to significant investments in the power sector in the coming years.

In addition, the Ministry of Power, Government of India has launched several programmes to transform its vision of '24X7 Power for All' into reality. Incredible work has been done towards achieving 100% electrification of all villages and households in the country. In fact, successful implementation of Saubhagya, with access of electricity in every household, will create huge latent demand for power in the near future.

The increase in power demand will also require robustness in the Transmission & Distribution infrastructure, thereby attracting more investment in underground cabling, smart meters & equipment, AMI / AMR infrastructure and Smart Grid etc., to cater to 24X7 power demand of all consumers. Further, the investment needs for creation of dedicated Green Corridors and new network under the Tariff Based Competitive Bidding route are enormous.

REC offers a wide range of products to finance the diverse needs of the power sector, across the value-chain and throughout the country. With a strong foothold in its present area of operations, REC is poised to enter into new areas of business, such as financing of power equipment manufacturing, debt syndication, fee-based project appraisal for other financial institutions, line of credit for large Renewable Energy projects and storage & charging infrastructure. The Company is committed to harness the emerging business opportunities in the best interests of all its stakeholders.

## FUTURE STRATEGY

Financing of Renewable Energy projects is going to be a key focus area of REC over the next few years. The Company's Green Energy portfolio is consistently growing in terms of both quantity and quality; and is expected to get a further boost with various policy initiatives of the Government, such as the newly announced Hydro Policy, KUSUM scheme, Solar Roof-top programme etc.

Many new avenues of investment are also likely to open up for the Company with the advent of technologies and regulations like smart equipment/meters, E-vehicles, emission control equipment, energy efficient equipment, smart transmission and distribution systems, IT enablement/digitization and installation of pollution control equipment in thermal power plants. Further, the upcoming technology of Energy Storage solutions could also be a turning point for electrification of various basic requirements like cooking, transportation etc.; thus increasing the sectoral market size. Access of electricity to 100% households will also act as a major demand driver.

It is evident that the emerging power ecosystem holds a great potential for REC. The Company is looking to diversify into these areas not just as a funding partner, but also as an implementer or owner of such products / services through its subsidiaries in the impending future. REC is building close professional partnerships with national and international financial institutions and

multilateral development organisations such as KfW, World Bank, Asian Development Bank, International Finance Corporation etc., to raise resources at competitive rates and to adopt global best practices. In the coming years, REC will remain at the forefront of the power sector development in the country and beyond.

## ACKNOWLEDGEMENTS

I take this opportunity to express my sincere gratitude to the Hon'ble Minister of State (Independent Charge) for Power and New & Renewable Energy, the Secretary (Power), Additional Secretaries, Joint Secretaries and other Officials of the Ministry of Power, for their continued support and guidance to the Company. I also thank the officials of NITI Aayog, Ministry of Finance, Ministry of Corporate Affairs, Department of Investment and Public Asset Management, Department of Public Enterprises, Reserve Bank of India, Securities and Exchange Board of India, the Stock Exchanges and the Depositories for their cooperation. I am also grateful to the Comptroller and Auditor General of India, Statutory Auditors, Secretarial Auditors, Registrars and other professionals associated with the Company for their valued contribution. Above all, I wish to thank our investors, lenders and borrowers including State Governments, power utilities and private sector entrepreneurs, for reposing their trust in REC.

I am also grateful to my colleagues on the Board of Directors, for their contribution towards steering the Company on a path of sustainable growth. I am immensely thankful to REC's employees for their untiring efforts in the service of the organization.

Last, but not the least, I convey my heartfelt thanks to all Stakeholders of REC. It is your support and goodwill, which allows us to thrive and grow.

**With warm wishes,**



**Ajeet Kumar Agarwal**
**CMD and Director (Finance)**
**(DIN : 02231613)**

**July 22, 2019**

# NOTICE

Notice is hereby given that the Fiftieth (50th) Annual General Meeting (AGM) of REC Limited ("REC" or "the Company") (CIN: L40101DL1969GOI005095) will be held on **Thursday, August 29, 2019 at 11.00 A.M. at Manekshaw Centre, Parade Road, Delhi Cantonment, New Delhi - 110010**, India to transact the following businesses:-

**ORDINARY BUSINESS**

**Item No. 1 :** To receive, consider, approve and adopt the audited standalone & consolidated financial statements of the Company for the financial year ended March 31, 2019 along with the Reports of the Board of Directors and Auditors thereon.

**Item No. 2 :** To confirm the payment of Interim Dividend for the financial year 2018-19.

**Item No. 3 :** To appoint a Director in place of Shri Ajeet Kumar Agarwal (DIN: 02231613), who retires by rotation and being eligible, offers himself for re-appointment.

**Item No. 4 :** To fix the remuneration of Statutory Auditors for the financial year 2019-20.

**SPECIAL BUSINESS**

**Item No. 5 :** Approval for Private Placement of securities.

To consider and if thought fit, to pass, with or without modification(s), the following resolution(s) as a **Special Resolution:-**

"**RESOLVED THAT** in accordance with the provisions of Section 42 and other applicable provisions, if any, of the Companies Act, 2013 and Rules made thereunder (including any statutory modification(s) or re-enactment thereof, for the time being in force) and any other applicable laws including the SEBI (Issue & Listing of Debt Securities) (Amendment) Notification, 2012 and other applicable SEBI regulations and guidelines, the Circulars / Directions / Guidelines issued by Reserve Bank of India, from time to time, the provisions of the Memorandum and Articles of Association of the Company and subject to the receipt of necessary approvals as may be applicable and such other approvals, permissions and sanctions, as may be necessary, including the approval of any existing lenders / trustees of Debenture Holders, if so required under the terms of agreement / deed and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (the "Board") or any duly constituted Committee of the Board or such other authority as may be approved by the Board, consent of the Company be and is hereby accorded to raise funds through private placement of unsecured/secured non-convertible bonds/debentures upto ₹75,000 crore during a period of one year from the date of passing of this resolution in one or more tranches, to such person or persons, who may or may not be the bond/debenture holders of the Company, as the Board (or any duly constituted Committee of the Board or such other authority as may be approved by the Board) may at its sole discretion decide, including eligible investors (whether residents and/or non-residents and/or institutions/incorporated bodies and/or individuals and/or trustees and/or banks or otherwise, in domestic and/or one or more international markets) including Non-Resident Indians, Foreign Institutional Investors (FIIs), Venture Capital Funds, Foreign Venture Capital Investors, State Industrial Development Corporations, Insurance Companies, Provident Funds, Pension Funds, Development Financial Institutions, Bodies Corporate, companies, private or public or other entities, authorities and to such other persons in one or more combinations thereof through Private Placement in one or more tranches and including the exercise of a green-shoe option (within the overall limit of ₹75,000 crore, as stated above), if any, at such terms as may be determined under the guidelines as may be applicable and on such terms and conditions as may be finalized by the Board or any duly constituted Committee of the Board or such other authority as may be approved by the Board."

"**RESOLVED FURTHER THAT** for the purpose of giving effect to any Private Placement of unsecured/secured non-convertible bonds/debentures, the Board of Directors of the Company (the "Board") or any duly constituted Committee of the Board or such other authority as may be approved by the Board, be and is hereby authorized to determine the terms of the Issue, including the class of investors to whom the bonds/debentures are to be allotted, the number of bonds/debentures to be allotted in each tranche, issue price, tenor, interest rate, premium/discount to the then prevailing market price, amount of issue, discount to issue price to a class of bond/debenture holders, listing, issuing any declaration/undertaking etc. required to be included in the Private Placement Offer Letter and to do and execute all such acts, deeds and things, as may be required under any other regulatory requirement for the time being in force."

**Item No. 6:** Approval for Related Party Transactions proposed to be entered into by the Company.

To consider and if thought fit, to pass, with or without modification(s), the following resolution(s) as an **Ordinary Resolution:-**

**"RESOLVED THAT** pursuant to the provisions of Section 188 and other applicable provisions, if any, of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of the Board and its Powers) Rules, 2014 (including any statutory modification(s)

or re-enactment thereof, for the time being in force) and any other applicable laws/rules under any statute for the time being in force and subject to the approval/consent of such appropriate authorities, consent of the Company be and is hereby accorded for entering into contract(s) or arrangement(s) or transaction(s) to be entered by REC Limited (REC) with Energy Efficiency Services Limited (EESL) or any other associate company(ies) (present or future) of REC, during a period of one year from the date of passing of this Resolution, in the nature of sale/purchase of goods or materials or property of any kind (directly or through an agent), leasing of property of any kind, availing or rendering of services including financial assistance, appointment of manpower, providing of support and other services, from time to time, provided that the cumulative value of contract(s) or arrangement(s) or transaction(s) with such related parties shall not exceed two percent (2%) of the turnover of REC for the immediately preceding financial year, i.e. financial year 2018-19.''

**''RESOLVED FURTHER THAT** the Board of Directors of the Company (the "Board") or any duly constituted Committee of the Board or such other authority as may be approved by the Board be and is hereby authorized to approve the individual contract(s) or arrangement(s) or transaction(s) with EESL or any other associate company(ies) (present or future) of REC within the overall limit of two percent (2%) of the turnover of REC for the financial year 2018-19, including therein the name of the related party and nature of relationship, nature, duration and particulars of the contract or arrangement to be entered with EESL or any other associate company(ies) of REC, material terms of such contract or arrangement *inter-alia* including the value of the contract, advance payment to be made/received, if any, manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract and/or any other matter to be decided in this regard.''

**''RESOLVED FURTHER THAT** the Board of Directors of the Company (including any Committee duly constituted by the Board or any authority as may be authorized by the Board) be and is hereby authorized to do and execute all such acts, deeds and things as may be necessary for giving effect to the above resolution."

**By order of the Board of Directors**
**For REC Limited**



**J.S. Amitabh**
**Executive Director & Company Secretary**
**Membership No.: FCS 4298**

**Place: Core-4, SCOPE Complex,**
**7, Lodhi Road,**
**New Delhi-110003.**

**Date : July 25, 2019**

**NOTES:-**

1. **A member entitled to attend and vote at the Annual General Meeting (AGM) is entitled to appoint a proxy to attend and vote on a poll, if any, instead of himself/herself and such proxy need not be a member of the Company. The Proxy Form duly completed and signed must be received at the registered office of the Company, not less than forty-eight (48) hours before the commencement of the AGM. Blank Attendance Slip, Proxy Form and Route Map of the venue of the meeting is attached and is also available on the Company's website i.e. www.recindia.com.**

   A person can act as a proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent (10%) of the total share capital of the Company. A member holding more than ten percent of the total share capital of the Company may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

2. A Statement setting out the material facts concerning each item of Special Business, pursuant to Section 102(1) of the Companies Act, 2013, is annexed hereto.

3. Brief Resume of the Director seeking re-appointment as required under Regulation 36 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 {SEBI (LODR) Regulations, 2015}, is annexed hereto and forms part of Notice.

4. The Register of Members and Share Transfer Books of the Company will remain closed from **Friday, August 23, 2019 to Thursday, August 29, 2019 (both days inclusive).**

5. In pursuance of Article 114 of the Articles of Association of the Company read with Section 123 of the Companies Act, 2013 and Companies (Declaration and Payment of Dividend) Rules, 2014, as amended from time to time, the Company has paid an Interim Dividend of ₹11/- per equity share (on the face value of ₹10/- each) on March 19, 2019 for the financial year 2018-19. Further, the Board of Directors of the Company has not recommended any Final Dividend for the financial year 2018-19.

6. **SEBI encourages all shareholders to hold their shares in dematerialized form as this eliminates the possibility of damage/loss of physical share certificate(s) & cases of forgery and facilitates the ease and convenience of paperless trading of shares. Further, no stamp duty is payable on transfer of shares held in Demat form. It is also pertinent to mention that with effect from April 1, 2019, SEBI has prescribed that requests for effecting transfer of securities (except transmission or transposition cases) shall not be processed unless the securities are held in the dematerialized form with a depository. Accordingly, we request you to convert your shareholdings from physical form to demat form at the earliest, in an existing demat account or a new demat account to be opened with any Depository Participant.**

7. Members who hold shares in physical form are requested to send all correspondence concerning transmission, sub-division, consolidation of shares or any other shares related matter and/or change in address or bank account, to R&TA of the Company and in case of shares held in electronic mode, to their respective Depository Participants.

8. Members who have not received/encashed their dividend warrants or whose dividend warrants' validity period has expired, may write to the Company at its Registered Office or to the R&TA of the Company for revalidation of dividend warrants or payment in lieu of such warrants in the form of demand draft.

   Pursuant to the provisions of the Companies Act, 2013, the dividend amount which remains unpaid/unclaimed for a period of seven years, is required to be transferred to the Investor Education & Protection Fund (IEPF) of the Central Government. Further, pursuant to Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, the Company has already uploaded details of unpaid and unclaimed amounts lying with the Company as on September 25, 2018 (date of last Annual General Meeting) on the website of the Company (www.recindia.com) and also on the website of the Ministry of Corporate Affairs. Further, the investor-wise details of amounts and shares, which have already been transferred by the Company to IEPF, are available on the website of the Company i.e. www.recindia.com.

9. Corporate Members are requested to send/attach a duly certified copy of the Board Resolution/Authority Letter authorizing their representative to attend and vote on their behalf at the AGM, along with the Proxy Form/ Attendance Slip.

10. **Members are requested to:-**

    **a) note that copies of Annual Report will not be distributed at the AGM and they will have to bring their copies of Annual Report;**

    **b) bring the Attendance Slip at the venue duly filled-in and signed for attending the meeting, as entry to the Auditorium will be strictly on the basis of the Entry Slip, which will be available at the counters at the meeting venue in exchange of the Attendance Slip;**

    **c) quote their Folio / Client ID and DP ID Nos. in all correspondence with the Company / R&TA;**

    **d) note that due to security reasons, briefcases, eatables and other belongings shall not be allowed inside the Auditorium; and**

    **e) note that no gifts / coupons will be distributed at the AGM.**

11. Since SEBI has made it mandatory to use electronic payment modes for making cash payments to the investors, therefore members are advised to submit their National Electronic Clearing System (NECS)/National Electronic Fund Transfer (NEFT)/ Direct Credit mandates or changes therein, to enable the Company to make payment of dividend by means of NECS/ NEFT/ Direct Credit/Warrants. Shareholders holding shares in physical form may obtain and send the NECS/NEFT/ Direct Credit mandate form to R&TA of the Company at the address **Karvy Fintech Private Limited, Unit : REC Limited, Karvy Selenium Tower B, Plot 31-32, Gachibowli Financial District, Nanakramguda, Hyderabad-500032, India.** Shareholders holding shares in electronic form may obtain and send the NECS/NEFT/Direct Credit Mandate Form directly to their Depository Participant (DP). Those who have already furnished the NECS/NEFT/Direct Credit Mandate Form to the Company/ R&TA / DP with complete details need not send it again.

12. Members holding shares in multiple folios in physical mode are requested to apply for consolidation to the Company or its R&TA along with relevant Share Certificates. In case of Joint Holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.

13. Pursuant to Section 139(5) of the Companies Act, 2013, the Auditors of a Government Company are appointed/re-appointed by the Comptroller and Auditor General (C&AG) of India and in terms of Section 142 of the Companies Act, 2013, their remuneration shall be fixed by the company in a General Meeting or in such manner as the Company in a General Meeting may determine.

    In the 49th AGM of the Company held on September 25, 2018, the Shareholders had authorized the Board of Directors of the Company in pursuance of Section 142 read with Section 139(5) of the Companies Act, 2013 to fix and approve the remuneration of Statutory Auditors of the Company for the financial year 2018-19, on the recommendation of the Audit Committee. Accordingly, the Board of Directors approved the payment of remuneration of ₹44,00,000/- (Rupees Forty Four Lakh only) plus taxes as applicable to be shared equally by the Statutory Auditors, M/s G.S. Mathur & Co., Chartered Accountants and M/s A.R. & Co., Chartered Accountants, for the financial year 2018-19. 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 the CMD/Director (Finance).

    The appointment of the Statutory Auditors for the financial year 2019-20 is yet to be made by the Comptroller and Auditor General (C&AG) of India. Further, the Members are requested to authorize the Board of Directors of the Company to fix the remuneration of the Statutory Auditors of the Company, as it deems fit, for the financial year 2019-20.

14. Members desirous of making a nomination in respect of their shareholding in the Company, as permitted under Section 72 of the Companies Act, 2013, are requested to write to the R&TA of the Company in Form SH-13 as prescribed in the Companies (Share Capital and Debentures) Rules, 2014. Blank Nomination form is available on Company's website i.e. www.recindia.com. In case of shares held in dematerialized form, the nomination form has to be lodged directly with the respective Depository Participant (DP).

15. Members desirous of getting any information on any item(s) 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 Annual General Meeting, so that the information required can be made available at the time of the meeting.

16. The Companies Act, 2013 permits companies to send documents like Notice of General Meetings, Annual Report and other documents through electronic means to its members at their registered email addresses besides sending the same in physical form. Accordingly, the Company proposes to send all documents *viz*. Notice, Audited Financial Statements, Board's Report and Auditors' Report etc. in electronic form to the shareholders whose e-mail IDs are registered with the Company / R&TA. These documents will also be available on the website of the Company. Please note that as a Member of the Company, you are entitled to receive above mentioned and all other documents required under the law, free of cost, in physical form on receipt of your request in this regard.

    Members who have not registered their e-mail addresses so far, are requested to register their e-mail address with the R&TA of the Company / Depository Participant (DP) of respective Member and take part in the 'Think Green Go Green' initiative of the Company.

17. The Register of Directors and Key Managerial Personnel (KMP) and their Shareholding maintained under Section 170 of the Companies Act, 2013, Register of contracts and arrangements in which Directors are interested maintained under Section 189 of the Companies Act, 2013 and all other documents referred to in the Notice, will be available for inspection by the Members at the Registered Office of the Company on all working days during business hours and at the time of AGM of the Company at the venue of the Meeting.

18. Non-Resident Indian Members are requested to inform the R&TA immediately in respect of (a) Change in their residential status on return to India for permanent settlement; and (b) Particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the bank with PIN code, if not furnished earlier.

19. In compliance with provisions of Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, Regulation 44 of SEBI (LODR) Regulations, 2015 and Secretarial Standards on General Meetings issued by ICSI, the Company is offering e-voting facility to the shareholders to enable them to cast their votes electronically on the items mentioned in the Notice. For this purpose, the Company has engaged the services of National Securities Depository Limited (NSDL) for providing e-voting facility to enable the Shareholders to exercise their right to vote through electronic means in respect of businesses to be transacted in the AGM. Those Shareholders who do not opt to cast their vote through e-voting, may cast their vote through ballot process (Insta Poll) at the AGM.

    Further, the Company has appointed Dr. S. Chandrasekaran, (FCS No. 1644) Senior Partner or Shri Rupesh Agarwal, (ACS No. 16302) Managing Partner of M/s. Chandrasekaran Associates, Company Secretaries, New Delhi as the Scrutinizer to scrutinize the votes cast by the shareholders, both on the e-voting platform and through ballot process (Insta Poll) at the Meeting, in a fair and transparent manner.

Further, the Company has fixed **Thursday, August 22, 2019** as the cut-off date for determining the eligibility to vote by electronic means or in the general meeting. A person who is not a member as on the cut-off date should treat this Notice for information purposes only.

The e-voting portal will be open for voting from **Monday, August 26, 2019 (1000 hours) to Wednesday, August 28, 2019 (1700 hours)**. At the end of the said e-voting period, the e-voting portal shall forthwith be blocked.

Members whose e-mail IDs are registered with the Company/R&TA, will receive an e-mail from NSDL informing User ID and Password. For other Members, the unique Password is printed on the Proxy Form. All members are requested to read the following instructions and other information carefully before casting their vote electronically:

**Step 1: Log-in to NSDL e-Voting system**

i. Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com.

ii. Once the home page of e-Voting system is launched, click on the "Login" icon which is available under 'Shareholders' section.

iii. A new screen will open. You will have to enter your User ID, your Password and a Verification Code as shown on the screen. Alternatively, if you are registered for NSDL e-services i.e. IDEAS, you can log-in at https://eservices.nsdl.com/ with your existing IDEAS login. Once you log-in to NSDL e-services after using your log-in credentials, click on e-Voting and you can proceed to Step 2 i.e. Cast your vote electronically.

iv. Your User ID details will be as per details given below:

**a)** **For Members who hold shares in demat account with NSDL**: 8 Character DP ID followed by 8 Digit Client ID (For example if your DP ID is IN300*** and Client ID is 12****** then your user ID is IN300***12******).

**b)** **For Members who hold shares in demat account with CDSL**: 16 Digit Beneficiary ID (For example if your Beneficiary ID is 12********** then your user ID is 12**********).

**c)** **For Members holding shares in Physical Form**: EVEN Number followed by Folio Number registered with the company (For example if folio number is 001*** and EVEN is 101456 then user ID is 101456001***).

v. Your password details are given below:

a. If you are already registered for e-Voting, then you can use your existing password to login and cast your vote.

b. If you are using NSDL e-Voting system for the first time, you will need to retrieve the 'initial password' which was communicated to you. Once you retrieve your 'initial password', you need enter the 'initial password' and the system will force you to change your password.

c. How to retrieve password:

I. If your email ID is registered in your demat account or with the Company, your 'initial password' is communicated to you on your email ID. Trace the email sent to you from NSDL from your mailbox. Open the email and open the 'PDF' file attachment. The password to open the 'PDF' file is your 8 digit client ID for NSDL account, last 8 digits of client ID for CDSL account or folio number for shares held in physical form. The 'PDF' file contains your 'User ID' and your 'initial password'.

II. If your email ID is not registered, your 'initial password' will be the unique Password is printed on the Proxy Form enclosed to the Notice.

vi. If you are unable to retrieve or have not received the "Initial password" or have forgotten your password:

a. Click on "Forgot User Details/Password?"(If you are holding shares in your demat account with NSDL or CDSL) option available on www.evoting.nsdl.com.

b. "Physical User Reset Password?" (If you are holding shares in physical mode) option available on www.evoting.nsdl.com.

c. If you are still unable to get the password by aforesaid two options, you can send a request at evoting@nsdl.co.in mentioning your demat account number/folio number, your PAN, your name and your registered address.

d. Members can also use the OTP (One Time Password) based login for casting the votes on the e-Voting system of NSDL.

vii. After entering your password, tick on Agree to "Terms and Conditions" by selecting on the check box.

viii. Now, you will have to click on "Login" button.

ix. After you click on the "Login" button, Home page of e-Voting will open.

**Step 2: Cast your vote electronically on NSDL e-Voting system.**

i. After successful login at Step 1, you will be able to see the Home page of e-Voting. Click on e-Voting. Then, click on Active Voting Cycles.

ii. After click on Active Voting Cycles, you will be able to see all the companies "EVEN" in which you are holding shares and whose voting cycle is in active status.

iii. Select "EVEN" of REC Limited.

iv. Now you are ready for e-Voting as the Voting page opens.

v. Cast your vote by selecting appropriate options i.e. assent or dissent, verify/modify the number of shares for which you wish to cast your vote and click on "Submit" and also "Confirm" when prompted.

vi. Upon confirmation, the message "Vote cast successfully" will be displayed.

vii. You can also take the printout of the votes cast by you by clicking on the print option on the confirmation page.

viii. Once you confirm your vote on the resolution, you will not be allowed to modify your vote.

**General Guidelines for shareholders:**

i. Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to send scanned copy (PDF/JPG Format) of the relevant Board Resolution/ Authority letter etc. with attested specimen signature of the duly authorized signatory(ies) who are authorized to vote, to the Scrutinizer by e-mail i.e. scrutinizer.recl@gmail.com with a copy marked to evoting@nsdl.co.in.

ii. It is strongly recommended that you do not share your password with any other person and take utmost care to keep your password confidential. Login to the e-voting website will be disabled upon five unsuccessful attempts to key in the correct password. In such an event, you will need to go through the "Forgot User Details/Password" or "Physical User Reset Password?" option available on www.evoting.nsdl.com to reset the password.

20. The Company will be providing a facility to view the live streaming of the AGM Webcast on the NSDL website. You may access the same at https://www.evoting.nsdl.com by using your remote e-voting credentials. The link will be available in shareholder login where the EVEN of the Company will be displayed. The webcast facility will be available from 11.00 AM onwards on August 29, 2019. The Company is not providing Video Conferencing facility for this meeting.

21. Once the vote on a resolution is cast by a Shareholder, he / she shall not be allowed to change it subsequently or cast the vote again.

22. Once the discussion on all agenda items is completed in the Meeting, every Resolution will be put to vote through a ballot process (Insta Poll) at the Meeting. Those Shareholders who have cast their vote electronically, may also attend the meeting but shall not be allowed to vote again through the ballot process (Insta Poll) at the Meeting.

23. The Scrutinizer shall, after the conclusion of the voting through ballot process at the AGM, assess the votes cast at the meeting through ballot process, thereafter unblock the votes cast through e-voting in the presence of at least two witnesses not in the employment of the Company and make a consolidated Scrutinizer's Report and submit the same to the Chairman of the Meeting.

24. The results of the voting indicating the number of votes cast in favour or against each of the Resolution(s), invalid votes and whether the Resolution(s) has been carried out or not, together with the Scrutinizer's Report, will be displayed on the Notice Board of the Company at its Registered Office and will also be uploaded on the website of the Company (www.recindia.com) and on NSDL website (www.evoting.nsdl.com) and will also be submitted to BSE Limited and National Stock Exchange of India Limited within the prescribed time. Further, the resolutions, if passed by requisite majority, shall be deemed to be passed on the date of the Annual General Meeting.

25. The entire Annual Report is also available on the Company's website www.recindia.com.

**STATEMENT PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013**

**THE FOLLOWING STATEMENT SETS OUT ALL MATERIAL FACTS RELATING TO THE SPECIAL BUSINESS SET OUT IN THE NOTICE.**

**Item No. 5**

As per provisions of Section 42 of the Companies Act, 2013 read with Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and Rule 18 of the Companies (Share Capital and Debentures) Rules, 2014, a company shall not make a Private Placement of its securities unless the proposed offer of securities or invitation to subscribe to securities has been previously approved by the Shareholders of the Company by a Special Resolution for each of the offers or invitations. However, in case of offer or invitation for "non-convertible debentures", it shall be sufficient if the company passes a previous Special Resolution only once in a year for all the offer(s) or invitation(s) for such debentures during the year.

Therefore, it is proposed to pass a Special Resolution to enable the Company to raise funds through private placement of unsecured/ secured non-convertible bonds/debentures upto ₹75,000 crore, during a period of one year from the date of passing of this resolution, i.e. upto August 28, 2020, in one or more tranches, to such person or persons, who may or may not be the bond/ debenture holders of the Company, within the overall market borrowing programme of the Company, as may be approved by the Board of Directors of the Company from time to time. Further, the said limit of ₹75,000 crore is within the overall borrowing limit of the Company; as approved by the shareholders in its 49th AGM held on September 25, 2018.

Further, the Board of Directors of the Company (the "Board") or any Committee duly constituted by the Board or such other authority as may be approved by the Board shall be authorized to determine the terms of the issue, including the class of investors to whom the bonds/debentures are to be allotted, the number of bonds/debentures to be allotted in each tranche, issue price, tenor, interest rate, premium/discount to the then prevailing market price, amount of issue, discount to issue price to a class of bond/debenture holders, listing, issuing any declaration/undertaking etc. required to be included in the Private Placement Offer Letter and to do and execute all such acts, deeds and things under any other regulatory requirement for the time being in force.

The Memorandum and Articles of Association of the Company and all related documents shall be available for inspection by the Members at the Registered Office of the Company on all working days during business hours and the same will also be available at the venue of the AGM.

The Board of Directors of the Company in its Meeting held on July 10, 2019, has approved the above proposal and recommends the passing of the proposed Special Resolution as contained in the Notice, by the Members of the Company.

In view of the above, you are requested to grant your consent to the Special Resolution as set out at Item No.5 of this Notice.

The Directors or Key Managerial Personnel or their relatives do not have any concern or interest, financial or otherwise in passing of the said Special Resolution, except to the extent of their shareholding in the Company.

**Item No. 6**

As per provisions of Section 188(1) of the Companies Act, 2013 read with Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, the Company shall not enter into contract or arrangement with a 'Related party' in excess of the limits prescribed under the said Act & Rules, except with the prior consent of the Shareholders. The term 'Related Party' *inter-alia* includes Energy Efficiency Services Limited (EESL) which is an associate company of REC Limited.

REC may be required to enter into contracts/arrangements/transactions with EESL or any other associate company(ies) (present or future) of REC, from time to time, in excess of the limits prescribed under the Companies Act, 2013 and Rules made thereunder. Therefore, it is proposed to seek approval of the shareholders for any contract(s) or arrangement(s) or transaction(s) to be entered by REC during a period of one year from the date of passing of this Resolution, with EESL or any other associate company(ies) (present or future) of REC in the nature of sale/purchase of goods or materials or property of any kind (directly or through an agent), leasing of property of any kind, availing or rendering of services including financial assistance, appointment of manpower, providing of support and other service, from time to time, provided that the cumulative value of contract(s) or arrangement(s) or transaction(s) with such related parties shall not exceed two percent (2%) of the turnover of REC for the immediately preceding financial year, i.e. financial year 2018-19.

The provisions of Section 188(1) of the Companies Act, 2013 are not applicable in case of any transaction(s) entered into by the Company in ordinary course of business other than transactions which are not on an arm's length basis. Accordingly, the approval proposed to be sought is only for those transactions entered with EESL or any other associate company(ies) (present or future) of REC, which are not on arm's length basis.

Further, the Board of Directors of the Company (the "Board") or any duly constituted Committee of the Board or such other authority as may be approved by the Board shall be authorized to finalize and approve the nature, duration, material terms, monetary value and particulars of the contract(s) or arrangement(s) or transaction(s) to be entered with EESL or any other associate company(ies) (present or future) of REC, within the overall limit of two percent (2%) of the turnover of REC for the financial year 2018-19.

The Board of Directors of the Company, in its Meeting held on July 10, 2019, has approved the above proposal and recommends the passing of the proposed Resolution as contained in the Notice, by the Members of the Company.

In view of the above, you are requested to grant your consent to the Ordinary Resolution as set out at Item No. 6 of this Notice.

The Directors or Key Managerial Personnel or their relatives do not have any concern or interest, financial or otherwise, in passing of the said Resolution, except to the extent of their shareholding in the Company.

**By order of the Board of Directors**
**For REC Limited**



**J.S. Amitabh**
**Executive Director & Company Secretary**
**Membership No.: FCS 4298**

**Place: Core-4, SCOPE Complex,**
**7, Lodhi Road, New Delhi-110003.**

**Date : July 25, 2019**

## BRIEF RESUME OF THE DIRECTORS SEEKING RE-APPOINTMENT AT THE 50TH ANNUAL GENERAL MEETING

| | |
|---|---|
| **Name** | Ajeet Kumar Agarwal (DIN 02231613) |
| **Date of Birth** | May 30, 1960 |
| **Date of Appointment** | August 1, 2012 |
| **Qualifications** | Bachelor's degree in Commerce; and<br>Member of the Institute of Chartered Accountants of India (ICAI) |
| **Expertise in specific functional area** | Shri Ajeet Kumar Agarwal has 36 years of experience in various Public Sector Undertakings. He is responsible for formulating financial strategies of the Company and plans to enable REC in achieving its vision. He provides directions with respect to Financial Management and Operations of the organization encompassing organizational and financial planning, formulation of financial policy, financial accounting, management control systems, cash and funds management, tax planning, mobilization and management of resources, liaison with financial institutions and capital market players. He also supervises treasury functions, lending operations and advises on corporate risk management matters.<br><br>Further, w.e.f. March 6, 2019, he is also handling the additional charge of CMD of the Company.<br><br>He is Ex-officio Chairman since March 6, 2019, on the Board of two wholly owned subsidiary companies of REC i.e. REC Transmission Projects Company Limited & REC Power Distribution Company Limited. He is also Nominee Director on the Board of Indian Energy Exchange Limited (IEX), a listed Company.<br><br>During his tenure in REC as General Manager/ Executive Director (Finance), he had handled various finance functions including Resource Mobilisation, Loan Disbursement and Corporate Accounts & Taxation. |
| **Directorship held in other Companies** | • REC Transmission Projects Company Limited;<br>• REC Power Distribution Company Limited; and<br>• Indian Energy Exchange Limited |
| **Membership/ Chairmanship of Committees across all Public Companies other than REC** | -- |
| **Relationships between Directors inter-se** | He has no inter-se relationship with any other Director of the Company. |
| **Number of equity shares held in the Company** | 484 Equity Shares of ₹10/- each |

# DIRECTORS' PROFILE



## Shri Ajeet Kumar Agarwal (DIN: 02231613)

**Chairman & Managing Director & Director (Finance)**

**Shri Ajeet Kumar Agarwal** is Chairman and Managing Director (additional charge w.e.f. March 6, 2019) and Director (Finance), REC since August 1, 2012. He has done B.Com (Hons.) from Shri Ram College of Commerce, University of Delhi. He is also a Fellow Member of the Institute of Chartered Accountants of India. Shri Agarwal has 36 years experience in Public Sector Undertakings. He is accountable to the Board of Directors and is responsible for the effective functioning of the Company in pursuit of its mission, goals and objectives.

As Director (Finance), he provides directions with respect to Financial Management and Operations of the organization encompassing organizational and financial planning, formulation of financial policy, financial accounting, management control systems, cash and funds management, tax planning, mobilization and management of resources, liaison with financial institutions and capital market players. He also supervises treasury functions, lending operations and advises on corporate risk management matters.

He is Ex-officio Chairman since March 6, 2019, on the Board of two wholly owned subsidiary companies of REC i.e. REC Transmission Projects Company Limited & REC Power Distribution Company Limited. He is also Nominee Director on the Board of Indian Energy Exchange Limited (IEX), a listed Company.

As on March 31, 2019, Shri Ajeet Kumar Agarwal was holding 484 Equity Shares in the Company and has no inter-se relation with any other Director of the Company.

## Shri Sanjeev Kumar Gupta (DIN: 03464342)

**Director (Technical)**



**Shri Sanjeev Kumar Gupta** is the Director (Technical) on the Board of REC since October 16, 2015. He holds a Bachelor's Degree in Electrical Engineering from G.B. Pant University of Agriculture & Technology, Pant Nagar, Uttarakhand. He has 37 years of experience in Indian Power Sector across diverse functions i.e. Planning, Design, Construction, O&M, Project Management of large EHV & UHV Transmission projects, Financing of Generation, Transmission, Distribution and Renewable Projects, etc. in various power CPSU's, REC, PGCIL and NHPC. He was instrumental in induction of new technologies (765 kV AC/1200 kV & ± 800kV HVDC transmission, ROW optimization, uprating of transmission lines, conductors etc.) in Indian transmission grid. He was designated Project Manager for various prestigious international consultancy projects in Bhutan, Nepal, Myanmar and Bangladesh.

He is also Nominee Director on the Board of two wholly owned subsidiary companies of REC i.e. REC Power Distribution Company Limited, since October 12, 2015 and REC Transmission Projects Company Limited, since October 26, 2015.

He has been working in our Company since March 16, 2010 at Senior Management positions including as the CEO of REC Transmission Projects Company Limited, a wholly owned subsidiary of REC, as well as the nodal officer for the National Electricity Fund (NEF). He is responsible for all Technical functions and Business Development in the Company.

As on March 31, 2019, Shri Sanjeev Kumar Gupta was holding "Nil" Equity Shares in the Company and has no inter-se relation with any other Director of the Company.



## Dr. Arun Kumar Verma (DIN: 02190047)

**Government Nominee Director**

**Dr. Arun Kumar Verma** is Government Nominee Director on the Board of REC since October 6, 2015. He is an Indian Forest Service Officer of 1986 Gujarat Cadre and is Joint Secretary in Ministry of Power. He holds a Master's degree in Physics and is an Associate Member of Indira Gandhi National Forest Academy (AIGNFA) from FRI & C, Dehradun. He has done Ph.D in Tribal Development Policy. He has also done Post Graduate Programme in Public Policy & Management (PGPPM) from Indian Institute of Management, Bengaluru & Maxwell School of Citizenship and International Affairs, Syracuse University, USA. He has over 33 years of administrative and managerial experience. He has served the Power Sector earlier as Managing Director, Uttar Gujarat Vij Company Limited. Before joining Ministry of Power, Government of India, he was posted as Member Secretary of Gujarat Ecology

Commission, Gandhinagar and Project Director of the World Bank Funded Integrated Coastal Zone Management from July 29, 2011 to November 14, 2014. He is also a Government Nominee Director on the Board of Power Finance Corporation Limited and PTC India Limited.

As on March 31, 2019, Dr. Arun Kumar Verma was holding "Nil" Equity Shares in the Company and has no inter-se relation with any other Director of the Company.

## Smt. Asha Swarup (DIN: 00090902)

**Part Time Non-Official Independent Director**



**Smt. Asha Swarup** is an Independent Director of REC since February 8, 2017. She is a retired IAS officer of 1973 batch from Himachal Pradesh cadre, post graduate from Delhi University and Pearson Fellow of IDRC, Canada. She has served as Secretary to Government of India, Ministry of Information and Broadcasting (2007-08) and Chief Secretary, Government of Himachal Pradesh (2008-10).

She has also served as Additional Secretary and Financial Advisor to the Ministry of Commerce and Ministry of Textiles (2004-07), Joint Secretary, Ministry of Rural Development (2001-04), Joint Secretary, Department of Youth Affairs and Sports in HRD Ministry (1993-98). She has also served as Chairperson of Himachal Pradesh State Electricity Board and HP Power Corporation Limited.

Post retirement, she has served as Chairperson of HP State Environment Impact Assessment Authority, member of the Expert Group set up by Cabinet Secretariat to finalize the Result Frame work document of Ministries and the Expert Group to finalize the annual targets for Oil sector PSUs by Department of Public Enterprises. She has also been an Independent Director on the Board of SJVN Limited. She also holds Directorship on the Board of Himachal Pradesh Kaushal Vikas Nigam.

As on March 31, 2019, Smt. Asha Swarup was holding "Nil" Equity Shares in the Company and has no inter-se relation with any other Director of the Company.



## Shri Aravamudan Krishna Kumar (DIN: 00871792)

**Part Time Non-Official Independent Director**

**Shri Aravamudan Krishna Kumar** is an Independent Director on the Board of REC since November 13, 2015. He holds a Bachelor's degree in Arts (Economics) from University of Delhi and is also a qualified Certified Associate of Indian Institute of Bankers. He has around 41 years of rich experience in all facets of banking sector. He served State Bank of India for over 39 years, where he joined as a Probationary Officer in 1975 and elevated as the Managing Director & Group Executive in April 2011. During his long & distinguished career with SBI, he has handled various critical & important assignments, including retail business of SBI spread over 16000 branches and international operation of SBI covering 190 offices in 36 countries. He was one of the key persons in policy making and formulating the strategies for the Bank till his superannuation at the end of November, 2014. He was also on the Boards of SBICAP Securities, SBI Life Insurance, SBI General Insurance and SBI Credit Cards and subsidiaries of State Bank of India, during which period he gained valuable insights into the Securities, Insurance and Credit Card Industries. He is also a Director on the Board of Andhra Bank, Sathguru Catalyser Advisors Private Limited, Suraksha Asset Reconstruction Limited, TVS Wealth Private Limited and SBI Payment Services Private Limited.

As on March 31, 2019, Shri Aravamudan Krishna Kumar was holding "Nil" Equity Shares in the Company and has no inter-se relation with any other Director of the Company.



## Professor T.T. Ram Mohan (DIN: 00008651)

**Part Time Non-Official Independent Director**

**Professor T.T. Ram Mohan** is an Independent Director on the Board of REC since November 13, 2015. He is a B.Tech from IIT, Mumbai; PGDM from IIM, Calcutta and holds a doctorate from Stern School, New York University. At present, he is Professor of Finance and Economics at the Indian Institute of Management, Ahmedabad. He has worked extensively in consultancy and in the financial sector before entering academics. He has been Divisional Manager with Tata Economic Consultancy Services, Head of Strategy at Standard Chartered Bank and Vice President, Bear Stearns Asia, Hong Kong. He also holds Directorships on Board of IndusInd Bank Limited, SBICAP Securities Limited, Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited and is on the HR Advisory Board of Indian Overseas Bank. He is a member of the Governing Council of the National Institute of Bank Management, Pune.

Prof. Ram Mohan specializes in the financial sector. He has run training programmes for bank executives and given talks on issues in the Indian banking sector at various fora. His current research interests include banking reforms, privatization and corporate governance. He has published numerous papers and has contributed extensively to leading publications such as The Economic Times, Business Standard and The Hindu.

As on March 31, 2019, Prof. T.T. Ram Mohan was holding “Nil” Equity Shares in the Company and has no inter-se relation with any other Director of the Company.

## Dr. Bhagvat Kisanrao Karad (DIN: 00998839)

**Part time Non-Official Independent Director**



**Dr. Bhagvat Kisanrao Karad** is an Independent Director on the Board of REC since July 17, 2018. Dr. Karad is a Pediatric Surgeon (M.B.B.S, M.S in General Surgery and F.C.P.S. M.Ch. in Pediatric Surgery). He has been a medical practitioner for the past 26 years. He has been on the advisory Board of Wockhardt Foundation, Aurangabad Airport Authority, advisory member for the Government Medical College and Hospital, Aurangabad. In addition to this, he is treasurer of Bhagwan Shikshak Prasarak Mandal, an Educational trust; member of the Board of Directors of YSK Multispecialty Hospital and Honorary Surgeon at the Indira Gandhi Memorial Hospital, Aurangabad.

Dr. Bhagvat Karad has been the Mayor of Aurangabad Municipal Corporation twice in the year 2000 and 2006. Due to his business acumen to run commercial organizations and experience to handle various social responsibilities, especially in Rural Maharashtra, he has gained knack in addressing socio-economic issues and writing as well as recommending policies to the concerned departments in the State Government especially for projects related to rural India.

At present, he is serving as the acting Chairman of Marathwada Statutory Development Board (MSDB), a Board responsible to address issues related to financial & physical backlog in the Marathwada Region, Maharashtra for all State Government Portfolios.

As on March 31, 2019, Dr. Karad was holding “Nil” Equity Shares in the Company and has no inter-se relation with any other Director of the Company.



## Shri Praveen Kumar Singh (DIN: 03548218)

**Nominee Director – Power Finance Corporation Limited**

**Shri Praveen Kumar Singh** is Nominee Director of Power Finance Corporation Limited (PFC) on the Board of the Company since June 18, 2019. He is the Director (Commercial) of PFC since August 10, 2018. Prior to that, Shri Singh was Executive Director (Projects) in PFC and worked in various units of Projects Division in PFC for over 24 years. Earlier he had also worked for the country’s largest power equipment manufacturer Bharat Heavy Electricals Ltd (BHEL) and industry body Confederation of Indian Industries (CII) for over 9 years. Shri Singh did his B.Tech. in Electrical Engineering from IIT-BHU and M.Tech. in Energy & Environment Management from IIT, Delhi. He also completed a “Global Energy MBA program” from Bayer College of Business, University of Houston, USA. Shri Singh has been representing PFC in various committees of Government of India. He also holds Directorships on Board of Coastal Karnataka Power Limited, Orissa Integrated Power Limited, Sakhigopal Integrated Power Company Limited, Jharkhand Infrapower Limited, Ghogarpalli Integrated Power Company Limited and PFC Consulting Limited.

At the date of becoming Nominee Director, Shri Praveen Kumar Singh was holding 40 Equity Shares in the Company and has no inter-se relation with any other Director of the Company.

# BOARD'S REPORT

To
The Shareholders,

Your Directors have pleasure in presenting the Fiftieth Annual Report together with the Audited Financial Statements of your Company for the financial year ended March 31, 2019.

## 1. PERFORMANCE HIGHLIGHTS

**1.1** The highlights of performance of the Company for the financial year 2018-19 were as under with comparative position of previous year's performance:

(₹ in crore)

| Parameter | FY 2018-19 | FY 2017-18 |
|---|---|---|
| Loans Sanctioned | **1,15,957.35** | 1,07,534.05 |
| Disbursements | **72,165.43** | 61,712.47 |
| Subsidy under DDUGJY (including DDG) & Saubhagya | **19,662.13** | 10,568.72 |
| Recoveries (including interest) | **55,093.20** | 46,351.13 |
| Total Operating Income | **25,309.72** | 22,454.62 |
| Profit Before Tax | **8,100.50** | 5,884.15 |
| Profit After Tax | **5,763.72** | 4,419.89 |
| Total Comprehensive Income | **5,703.18** | 4,424.13 |

### 1.2 Financial Performance

The total operating income of your Company for the financial year 2018-19 was ₹25,309.72 crore as compared to ₹22,454.62 crore during the financial year 2017-18. The profit after tax and total comprehensive income for financial year 2018-19 was ₹5,763.72 crore and ₹5,703.18 crore, respectively as compared to ₹4,419.89 crore and ₹4,424.13 crore for the financial year 2017-18.

Gross Loan asset book of your Company as on March 31, 2019 was ₹2,81,209.68 crore as compared to ₹2,39,449.34 crore in the previous year. The outstanding borrowings as on March 31, 2019 was ₹2,39,286.45 crore.

Earnings Per Share (EPS) for the financial year ended March 31, 2019 was ₹29.18 per share of ₹10/- each. Net worth of the Company as on March 31, 2019 has increased by 6% to ₹34,302.94 crore from ₹32,303.15 crore.

### 1.3 Dividend

The Board of Directors of your Company has declared an interim dividend of ₹11.00 per equity share of ₹10/- each for the financial year 2018-19 and the same was paid on March 19, 2019. The Board of Directors has not recommended any final dividend for the financial year 2018-19.

Therefore, the total dividend for the financial year 2018-19 will be ₹11.00 per equity share, representing 110% of the paid-up share capital of the Company as against ₹9.15 per share, representing 91.50% of the paid-up share capital of the Company in the previous year. The total dividend pay-out for the financial year 2018-19 amounted to ₹2,172.41 crore (excluding dividend distribution tax).



*Shri Ajeet Kumar Agarwal, CMD, REC presenting interim dividend cheque of ₹1,143.34 crore for the financial year 2018-19 to Shri R. K. Singh, Hon'ble Minister of State for Power (IC) (Power, New & Renewable Energy), Government of India.*

### 1.4 Share Capital

As on March 31, 2019, the Authorized Share Capital of the Company was ₹5,000 crore consisting of 500 crore equity shares of ₹10/- each and the issued & paid up share capital of the Company was ₹1,974.92 crore consisting of 197,49,18,000 equity shares of ₹10/- each.

As on March 31, 2018, the President of India held 1,15,16,78,783 equity shares i.e. 58.32% of the paid up equity share capital of the Company.

During the financial year 2018-19, the President of India acting through Ministry of Power, Government of India divested/sold 64,73,244 equity shares i.e. 0.33% of total paid up capital of the Company on June 18, 2018 through off market sale of shares under 'Bharat 22 Exchange Traded Fund'. The President of India on December 4, 2018, further divested/sold 10,14,70,139 equity shares i.e. 5.14% of total paid up capital of the Company through off market sale under third Further Fund Offer (FFO 3) of CPSE ETF Mutual Fund Scheme.

The President of India on February 21, 2019, further divested/sold 43,36,057 equity shares of face value ₹10/- each i.e. 0.22% of total paid up capital of the Company to ICICI Prudential Asset Management Company Limited, the Asset Management Company of Bharat 22 ETF Scheme and the holding of President of India was reduced to 52.63% of the paid up equity share capital of the Company.

Further, in line with the "in-principle" approval on December 6, 2018 of the Cabinet Committee on Economic Affairs and subsequently in terms of Share Purchase Agreement entered between the President of India acting through Ministry of Power, Government of India with Power Finance Corporation Limited (PFC) on March 20, 2019, the President of India on March 28, 2019 has divested/sold its entire shareholding in REC Limited, comprising of 1,03,93,99,343 equity shares of face value ₹10/- each i.e. 52.63% of total paid up capital of the Company to PFC.

### 1.5 Change of Name of the Company

Your Company was well recognized across the industry and market, in India and abroad with abbreviated names like "REC" or "RECL" and has also become a brand name. To correctly display the remarkable presence of your Company in financing all segments of Indian Power Sector *viz.* generation, transmission, distribution, renewable energy, etc. and to remove the myth that the Company is mainly into the business of rural electrification, the name of the Company was changed from "Rural Electrification Corporation Limited" to **"REC Limited"**. A fresh certificate of incorporation dated October 13, 2018, was issued by the Registrar of the Company after the name change and after all applicable statutory approvals.

## 2. LOANS SANCTIONED

The Company sanctioned loans worth ₹1,15,957.35 crore during the financial year 2018-19, as against ₹1,07,534.05 crore in the previous year. The state-wise and category-wise break-up of loans sanctioned during the financial year are given in **Table-1** and **Table-2**, respectively. The cumulative sanctions upto March 31, 2019 made by your Company since its inception was ₹9,88,841.46 crore, as detailed in **Table-3**.

## 3. DISBURSEMENTS

A total sum of ₹72,165.43 crore was disbursed during the financial year 2018-19 as against ₹61,712.47 crore in the previous year. In addition to that, grant/subsidy of ₹19,662.13 crore {₹16,953.30 crore (including ₹140.97 crore under DDG) under DDUGJY and ₹2,708.83 crore under Saubhagya scheme} provided by Government of India, was disbursed to the States/ Implementing Agencies. The cumulative amount disbursed since inception up to March 31, 2019 was ₹5,21,454.92 crore excluding subsidy under DDUGJY-RE, DDG and SAUBHAGYA. The state-wise disbursements and repayment of loan by borrowers during the financial year 2018-19 together with cumulative figures and outstanding as on March 31, 2019 are given in **Table-4**.

## 4. RECOVERIES

**4.1** The Company gives utmost priority to the timely realization of its dues towards principal, interest, etc. The amount due for recovery including interest for Standard Assets (Stage I & II) during the financial year 2018-19 was ₹55,155 crore as compared to ₹46,236 crore during the previous year. The Company recovered a total sum of ₹54,502 crore towards Standard Assets (Stage I & II) during the financial year 2018-19 as against ₹45,566 crore during the previous year. The Company achieved recovery rate of 98.82% for the financial year 2018-19. The overdues from defaulting borrowers pertaining to Standard Assets (Stage I & II) as on March 31, 2019 was ₹2,413 crore. Further, an amount of ₹591 crore has been recovered from Credit Impaired Assets (NPAs) (Stage III) during financial year 2018-19 as compared to ₹785 crore recovered during financial year 2017-18.

**4.2** Your Company's Credit Impaired Assets (NPAs) (Stage III) continue to be at low levels. As on March 31, 2019, the gross Credit Impaired Assets (NPAs) (Stage III) was ₹20,349 crore, which was 7.24% of Gross Loan Assets and the net Credit Impaired Assets (NPAs) (Stage III) was ₹10,650 crore, which was 3.79% of Net Loan Assets.

## 5. FINANCIAL REVIEW

### 5.1 Summary of Financial Results

The summary of audited financial results of the Company for the financial year 2018-19 *vis-à-vis* 2017-18 is given as under:

(₹ in crore)

| Particulars | Standalone | | Consolidated | |
|---|---|---|---|---|
| | **FY 2018-19** | FY 2017-18 | **FY 2018-19** | FY 2017-18 |
| Revenue from Operations | **25,309.72** | 22,454.62 | **25,399.02** | 22,651.60 |
| Other Income | **31.44** | 12.73 | **32.31** | 14.79 |
| **Total Income** | **25,341.16** | 22,467.35 | **25,431.33** | 22,666.39 |
| Finance Costs | **15,641.54** | 13,337.11 | **15,639.20** | 13,332.94 |
| Net translation/transaction exchange loss | **521.19** | 19.37 | **521.19** | 19.37 |
| Fees and Commission Expense | **34.38** | 24.58 | **34.38** | 24.58 |
| Net loss on fair value changes | **348.52** | 573.37 | **348.52** | 573.37 |
| Impairment on financial instruments | **240.33** | 2,297.12 | **243.49** | 2,300.53 |
| Other Expenses | **454.70** | 331.65 | **564.06** | 468.75 |
| **Total Expenses** | **17,240.66** | 16,583.20 | **17,350.84** | 16,719.54 |
| Share of Profit/Loss of Joint Venture accounted for using equity method | **-** | - | **9.95** | 10.67 |
| **Profit Before Tax** | **8,100.50** | 5,884.15 | **8,090.44** | 5,957.52 |
| Tax Expenses | **2,336.78** | 1,464.26 | **2,349.06** | 1,507.00 |
| **Profit After Tax** | **5,763.72** | 4,419.89 | **5,741.38** | 4,450.52 |
| Other Comprehensive Income for the period | **(60.54)** | 4.24 | **(60.59)** | 5.67 |
| **Total Comprehensive Income** | **5,703.18** | 4,424.13 | **5,680.79** | 4,456.19 |
| Add: Opening Balance of Retained Earnings and Other Comprehensive Income | **5,304.75** | 5,878.17 | **5,536.07** | 6,082.70 |
| Amount available for appropriation | **11,007.93** | 10,302.30 | **11,216.86** | 10,538.89 |
| **Less : Appropriation** | | | | |
| Special Reserve created u/s 36(1)(viii) of the Income Tax Act, 1961 | **(1,323.59)** | (1,582.49) | **(1,323.59)** | (1,582.49) |
| Reserve for Bad and Doubtful Debts u/s 36(1)(viia) of the Income Tax Act, 1961 | **(273.62)** | (335.80) | **(273.62)** | (335.80) |
| Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934 | **(1,153.00)** | - | **(1,153.00)** | - |
| Debenture Redemption Reserve | **(196.59)** | (196.59) | **(196.59)** | (196.59) |
| General Reserve | **-** | (500.00) | **-** | (500.00) |
| Dividend | **(2,518.02)** | (1,984.79) | **(2,518.02)** | (1,984.79) |
| Dividend Distribution Tax | **(506.84)** | (397.88) | **(525.51)** | (403.15) |
| **Closing Balance of Retained Earnings and Other Comprehensive Income** | **5,036.27** | 5,304.75 | **5,226.53** | 5,536.07 |

### 5.2 Contribution to National Exchequer

During the financial year 2018-19, your Company contributed an amount of ₹3,767.78 crore as compared to ₹3,764.93 crore in the previous year to National Exchequer, as detailed below:

(₹ in crore)

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| Dividend paid to the Government of India | **1,343.75** | 1,160.30 |
| Dividend Distribution Tax | **506.84** | 397.88 |
| Direct Taxes | **2,043.13** | 2,166.70 |
| IGST and CGST | **74.47** | 23.50 |
| Service Tax paid including CENVAT credit | **-** | 16.55 |
| **Total** | **3,767.78** | 3,764.93 |

## 5.3 Ratio Analysis

A comparative statement of important ratios of the Company for the financial year 2018-19 *vis-à-vis* 2017-18 is as below:

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| Earnings Per Share (₹) | **29.18** | 22.38 |
| Return on Average Net Worth (%) | **17.31** | 14.06 |
| Book Value per Share (₹) | **173.69** | 163.57 |
| Debt Equity Ratio (times) | **6.98** | 6.15 |
| Price Earnings Ratio (times)* | **5.24** | 5.57 |
| Interest Coverage Ratio (times) | **1.52** | 1.44 |

*PE Ratio has been calculated on the basis of Closing Price of equity share of REC at NSE as on March 29, 2019 (March 30 and 31, 2019 being holidays) & March 28, 2018 (March 29, 30 and 31, 2018 being holidays), respectively.

## 5.4 Resource Mobilization

The Company mobilized ₹69,383.22 crore from the market during the financial year 2018-19. This comprised of ₹19,550 crore by way of term loans from Banks & FIs, ₹5,000 crore term loan from National Small Saving Fund, ₹6,651.80 crore by way of Capital Gain Tax Exemption Bonds and ₹24,010.40 crore by way of Institutional Bonds. The Company also mobilized funds of ₹14,171.02 crore equivalent to USD 1,992.50 million [USD 1,367.50 million from external commercial borrowing and USD 625.00 million from FCNR(B)] during the financial year 2018-19. In addition to above, an amount of ₹19,393.04 crore was also raised through Commercial Paper.

Further, for meeting Government of India's funding requirement of DDUGJY and SAUBHAGYA Scheme, the Company, during the year, has also raised an aggregate amount of ₹13,827 crore through Institutional Bonds on private placement basis. The repayment of principal and service of interest of these bonds shall be made by Government of India through Ministry of Power.

**Disclosure of Green Bonds issued by REC**

Towards realization of the Hon'ble Prime Minister's vision of harnessing green energy's enormous potential in the country and to achieve the targeted capacity of 175 GW by 2022, REC raised USD 450 million Green Bond in July 2017 for a tenor of ten years, which are listed on the International Securities Market (ISM) segment of London Stock Exchange and also on Singapore Stock Exchange.

**Use of Proceeds**: The proceeds have been utilized to finance Solar, Wind and Renewable Purchase Obligations including refinancing of eligible projects as defined in the Green Bond framework of REC, contributing to positive environmental impact and also strengthening India's energy security by reducing fossil fuel dependency.

KPMG, India has provided its post-verification Independent Assurance Report based on the Green Bond framework of REC and the same has also been certified by the Climate Bonds Standard Board of Climate Bond Initiative on July 17, 2018.

In accordance with the Green Bond framework, REC has created a 'Green Portfolio' managed through a well laid internal tracking system, updated on regular basis, to monitor, establish and account for the allocation of the proceeds for such Green Portfolio.

**Management of Proceeds**: The net proceeds from the Bonds amounting to ₹2,894 crore were allocated against the following projects as on March 31, 2019:

(₹ in crore)

| Sl. No. | Location | Capacity (in MW) | Loan sanction date | Loan sanction amount | Outstanding Amount on March 31, 2019 |
|---|---|---|---|---|---|
| **(A)** | **Solar** | | | | |
| 1 | Telangana | 45 | September 21, 2016 | 269.50 | 256.16 |
| 2 | Telangana | 30 | September 21, 2016 | 179.62 | 170.07 |
| 3 | Karimnagar, Telangana | 15 | November 11, 2016 | 89.84 | 82.88 |
| 4 | Chitradurga, Karnataka | 10 | January 27, 2016 | 53.81 | 46.64 |
| 5 | Warangal, Telangana | 15 | November 11, 2016 | 89.84 | 83.12 |

| Sl. No. | Location | Capacity (in MW) | Loan sanction date | Loan sanction amount | Outstanding Amount on March 31, 2019 |
|---|---|---|---|---|---|
| 6 | Karimnagar, Telangana | 15 | November 11, 2016 | 89.84 | 82.85 |
| 7 | Anantpur, Andhra Pradesh | 5 | February 9, 2015 | 24.45 | 21.06 |
| 8 | Telangana | 30 | September 21, 2016 | 179.62 | 169.70 |
| 9 | Kadapa, Andhra Pradesh | 50 | April 12, 2017 | 277.50 | 275.93 |
| 10 | Randa Reddy, Telangana | 5 | January 27, 2016 | 26.90 | 25.11 |
| 11 | Mansa,Punjab | 50 | September 22, 2016 | 242.84 | - |
| 12 | Medak, Telangana | 7 | November 26, 2015 | 39.90 | 36.57 |
| 13 | Nizamabad, Telangana | 15 | November 11, 2016 | 89.84 | 82.53 |
| 14 | Andhra Pradesh | 23 | February 24, 2016 | 140.00 | - |
| 15 | Karimnagar, Telangana | 15 | November 11, 2016 | 89.84 | 82.87 |
| 16 | Nirudanagar, Tamil Nadu | 5 | July 14, 2015 | 26.13 | 22.32 |
| 17 | Chitradurga, Karnataka | 30 | April 17, 2017 | 150.39 | 150.39 |
| 18 | Mansa and Sangrur, Punjab | 50 | May 21, 2016 | 169.69 | 157.53 |
| **Sub-Total (A)** | | | | **2,229.55** | **1,745.73** |
| **(B)** | **Wind** | | | | |
| 1 | Sangli, Maharashtra | 10 | February 24, 2015 | 47.09 | 42.89 |
| 2 | Mandasaur, Madhya Pradesh | 20 | January 28, 2016 | 86.63 | 70.54 |
| 3 | Tirpur, Tamil Nadu | 6.8 | June 6, 2012 | 26.16 | 19.95 |
| **Sub-Total (B)** | | | | **159.88** | **133.38** |
| **(C)** | **Renewable Purchase Obligation** | | | | |
| 1 | Maharashtra | RPO | July 24, 2017 | 500.00 | 447.92 |
| 2 | Maharashtra | RPO | September 21, 2017 | 1,000.00 | 633.33 |
| **Sub-Total (C)** | | | | **1,500.00** | **1,081.25** |
| **Grand Total (A+B+C)** | | | | **3,889.43** | **2,960.36** |

REC is compliant with the requirements of its Green Bond framework as per its continuing obligations to ensure that the amount raised through Green Bonds remain invested in the eligible projects as per the Green Bond framework during the tenor of bonds.

### Cash Credit Facilities

The Company has an approved Cash Credit/WCDL/OD limit of ₹11,840 crore for availment from various banks for its day-to-day operations.

## 5.5 Domestic and International Credit Rating

### Domestic

The domestic debt instruments of REC continued to enjoy "AAA" rating - the highest rating assigned by CRISIL, CARE, India Ratings & Research & ICRA-Credit Rating Agencies.

### International

REC enjoys international credit rating of "Baa3" and "BBB-" respectively from Moody's and FITCH, International Credit Rating Agencies.

**National Ratings**

| CRISIL | India Ratings & Research | CARE Ratings | ICRA |
|---|---|---|---|
| "AAA" | "AAA" | "AAA" | "AAA" |

**International Ratings**

| Moody's | Fitch Ratings |
|---|---|
| "Baa3" | "BBB - " |

## 5.6 Cost of Borrowing

The overall weighted average annualized interest rate of borrowing is 7.96% for the funds raised during the financial year 2018-19 and 7.76% for the borrowings outstanding as on March 31, 2019. As a result, your Company was able to deliver/ provide financial assistance at competitive rates.

### 5.7 Redemption and Pre-Payment

During the year, the Company repaid a sum of ₹34,741.67 crore. This includes repayment amounting to ₹17,794.20 crore to Institutional bondholders, ₹6,476.697 crore worth of Capital Gain Tax Exemption Bonds, ₹19.04 crore towards Infrastructure Bonds, ₹6,016.58 crore of external commercial borrowings, ₹4,149.15 crore of FCNR loans and ₹286.00 crore of Official Development Assistance (ODA) loan. The Company has also redeemed long term loan of ₹200 crore and Commercial Paper with face value of ₹15,250 crore.

### 5.8 Financial status at the close of the year

At the close of the financial year 2018-19, the total resources of your Company stood at ₹2,97,717.30 crore. Out of this, Equity Share Capital contributed ₹1,974.92 crore, other equity including Reserves and Surplus stood at ₹32,328.02 crore, Financial Liabilities including borrowings and other Financial Liabilities accounted for ₹2,63,232.24 crore, Non-Financial Liabilities including provisions and other non-financial liabilities stood at ₹182.12 crore. These funds were deployed as Financial Assets including Long / Short Term Loans, investments, etc. of ₹2,94,589.85 crore, Non-Financial Assets including Property, Plant & Equipment, Tax Assets, etc. of ₹3,127.45 crore.

### 5.9 Policy Initiatives

The Company constantly reviews its policies/ procedures from time to time, to suitably align with market requirements and also with its corporate objectives and applicable statutory requirements. During the year, your Company has adopted/ amended various policies and guidelines, such as policy for Interest Rate Reduction for Conventional Private Sector Borrowers (Generation Projects); updation in the policy for renewable energy loans; review of Integrated Rating Guidelines for Entity & Project Appraisal of Private Sector Power projects; policy for financing of Inter-State Transmission (ISTS) projects in private sector awarded through Tariff Based Competitive Bidding (TBCB) route; policy for forms of equity instruments for infusion of promoters' contribution of equity for funding of all categories of power projects; revision in sanctioning limit of various loan proposal(s) under Delegation of Powers; Modification in the Company's Comprehensive Risk Management Policy; Policy on Payment of nominal fee to related party towards administrative expenses in Related Party Assignments.

Despite growing competition in the market, the Company has been able to maintain healthy spreads, balancing its objectives of business growth and profitability during the year.

## 6. PRESENT TRANSMISSION & DISTRIBUTION SCENARIO

Transmission and Distribution (T&D) industry is poised to witness large scale capacity addition and System augmentation on three accounts – presently, the Country's installed generation capacity is now at a high of approx. 356 GW (as on March 2019) as per Central Electricity Authority. The enormous capacities are planned to be added through Renewable Energy sources, with the ambitious goal of 175 GW by 2022 necessitating development of dedicated Green energy evacuation corridor and its integration with the existing Grid. Development of large capacity Solar Parks is one such major initiative in this direction.



*765 kV Anpara-Unnao S/C Transmission Line from Anpara to Unnao at Uttar Pradesh, financed by REC.*

Also, there is simultaneous need to strengthen the technically old and aging distribution infrastructure. Establishment of Solar Parks poses requirement for planning in line with upcoming renewable energy capacity developments and creation of infrastructure to ensure system availability with relatively shorter gestation period. The need of the hour is to install a state of the art robust and reliable evacuation and distribution system capable of handling higher loads. With the accomplishment of targeted Household connections under the Government of India flagship programme Saubhagya and expected kickstart in the rural economy, the demand is set to rise in the coming years which creates the immediate need for augmentation and strengthening the distribution backbone in advance. Therefore, to make the sector reliable, healthy, affordable and capable of absorbing the envisaged future growth *vis-a-vis* capacity addition and reaching the last mile across the country, T & D segment shall be the prime focus area in the coming years. The Policy framework has been able to increase the resolve of State Governments to provide reliable power supply to consumers and integration of upcoming renewable energy sources with the electricity grid.

To revitalise the distribution sector, Government of India since 2014 has undertaken major initiatives *viz.* programme like DDUGJY & SAUBHGYA, Ujjwal DISCOM Assurance Yojana (UDAY), Smart Grid task force and other programmes *viz.* IPDS,

NEF, etc. and is committed to improve & turn around the power distribution sector in the country. Your Company as a Nodal Agency is playing a pivotal role in partnering with Ministry of Power, Government of India in improving the state of the sector.

Your Company has been playing an active role in creation of new infrastructure and augmentation/strengthening of the existing network. Your Company encourages the DISCOMs to expedite various reform measures and to adopt best practices including modernization and automation of systems/smart grid, IT–enabled systems for metering and consumer services, other technology interventions in the distribution sector & helps them in improving their operational and financial performance.

Keeping in tune with the times where utilities are facing difficulty to keep themselves afloat and meet the consumer expectations at the same time, your Company today finances entire gamut of Distribution Projects broadly with the objectives of System Improvement & Augmentation, loss reduction measures, IT based system implementation, consumer satisfaction, etc. Your Company is always ready to consider special dispensation/requirements of DISCOMs based on the prudence/merit and sound appraisal mechanism.

Your Company hopes that the distribution scenario would consistently improve and turnaround in near future when the impact and outcomes of the above programmes in conjunction with the reform measures taken up by the respective States start trickling in and transform the entire distribution landscape.

Distribution has therefore a crucial role to play in development and sustainability of the power sector and overall Socio-economic development of the country.

Increased demand of quality power to the end consumer needs a robust transmission and distribution infrastructure. Further, technological advancement in mobility including hybrid vehicles, electric vehicles, charging stations with incentivised support of Central Government is happening at a fast pace. Therefore, in tune with the above, huge investments are foreseen in this domain in the imminent future.

Accordingly, the TRANSCOs and DISCOMs need to create the infrastructure and enhance their capital expenditure during forthcoming years to be able to provide reliable, robust & efficient system for transfer of power from generation facilities to sub-stations and up to the consumer end.

### 6.1 Major reforms in Distribution Sector

Government of India from time to time has made all efforts to ensure the overall development of the Sector by way of Electricity Act, 2003 and various other policy measures such as National Tariff Policy, National Electricity Policy, Rural Electrification Policy, etc., to provide a comprehensive framework and also the blueprint for Power Sector reforms. The operational and financial performance from the year 2014 onwards are an indication that the distribution sector is headed in the right direction. The process of un-bundling, corporatization, instituting regulatory commission, etc., has already been completed in most of the States, thus increasing their accountability and also providing more autonomy to the DISCOMs. Distribution Franchisees have been engaged in particular areas by some DISCOMs on case to case basis to boost the operational efficiency. In the past, programmes like R-APDRP and RGGVY were implemented to extend the benefits to the ailing DISCOMs with an objective to strengthen the infrastructure, reduce the losses in urban pockets, introduce IT and to provide last mile connectivity with service connections to BPL, respectively. Progressive interventions such as DDUGJY, IPDS and UDAY implemented by Government of India has come as an enabler for operational and financial turnaround of DISCOMs. Further, NEF – an Interest Subsidy Scheme is also under implementation with objective to promote capital investment & expedite the reform process in distribution sector.

REC is the Nodal Agency for implementation of DDUGJY & NEF scheme and is playing a key role in supporting the efforts of Government of India in implementation of UDAY also. REC supports the funding requirement of the loan component under DDUGJY and IPDS programmes. The financial outlay of DDUGJY and IPDS has provided considerable fillip to the pace of capital investments in distribution sector and strengthen the distribution backbone for absorbing the future growth pattern of electricity consumption both in rural and urban areas, without putting additional strain on already stressed balance sheets of DISCOMs. Also, REC provides counterpart funding to R-APDRP projects which aim to reduce the AT&C losses considerably in urban areas.

“Power for All” document signed by all States reflects the commitment to work towards achieving the very objective across the country. Your Company has been instrumental in development of “Power for All” Web-Portal and is engaged in assisting Ministry of Power in this endeavour. Your Company is also partnering and working along with respective State Utilities in this effort by making available requisite financing as well as working with Central & State Governments to resolve issues, if any for achievement of the objective.

An Integrated Rating System for all the State DISCOMs in the Country has been put in place by Ministry of Power which provides realistic performance assessment based on key defining parameters. The Rating methodology enables the

DISCOMs analyse their strengths & weaknesses and facilitate a focused approach for improving upon their operational and financial performance. It has also helped Banks/FIs in maintaining a consistent approach in analysis while considering funding proposals of distribution companies.

Deliberations on separation of Carriage (local networks) and Content (electric supply) are also underway with the various stakeholders *viz,* Customers, State Utilities, Policy Makers, Governments, SERCs, CERC and CEA, etc. The step is expected to usher in Competitive Power Pricing with the inclusion of a large number of Supply Licenses. The customers will thus have ease in choosing their suppliers and will have to only pay the fixed transmission charges for using the wires for wheeling of power from source to their facility. This however, would require state of the art technology intervention and process upscaling finally leading to significantly improved quality and cost-effective services to consumers.

The introduction of Information & Communication Technology (ICT) in Power Distribution sector would enable the power system to become "SMART" & with the two-way real-time data flow would help Utilities to manage the entire system as an integrated framework, actively sensing and responding to changes in power demand, supply, costs, quality of power, etc. Utilities would be better equipped to map the individual consumers data based on important parameters *viz.* time of day, quality and quantum of consumption, nature of load, seasonal load pattern, etc. for better demand side management. Meters with feature of real time communication with the Data Centre, would add to revenue as the power used earlier as theft would not go unnoticed. Consumers also can monitor their consumption pattern and accordingly plan their future usage of power.

Through National Smart Grid Mission (NSGM), another focus area of Ministry of Power, financial assistance to several pilot projects has been extended. Further, an inter-ministerial group - Smart Grid Task Force (ISGTF) is developing Smart grid road map of the country. Out of the 11 Smart Grid Pilot Projects taken under NSGM for testing various functionalities under Indian environment. The status as of May, 2019 is - one is in commercial operation; six projects have been completed and four projects have been declared Go-Live. The objectives of these Pilots cover – Power Quality Management (PQM), providing Advanced Metering Infrastructure (AMI), Outage Management (OM), Peak Load Management (PLM) and also DG (Distributed Generation) & Micro Grid functionalities. At present 5 Projects of Smart Grid are at various stages of implementation in different cities. The initiative would aid in moving towards a Smarter Grid.

Upgradation of technology and adoption of best practices by the distribution sector to cater to the requirement in promoting development of 100 smart +cities would present new financing opportunities.

The two pronged mission of Government of India of facilitating power to all and improving operational & financial performance of the Utilities have already started showing results in terms of timely notification of tariffs by Regulator in many States, filing of MYT petitions, claiming of Return of Equity in the ARR, release of revenue subsidy by State Government, etc.

### 6.2 National Electricity Fund

REC is Nodal Agency for National Electricity Fund (NEF) - this is an interest subsidy scheme having provision of ₹8,466 crore (against interest subsidy & other incidental expenses) to be provided over 14 years against interest paid on loan disbursements amounting to ₹23,973 crore for distribution schemes sanctioned during two financial years *viz.* 2012-13 and 2013-14. Ministry of Power, Government of India provides interest subsidy on interest paid for loans availed by the State Power Utilities, Distribution Companies both in public and private sector, to improve the infrastructure in Distribution Sector. The Scheme is reform linked and interest subsidy of 3% to 7% is payable to the DISCOMs on achievement of reform based parameters outlined in NEF guidelines. Initially, NEF Steering Committee approved projects of ₹25,000 crore which have now reduced to ₹23,973 crore due to delisting of some non-starter projects as per decision of the NEF Steering Committee. The utilities from the states of Andhra Pradesh, Gujarat, Haryana, Karnataka, Maharashtra, Madhya Pradesh, Punjab, Rajasthan, Telangana, Uttarakhand and West Bengal have already benefitted from the interest subsidy of ₹175.07 crore, released under the scheme till March 31, 2019.

### 6.3 Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)

Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) is the flagship scheme of Government of India, covering all aspects of rural power distribution. Under the scheme 60% of the project cost (85% for special category States) is provided as grant by Government of India and additional grant up to 15% (5% for special category States) on achievement of prescribed milestones. All unelectrified villages/habitations irrespective of population criteria are covered for electrification, in accordance with the guidelines of the scheme. All erstwhile ongoing Rural Electrification schemes had been subsumed in DDUGJY. REC is the Nodal Agency for operationalization of DDUGJY scheme as well.

DDUGJY facilitates towards achievement of '24x7 Power for All' in rural areas of the country through the following project components:

a) Separation of agriculture and non-agriculture feeders facilitating continuous quality power supply to non-agricultural consumers and adequate power supply to agricultural consumers,

b) Strengthening and augmentation of sub-transmission & distribution infrastructure

c) Micro-grid and Off-grid distribution network

d) Metering of Distribution Transformers/Feeders/Consumers; and

e) Rural Electrification component (including the erstwhile RE projects).

In order to realize the objectives of the scheme, participation of all stakeholders particularly public representatives had already been institutionalized through constitution of District Electricity Committees (now District Development Coordination and Monitoring Committee (DISHA)) under the Chairmanship of senior most Member of Parliament. DISHA is empowered to monitor and review implementation of DDUGJY.

### 6.4 Prime Minister Development Package (PMDP) for Jammu & Kashmir 2015

The Prime Minister Development Package for Jammu & Kashmir 2015 was announced by Hon'ble Prime Minister on November 27, 2015, with approved project cost of ₹2,570.14 crore (Government of India grant being 90% i.e. ₹2,301.62 crore). Project component includes Distribution Strengthening Projects for Rural Areas for an amount of ₹1,157.75 crore for which Government of India shall release funds through REC. Work covered under Distribution Strengthening Projects for Rural Areas are System Strengthening and connecting unconnected Households, replacing of barbed wire & worn-out poles, UG Cables at tourist places, Consumer Metering, construction of 33/11 kV Sub-stations at Industrial areas and electrical infrastructure at Shrines.

### 6.5 SAUBHAGYA – Pradhan Mantri Sahaj Bijli Har Ghar Yojana

The Hon'ble Prime Minister launched Pradhan Mantri Sahaj Bijli Har Ghar Yojana - Saubhagya on September 25, 2017 to achieve Universal Household Electrification covering every village and District in the country. Universal Household electrification requires creation of electricity access through last mile connectivity. Wherever, Grid connectivity is technically not feasible and financially unviable, electrification was resorted through Solar based Off-Grid systems. The Scheme outlay is ₹16,320 crore including Gross Budgetary Support of ₹12,320 crore. REC is nodal agency for operationalization of the scheme.

The scheme aims at (a) Providing last mile connectivity and electricity connections to all un-electrified households in rural areas; (b) Providing Solar Photovoltaic (SPV) based standalone system for un-electrified Households located in remote and inaccessible villages / habitations, where Grid extension is not feasible or cost effective; and (c) providing last mile connectivity and electricity connections to all remaining economically poor unelectrified households in urban areas. Non-poor urban households are excluded from this scheme.

### 6.6 Ujwal DISCOM Assurance Yojana (UDAY)

Financially stressed DISCOMs were incapable of supplying adequate power at affordable rates, which has for long hampered the quality of life, overall economic growth and development in the country. Efforts towards 100% village electrification and then 100% household electrification, 24X7 power supply and clean energy cannot be achieved without undertaking adequate capacity building of DISCOMs. Moreover, the issues of frequent power outages needed earnest resolution for meeting national priorities like "Make in India" and "Digital India". The unresolved legacy issues with DISCOMs had kept them trapped in vicious cycle with operational losses being funded by debt. Outstanding debt of DISCOMs had increased from about ₹2.4 Lakh crore at the end of 2011-12 to about ₹4.3 Lakh crore in 2014-15. To ensure permanent resolution of all these long standing as well as potential future issues, the Ministry of Power, Government of India through Ujwal DISCOM Assurance Yojana (UDAY), launched in November 2015, is a path breaking reform for realizing the Hon'ble Prime Minister's vision of affordable and accessible 24 x 7 power for all.

UDAY scheme empowers DISCOMs with the opportunity to break even at the end of their respective MoU periods through initiatives *viz.* (i) improving operational efficiencies of DISCOMs; (ii) reduction of cost of power; (iii) reduction in interest cost of DISCOMs; and (iv) enforcing financial discipline on DISCOMs through alignment with State finances.

The programme has already witnessed significant traction from various State Governments/ DISCOMs already and 32 States / UT are now part of UDAY fold, with 16 States (Jharkhand, Chhattisgarh, Rajasthan, Uttar Pradesh, Punjab, Bihar, Haryana, Jammu & Kashmir, Andhra Pradesh, Madhya Pradesh, Maharashtra, Himachal Pradesh, Telangana, Assam, Tamil Nadu & Meghalaya) joining for comprehensive improvement and balance 11 States & 5 UTs joining for operational turnaround. UDAY scheme is showing encouraging results as liabilities of DISCOMs of ₹2.09 Lakh crore is being taken over by State Governments and additionally ₹0.24 Lakh crore have been restructured / repriced through issuance of bonds; thus cleaning the balance sheets of DISCOMs and enabling them to restart the Capital Expenditure cycle while also enabling financially viable operations of all power sector stakeholders i.e. DISCOMs, TRANSCOs, GENCOs, IPPs, Banks / FIs, etc.

Your Company is assisting Government of India to liaise with respective State Governments/Utilities to enable achievement of objectives envisaged under the programme and was instrumental in development of UDAY Web Portal (www.uday.gov.in) and UDAY Mobile App, which is a key enabler in achieving the major objectives outlined under the programme. Through Web Portal/Mobile App, all the details with respect to performance of DISCOMs are readily available *vis-à-vis* the planned trajectory under the scheme. Accordingly, any deviations in the performance get suitably highlighted for all stakeholders, thus enabling DISCOMs to take corrective actions and others to appropriately assess their condition. Also, earlier the information with respect to DISCOMs performance used to be very outdated and with UDAY Web Portal & Mobile App now, the provisional performance of latest Quarter is available largely within gap of 1 to 3 months.

### 6.7 Urja Mitra

Urja Mitra is a distribution sector reform, being implemented through your Company's subsidiary RECTPCL under guidance of Ministry of Power. Urja Mitra is a first of its kind application which provides a Central Outage Management and Notification Platform (Web-Portal www.urjamitra.com as well as Mobile App) for State Power Distribution utilities to disseminate Power Outage information to urban / rural power consumers across India through SMS/email/push notifications. Power Consumers across the nation get outage update through integrated Mobile Application for Android and iOS platforms-prior intimation of expected duration and cause of scheduled power outages and post fault intimation of unscheduled power outages duration. It also provides a platform to view real time power outages in any part of the Country, lodge a complaint on power outages. The Stakeholder connect is ensured by providing for vernacular mobile apps, which can be used by field staff to trigger power outage information/view ongoing outages/take corrective action on outage complaints etc.

By May, 2019, data of around 19.05 crore consumers of 52 DISCOMs of 29 states is uploaded into the application and till date 135.46 crore SMS have been sent to the consumers.

### 6.8 11 kV Rural Feeder Monitoring Scheme

To get a complete picture of the entire distribution network in country and to ensure achievement of "24x7 Power for All" vision of Government of India, it was felt essential to capture real time supply parameters of rural India and this could be achieved by monitoring the availability/quality of power supply in rural areas of the country recording actual distribution parameters i.e. Power supply, outages and by conducting feeder wise energy audit and AT&C losses calculation.

In order to meet the above objective, Ministry of Power, Government of India has introduced "11 kV Rural Feeder Monitoring Scheme" under the Distribution Sector Reforms and has appointed REC Transmission Projects Company Limited as Implementing Agency for the same. Under the Scheme, meter data of rural feeders is sent to central Meter Data Acquisition System (MDAS) for analysis and the same is then integrated with National Power Portal (NPP) to make it available for use of all stakeholders.

This scheme targets to develop a self-sustained, independent, web based automated system for almost 1.1 Lakh rural and agricultural feeders across country by acquiring various essential parameters of all the outgoing 11kV rural feeders & such 66/33 kV incoming feeders from where 11kV rural feeders are emanating and making the information available online for all on public portal on real time basis, for power supply monitoring, alerts, meter data analysis, information dissemination and energy audit. By May 2019, more than 71,000 Modems have been installed which are providing around 80% of communication.

The System would help for monitoring power supply, proper planning, decision support and taking corrective actions on the business activities in addition to transparently disseminating the power supply status. It would further facilitate consolidation of various parameters downloaded from the meters installed on the feeders into a common database thus enabling generation of various MIS reports for analysis and actions.

### 6.9 Tarang

Tarang – Transmission App for Real-Time Monitoring and Growth is a transmission sector initiative for better monitoring, being run under guidance of Ministry of Power through your Company's subsidiary RECTPCL. It provides an informative medium regarding the Pan India progress of Transmission System which can be drilled down for analysis to month wise, agency wise, state wise information etc. The reasons of delay in case of stalled/delayed projects is separately provided so that all concerned stakeholders can take timely corrective decision for project completion. Tarang monitors the progress of both Inter State and Intra State Transmission Projects being implemented through Tariff Based Competitive Bidding (TBCB) as well as Regulated Tariff Mechanism. In other words, it is a real time repository of Transmission System across the country.

Tarang also shows the prospective upcoming Inter-State as well as Intra-State Projects along with their status from bidding stage to award, construction, completion and reasons of delay, if any Pan India. Tarang provides advance information of upcoming transmission projects approved by Empowered Committee on Transmission aiding bidders to gear up for future transmission projects.

## 7. FINANCING ACTIVITIES

Your Company has been providing funding assistance for power generation, transmission & distribution projects including for the electrification of villages. Details of major financing activities during the financial year 2018-19 are as under:

### 7.1 Generation

During the financial year 2018-19, your Company sanctioned 56 Nos. of Generation/R&M loans including 4 Nos. of additional loan assistance with total financial outlay of ₹41,431.87 crore including consortium financing with other financial institutions

as details mentioned below:

(₹ in crore)

| Particulars | No. of Loans | Loan Amount |
|---|---|---|
| **State Sector** | | |
| Fresh Loan | 49 | 28,592.37 |
| Additional Loan | 2 | 2012.49 |
| **Private Sector** | | |
| Fresh Loan | 2 | 8,701.30 |
| Additional loan | 2 | 2,025.71 |
| Other | 1 | 100.00 |
| **Total** | **56** | **41,431.87** |



*500 MW Solar PV plant of APGENCO in Andhra Pradesh financed by REC.*

## 7.2 Renewable Energy

During the year, REC sanctioned loan assistance of ₹11,875.20 crore to 36 Renewable Energy projects with installed generation capacity aggregating 2197.46 MW, out of which 12 were solar photo-voltaic projects aggregating 860 MW, 13 were wind energy projects aggregating 1280 MW, 2 were small hydro projects aggregating 27 MW, 1 was solar pump set project (6,583 No. of pump sets) aggregating 28.81 MW, 1 was solar PV rooftop project aggregating 1.65 MW, 1 was Electric-vehicle project and 6 were loans to State DISCOMs for meeting their renewable purchase obligations.

The total cost of all the projects sanctioned during 2018-19 aggregates to ₹17,273.54 crore. The sanctions and disbursement under renewable energy category recorded a growth over 69% and 23% respectively *vis-à-vis* the previous year. The disbursement achieved during the year was ₹6,627.76 crore as detailed below:

| Particulars | Unit | FY 2018-19 | FY 2017-18 |
|---|---|---|---|
| Projects Sanctioned | Nos. | **36** | 28 |
| Capacity of Sanctioned Projects | MW | **2,197.46** | 704 |
| Cost of Projects | ₹ in crore | **17,273.54** | 9,453.42 |
| Loan Sanctioned | | **11,875.20** | 7,034.24 |
| Loan Disbursed | | **6,627.76** | 5,403.27 |

## 7.3 Transmission & Distribution

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

During the financial year 2018-19, your Company sanctioned 784 Nos. of Transmission and Distribution schemes involving a total loan assistance of ₹50,610.28 crore. This includes primary power evacuation schemes associated with generating plants, system improvement schemes, schemes for Procurement & Installation of equipment/materials like meters, transformers, conductors, tower material, cables, etc. Government approved schemes like DDUGJY, IPDS & Saubhagya schemes and Infrastructure schemes for providing electricity access to various categories of consumers including Agriculture.



### 7.4 Short / Medium Term Loans and other Loan assistance

During the financial year 2018-19, your Company has also sanctioned 38 loan assistance of ₹12,040 crore to various power utilities, in the form of short / medium term loans & other loan assistance, to meet their funds requirement of short/ medium term & working capital, etc.

### 7.5 Financing Activities in North Eastern States

During the financial year 2018-19, a total sum of ₹1,833.29 crore was sanctioned and an amount of ₹181.17 crore was disbursed against various projects in State and Private Sector relating to Generation and Transmission & Distribution in North Eastern states, as detailed in the tables, attached to this Report.

### 7.6 Appraisal System for Financing Private Sector Projects

REC has its own guidelines for appraisal of Private Sector Conventional, Renewable Power Generation and integrated mining with Power Plant Projects. The appraisal is carried out on the basis of the financial performance, creditworthiness, management proficiency & sectoral experience of the promoter entities. REC's interest rates & security structure are linked to the grades/integrated ratings assigned to the Private Sector Projects.

During the year, REC has reviewed the existing guidelines for Private Sector Projects in view of the changing market practices, regulatory environment and RBI policies to strengthen the appraisal process. The Company has first time forayed into financing e-vehicle as forward integration for energy security (fuel switching), energy efficiency (re-generative braking) and carbon footprint reduction in mass transport buses.

### 7.7 Grading of State Power Utilities

Your Company has well defined policy/guidelines for grading of State Power Utilities and the Grading exercise for grading of State Power Utilities (Generation/Transmission and Trading Utilities) has to be done twice in a year.

For the purpose of funding, your Company has classified State Power Generation and Transmission Utilities into A++, A+, A, B and C categories. The categorization (bi-annually) of State Power Generation and Transmission Utilities is arrived based on the evaluation of utility's performance against specific parameters covering operational & financial performance including regulatory environment, Audited Financial Statements, etc. Further, with regard to State Power Distribution utilities (including SEBs/ utilities with integrated operations), your Company adopts ratings of Independent Rating Agencies jointly appointed by PFC and REC based on the rating framework approved by the Ministry of Power, Government of India. The categorization enables your Company to determine credit exposure limits and interest rates to the state power utilities.

During the year, your Company has completed grading exercise twice and after mapping of Integrated rating for DISCOMs, 117 utilities including 8 new State entities were categorized/graded out of which 19 utilities were graded as A++, 32 as A+, 40 as A, 18 as B and 8 utilities were graded under Category C.

### 7.8 Investments made during the financial year 2018-19

The Company has not made any new investments during the financial year 2018-19.

## 8. INTERNATIONAL COOPERATION & DEVELOPMENT

REC has four lines of ODA credit with KfW, Germany and three of them have been fully drawn as on March 31, 2019. KfW-I and KfW-II ODA loans are of EUR 70 million each (approx. ₹454.02 crore & ₹480.97 crore, respectively) and KfW-III is of EUR 100 million (approx. ₹753.73 crore). In Fiscal 2019, REC entered into a fourth loan agreement with KfW for financial assistance of USD 228 Million. As on March 31, 2019, no amount has been drawn under this facility.

Apart from above, REC has two lines of ODA credit with JICA, Japan. Both of them have also been fully drawn. Under JICA-I & II ODA loans, cumulative amount of JPY 16,949.38 million (approx. ₹820.12 crore) and JPY 11,809.48 million (approx. ₹640.64 crore) respectively, has been drawn as on March 31, 2019.

## 9 PERFORMANCE AND ACHIEVEMENTS OF GOVERNMENT PROGRAMMES DURING FINANCIAL YEAR 2018-19

### 9.1 Deendayal Upadhyay Gram Jyoti Yojana (DDUGJY)

#### 9.1.1 Village Electrification – Landmark achievement

India's rural electrification programme passed through several stages of improvement with appropriate intervention at Government of India level. In spite of various programmes of Government of India, as on April 1, 2015; there were 18,452 villages which still remained then un-electrified.

In the 69th Independence Day address on August 15, 2015, Hon'ble Prime Minister pledged to the nation that all remaining Un-Electrified (UE) villages in the Country would be electrified within 1,000 days with the help of States and local bodies. Accordingly, Ministry of Power had fast tracked electrification of all 18,452 villages on priority mode. As these remaining

18,452 un-electrified villages were located in inaccessible areas (thickly forested, mountainous regions, etc.) involving tough terrain, inclement weather, areas facing Right of Way (RoW) issues, areas plagued by insurgency, Leftwing extremism, etc, the following measures and intensive monitoring mechanism strategies had been adopted:

- Entire process of village electrification categorized into 12 milestones.
- Engineers viz., 'Gram Vidyut Abhiyanta (GVA) were deployed at Block/District level for shouldering this mission at field level.
- Dedicated web-portal *viz.* 'GARV App' (www.garv.gov.in), well acknowledged for its transparent and accountable mechanism was developed for meticulous monitoring the progress of electrification of all 18,452 Un-Electrified villages through an online system along with the milestones of village electrification progress.
- Cluster based implementation approach.
- Priority given for RE as a separate component.
- Flexibility in mode of execution i.e. Turnkey/partial Turnkey/departmental.
- Where Grid connectivity is not feasible or not cost effective, Decentralized Distribution cum Generation was extended.
- Regular review Meetings at the highest level of Government of India.
- State specific review meetings at Hon'ble Chief Ministers level.

During the course of village electrification process, States reported an additional 1,227 villages as un-electrified. Accordingly, REC made all concerted efforts in facilitation and made available adequate funds for village electrification. To those inaccessible difficult to approach villages, air lifting of material were resorted through choppers of Indian Air Force to the States of Jammu & Kashmir State and Arunachal Pradesh. Further, assistance of Railways were availed for transporting voluminous materials to Arunachal Pradesh. To such remotest areas where neither of the options of sophisticated transportation available, material were transported through manual head loading for days together.

With the above initiatives and collective efforts of States and other stakeholders, April 28, 2018 had been made as a landmark day in the Power Sector domain by achieving electrification of all un-electrified census inhabited villages in the country totaling to 18,374 villages excluding the 1,305 uninhabited villages, with 1,515 villages electrified in this financial year 2018-19.

### 9.1.2 Performance during financial year 2018-19:

**a. Sanction:**

Under DDUGJY, additional Infrastructure was sanctioned by Ministry of Power, Government of India to support Household electrification under Saubhagya. During the financial year 2018-19, ₹14,270.33 crore (Government of India Grant component of ₹11,237.79 crore) has been sanctioned to States.

**b. Fund release:**

The subsidy of Government of India is channeled through REC and the matching contribution is infused by the respective State Government/Implementing Agencies through Loan on their own.

Under DDUGJY & PMDP Scheme, a total Government of India Grant of ₹16,920.66 crore (DDUGJY Grid including RE: ₹12,590.47 crore; DDUGJY Off-Grid including RE : ₹140.97 crore; Additional Infrastructure : ₹4,189.22 crore) have been released to States in financial year 2018-19.

**c. Progress of electrification:**

During the financial year, under DDUGJY 1,782 Substations (New & Augmentation) have been commissioned and also 4.40 Lakh Distribution Transformers installed. Further, 2,46,717 CKms Feeders (including new 11 kV Lines) have been established.

The State-wise details of sanctions, Subsidy releases & progress of electrification during the financial year are given in **Table- 5.**

### 9.1.3 Cumulative Performance upto March 31, 2019:

Under DDUGJY, cumulatively up to March 31, 2019; 5,936 projects for ₹1,08,554 crore have been sanctioned excluding funds sanctioned for creation of Additional Infrastructure for Saubhagya Households to 19 States. Government of India Grant of ₹71,113.28 crore have been disbursed to the Implementing agencies.

As regard to physical progress, cumulatively upto March 31, 2019, 4,845 Sub-stations (including 2,909 Augmentation Sub-stations) have been commissioned, 10.78 Lakh Distribution Transformer commissioned and 5,80,504 Ckm Feeder Segregation (Including 11 kV Lines) have been laid.

The State-wise details of sanctions, fund releases & progress of electrification are furnished at **Table-6.**

### 9.2 SAUBHAGYA- Pradhan Mantri Sahaj Bijli Har Ghar Yojana

As Nodal Agency, REC had taken all necessary following initiatives for successful achievement of Universal Household Electrification by March 31, 2019:

- Guidelines issued to all States/Power Utilities;
- Dedicated Saubhagya web-portal developed for monitoring (www.saubhagya.gov.in);
- Senior Officers of REC nominated as State level Nodal Officers;
- Gram Vidyut Abhiyantas (GVA) were deployed across the districts in States where major un-electrified households remain;
- Regular Review Meetings with District level officials, DISCOM personnel, review of the scheme by Senior Officials of Ministry of Power, Government of India and with State Energy/Power Secretaries by the Hon'ble Minister of State (IC) for Power and New & Renewable Energy for expediting and resolving issues;
- Over and above sanction of ₹14,017 crore under Saubhagya scheme, an additional amount of ₹14,270 crore also sanctioned for creation of Additional Infrastructure for supplementing Saubhagya Household Electrification;
- As on March 31, 2019, cumulatively Government of India Grant of ₹4,249.47 crore released to States, in which ₹2,709 crore Government of India grant has been released during financial year 2018-19; and
- In order to ensure that no willing household left out without electricity connection, as per Ministry of Power directive, REC impressed upon the States to launch special campaign in the form of movement of Saubhagya Raths across the Districts, door to door campaign, electricity camps in villages and publication in electronic and print media, etc.

With the above initiatives of REC, Ministry of Power and active support & cooperation of States/Power Utilities and other stakeholders, 262.84 Lakh households have been provided electricity connections since launch of Saubhagya including release of 222.39 Lakh connections during this financial year 2018-19.

All States except 18,734 unelectrified households due to LWE issues in Chhattisgarh achieved Universal Household Electrification by March 31, 2019.

The State-wise details of progress of households & fund release are furnished at **Table- 7**.

## 10. STANDARDIZATION, QUALITY CONTROL & MONITORING:

In line with the Quality Control Mechanism under DDUGJY, REC Quality Monitors (RQM) have been appointed for 413 projects in 25 states under XI plan (Phase-I&II), 273 projects in 15 states under XII Plan and 633 projects in 31 states under DDUGJY New Scheme, for ensuring quality of material and works.

During the financial year 2018-19, RQMs have undertaken inspection of 12,226 villages & 308 power substations under DDUGJY-RE XI & XII plan and 3,550 villages & 354 power substations under DDUGJY-New scheme. In addition, RQMs have undertaken material inspection of 103 Nos. under DDUGJY-RE XI & XII plan and 1,080 Nos. under DDUGJY-New scheme at manufacturer premises for ensuring quality of works. Further, REC Quality Monitors (RQM) for Saubhagya scheme were also appointed. During financial year 2018-19, 478 Nos. of material inspections were carried out by RQMs under Saubhagya scheme at manufacturer premises for ensuring quality of materials.

## 11. RISK MANAGEMENT

The Company has a Comprehensive Risk Management Policy which covers the Credit Risk, Operational Risk and Market Risk.

### 11.1 Risk Management Committee

The Company is having a Risk Management Committee (RMC) which is functioning under the chairmanship of a Part-time Non Official Independent Director and currently comprises of four members i.e. two Independent Directors, Director (Finance) and Director (Technical) as its members for monitoring the integrated risks of the Company.

The main function of RMC is to monitor various risks and also to suggest action for mitigation of risk arising in the operation and other related matters of the Company. The company has identified its various risks and has taken appropriate steps to mitigate them.

The brief description of the risks is as below:

(i) **Credit Risk:**

Credit risk is a risk inherent in the financing industry and involves the risk of loss arising from the diminution in credit quality of a borrower and the risk that the borrower will default on contractual repayments under a loan or an advance. To mitigate the same, the company follows systematic institutional and project appraisal process to assess the credit risk. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures. Further, on regular basis the projects risk are reviewed and categorised as High/Moderate/Low on the basis of different risk parameters and exposure of the project as per Project Risk Categorization Frameworks.

**(ii) Operational Risk:**

The operational risk arises from inadequate or failed internal processes, people and systems or external events. The Company has an Organization-wide risk categorization framework through which all the operational risks are measured and categorised as High/Moderate/Low. Further, the operational Risks of the Company are studied in eight functional areas such as Business, Compliance, Finance, Human Resource, Information Technology, Legal, Operational and Strategic.

**(iii) Market Risk**

Market Risk comprises the Interest Rate Risk, Liquidity Risk and Foreign Currency Risk.

### 11.2 ALCO Committee

To manage the market risk, the Company has constituted an Asset Liability Management Committee (ALCO) which is functioning under the chairmanship of CMD and comprises of Director (Finance), Director (Technical), Executive Directors and General Managers from Finance and Operating Divisions as its members.

ALCO monitors risks related to interest rates, liquidity and currency rates. The brief description of the risks is as below:

**(i) Interest Rate Risk:**

Interest rate risk is the potential loss arising from fluctuations in market interest rates. In order to mitigate the interest rate risk, company periodically review its lending rates and the weighted average cost of borrowing based on prevailing market rates.

**(ii) Liquidity Risk:**

Liquidity risk is the risk of potential inability to meet liabilities as they become due. We face liquidity risks, which could require us to raise funds or liquidate assets on unfavourable terms. We manage our liquidity risk through a mix of strategies, including forward-looking resource mobilization based on projected disbursements and maturing obligations.

**(iii) Foreign Currency Risk:**

Foreign currency exchange risk involves exchange rate movements among currencies that may adversely impact the value of foreign currency-denominated assets, liabilities and off-balance sheet arrangements. The Company manages foreign currency risk associated with exchange rate and interest rate through various derivative instruments.

## 12. PREFERRED CUSTOMER POLICY

As a part of business promotion strategy, a Preferred Customer Policy was formulated in 2008 with the basic purpose of offering an enhanced level of services to the Company's customers and to have a long term mutually beneficial relationship with them. The Policy lays down the eligibility criterion which takes into account various factors such as amount of loan outstanding, duration of loan relationship, repayment track record of the borrower etc. for determining preferred customers and sponsoring them for capacity building/ domestic/ international seminars/ training programmes organized by various external agencies as well as RECIPMT, Hyderabad.

## 13. INFORMATION TECHNOLOGY INITIATIVES

(i) **Implementation of latest version of ERP running in REC since July 2009:**

REC has upgraded its existing e-Business ERP (Oracle e-Biz suite) 11i (launched on July 24, 2009) to the latest version R12.2.7 along with replacement of ERP hardware. The new ERP supports GST and Indian accounting standard (Ind-AS) and has advanced features which has facilitated further automation of business operation of the Company and integration to other systems like e-Office, etc. The Project has gone live in July, 2018. Core business function of the Company are driven by Oracle ERP.

(ii) REC has implemented state-of-the-art Electronic Office solution of open-text Documentum application for transformation of REC to paperless environment. The system runs in private cloud environment and is continuously improved by adding new features.

(iii) **Up-gradation of REC WAN Network with enhanced Bandwidth:** To meet the demanding requirement of operations, Organization wide MPLS VPN network infrastructure (operational since year 2008) has been completely revamped with latest network devices, enhancement of bandwidth, high availability and advanced features.

(iv) **Video Conferencing**: The Video conferencing facility has been revamped and this bridge-based multi-conferencing facility is being used extensively across all offices and subsidiaries for meetings, Board meetings (with recording facility), conference with external agencies, training including RECIPMT, etc.

(v) **Implementation of IT Framework as per RBI Master Direction:** REC has implemented IT security directives of Master Direction of IT Framework as per RBI Guidelines involving the following:

a. Gap analysis study with current ICT Setup *vis-à-vis* RBI master directions on IT framework, Roadmap assessment and reporting to the Board.

b. Formulation of roles and responsibilities, review of existing policies/procedures and formulation of new policies.

c. Constitution of Information Technology Strategy Committee (ITSC) consisting of Independent Director, Chief Information Officer (CIO), Chief Technical Officer (CTO) and an External Consultant (M/s KPMG).

REC continues to comply with Master Direction of IT Framework issued by RBI for NBFC sector.

(vi) As a step towards Digital transformation and to facilitate the borrowers to submit loan application from public domain, an online portal for submission of loan proposals has been developed.

(vii) **Revamping of REC Corporate Intranet/Internet Website**:

a. REC Corporate Website & Intranet portal have been completely revamped to make it user friendly, dynamic, interactive and accessible from mobile devices from public domain.

b. The website of REC is STQC certified and comply to Guidelines for Indian Government Website (GIGW). Further, MoU target for financial year 2018-19 i.e. DPE guidelines on 'Accessible India campaign' for REC corporate website has been successfully achieved as per timelines.

(viii) **Towards transparency in procurement**: All procurement of goods and services of value above ₹2 Lakh is being done online through an E-procurement system. The system complies to e-Reverse Auction as per CVC guidelines and REC Procurement guidelines. Procurement of Goods and services is also done from Government e-Market (GeM) portal, MSME vendors. In addition, REC has deployed a number of in-house developed systems as part of IT initiatives towards achieving better e-governance.

(ix) **Primary Data Centre (PDC) and Disaster Recovery Center (DRC)**: Both PDC and DRC of REC are ISO/IEC 27001:2013 certified and also comply to National Cyber Security Policy of Government of India. REC has also implemented Data Leakage & Prevention (DLP) system at DC & DR for preventing sharing of confidential and critical information outside the corporate network.

(x) REC network is IPv6 compliant as per directive of Government of India.

(xi) **Promoting Government of India initiatives**: REC facilitates and promotes the IT initiatives of Government of India like MyGov, e-Governance, DPE guidelines on digital mode of payments, etc., within the Company.

(xii) **Providing training and Computing facility to Employees**: Computer to Employee population ratio is 100%. IT Division also organizes and impart various training programs to upgrade Computer skills of the employees of the Company.

## 14. REC INSTITUTE OF POWER MANAGEMENT AND TRAINING

REC Institute of Power Management and Training (RECIPMT) formerly Central Institute for Rural Electrification, was established at Hyderabad in 1979 under the aegis of REC Limited to cater to the training and development needs of engineers and managers of Power Sector organisations. The programmes are conducted on the state-of-the-art subjects of Power Generation, Transmission, Distribution and Renewable energy sources.

### 14.1 National Training Programmes (NTP) under DDUGJY

REC/RECIPMT is the Nodal Agency for coordination and implementation of National Training Programmes for employees of C&D category, under DDUGJY, sponsored by Ministry of Power, Government of India. During the year 2018-19, as against the target of 20,000 employees of C&D category, 16,623 were trained.

RECIPMT on the request of power utilities, has conducted 113 batches of Programmes for employees of C&D category with 2,828 participants for Jodhpur Vidyut Vitran Nigam Limited (JdVVNL), Jammu & Kashmir Power Development Department (JKPDD), Himachal Pradesh State Electricity Board Limited (HPSEBL), Telangana State Northern Power Distribution Company Limited (TSNPDCL) and Telangana State Southern Power Distribution Company Limited (TSSPDCL) at various locations under its banner.

### 14.2 International Programmes

RECIPMT is empanelled by the Ministry of External Affairs, Government of India to organise training programmes in the area of power sector under ITEC/SCAAP. During the year, RECIPMT has organised 8 International programmes with 150 participants, on the topics, *viz.*, Certificate Course in Power Distribution Management (5 Weeks); Concept to Commissioning of Solar Power Plants (5 weeks); Design, Erection, O&M and Protection of EHV Sub-Stations (6 weeks); Financial Management and Accounting Standards for Power Utilities (6 weeks); Management of Power Generation Plants (6 weeks); Planning and Management of Power Transmission and Distribution System (8 weeks); Emerging Trends in Rural Electrification & Power Management (8 weeks) and Certificate Course in Electric Power Management (12 Weeks) The participants from countries, *viz.*, Afghanistan, Azerbaijan, Angola, Bangladesh, Bhutan, Botswana, Burundi, Cambodia, Democratic Republic of the Congo,

Ethiopia, Gambia, Ghana, Guinea, Kenya, Lebanon, Mozambique, Mauritius, Mongolia, Myanmar, Niger, Nigeria, Rwanda, Seychelles, South Sudan, Swaziland, Sudan, Syria, Sierra Leone, Tajikistan, Tanzania, Thailand, Uzbekistan, Vietnam and Zimbabwe have attended the programmes.

### 14.3 SAUBHAGYA Programmes

RECIPMT has organized training programs under SAUBHAGYA/DDUGJY, to train scheme implementers i.e. DISCOM Engineers, Contractors and their workers. These trainings are to sensitize them in taking care of "Quality Aspects" while executing SAUBHAGYA/DDUGJY schemes. 27 batches of Training of Trainers (1 day program) with 1,470 participants were organized & 23 batches of Field Workers Training (Two days program) with 1,181 participants was organized. In total, 2,651 participants were trained.

### 14.4 Behavioural Skills Programmes

RECIPMT has organized under the sponsorship of REC, training of 850 top/ middle level executives on "Behavioural skills" with objectives (i) to make aware of Executives their potential; (ii) to orient on Behavioural aspects at work place, skill development, etc.; and (iii) to enhance problem solving ability. The participation was from Distribution, Generation and Transmission utilities across the country and RECIPMT organized them as off-site programs (at utility premises).

### 14.5 Solar Programmes

RECIPMT has been empanelled by National Institute of Solar Energy (NISE) as partner training institute for conduct of Solar Programmes and organised 5 programmes on "Solar Roof Top Power Generation" for Distribution Engineers of Telangana State Power Distribution companies at various locations and 2 programmes on "Entrepreneur Development programmes on Solar PV" for unemployed youth at RECIPMT Campus. In total, 278 participants were trained.

### 14.6 Regular National Programmes

RECIPMT has organised 21 Regular Training Programmes for the personnel of various Power Utilities on different topics such as Earthing Practices & Safety Measures in Electrical Installations; Implementation of GST; Power Transformer – Testing, Commissioning, Protection & Maintenance; Concept to Commissioning of Solar Power Plants and Grid Enabling; Open Access, Power Trading & Exchange; Latest Trends in Metering, Billing and Collection; Underground Cables – Design, Selection, Laying, Monitoring & Fault Detection; Distribution Transformers- Operation & Maintenance Practices for Failure Minimization; Design, Construction & Quality Control of EHV Substations; Smart Grid and Smart Cities; Labour Laws – Employee Compensation & Contract Labour Act- Procedure in Dealing with Court Cases; Protection System in EHV Sub-stations & Lines; Power Purchase Agreement; Gas Insulated & Indoor Sub-stations; Ind AS (IFRS) Adoption in Power Sector; O&M of EHV Sub-Station and Lines and Quality Assurance; Distribution Loss Reduction Issues, Challenges and Remedial Measures; Design Construction & Testing of Distribution Sub-Station and Lines; Power Transmission Lines, Design, Construction and O&M; Tariff Policy and Submission of ARRs Regulatory Compliance; Operation, Maintenance and Protection aspects of Distribution Sub-station & Lines. A total number of 246 participants attended the above programmes.

### 14.7 Customized Programmes

16 batches of customised programmes were designed and organised suitable to the utility requirements on their request. The programmes conducted are on "O&M of Distribution Sub-Station" for JKPDD, Jammu & Srinagar (2 batches) and Jharkhand Bijli Vitran Nigam Limited (JBVNL), Ranchi (2 batches) for their Engineers. The programme on "Behavioural Training", "Safety Management", "Distribution Transformer, Maintenance & Testing" (2 batches); "Electrical Safety and Inspection of Electrical Installations Under IE Rules" (2 batches); "Distribution Metering, Advanced Technologies" (2 batches) for JBVNL Engineers at Ranchi; "Earthing Practices & Safety Measures in Electrical Installations", "Design, Construction and Quality measurement of EHV Sub-station", "Power Transformer, Design, Manufacturing, Specification and Conditional and Predictive maintenance of major Sub-station equipment", "Protection System in EHV Sub-stations & Lines" for Maharashtra State Electricity Transmission Company Limited (MSETCL) Executives/Engineers at RECIPMT campus. In total, 347 participants were trained under customised programmes.

### 14.8 In-house Training Programmes

RECIPMT also organised four in-house programmes for the employees of REC and 47 employees have taken part in these programmes. The topics covered are Understanding of SPU's Grading and REC's Business Areas, sponsored by REC; Loan Documentation, Goods and Services Tax Implementation and Leadership & Communication Skills.

**14.9** In all, during the year 2018-19, RECIPMT has conducted 255 programmes on various themes/subjects and trained 7,397 personnel with 24,821 man-days of training, in addition to coordinating and monitoring the National Training Programmes for employees of C&D category, sponsored by Ministry of Power, Government of India.

## 15. ISO 9001:2015 QUALITY ASSURANCE CERTIFICATION

The Company had implemented Quality Management Systems as per ISO 9001:2008 standards in six major Divisions of Corporate Office and 18 Regional/Sub-Offices across the country for claims processing. Further, this certification has been replaced by International Organization for Standardization (ISO) with ISO 9001:2015 standard and the same is under implementation in REC.

## 16. HUMAN RESOURCE MANAGEMENT

In order to professionalize the Executive strength of REC and also to infuse fresh blood, three executives were appointed through Campus Recruitment during the financial year. The total manpower of the Company as on March 31, 2019 was 487 employees which includes 386 executives and 101 non-executives.

### 16.1 Reservation in Employment

The directives issued by the Government of India regarding reservations for SC/ST, etc. 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 March 31, 2019 are given below:

| Group | Number of Employees | | | | | |
|---|---|---|---|---|---|---|
| | Total | | SC | | ST | |
| | **FY 2018-19** | FY 2017-18 | **FY 2018-19** | FY 2017-18 | **FY 2018-19** | FY 2017-18 |
| A | **346** | 363 | **34** | 35 | **13** | 13 |
| B | **75** | 87 | **12** | 15 | **2** | 2 |
| C | **09** | 16 | **1** | 1 | **0** | 0 |
| D | **57** | 62 | **17** | 17 | **1** | 1 |
| **Total** | **487** | 528 | **64** | 68 | **16** | 16 |

### 16.2 Training & Human Resource Development

As a measure of capacity building including up-gradation of employees' skill sets and to ensure high delivery of performance, Training and HRD continued to receive priority during the financial year. Training and Human Resource Policy of the Company aims at sharpening business skills and competencies required for better employee performance and provides all possible opportunities and support to the employees to improve their performance & productivity. Training was also provided to promote better understanding of professional requirements as well as to sensitize employees to socio-economic environment in which business of the Company is carried out. Training which helped employees benefit in spiritual, health and attitudinal change process was also imparted.



*Management Development Programme for Junior level executives of REC organized during February 25, 2019 to March 3, 2019 at Administrative Staff College of India (ASCI), Hyderabad.*

In order to equip the employees professionally, the Company sponsored 203 employees to various training programmes, workshops, etc. within the country and abroad. Taken together, these initiatives enabled the Company to achieve 893 training man days. Further, 19 Executives were deputed for programmes abroad.

### 16.3 Employee Welfare

In order to provide improved health care facilities to the employees and their dependent family members, the Company has expanded the list of empaneled hospitals under Direct Payment Scheme by adding two hospitals. Further, part time services of three doctors were engaged to provide onsite medical facilities to employees. The Company has also been funding sports & recreation equipments for use by employees and promote well-being of employees.

#### Sports Activities

During the financial year 2018-19, REC hosted an Inter-CPSU Table Tennis Tournament at New Delhi and also sponsored its employees for various Inter-CPSU sports tournaments such as Badminton, Table Tennis, Volley Ball, Kabaddi, Chess etc., organized by various power sector CPSUs under the aegis of Power Sports Control Board (PSCB). Further, employees were encouraged to participate in various quizzes, paper presentations and simulation competitions conducted by reputed institutions.

### 16.4 Representation of Women Employees

As on March 31, 2019, the Company had 78 permanent women employees, which represent 16.01 % of the total work force. There is no discrimination of employees on the basis of gender. A Women Cell has been in operation in the Company to look after welfare and all round development of women employees. International Women's Day was celebrated by REC Women's Cell.

### 16.5 Industrial Relations

The Industrial Relations scenario in the Company continued to be cordial and harmonious in the financial year 2018-19. There was no loss of man days on account of industrial unrest. Regular interactions were held with REC Employees Union and REC Officers Association on issues of employee welfare. This has helped to build an atmosphere of trust and cooperation resulting in a motivated workforce and continued improvement in business performance. Wage negotiations for non-executives effective from January 1, 2017 was successfully concluded.

### 16.6 Public Grievance Redressal Machinery

In accordance with the guidelines issued by the Government of India, the Company has constituted a Grievance Redressal Committee to redress the grievances of employees.

## 17. CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABLE DEVELOPMENT

The Company has its 'Corporate Social Responsibility & Sustainability Policy' aligned with the provisions of Companies Act, 2013. The Companies (Corporate Social Responsibility Policy) Rules, 2014 and Guidelines for CSR and Sustainability for Central Public Sector Enterprises issued by Department of Public Enterprises, was effective from July 11, 2017. The copy of the 'REC Corporate Social Responsibility & Sustainability Policy' is available on the website of the Company.




*Providing skill development training (beautician) to women residing in Mewat district, Haryana, under REC CSR initiative.*

During the financial year 2018-19, the Corporate Social Responsibility and Sustainable Development (CSR & SD) initiatives of the Company were continued with a view to integrate REC's business operations with social processes while recognizing the interests of its stakeholders. CSR & SD projects were linked with the principle of sustainable development. The strategic focus was aimed at CSR & SD initiative towards fulfilling the National Plan goals and objectives including Sustainable Development Goals ensuring gender sensitivity, skill enhancement, entrepreneurship and employment generation by co-creating value with local institutions/people. While identifying such initiatives, the Company has adopted an integrated approach to address the community, societal and environmental concerns measured in terms of triple bottom line approach. During the year, the Company has undertaken various CSR initiatives in the fields of health care including for old age and persons with disabilities, drinking water and sanitation facilities, skill development program, education, environmental sustainability, rural development program, etc. The CSR strategy has been developed with action plan in project-based accountability approach. The CSR activities have been implemented in project-mode, with baseline survey, specified time-frame, identified milestones, periodic monitoring and impact assessment. Disbursement of allocated funds under CSR was linked with achievement of the milestones and deliverables. During the financial year 2018-19, financial assistance aggregating to ₹158.72 crore was sanctioned for various projects under Corporate Social Responsibility & Sustainable Development and ₹103.39 crore was disbursed. A detailed Report on Corporate Social Responsibility and Sustainability Activities is annexed to this Report.

## 18. VIGILANCE ACTIVITIES

REC constantly endeavors to optimize probity and integrity among employees and promotes transparency, fairness and accountability in all operational areas. REC Vigilance Division primarily aims at "Preventive Vigilance" through review of policies, rotation/transfers of employees holding sensitive posts, review of Audit Reports, review of projects/tenders/contracts awarded, inspections of Regional Offices, review of Annual Property Returns (APRs), etc.

In compliance with the instructions of CVC/Ministry of Power (MoP), the matter of rotational transfers from the identified sensitive posts has constantly been pursued. Prescribed periodical statistical returns were also sent to CVC and MoP on time. Regular review of Audit Reports- Internal, Statutory & CAG Audit Reports were done. Review of projects/tenders/ contracts awarded and wherever deviations were observed, the matter had been taken up with concerned divisions, which led to strengthening of appraisal system/guidelines. Field inspections of Regional Offices and scrutiny of APRs had also been completed. The thrust on leveraging of technology had been continued, as a result information relating to loans, schemes, tenders, third party bills etc. are available online. It was ensured that information/policies like tenders, requisite forms, status of loan applications/third party payments, Fair Practice Code, Prevention of Fraud Policy, CSR Guidelines, Whistle Blower Policy, etc. are available on REC's website. Further, Shri P. V. Rao, Ex. IRS was appointed as Independent External Monitor (IEM) for REC & its Subsidiaries. The other activities include examination of pay fixation of Executives of the Company, follow up for rectification in recruitment policy & recruitments and examination of loans awarded to Independent Power Producers (IPP) and contracts awarded by IT Division.

Almost all tenders of the Company which are above ₹2 Lakh were processed through E-Procurement mode. E-Reverse Auction is also done in cases where estimated value of procurement and quoted prices exceed certain parameters.

During the financial year 2018-19, one vigilance case which is minor in nature, was pending and no vigilance case was disposed off.

**Observance of Vigilance Awareness Week**

Your Company observed Vigilance Awareness Week from October 29, 2018 to November 3, 2018. During the week, REC administered Integrity Pledge, conducted various competitions i.e. Paragraph Writing, Just a Minute, Painting & Poem Writing for its employees and their family members. It had also organized a one-day workshop on "ERP Audit and Data Analytics" as well as a workshop on "Contracts & Procurement". Inter School Poem Competition was organized at pan India level and Intra-School Paragraph Writing Competitions were held at three Schools in Delhi. Inter-College Debate Competition was also organized at Daulat Ram College, Delhi wherein students from more than 30 colleges of Delhi participated with great enthusiasm. Apart from this, various activities were also organized at Regional Offices of REC across India and its subsidiaries. Panel discussions /seminars were also organized at some Regional Offices and RECIPMT, Hyderabad.

**New Initiatives**

**Integrity Club**: REC under its' CSR activities has set up 29 Integrity Clubs in various parts of the country. Accordingly, various activities were organised for the students of REC. Integrity Club encourage them to collectively participate in fight against corruption. The purpose of promoting Integrity Club in Schools by REC is to inculcate moral values into the minds of young children, so that they grow up as a socially and morally responsible citizens of the country and also to develop them as warrior to collectively fight against the menace of corruption in India. During the year, Integrity Club schools had organized a range of competitions i.e. logo designing, cleanliness in my neighborhood, poem writing and paragraph writing, etc.

**Magic Show**: Vigilance Division had organised Magic Shows in sixteen schools, one college and also at the Registered Office, New Delhi. Through this programme, message of community mobilization and uniting people for fight against Corruption in an innovative & interesting way was communicated and was appreciated by one and all.

The performance of Vigilance Division was reviewed periodically by CVC, Board of Directors and CMD in addition to regular reviews undertaken by the CVO in accordance with the prescribed norms.

## 19. IMPLEMENTATION OF OFFICIAL LANGUAGE

Continuous efforts were made to promote the use of Hindi in official work during the year 2018-19, in terms of the Annual Programme issued by the Department of Official Language, Ministry of Home Affairs. Quarterly Meetings of Official Language Implementation Committee were conducted on regular basis to monitor and review the progress made in achieving the targets fixed in Annual Programme.

In order to encourage the use of Hindi amongst employees of the Company, a Hindi Fortnight was organized at Corporate Office during September 14, 2018 to September 28, 2018, wherein various competitions such as Hindi Quiz, India Business Quiz, Hindi Debate Competition, Extempore Speech Competition, Rajbhasha General Knowledge and Hindi Questionnaire Competition, etc. were organized. The participation of employees in all such events/competitions was encouraging and cash prizes were awarded to winners in different categories to encourage larger participation as also to motivate employees to increase the use of Hindi in their day to day working. Hindi Fortnight was also organized in all Regional/State offices of the Company/RECIPMT on the said dates.

Your Company has taken a new initiative of organizing Official Language Conferences every year. Under this initiative, two days Official Language Conference was organized from November 26, 2018 to November 28, 2018 in Shillong, wherein identified Nodal Hindi Officers participated.

Further, Hindi workshops were also conducted in REC offices which provided hands-on exposure to participants in discharge of their official duties in which a number of Executives/Non-Executives participated.

A team of officials of Ministry of Power also reviewed the status of Official Language implementation in REC Registered Office and Regional Offices of Chennai, Panchkula, Kolkata, Mumbai and Shillong. Further, in order to achieve the targets laid down in the annual programme issued by the Department of Official Language, Ministry of Home Affairs, internal inspections of different divisions and Regional Offices/State Offices were also carried out to assess the progressive use of Hindi in official work.

The new issues of 'Urjayan', in house Hindi journal of the Company have been published which contained interesting and useful articles as well as literary writings by the employees. In order to motivate employees for increased contributions in the form of Hindi write ups, articles, poems, etc. for the magazine, cash incentives were also awarded.

## 20. PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO.

### 20.1 Conservation of Energy

There are no significant particulars, relating to conservation of energy and technology absorption as your Company does not own any manufacturing facility. Further, the Registered Office of the Company is located at 'SCOPE Complex' where all civil, electrical installation & maintenance is carried out by SCOPE. Effective monitoring, controlling & scheduling the operation of AC chilling units, elevators & by putting other energy efficient equipments and making provision of additional 100 KWp Solar Power Plant at Terrace and also putting of the Movement/Occupancy Sensor as well as maintaining power factor nearest to unity, SCOPE has saved around 4.86 Lakh units consumption during the financial year 2018-19 over the previous year 2017-18, resulting saving in terms of amount of around ₹53.22 Lakh.

### 20.2 Foreign Exchange Earnings & Outgo

During the financial year 2018-19, there was no earning in foreign exchange. Further, the foreign exchange outflow aggregating ₹2,925.53 crore was made during the financial year on account of interest, principal repayment, finance charges, foreign travelling, training expenses, architectural services and other expenses.

## 21. SUBSIDIARY COMPANIES

Your Company has two Wholly Owned Subsidiaries, to focus on additional business of consultancy in the areas of distribution, transmission etc.:

### 21.1 REC Power Distribution Company Limited (CIN: U40101DL2007GOI165779)

During the financial year 2018-19, the performance of RECPDCL has been consistent in its core business *viz.* Preparation of Detailed Project Reports (DPR), Third Party Inspection (TPI), Material Inspection & Project Management Consultancy (PMC) and Project Management Agency/Project Management Consultant under DDUGJY and IPDS. As on March 31, 2019, RECPDCL has been working in about 96 on-going projects with estimated project cost of over ₹80,000 crore and estimated consultancy fee of ₹1,158 crore spread in 46 Nos. of DISCOMs/Power Departments/Co-operative Societies, 27 States and 4 Union Territories.

During the financial year 2018-19, RECPDCL has achieved a total revenue of ₹159.77 crore against previous year revenue of ₹206.95 crore and the Profit After Tax of ₹26.34 crore against the previous year Profit After Tax of ₹34.94 crore.

As on March 31, 2019, the Net Worth of the Company was ₹155.73 crore as compared to ₹156.57 crore in the previous year. Earnings Per Share (EPS) of ₹10/- each for the financial year ended March 31, 2019 was ₹5,268/- as against ₹6,988/- in the previous year. An interim dividend of ₹2,300/- (Rupees Two Thousand Three Hundred Only) per equity share (on the face value of ₹10/-each) aggregating to ₹11.50 crore was paid in the month of March, 2019.

### 21.2 REC Transmission Projects Company Limited (CIN:U40101DL2007GOI157558)

In order to initiate development of each independent Interstate and Intrastate a transmission project allocated by Ministry of Power, Government of India and State Governments, RECTPCL incorporated a Project specific Special Purpose Vehicle (SPV) for each such project as Wholly Owned Subsidiary Company and after selection of successful bidder through a two stage Bidding process featuring separate Request for Qualification (RfQ) and Request for Proposal (RfP) in accordance with Tariff Based Competitive Bidding guidelines for transmission projects as notified by Ministry of Power, Government of India, the respective Project Specific SPV along with its all assets and liabilities is transferred to the selected bidder.

During the financial year 2018-19, the following two project specific companies for Intra-State Transmission Projects allocated by U.P. Power Transmission Corporation Limited (UPPTCL) have been transferred to the selected bidder:

| Sl. No. | Name of Transmission Project | Name of Project Specific SPV | Name of Selected Bidder | Date of Transfer of project specific SPV |
|---|---|---|---|---|
| 1. | Evacuation of Power from 3X660 MW Ghatampur Thermal project | Ghatampur Transmission Limited | Adani Transmission Limited | June 19, 2018 |
| 2. | Evacuation of Power from 2 x 660 MW Jawaharpur Thermal Power Project and construction of 400 kV substation at Firozabad along with associated Transmission Lines | Jawaharpur Firozabad Transmission Limited | Power Grid Corporation of India Limited | December 21, 2018 |

Further, RECTPCL is acting as Bid Process Coordinator for Inter-State transmission projects *viz.* (i) 400 kV Udupi (UPCL) - Kasargode D/C line; (ii) Construction of Ajmer (PG)-Phagi 765 kV D/C line along with associated bays for Rajasthan SEZ; (iii) Western Region Strengthening Scheme - 21 (WRSS-21) Part-A - Transmission System Strengthening for relieving over loadings observed in Gujarat Intra-State System due to RE Injections in Bhuj PS; (iv) Transmission System associated with RE generations at Bhuj-II, Dwarka & Lakadia; (v) Jam Khambaliya Pooling Station and Interconnection of Jam Khambaliya Pooling Station for providing connectivity to RE Projects (1500 MW) in Dwarka (Gujarat) and Installation of 400/220 Kv ICT along with associated bays at M/s CGPL Switchyard; and (vi) Transmission system associated with LTA application from Rajasthan SEZ (Part -C).

Further, RECTPCL is also acting as Bid Process Coordinator for Intra-State transmission projects *viz.* (i) Transmission System Strengthening in Jharkhand State (Package-1 to 4); (ii) Intra-State Transmission work associated with construction of 400 kV substation near Guna (Distt.-Guna) & Intra-State Transmission work associated with construction of 220 kV S/s near Bhind (Distt.-Bhind); and (iii) Construction of 765/400/220kV GIS Substation, Rampur and 400/220/132kV GIS Substation, Sambhal with associated Transmission Lines

For all the above Inter-State and Intra-state transmission projects, RECTPCL has incorporated separate project specific SPV Company, as subsidiaries. Further, a project specific Special purpose vehicle i.e. Dinchang Transmission Limited was incorporated on December 2, 2015 for "Transmission System for Phase-1 Generation Projects" in Arunachal Pradesh, has been de-notified by Ministry of Power vide Gazette Notification dated February 1, 2019.

RECTPCL under the guidance of Ministry of Power, Government of India has developed online web platform and Mobile App for better Transparency & Accountability i.e. Urja Mitra, Tarang (Transmission App for Real Time Monitoring & Growth), 11 kV Rural Feeder Monitoring Scheme, etc. and handled various other assignments on behalf of its clients.

During the financial year ended March 31, 2019, RECTPCL has recorded an income of ₹40.45 crore as compared to ₹53.13 crore in the previous year. The Profit Before Tax and Profit After Tax for the financial year 2018-19 is ₹32.21 crore and ₹24.60 crore, respectively. The Net worth of the Company as on March 31, 2019 was ₹118.44 crore against initial capital of ₹0.05 crore injected by REC Limited (holding company) in the year 2007. Further, an Interim dividend of ₹6,600/- per equity share on the paid up equity share of ₹10/- each for the financial year 2018-19, aggregating to ₹33 crore, was paid in the month of March, 2019.

### 21.3 Amalgamation of RECTPCL with RECPDCL

In order to have better operational efficiency and to reap the benefits of higher capital base & pooled resources, it was proposed to merge two unlisted wholly owned subsidiary companies of REC Limited i.e. RECPDCL and RECTPCL into one single entity.

Accordingly, as per provisions of the Companies Act, 2013 and rules made thereunder, an application was filed with the Ministry of Corporate Affairs (MCA) in March 2018, subject to approval of Ministry of Power for sanction of Scheme of Arrangement for amalgamation of RECTPCL (Transferor Company) with RECPDCL (Transferee Company).

However, Ministry of Power, the Administrative Ministry, looking at broader prospect decided to discuss the issue with various stakeholders and keeping in mind the integration of REC & PFC into single company, decided that merger of RECTPCL and RECPDCL, will be premature at this juncture. Therefore, the merger of RECTPCL with RECPDCL was not persued further.

## 22. DETAILS OF JOINT VENTURE AND ASSOCIATE COMPANY

REC, along with three other PSUs, namely Power Grid Corporation of India Limited, NTPC Limited and Power Finance Corporation Limited as partners, has formed a Joint Venture Company by the name Energy Efficiency Services Limited (EESL) on December 10, 2009. EESL is a Super Energy Service Company (ESCO). It acts as the resource center for capacity building for State Distribution Companies (DISCOMs), Energy Regulatory Commissions (ERCs), State Development

Authorities (SDAs), upcoming ESCOs, financial institutions, etc. REC has contributed ₹146.50 crore (being 21.70% of paid-up capital of EESL) upto March 31, 2019.

EESL is formed to create & sustain market access of energy efficient technologies particularly in the public facilities like municipalities, buildings, agriculture, industry, etc. and to implement several schemes of Bureau of Energy Efficiency, Ministry of Power, MNRE, Government of India. EESL is also leading the market-related activities of the National Mission for Enhanced Energy Efficiency (NMEEE), one of the 8 national missions under National Action Plan on Climate Change. EESL today is implementing the largest energy efficiency portfolio in the world. EESL's energy efficient appliances and technologies have saved India over 40 billion kWh estimated energy annually.

Currently, EESL is implementing world's largest non-subsidy based LED lighting programme: Unnat Jyoti by Affordable LED for ALL (UJALA) Programme for distribution of LED bulbs, LED tube lights and Energy Efficient fans to domestic consumers, world's largest street light replacement programme: Street Lighting National Programme (SLNP) to replace conventional street lights with smart and energy efficient LED street lights in municipalities, National E-Mobility Programme to provide electric vehicles for Government entities on lease/outright purchase basis to replace the existing petrol and diesel vehicles taken on lease by various Government organizations, world's largest Agricultural Demand Side Management programme: AgDSM Programme for replacement of inefficient Agricultural Pump sets in agriculture sector, Building Energy Efficiency Programme (BEEP) to retrofit energy efficient appliances in buildings to make them energy efficient, Smart Meter National Programme (SMNP) to replace conventional meters with smart meters, Municipal Energy Efficiency Programme (MEEP) under AMRUT for implementation of energy efficient pump sets in public water works and sewage systems after approval of the ULB/ State Government, Solar Programme for implementing solar roof top and decentralized small solar power plant, Atal Jyoti Yojna (AJAY) for installation of solar LED street lights in rural, semi-urban areas which don't enjoy adequate coverage of power, Solar Study Lamps (SoUL) for distribution of solar study lamps to school going children and also has developed Super-Efficient Air Conditioning Programme for providing Super-Efficient air conditioners to customers at affordable prices.

EESL has been awarded as "Best Company (Public Sector) Award" by the Forbes India Leadership Awards (FILA), 2018 on November 22, 2018.

The performance of EESL during the year has improved and the financial performance of the company is on the growth path. The turnover of the company has grown from ₹5 crore in financial year 2012-13 to ₹1,936 crore (Standalone) in the financial year 2018-19. During the financial year, Profit Before Tax was ₹171 crore and the Profit After Tax was ₹95 crore, as per the Standalone results for the financial year 2018-19.

## 23. CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to Section 129 of the Companies Act, 2013 & rules made thereunder and Indian Accounting Standards, the Company has prepared the Consolidated Ind-AS Financial Statements that includes its Subsidiary Companies i.e. RECTPCL & RECPDCL (Audited) and Joint Venture Company i.e. EESL (Un-audited), which shall also be laid before the ensuing 50th Annual General Meeting along with the Standalone Financial Statements of the Company.

Pursuant to sub-section (3) of Section 129 of the Act, a statement containing the salient features of the financial statements of Subsidiaries/Associates and Joint Ventures in Form AOC-1 forms part of this Annual Report.

The Audited Ind-AS Financial Statements including the Consolidated Ind-AS Financial Statements and Audited Accounts of subsidiaries of the Company are available on the website of the Company at www.recindia.com. Further, these documents will be kept for inspection by any member or trustee of the holder of any debentures at the Registered Office of the Company. The Company will also make available copy thereof upon specific request by any member of the Company interested in obtaining the same.

## 24. DIRECTORS AND KEY MANAGERIAL PERSONNEL

Being a Government Company, the power of appointment of Directors on the Board of the Company is vested with the President of India acting through the Ministry of Power (MoP), Government of India. The remuneration of Directors and employees of the Company is fixed as per extant Guidelines issued by Department of Public Enterprises (DPE), from time to time. Further, the Part time Non Official Independent Directors are paid sitting fees, as decided by the Board of Directors from time to time (within the limits prescribed under the Companies Act, 2013) for attending the meetings of Board and Committees thereof. As per the norms of Government of India, the Government Nominee Director is not entitled to receive any remuneration/sitting fee from the Company. The details of remuneration/sitting fees paid to Directors are given in Corporate Governance Report annexed to this report.

As per the provisions of the Companies Act, 2013, the Board of Directors of the Company has designated the Chairman and Managing Director (CMD), Director (Finance), Director (Technical) and Company Secretary as Key Managerial Personnel (KMPs) of the Company. The role of CEO and CFO is being performed by the CMD and Director (Finance) of the Company, respectively.

Further, in line with the statutory requirements, all the Independent Directors have given the requisite declaration that they meet the criteria of independence and none of the Directors are related *inter-se*.

The Ministry of Power, Government of India vide its Order No. 20/6/2017-Coord. dated July 17, 2018, has appointed Dr. Bhagvat Kisanrao Karad (DIN: 00998839) as part-time Non-Official Independent Director on the Board of REC for a period of three years from the date of notification of his appointment or till further orders, whichever is earlier. Further, the Ministry of Power, vide its Order No. 20/6/2017-Coord. dated November 22, 2018 has re-appointed Shri A. Krishna Kumar and Prof. T.T. Ram Mohan as Part time Non Official Independent Directors on the Board of REC for a further period of one year from the date of completion of their earlier tenure or until further orders, whichever is earlier.

During the year, pursuant to the Order No. 46/8/2011-RE dated March 5, 2019 of the Ministry of Power, Government of India, Dr. P V Ramesh, IAS, has relinquished the charge of CMD, REC to join as Director General, National Archives of India, Ministry of Culture & ceased to be CMD of the Company w.e.f. March 6, 2019. Further, the Ministry of Power, Government of India, vide its Order No. 46/8/2011-RE dated March 6, 2019 has assigned the additional charge of the post of Chairman & Managing Director of the Company to Shri Ajeet Kumar Agarwal, Director (Finance) of the Company with effect from March 6, 2019.

The Ministry of Power, Government of India vide its Letter No. 27-46/1/2018-RE dated June 6, 2019 and in terms of Clause 5.1 of Share Purchase Agreement entered between President of India, acting through Ministry of Power, Government of India with Power Finance Corporation Limited (PFC), has appointed Shri Praveen Kumar Singh (DIN 03548218) as Nominee Director of PFC, on the Board of REC Limited with effect from June 18, 2019.

In accordance with the provisions of the Companies Act, 2013 and Article 91 (iv) of the Articles of Association of the Company, Shri Ajeet Kumar Agarwal (DIN: 02231613), Director (Finance) shall retire by rotation at the 50th Annual General Meeting of the Company and being eligible, offers himself for re-appointment. The Board of Directors recommends his re-appointment as a Director till his superannuation due on May 31, 2020. His brief resume is annexed to the Notice of the AGM.

## 25. EVALUATION OF BOARD OF DIRECTORS/INDEPENDENT DIRECTORS

As per the statutory provisions, a listed company is required to disclose in its Board's Report, a statement indicating the manner in which formal annual evaluation of the performance of the Board, its Committees and individual Directors has been made and the criteria for performance evaluation of Independent Directors, as laid down by Nomination and Remuneration Committee.

However, Ministry of Corporate Affairs vide its notification dated June 5, 2015 has *inter-alia* exempted the Government Companies from the above requirement in case the Directors are evaluated by the Ministry or Department of the Central Government which is administratively in charge of the Company, as per its own evaluation methodology. Further, MCA vide Notification dated July 5, 2017, also prescribed that the provisions relating to review of performance of Independent Directors and evaluation mechanism, prescribed in Schedule IV of the Companies Act, 2013, is not applicable to Government Companies.

Accordingly, REC being a Government company is exempted in terms of above notifications as the evaluation of performance of all the members of the Board of the Company is being done by the administrative Ministry i.e. Ministry of Power and the Department of Public Enterprises (DPE).

During the financial year 2018-19, the performance evaluation of the Non-Executive Independent Directors of the Company was carried out by the Department of Public Enterprises (DPE)/ Administrative Ministry, as per their internal guidelines.

Further, your Company also enters into Memorandum of Understanding (MoU) with its holding company, demarcating key performance parameters for the Company, finalised in consultation with Ministry of Power, Government of India and the performance of the Company is evaluated *vis-à-vis* MoU parameters.

## 26. DIRECTORS' RESPONSIBILITY STATEMENT

With reference to Section 134(5) of the Companies Act, 2013, it is confirmed that:

(i) in the preparation of the annual accounts for the year ended March 31, 2019, the applicable Accounting Standards have been followed and no material departures have been made from the same;

(ii) such accounting policies have been selected and applied consistently (considering the implementation of Indian Accounting Standards during the current year) and judgments and estimates made 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 of the Company for that period;

(iii) proper and sufficient care is taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) the annual accounts have been prepared on a going concern basis;

(v) internal financial controls have been laid to be followed by the Company and such internal financial controls were adequate and operating effectively;

(vi) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## 27. MoU RATING AND AWARDS

The performance of the Company in terms of MoU signed with the Ministry of Power, Government of India for the financial year 2017-18 has been rated as "Very Good".

During the year, REC has received the Dalal Street Investment Journal Award for Highest Employee Efficiency Enterprise, Golden Peacock Awards 2018 for Corporate Governance, CIMSME Banking Excellence Award, Dun & Bradstreet PSU Awards 2018 for Financial services, Award for Best PSU Issuer on Electronic Bidding Platform of NSE and India Smart Grid Forum (ISGF) Innovation Awards 2019 for Best Household Electrification Programme, SAUBHAGYA.




*Shri Ajeet Kumar Agarwal, CMD, REC Limited and Shri Rajeev Sharma, CMD, Power Finance Corporation Limited exchanging MoU 2019-20 in presence of senior officials of REC and PFC.*

## 28. 'THINK GREEN, GO GREEN' INITIATIVE

The Companies Act, 2013 permits companies to send documents like Notice of Annual General Meeting, Annual Report and other documents through electronic means to its members at their registered email addresses, besides sending the same in physical form.

As a responsible Corporate Citizen, the Company has actively supported the implementation of 'Green Initiative' of Ministry of Corporate Affairs (MCA) and effected electronic delivery of Notices and Annual Reports to those share holders whose email ids were already registered with the respective Depository Participants (DPs) and who have not opted for receiving such documents in physical form. The intimation of dividends (interim/final) is also being sent electronically to those shareholders whose email ids are registered.

Members, who have not registered their e-mail addresses so far, are requested to register their e-mail address with the Registrar and Share Transfer Agent (R&TA) of the Company/Depository Participant (DP) of respective member and take part in the Green Initiative of the Company, for receiving electronic communications and support the "THINK GREEN, GO GREEN" initiative.

It is reiterated that upon receipt of requisition from the member including the members who have exercised the option of electronic delivery of these documents, every member of the Company is entitled to receive free of cost, a copy of the Balance Sheet of the Company and all other documents required by law to be attached thereto, including the Statement of Profit and Loss and Auditors' Report, etc.

Further, pursuant to Section 108 of the Companies Act, 2013 read with Rule 20 of the Companies (Management and Administration) Rules, 2014, the Company is providing e-voting facility to all members to enable them to cast their votes electronically in respect of resolutions set forth in the Notice of Annual General Meeting (AGM). The Company will also providing one way live webcast facility to all members to enable them to witness live proceedings of the AGM. The detailed instructions for e-voting and one-way live webcast are provided in the Notice of AGM.

During the financial year, the Company has also sent reminder letters to such shareholders, whose folios do not have or are having incomplete details with regard to PAN and Bank particulars, requesting them to furnish their PAN and Bank details to the Company for updation.

## 29. SWACHH BHARAT ABHIYAN

REC has organized Swachhta programmes under "Swachhta Pakhwada – 2018" from May 16, 2018 to May 31, 2018. In Swachhta Pakhwada, REC organized various programme on Swachhta at Corporate office, all Regional Offices/State Offices of the Company. During the cleanliness programmes various activities i.e. installation of additional dustbins in five Regional Offices (Kolkata, Bhopal, Hyderabad, Jaipur & Raipur), installation of big hoardings with Swachhta Message at all ROs/SOs, organizing of Nukkad Nataks at slum area of Delhi & NCR region were conducted and banners & posters were fixed in and around office premises to spread awareness among employees and general public.

Further, all employees of REC participated with great enthusiasm and zeal & undertook special cleanliness drive of their respective office premises, toilets, stairs, lifts & other surroundings. Old and unwanted records have been weeded out as per Record Retention Policy. In this process, REC has sold e-waste of approx. 4,500 kg of papers, magazines, periodicals and draft reports etc. to e-waste recyclers and old & unwanted furniture fixtures and other waste were also weeded out.

Printing of logo of "Swachh Bharat Mission" on all file covers, envelops and letter heads of the Company still continues in REC, for creating awareness about cleanliness. Cleanliness is continuous process and it will continue in REC. In addition to above, REC has installed an Electric Crematorium in Ghaziabad and adopted a Temple "Bir Baraichha Dham" under "Swachh Tirthsthal Abhiyan" in Kerakat Tehsil of District Jaunpur, Uttar Pradesh.

## 30. RIGHT TO INFORMATION ACT, 2005

Your Company has taken necessary steps for the implementation of "Right to Information Act, 2005 (RTI)" in the Company and an independent RTI Cell is functioning for coordinating the work relating to receipt of applications & appeals and furnishing the information & disposal off appeals. RTI Handbook, both in English and Hindi, has been placed on REC website.

The status of RTI applications and appeals during the financial year 2018-19 is as follows:

| Sl. No. | Particulars | Nos. |
|---|---|---|
| 1. | Applications received | 553 |
| 2. | Applications disposed off | 530 |
| 3. | Applications disposed off subsequently | 23 |
| 4. | First Appeals received by Appellate Authority, REC | 33 |
| 5. | First Appeals disposed off by Appellate Authority, REC | 31 |
| 6. | Second Appeals received from Central Information Commission (CIC) | 1 |
| 7. | Second Appeals disposed off by Central Information Commission (CIC) | 1 |

## 31. REPORTING UNDER PUBLIC PROCUREMENT POLICY FOR MICRO & SMALL ENTERPRISES (MSEs) ORDER, 2012.

The guidelines for MSMEs as defined in the purchase procedure is being followed in the Company. As REC's endeavor to foster the Government's ambitious initiatives for the promotion of MSME sector and in order to surpass the prescribed public procurement norms revised with effect from November 2018, REC has already made it mandatory to procure 100% of certain common use Goods/Services valuing upto ₹10 Lakh from MSME Vendors and also to allow Price Preference upto 50% to MSEs out of which 20% is reserved for SC/ST and Women Vendors. REC encourages participation of Micro, Small and Medium Enterprises (MSMEs) including Micro and Small Enterprises owned by SC/ST.

Further, REC is already registered at GeM, Sambandh and Samadhan Portals and effectively using the same. Recently, REC got itself registered on TReDS and is poised to let felt its presence on this ambitious forum for Bill Discounting by MSME Vendors. Moreover, REC is proud to announce that it also partnered the FICCI's Vendor Development Program (VDP) held on March 20, 2019 at Chandigarh and CII's VDP held on March 22, 2019 at Surat which was overwhelmingly attended and appreciated by one and all from the Industry.

REC being a non-banking financial institution, is not into execution of projects. Hence, our procurement needs are mainly of office equipment like computers, printers, consumable stationery and other miscellaneous items & services, etc. which are mostly bought from MSME vendors. Thus, during the financial year 2018-19, procurement amounting to ₹6.03 crore were made from MSEs.

REC Public Procurement Policy for MSME is included in all the tenders hosted on the website of the Company at www.recindia.com and CPPP portal.

## 32. DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013.

In line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, an 'Internal Complaints Committee' has been constituted in the Company for redressal of complaint(s) against sexual harassment of women employees. The committee is headed by a senior woman official of the Company and includes representative from an NGO as one of its members. Anti-sexual harassment stance of the Company is also outlined in REC (Conduct, Discipline and Appeal) Rules.

During the financial year 2018-19, the Company did not receive any complaint of sexual harassment.

## 33. EXTRACT OF ANNUAL RETURN

Pursuant to Section 92(3) of Companies Act, 2013 read with Rule 12(1) of Companies (Management and Administration) Rules, 2014, an extract of Annual Return in Form MGT-9, is annexed to this report.

## 34. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

In compliance of the provisions of the Companies Act, 2013, the particulars of contracts or arrangements entered into by the Company with its related parties are disclosed in Form AOC-2, annexed to this report.

## 35. AUDITORS

### Statutory Auditors

M/s G.S. Mathur & Co., Chartered Accountants (Firm Reg. No.: 008744N), New Delhi and M/s A.R. & Co., Chartered Accountants (Firm Reg. No.: 002744C), New Delhi, were appointed as Statutory Auditors of your Company for the financial year 2018-19 by the Comptroller and Auditor General (C&AG) of India. The Statutory Auditors have audited the Financial Statements of the Company for the financial year ended March 31, 2019.

Further, the appointment of the Statutory Auditors for the financial year 2019-20 is yet to be made by the Comptroller and Auditor General (C&AG) of India. Approval of the Members of the Company will be obtained in ensuing Annual General Meeting, to authorize the Board of Directors of the Company, to fix the remuneration of Statutory Auditors for the financial year 2019-20, as may be appointed by C&AG.

### Secretarial Auditors

M/s Chandrasekaran Associates, Practicing Company Secretaries (Certificate of Practice No.3850), New Delhi were appointed as Secretarial Auditors of the Company for carrying out Secretarial Audit for the financial year 2018-19. In terms of Section 204 of the Companies Act, 2013 and Rules made thereunder, they have issued Secretarial Audit Report for the financial year 2018-19 and the same is annexed to this Report.

## 35.1 Management's Comments on the Auditors' Report

Though, auditors have not given any qualifications, reservations, adverse remarks or disclaimers in their report on standalone and consolidated financial statements of the Company but they have made certain observations on further strengthening of the internal financial controls. Accordingly, the auditor observations and Management Reply to the observations of the Statutory Auditors is as under:

| Observation of Statutory Auditors | Management's Reply |
|---|---|
| **Annexure-C to the Independent Auditors' Report referred under 'Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")' of Independent Auditors' Report on Standalone Ind-AS Financial Statements.**<br><br>In our opinion, the Company has, in all material aspects, an adequate internal financial controls system, except (i) strengthening of procedures for monitoring of utilization of funds disbursed to the borrowers, (ii) rotation of duties amongst some of the staff as per HR Policy to be implemented, over financial reporting. | Efforts are being made to further strengthen the internal control in the said areas. |
| **Annexure-A to the Independent Auditors' Report referred under 'Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")' of Independent Auditors' Report on Consolidated Ind-AS Financial Statements.**<br><br>In our opinion, the holding company, its subsidiaries and jointly controlled entity, which are companies incorporated in India, have, in all material aspects, an adequate internal financial controls system except (i) strengthening of procedures for monitoring of utilization of funds disbursed to the borrowers, (ii) rotation of duties amongst some of the staff as per HR Policy to be implemented, (iii) improvement in the system of allocation of common expenses by subsidiaries to its associates (SPV's), (iv) procedure to obtain periodical balance confirmation and timely obtaining Internal Audit Report and compliances thereon by subsidiaries, over financial reporting. | Efforts are being made to further strengthen the internal control in the said areas. Further, the issues have also been discussed with the subsidiaries for appropriate changes in the system of allocation and the procedures to obtain periodical balance confirmations. |

The Secretarial Auditors of the Company have given an unqualified report for the financial year 2018-19. However, they have one observation relating to composition of Board of Directors. The Management's Reply to the observation is as under:

| Observation of Secretarial Auditors | Management's Reply |
|---|---|
| During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above, including the provisions of Section 149 of the Companies Act, 2013 and read with regulation 17 of SEBI (Listing Obligation & Disclosure Requirements), Regulation, 2015, with respect to the composition of Board of Directors except from April 1, 2018 till July 16, 2018, due to non-appointment of one Independent Director. | REC is a Government Company and as per provisions of Article 91 of Articles of Association of the Company, the power of appointment of Directors on the Board of the Company is vested with the President of India, acting through the Ministry of Power.<br><br>During the financial year 2018-19, the composition of Board of Directors was in compliance with all the applicable provisions, except for a short period from April 1, 2018 till July 16, 2018, due to vacancy of an Independent Director, on account of resignation by Shri Arun Singh.<br><br>However, after the appointment of Dr. Bhagvat Kisanrao Karad as Independent Director w.e.f. July 17, 2018 by the Ministry of Power, the composition of the Board of the Company was in compliance with all the applicable statutory provisions. |

## 36. COMMENTS OF C&AG OF INDIA

The Comptroller and Auditor General (C&AG) of India, vide letter dated July 16, 2019 has given 'Nil' Comments on the Audited Financial Statements of the Company for the year ended March 31, 2019 under Section 143 (6) (a) of the Companies Act, 2013. The Comments of C&AG for the financial year 2018-19, have been placed along with the report of Statutory Auditors of the Company elsewhere in this Annual Report.

## 37. DEBENTURE TRUSTEES

In compliance to the requirements of SEBI (LODR) Regulations, 2015, the details of Debenture Trustees appointed by the Company, for different series of Bonds issued by the Company, from time to time, is annexed to this report.

## 38. STATUTORY DISCLOSURES

a) There was no change in the nature of business of the Company during the financial year 2018-19.

b) The Company has not accepted any public deposits during the financial year 2018-19.

c) No significant and material orders were passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

d) The Company maintains an adequate system of Internal Control including suitable monitoring procedures to ensure accurate and timely financial reporting of various transactions, efficiency of operations and compliance with statutory laws, regulations and Company policies. For details, please refer to the 'Management Discussion and Analysis' Report annexed to this report.

e) Information on composition, terms of reference and number of meetings of the Board & its Committees held during the year, establishment of vigil mechanism/whistle blower policy and web-links for familiarization/training policy of Directors, Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions and Policy for determining Material Subsidiaries, Compensation to Key Managerial Personnel, Sitting fees to Independent Directors, etc. have been provided in the Report on Corporate Governance, prepared in compliance of provisions of SEBI (LODR) Regulations, 2015, as amended from time to time, which forms part of the Annual Report.

f) Pursuant to Section 186(11) of the Companies Act, 2013, loans made, guarantees given or securities provided by a company engaged in the business of financing of companies or of providing infrastructural facilities in the ordinary course of its business are not applicable to the Company, hence no disclosure is required to be made. Further, the details of investments are given at Note No. 9 of Notes to Accounts to Standalone Financial Statements.

g) Since the provisions of Section 197 of the Companies Act, 2013 and Rules made thereunder, related to Managerial Remuneration, are not applicable to Government Companies, no disclosure is required to be made.

h) There are no material changes and commitments, affecting the financial position of the Company which has occurred between the end of the financial year i.e. March 31, 2019 and the date of this report.

i) The Company has not issued any stock options to the Directors or any employee of the Company.

j) The details related to vigilance cases, replies to audit objections and RTI matters, etc. are duly incorporated in this report, as required vide OM dated January 24, 2018 of the Ministry of Parliament Affairs, Government of India.

k) The Central Government has not prescribed the maintenance of cost records for the products/services of the Company under Companies (Cost Records and Audit) Rules, 2014, read with Companies (Cost Records and Audit) Amendment Rules, 2014 prescribed by the Central Government under Section 148 of the Companies Act, 2013. Accordingly, Cost Accounts and Records are not required to be maintained by the Company.

## 39. STATUS OF CONSTRUCTION OF REC CORPORATE OFFICE BUILDING AT GURUGRAM

The construction of state-of-the-art office building at City Centre, Sector-29, Gurugram is being executed in full swing. The design of proposed building is conceived by architect M/s CWA (selected through Global Design Architectural Competition) to achieve GRIHA 5 Star rated Net Positive building having special features like fair finish white concrete surfaces, raised flooring, radiant cooling for slabs to reduce power consumption of air conditioning, IBMS, sensor controlled lighting, Bio-climatic façade with motorized blinds, solar PV, auditorium and other latest technological features.

M/s Telecommunications Consultants India Limited (A Government of India Enterprise) is Project Management Consultant of the project and M/s JMC Project (India) Limited is the contractor for the project, besides, 8 consultants/sub consultants are also working on the project. Giving utmost importance to the project, REC has appointed Indian Institute of Technology, Delhi for vetting of the structural design of the building.



*Construction Status of the REC Office at Gurugram*

Till April 30, 2019, RCC structure of the building is complete and glass façade envelop, interior, exterior development works are progressing in full swing including progress on allied services works. The project is in advance stage and it is expected to move into new office premises by early next year.

REC 'World Headquarter Building' project was recently awarded with three prestigious awards by GRIHA Council, Green Rating for Integrated Habitat Assessment for (i) Passive Architecture Design during 8th GRIHA Summit; (ii) Integrated Water Management; and (iii) Energy Management during 9th GRIHA Summit, which will further help REC project in achieving GRIHA 5 Star rating.

## 40. STATUTORY AND OTHER INFORMATION REQUIREMENTS

Information required to be furnished as per the Companies Act, 2013 and SEBI (LODR) Regulations, 2015 and other applicable statutory provisions is annexed to this report as under:

| Particulars | Annexure |
|---|---|
| Management Discussion & Analysis Report | I |
| Report on Corporate Governance | II |
| Auditor's Certificate on Corporate Governance | III |
| Business Responsibility Report | IV |
| Secretarial Audit Report | V |
| Annual Report on CSR Activities | VI |
| Extract of Annual Return | VII |
| Particulars of Contracts or Arrangements with Related Parties | VIII |
| Details of Debenture Trustees appointed by the Company for different series of Bonds | IX |

## 41. ACKNOWLEDGEMENTS

The Directors are grateful to the Government of India particularly the Ministry of Power, Ministry of Finance, Ministry of Corporate Affairs, NITI Aayog, DIPAM, DPE and the Reserve Bank of India for their continued co-operation, support and guidance in effective management of the Company's affairs and resources.

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

The Directors also place on record their sincere appreciation for the continued support and goodwill of the esteemed shareholders, investors in REC Bonds, domestic and overseas Banks, Life Insurance Corporation of India, KfW of Germany and JICA of Japan in the fund raising programmes of the Company.

The Directors also thank M/s G.S.Mathur & Co. and M/s A.R & Co., Statutory Auditors, M/s Chandrasekaran Associates, Secretarial Auditors, other professionals and the Comptroller & Auditor General of India for their valued contribution.

The Directors also sincerely appreciate and thank all the employees of the Company 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**



**Ajeet Kumar Agarwal**
**CMD & Director (Finance)**
**(DIN: 02231613)**

**Place: New Delhi**
**Date : July 22, 2019**

## TABLE - 1: DETAILS OF SCHEMES SANCTIONED BY REC DURING THE FINANCIAL YEAR 2018-19

(₹ in Lakh)

| Sl. No. | Particulars/State | Generation | | Renewable Energy | | Transmission & Distribution | | STL, MTL and Other Loans | | State-wise Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Nos. of Projects/ Schemes | Loan Amount | Nos. of Projects/ Schemes | Loan Amount | Nos. of Projects/ Schemes | Loan Amount | Nos. of Projects/ Schemes | Loan Amount | Nos. of Projects/ Schemes | Loan Amount |
| 1 | Andhra Pradesh | 4 | 5,54,500.00 | 3 | 31,183.00 | 30 | 3,30,605.43 | 2 | 30,000.00 | 39 | 9,46,288.43 |
| 2 | Bihar | 0 | 0 | 0 | 0 | 54 | 2,89,226.24 | 4 | 49,000.00 | 58 | 3,38,226.24 |
| 3 | Chhattisgarh | 0 | 0 | 0 | 0 | 15 | 68,442.89 | 3 | 40,000.00 | 18 | 1,08,442.89 |
| 4 | Haryana | 0 | 0 | 0 | 0 | 75 | 1,46,522.42 | 2 | 65,000.00 | 77 | 2,11,522.42 |
| 5 | Himachal Pradesh | 1 | 620.00 | 1 | 205.02 | 27 | 25,212.58 | 0 | 0 | 29 | 26,037.60 |
| 6 | Karnataka | 3 | 1,13,009.00 | 1 | 1,531.48 | 54 | 3,10,960.20 | 6 | 1,75,000.00 | 64 | 6,00,500.68 |
| 7 | Kerala | 0 | 0 | 0 | 0 | 26 | 67,753.30 | 0 | 0 | 26 | 67,753.30 |
| 8 | Madhya Pradesh | 0 | 0 | 0 | 0 | 39 | 91,079.68 | 3 | 3,60,000.00 | 42 | 4,51,079.68 |
| 9 | Maharashtra | 33 | 1,77,438.00 | 1 | 1,00,000.00 | 42 | 10,95,224.56 | 7 | 2,35,000.00 | 83 | 16,07,662.56 |
| 10 | Puducherry | 0 | 0 | 0 | 0 | 2 | 802.09 | 0 | 0 | 2 | 802.09 |
| 11 | Punjab | 1 | 1,89,484.00 | 0 | 0 | 6 | 5,760.37 | 3 | 65,000.00 | 10 | 2,60,244.37 |
| 12 | Rajasthan | 1 | 1,50,000.00 | 0 | 0 | 79 | 5,40,715.44 | 4 | 1,25,000.00 | 84 | 8,15,715.44 |
| 13 | Tamil Nadu | 1 | 4,00,000.00 | 0 | 0 | 69 | 7,53,951.43 | 1 | 15,000.00 | 71 | 11,68,951.43 |
| 14 | Telangana | 5 | 10,60,161.00 | 3 | 2,00,000.00 | 66 | 1,10,001.13 | 1 | 15,000.00 | 75 | 13,85,162.13 |
| 15 | Tripura | 0 | 0 | 0 | 0 | 8 | 737.49 | 0 | 0 | 8 | 737.49 |
| 16 | Uttarakhand | 0 | 0 | 0 | 0 | 21 | 49,584.88 | 0 | 0 | 21 | 49,584.88 |
| 17 | Uttar Pradesh | 2 | 4,15,274.00 | 0 | 0 | 146 | 7,92,092.70 | 0 | 0 | 148 | 12,07,366.70 |
| 18 | West Bengal | 0 | 0 | 0 | 0 | 22 | 71,357.76 | 2 | 30,000.00 | 24 | 1,01,357.76 |
| 19 | Interstate Transmission Projects (State Sector) * | 0 | 0 | 0 | 0 | 0 | 1,998.00 | 0 | 0 | 0 | 1,998.00 |
| 20 | Interstate Transmission Projects (Private Sector) | 0 | 0 | 0 | 0 | 3 | 3,09,000.00 | 0 | 0 | 3 | 3,09,000.00 |
| 21 | Private Sector | 5 | 10,82,701.00 | 27 | 8,54,600.00 | 0 | 0 | 0 | 0 | 32 | 19,37,301.00 |
| | **Total** | **56** | **41,43,187.00** | **36** | **11,87,519.50** | **784** | **50,61,028.59** | **38** | **12,04,000.00** | **914** | **1,15,95,735.09** |

* The Loan Amount represents additional loan sanctioned against earlier sanctioned projects.

## TABLE - 2: STATEMENT SHOWING DETAILS OF CATEGORY-WISE SCHEMES SANCTIONED BY REC DURING THE FINANCIAL YEAR 2018-19

(₹ In Lakh)

| Sl. No. | Category | Category Code | No. of Schemes/ Projects | Loan Amount |
|---|---|---|---|---|
| **A** | **Generation** | | | |
| 1 | Thermal | Thermal | 36 | 17,53,803.00 |
| 2 | Hydro | Hydro | 8 | 2,14,723.00 |
| 3 | Other Loans | - | 12 | 21,74,661.00 |
| | **Sub- Total (A)** | | **56** | **41,43,187.00** |
| **B** | **Renewable Energy Projects** | | | |
| 1 | Solar PV Plants | Solar PV | 14 | 3,19,281.48 |
| 2 | Wind Plants | Wind | 13 | 5,27,102.00 |
| 3 | Small Hydro Plants | SHP | 2 | 14,605.02 |
| 4 | Others | - | 7 | 3,26,531.00 |
| | **Sub- Total (B)** | | **36** | **11,87,519.50** |
| **C** | **Transmission & Distribution** | | | |
| | **Distribution** | | | |
| 1 | System Improvement | SI | 191 | 9,69,237.07 |
| 2 | Procurement & Installation of equipment/material | Bulk | 81 | 2,44,519.23 |
| 3 | Infrastructure for providing electricity access to various categories of Consumers | IE | 53 | 3,63,395.43 |
| 4 | SAUBHAGYA | SAUBHAGYA | 52 | 4,90,242.52 |
| 5 | R-APDRP/IPDS | R-APDRP/IPDS | 46 | 1,06,739.62 |
| 6 | DDUGJY | DDUGJY | 70 | 3,01,370.35 |
| | **Transmission** | | | |
| 1 | System Improvement | SI | 284 | 13,56,524.37 |
| | **Other Loans** | | | |
| 1 | Regulatory Assets | Regulatory Assets | 1 | 6,00,000.00 |
| 2 | SPL | SPL | 3 | 3,20,000.00 |
| 3 | Interstate Transmission Projects (Private) | - | 3 | 3,09,000.00 |
| | **Sub- Total (C)** | | **784** | **50,61,028.59** |
| **D** | **STL, MTL & Other loan assistance (D)** | | **38** | **12,04,000.00** |
| | **Grand Total (A+B+C+D)** | | **914** | **1,15,95,735.09** |

## TABLE - 3: STATEMENT SHOWING DETAILS OF CUMULATIVE STATE-WISE SANCTIONS BY REC TILL THE FINANCIAL YEAR 2018-19

(₹ In Lakh)

| Sl. No. | Particulars/ State | Upto XI Plan | | Upto XII Plan | | During FY 2017-18 | | During FY 2018-19 | | Cumulative Upto 2018-19 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | No. of Projects | Sanctioned amount | No. of Projects | Sanctioned amount | No. of Projects | Sanctioned amount | No. of Projects | Sanctioned amount | No. of Projects | Sanctioned amount |
| 1 | Andhra Pradesh | 6,472 | 29,50,749.60 | 476 | 39,97,771.16 | 58 | 10,80,951.14 | 39 | 9,46,288.43 | 7,045 | 89,75,760.33 |
| 2 | Arunachal Pradesh | 229 | 2,07,922.64 | 0 | 0 | 0 | 0 | 0 | 0 | 229 | 2,07,922.64 |
| 3 | Assam | 446 | 2,13,585.16 | 1 | 8,433.00 | 29 | 15,222.40 | 0 | 0 | 476 | 2,37,240.56 |
| 4 | Bihar | 1,815 | 19,16,710.03 | 42 | 7,68,317.98 | 6 | 3,25,217.00 | 58 | 3,38,226.24 | 1,921 | 33,48,471.25 |
| 5 | Chhattisgarh | 85 | 10,03,071.28 | 120 | 6,05,285.31 | 37 | 69,476.42 | 18 | 1,08,442.89 | 260 | 17,86,275.90 |
| 6 | Delhi | 9 | 4,11,847.00 | 16 | 86,506.24 | 0 | 0 | 0 | 0 | 25 | 4,98,353.24 |
| 7 | Goa | 16 | 2,007.00 | 4 | 69,273.58 | 0 | 0 | 0 | 0 | 20 | 71,280.58 |
| 8 | Gujarat | 1,950 | 15,08,268.25 | 5 | 9,29,532.00 | 0 | 0 | 0 | 0 | 1,955 | 24,37,800.25 |
| 9 | Haryana | 1,610 | 14,70,088.39 | 406 | 11,62,521.72 | 74 | 2,84,619.57 | 77 | 2,11,522.42 | 2,167 | 31,28,752.10 |
| 10 | Himachal Pradesh | 581 | 3,83,905.99 | 124 | 1,51,066.51 | 33 | 48,019.49 | 29 | 26,037.60 | 767 | 6,09,029.59 |
| 11 | Jammu & Kashmir | 603 | 3,23,091.49 | 43 | 1,04,416.77 | 1 | 3,17,912.86 | 0 | 0 | 647 | 7,45,421.12 |
| 12 | Jharkhand | 39 | 4,03,183.31 | 1 | 15,000.00 | 27 | 18,03,169.90 | 0 | 0 | 67 | 22,21,353.21 |
| 13 | Karnataka | 3,069 | 19,72,725.88 | 312 | 17,16,134.67 | 88 | 4,09,281.93 | 64 | 6,00,500.68 | 3,533 | 46,98,643.16 |
| 14 | Kerala | 1,771 | 5,89,522.34 | 91 | 5,78,880.25 | 15 | 64,488.94 | 26 | 67,753.30 | 1,903 | 13,00,644.83 |
| 15 | Madhya Pradesh | 5,499 | 14,43,675.30 | 103 | 6,46,937.93 | 27 | 5,21,698.13 | 42 | 4,51,079.68 | 5,671 | 30,63,391.04 |
| 16 | Maharashtra | 5,853 | 47,10,671.95 | 554 | 25,67,439.67 | 115 | 9,03,857.32 | 83 | 16,07,662.56 | 6,605 | 97,89,631.50 |
| 17 | Manipur | 151 | 39,327.86 | 15 | 22,488.00 | 5 | 15,578.93 | 0 | 0 | 171 | 77,394.79 |
| 18 | Meghalaya | 119 | 95,567.36 | 5 | 46,268.10 | 1 | 6,000.00 | 0 | 0 | 125 | 1,47,835.46 |
| 19 | Mizoram | 77 | 42,582.10 | 0 | 0 | 0 | 0 | 0 | 0 | 77 | 42,582.10 |
| 20 | Nagaland | 130 | 41,547.14 | 11 | 1,037.77 | 0 | 0 | 0 | 0 | 141 | 42,584.91 |
| 21 | Odisha | 1,700 | 6,06,516.94 | 26 | 7,25,154.20 | 0 | 0 | 0 | 0 | 1,726 | 13,31,671.14 |
| 22 | Puducherry | 2 | 12,506.79 | 3 | 11,627.15 | 0 | 0 | 2 | 802.09 | 7 | 24,936.03 |
| 23 | Punjab | 1,644 | 20,78,347.40 | 228 | 15,68,709.24 | 32 | 1,18,963.92 | 10 | 2,60,244.37 | 1,914 | 40,26,264.93 |
| 24 | Rajasthan | 4,058 | 38,41,487.31 | 203 | 28,95,420.69 | 64 | 7,90,755.27 | 84 | 8,15,715.44 | 4,409 | 83,43,378.71 |
| 25 | Sikkim | 42 | 11,636.90 | 0 | 1,887.00 | 0 | 0 | 0 | 0 | 42 | 13,523.90 |
| 26 | Tamil Nadu | 3,964 | 31,60,435.62 | 192 | 26,42,184.54 | 65 | 19,64,264.78 | 71 | 11,68,951.43 | 4,292 | 89,35,836.37 |
| 27 | Telangana | 0 | 0 | 203 | 30,85,903.69 | 71 | 4,42,931.70 | 75 | 13,85,162.13 | 349 | 49,13,997.52 |
| 28 | Tripura | 181 | 63,294.76 | 0 | 0 | 0 | 0 | 8 | 737.49 | 189 | 64,032.25 |
| 29 | Uttarakhand | 104 | 4,79,676.33 | 87 | 5,50,944.63 | 24 | 89,996.25 | 21 | 49,584.88 | 236 | 11,70,202.09 |
| 30 | Uttar Pradesh | 3,686 | 30,40,496.98 | 795 | 59,22,864.75 | 113 | 11,97,317.47 | 148 | 12,07,366.70 | 4,742 | 1,13,68,045.90 |
| 31 | West Bengal | 1,532 | 16,29,160.85 | 162 | 17,45,682.44 | 10 | 2,13,066.41 | 24 | 1,01,357.76 | 1,728 | 36,89,267.46 |
| 32 | Private T&D | 19 | 1,12,039.96 | 7 | 3,57,861.54 | 0 | 5,917.00 | 0 | 0 | 26 | 4,75,818.50 |
| 33 | Private Generation | 89 | 56,72,029.57 | 19 | 27,27,511.00 | 0 | 64,699.00 | 5 | 10,82,701.00 | 113 | 95,46,940.57 |
| 34 | Private Renewable | 0 | 0 | 41 | 3,09,263.99 | 0 | 0 | 27 | 8,54,600.00 | 68 | 11,63,863.99 |
| 35 | Private STL | 0 | 0 | 2 | 75,000.00 | 0 | 0 | 0 | 0 | 2 | 75,000.00 |
| 36 | Interstate Transmission Projects (State Sector) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,998.00 | 0 | 1,998.00 |
| 37 | Interstate Transmission Projects (Private Sector) | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 3,09,000.00 | 3 | 3,09,000.00 |
| | **Total** | **47,545** | **4,04,37,679.48** | **4,297** | **3,60,97,325.52** | **895** | **1,07,53,405.83** | **914** | **1,15,95,735.09** | **53,651** | **9,88,84,145.92** |

## TABLE - 4: STATEMENT SHOWING DETAILS OF STATE-WISE AND PROGRAMME-WISE DISBURSEMENTS AND REPAYMENT BY BORROWERS DURING THE FINANCIAL YEAR 2018-19 AND OUTSTANDINGS AS ON MARCH 31, 2019

(₹ in Lakh)

| Sl. No. | Particulars/State | Transmission | Distribution | Generation-Coventional | Generation-Renewable Energy | DDUGJY-RE, SAUBHAGYA (including DDG) | STL | Others (MTL and TFL) | Total Disbursement for the year 2018-19 | Disbursed upto the end of the year | Repayments | | Outstanding at the end of the year 2018-19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | During the year | Upto the end of year | |
| 1 | Andhra Pradesh | 1,30,488 | 57,061 | 2,05,344 | 1,96,118 | 25,109 | - | 30,000 | 6,44,120 | 43,01,779 | 3,40,988 | 21,43,002 | 21,58,777 |
| 2 | Arunachal Pradesh | - | - | - | - | - | - | - | - | 24,394 | 513 | 23,026 | 1,368 |
| 3 | Assam | - | - | - | - | 5,998 | - | - | 5,998 | 72,109 | 2,631 | 40,118 | 31,991 |
| 4 | Bihar | 14,023 | 19,998 | 86,229 | - | 54,320 | 29,000 | 20,000 | 2,23,570 | 16,69,755 | 2,10,006 | 4,42,323 | 12,27,432 |
| 5 | Chhattisgarh | 32,149 | 16,670 | - | - | 5,001 | 25,000 | - | 78,820 | 5,88,443 | 62,473 | 3,98,505 | 1,89,938 |
| 6 | Delhi | - | - | - | - | - | - | - | - | 1,093 | - | 1,093 | - |
| 7 | Goa | - | - | - | - | - | - | - | - | 1,479 | - | 1,479 | - |
| 8 | Gujarat | - | - | - | - | - | - | - | - | 9,19,008 | 27,560 | 6,85,101 | 2,33,907 |
| 9 | Haryana | 30,775 | 52,525 | 337 | - | 2,437 | 50,000 | - | 1,36,074 | 18,09,062 | 1,17,234 | 11,87,451 | 6,21,611 |
| 10 | Himachal Pradesh | 7,735 | 13,588 | - | - | - | - | - | 21,323 | 3,15,993 | 6,676 | 2,33,017 | 82,976 |
| 11 | Jammu & Kashmir | - | 627 | - | 950 | 729 | - | - | 2,306 | 1,42,868 | 8,393 | 1,17,716 | 25,152 |
| 12 | Jharkhand | - | - | 54,000 | - | 87,178 | - | - | 1,41,178 | 3,05,303 | 8,423 | 1,27,898 | 1,77,405 |
| 13 | Karnataka | - | 91,757 | 41,697 | 4,107 | 24,239 | 1,30,000 | 30,000 | 3,21,800 | 21,19,472 | 2,49,485 | 9,49,534 | 11,69,938 |
| 14 | Kerala | 557 | 44,003 | - | - | - | - | - | 44,560 | 8,60,634 | 70,528 | 5,43,338 | 3,17,296 |
| 15 | Madhya Pradesh | 15,451 | 1,21,236 | - | - | 1,03,572 | - | 2,00,000 | 4,40,259 | 15,01,432 | 27,103 | 8,54,992 | 6,46,440 |
| 16 | Maharashtra | 38,927 | 6,84,338 | 59,267 | 1,00,000 | 31,367 | 80,000 | 43,000 | 10,36,899 | 59,87,088 | 4,66,623 | 23,69,501 | 36,17,587 |
| 17 | Manipur | 513 | - | - | - | 158 | - | - | 671 | 39,273 | 6,795 | 21,923 | 17,350 |
| 18 | Meghalaya | - | - | - | - | - | - | - | - | 98,799 | 10,323 | 57,395 | 41,404 |
| 19 | Mizoram | - | - | - | - | 171 | - | - | 171 | 27,894 | 313 | 25,594 | 2,300 |
| 20 | Nagaland | - | 550 | - | 130 | 88 | - | - | 768 | 27,836 | 1,777 | 18,976 | 8,860 |
| 21 | Odisha | - | - | 64,868 | - | 9,785 | - | - | 74,653 | 5,33,051 | 2,609 | 1,40,875 | 3,92,176 |
| 22 | Puducherry | 899 | - | - | - | - | - | - | 899 | 8,096 | 357 | 1,071 | 7,025 |
| 23 | Punjab | 10,592 | 64,173 | 278 | - | - | 25,000 | 40,000 | 1,40,043 | 27,78,103 | 1,55,156 | 20,04,029 | 7,74,074 |
| 24 | Rajasthan | 1,31,053 | 2,92,030 | 2,19,992 | - | 47,976 | 15,000 | 1,25,000 | 8,31,051 | 61,54,284 | 1,51,277 | 30,33,646 | 31,20,638 |
| 25 | Sikkim | 1,043 | - | 9,466 | - | - | - | - | 10,509 | 5,47,259 | 38,471 | 42,708 | 5,04,551 |
| 26 | Tamil Nadu | 1,37,120 | 1,55,298 | 6,64,532 | 500 | 8,164 | - | 15,000 | 9,80,614 | 51,89,538 | 3,01,246 | 23,33,042 | 28,56,496 |
| 27 | Telangana | 4,74,183 | 1,33,221 | 2,64,548 | 2,00,000 | 3,315 | 15,000 | - | 10,90,267 | 33,79,780 | 2,13,684 | 7,41,890 | 26,37,890 |
| 28 | Tripura | - | - | - | - | - | - | - | - | 12,843 | 173 | 11,927 | 916 |
| 29 | Uttarakhand | 7,033 | 6,410 | 23,910 | - | 2,904 | - | - | 40,257 | 5,61,373 | 29,791 | 3,20,820 | 2,40,553 |
| 30 | Uttar Pradesh | 20,264 | 1,49,901 | 2,33,082 | - | 1,59,345 | - | - | 5,62,592 | 55,42,024 | 2,80,601 | 28,63,345 | 26,78,679 |
| 31 | West Bengal | 21,653 | 1,56,914 | 25,000 | - | 306 | 15,000 | - | 2,18,873 | 19,49,331 | 1,26,206 | 9,62,147 | 9,87,184 |
| 32 | Private | 1,683 | - | 5,614 | 1,60,971 | - | - | - | 1,68,268 | 46,76,096 | 1,23,094 | 13,27,042 | 33,49,054 |
| | **Total** | **10,76,141** | **20,60,300** | **19,58,164** | **6,62,776** | **5,72,162** | **3,84,000** | **5,03,000** | **72,16,543** | **5,21,45,492** | **30,40,509** | **2,40,24,524** | **2,81,20,968** |
| | **SUBSIDY** | | | | | | | | | | | | |
| | -DDUGJY | - | - | - | - | - | - | - | 16,81,233 | - | - | - | - |
| | -SAUBHAGYA | - | - | - | - | - | - | - | 2,70,883 | - | - | - | - |
| | -DDG | - | - | - | - | - | - | - | 14,097 | - | - | - | - |
| | **Grand Total** | **10,76,141** | **20,60,300** | **19,58,164** | **6,62,776** | **5,72,162** | **3,84,000** | **5,03,000** | **91,82,756** | **5,21,45,492** | **30,40,509** | **2,40,24,524** | **2,81,20,968** |

## TABLE - 5: STATEMENT SHOWING DETAILS OF FINANCIAL & PHYSICAL ACHIEVEMENTS DURING THE FINANCIAL YEAR 2018-19 UNDER DDUGJY (INCLUDING X, XI, XII, NEW DDUGJY & ADDITIONAL INFRASTRUCTURE PROJECTS)

| Sl. No. | State | Financial Parameters (₹ in crore) | | | | | | | Physical Parameters (Nos.) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Sanctions | | | Grant Release (for all Plans) | | | | Sub-station (Including Augumentation) (Nos.) | Distribution Transformer (Nos.) | Feeder Segregation (Incl. 11 kV Line) (Ckm) |
| | | Grid projects (For Addl. Infra) | Off-Grid projects | Total | Grid projects (DDUGJY including X, XI, XII) | Off-Grid projects | Additional Infrastructure | Total | | | |
| 1 | Andhra Pradesh | 0 | 0 | 0 | 163.57 | 11.45 | 0 | 175.02 | 25 | 7,811 | 2,139 |
| 2 | Arunachal Pradesh | 292.13 | 0 | 292.13 | 30.14 | 9.79 | 120.00 | 159.93 | 0 | 150 | 228 |
| 3 | Assam | 1,493.57 | 0 | 1,493.57 | 545.52 | 36.13 | 506.24 | 1,087.89 | 41 | 16,649 | 8,829 |
| 4 | Bihar | 0 | 0 | 0 | 2,411.89 | 0 | 0 | 2,411.89 | 159 | 96,866 | 45,990 |
| 5 | Chhattisgarh | 83.64 | 0 | 83.64 | 56.26 | 7.31 | 15.06 | 78.63 | 76 | 18,175 | 6,731 |
| 6 | Dadra & Nagar Haveli | 0 | 0 | 0 | 0.90 | 0 | 0 | 0.90 | 0 | 0 | 21 |
| 7 | Goa | 0 | 0 | 0 | 3.27 | 0 | 0 | 3.27 | 0 | 0 | 0 |
| 8 | Gujarat | 0 | 0 | 0 | 180.96 | 0 | 0 | 180.96 | 36 | 6,650 | 3,951 |
| 9 | Haryana | 30.31 | 0 | 30.31 | 22.23 | 0 | 0 | 22.23 | 2 | 599 | 340 |
| 10 | Himachal Pradesh | 8.68 | 0 | 8.68 | 14.65 | 0 | 0 | 14.65 | 0 | 32 | 21 |
| 11 | Jammu & Kashmir* | 875.03 | 62.27 | 937.30 | 543.50 | 41.02 | 413.69 | 998.21 | 0 | 1,204 | 1,508 |
| 12 | Jharkhand | 1,077.70 | 0 | 1,077.70 | 1,185.44 | 0 | 0 | 1,185.44 | 77 | 36,459 | 18,263 |
| 13 | Karnataka | 126.74 | 0 | 126.74 | 450.27 | 1.23 | 176.53 | 628.03 | 7 | 7,388 | 11,506 |
| 14 | Kerala | 0 | 0 | 0 | 57.12 | 0 | 0 | 57.12 | 1 | 361 | 928 |
| 15 | Madhya Pradesh | 998.64 | 0 | 998.64 | 616.91 | 7.59 | 327.15 | 951.65 | 286 | 19,716 | 40,533 |
| 16 | Maharashtra | 368.92 | 0 | 368.92 | 316.67 | 0 | 165.47 | 482.14 | 159 | 32,785 | 7,893 |
| 17 | Manipur | 60.27 | 0 | 60.27 | 32.15 | 1.99 | 6.69 | 40.83 | 6 | 1,595 | 2,711 |
| 18 | Meghalaya | 381.33 | 0 | 381.33 | 81.87 | 0.69 | 72.39 | 154.95 | 3 | 0 | 0 |
| 19 | Mizoram | 31.65 | 0 | 31.65 | 19.67 | 0 | 14.93 | 34.60 | 5 | 40 | 122 |
| 20 | Nagaland | 28.31 | 0 | 28.31 | 36.99 | 0 | 18.26 | 55.25 | 0 | 84 | 262 |
| 21 | Odisha | 508.63 | 0 | 508.63 | 1,187.72 | 5.70 | 166.63 | 1,360.05 | 149 | 23,169 | 8,224 |
| 22 | Puduchhery | 0 | 0 | 0 | 0.01 | 0 | 0 | 0.01 | 0 | 0 | 0 |
| 23 | Punjab | 0 | 0 | 0 | 41.85 | 0 | 0 | 41.85 | 0 | 1,029 | 2,068 |
| 24 | Rajasthan | 1,219.21 | 0 | 1,219.21 | 904.31 | 12.91 | 329.08 | 1,246.30 | 155 | 86,862 | 34,862 |
| 25 | Sikkim | 37.36 | 0 | 37.36 | 21.11 | 0 | 0 | 21.11 | 0 | 5,659 | 0 |
| 26 | Tamil Nadu | 0 | 0 | 0 | 243.94 | 0 | 0 | 243.94 | 106 | 892 | 1,370 |
| 27 | Telangana | 0 | 0 | 0 | 60.78 | 0 | 0 | 60.78 | 58 | 8,877 | 1,869 |
| 28 | Tripura | 358.64 | 0 | 358.64 | 23.72 | 0 | 88.25 | 111.97 | 4 | 384 | 679 |
| 29 | Uttarakhand | 0 | 0 | 0 | 269.87 | 0 | 0 | 269.87 | 1 | 1,216 | 1,440 |
| 30 | Uttar Pradesh | 6,289.57 | 0 | 6,289.57 | 1,786.24 | 5.14 | 1,768.85 | 3,560.23 | 348 | 50,937 | 36,356 |
| 31 | West Bengal | 0 | 0 | 0 | 1,280.96 | 0 | 0 | 1,280.96 | 78 | 15,180 | 7,874 |
| | **Total** | **14,270.33** | **62.27** | **14,332.60** | **12,590.47** | **140.97** | **4,189.22** | **16,920.66** | **1,782** | **4,40,769** | **2,46,717** |

* Includes fund released against PMDP projects.

## TABLE - 6: STATEMENT SHOWING DETAILS OF CUMULATIVE ACHIEVEMENT UPTO MARCH 31, 2019 UNDER DDUGJY (including X, XI, XII, New DDUGJY & Additional Infrastructure Projects)

| Sl. No | State | Financial (₹ in crore) | | Physical Progress | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Sanctioned Project Cost* | GoI Grant released# | Substation 33/11 kV (Nos.) | | Distribution Transformer (Nos.) | Feeder Segregation (CKm) | 11 kV Line (Excluding Feeder Segregation) |
| | | | | New | Augmentation | | | |
| 1 | Andaman & Nicobar | 20.96 | 1.26 | 0 | 0 | 0 | 0 | 0 |
| 2 | Andhra Pradesh | 1,563.09 | 1,006.89 | 144 | 16 | 35,016 | 140 | 7,379 |
| 3 | Arunachal Pradesh | 1,748.46 | 1,202.89 | 22 | 1 | 3,695 | 0 | 9,947 |
| 4 | Assam | 7,302.80 | 4,729.08 | 36 | 66 | 55,020 | 0 | 47,079 |
| 5 | Bihar | 18,347.55 | 11,012.40 | 335 | 355 | 1,34,315 | 12,053 | 61,798 |
| 6 | Chhattisgarh | 3,274.29 | 2,042.50 | 84 | 168 | 31,855 | 938 | 17,213 |
| 7 | Dadra & Nagar Haveli | 5.00 | 0.90 | 0 | 0 | 0 | 0 | 21 |
| 8 | Goa | 20.00 | 3.27 | 0 | 0 | 0 | 0 | 0 |
| 9 | Gujarat | 1,239.75 | 775.41 | 15 | 28 | 21,372 | 1,512 | 10,345 |
| 10 | Haryana | 519.42 | 207.61 | 2 | 0 | 6,392 | 143 | 2,424 |
| 11 | Himachal Pradesh | 493.20 | 304.37 | 1 | 8 | 2,092 | 0 | 1,305 |
| 12 | Jammu & Kashmir | 2,581.89 | 1,916.96 | 20 | 16 | 5,383 | 0 | 4,099 |
| 13 | Jharkhand | 9,599.36 | 5,316.95 | 138 | 73 | 66,408 | 952 | 34,196 |
| 14 | Karnataka | 2,939.14 | 1,605.83 | 3 | 8 | 24,475 | 8,545 | 11,078 |
| 15 | Kerala | 703.22 | 423.71 | 4 | 8 | 2,404 | 0 | 3,147 |
| 16 | Madhya Pradesh | 8,263.48 | 4,474.35 | 153 | 449 | 79,111 | 6,068 | 60,115 |
| 17 | Maharashtra | 3,224.95 | 1,452.63 | 143 | 103 | 14,033 | 5,472 | 6,289 |
| 18 | Manipur | 787.88 | 500.94 | 16 | 6 | 1,888 | 0 | 3,681 |
| 19 | Meghalaya | 1,138.51 | 603.82 | 5 | 0 | 2,298 | 0 | 2,533 |
| 20 | Mizoram | 451.89 | 364.42 | 10 | 12 | 814 | 0 | 1,631 |
| 21 | Nagaland | 471.50 | 363.17 | 10 | 12 | 1,190 | 0 | 1,549 |
| 22 | Odisha | 9,377.59 | 6,320.26 | 44 | 330 | 69,016 | 586 | 31,136 |
| 23 | Puducherry | 20.16 | 1.22 | 0 | 0 | 0 | 0 | 0 |
| 24 | Punjab | 289.87 | 111.46 | 0 | 0 | 5,453 | 5 | 2,014 |
| 25 | Rajasthan | 6,735.45 | 3,622.31 | 148 | 20 | 1,22,295 | 3,710 | 43,268 |
| 26 | Sikkim | 299.49 | 210.92 | 0 | 0 | 404 | 0 | 608 |
| 27 | Tamil Nadu | 1,306.80 | 728.66 | 56 | 75 | 10,793 | 157 | 3,568 |
| 28 | Telangana | 782.30 | 412.39 | 89 | 0 | 19,228 | 0 | 5,244 |
| 29 | Tripura | 925.00 | 507.18 | 9 | 2 | 3,714 | 0 | 2,799 |
| 30 | Uttarakhand | 1,638.56 | 1,010.76 | 7 | 13 | 13,489 | 637 | 9,098 |
| 31 | Uttar Pradesh | 29,118.79 | 15,528.93 | 383 | 1,016 | 3,12,712 | 26,258 | 1,11,260 |
| 32 | West Bengal | 7,634.75 | 4,349.87 | 59 | 124 | 33,169 | 3,174 | 15,330 |
| | **Total** | **1,22,825.10** | **71,113.28** | **1,936** | **2,909** | **10,78,034** | **70,350** | **5,10,154** |

* The Sanctioned Cost (closing balance) for the financial year 2017-18 was ₹1,08,496.85 crore. During the financial year 2018-19 ₹14,332.60 crore was sanctioned. The Cumulative Sanctioned cost as on March 31, 2019 is ₹1,22,825.10 crore instead of ₹1,22,829.45 crore, due to rounding off (reduction) of ₹4.35 crore.

# There is an adjustment of ₹42.07 crore in Fund released on account of price revision in project cost on closure.

Note: In the pervious year annual report, the fund released contains total fund including loan component. During the current year onwards, in above table only cumulative grant released till March 31, 2019 has been reported.

## TABLE - 7: STATEMENT SHOWING DETAILS OF HOUSEHOLDS ELECTRIFIED AND FUNDS DISBURSED UNDER SAUBHAGYA UPTO MARCH 31, 2019

| Sl. No | State | Balance Unelectrified Households as on October 10, 2017 (Including Additional households electrified) (Nos.)* | Household Electrified w.e.f October 11, 2017 (Nos.) | | | Balance Un-electrified Households (Nos.) | Cumulative Disbursement of Grant (₹ in crore) |
|---|---|---|---|---|---|---|---|
| | | | 2017-18 | 2018-19 | Total | | |
| 1 | Andhra Pradesh | 1,81,930 | 81,949 | 99,981 | 1,81,930 | 0 | 0 |
| 2 | Arunachal Pradesh | 47,089 | 0 | 47,089 | 47,089 | 0 | 138.87 |
| 3 | Assam | 17,45,149 | 1,10,836 | 16,34,313 | 17,45,149 | 0 | 444.71 |
| 4 | Bihar | 32,59,041 | 4,49,016 | 28,10,025 | 32,59,041 | 0 | 314.18 |
| 5 | Chhattisgarh | 7,68,131 | 1,55,490 | 5,93,907 | 7,49,397 | 18,734 | 261.81 |
| 6 | Gujarat | 41,317 | 15,748 | 25,569 | 41,317 | 0 | 0 |
| 7 | Haryana | 54,681 | 3,497 | 51,184 | 54,681 | 0 | 0 |
| 8 | Himachal Pradesh | 12,891 | 1,943 | 10,948 | 12,891 | 0 | 0.82 |
| 9 | Jammu & Kashmir | 3,87,501 | 0 | 3,87,501 | 3,87,501 | 0 | 53.24 |
| 10 | Jharkhand | 15,30,708 | 1,25,389 | 14,05,319 | 15,30,708 | 0 | 152.43 |
| 11 | Karnataka | 3,56,974 | 59,709 | 2,97,265 | 3,56,974 | 0 | 0 |
| 12 | Kerala | 0 | 0 | 0 | 0 | 0 | 15.20 |
| 13 | Madhya Pradesh | 19,84,264 | 11,49,748 | 8,34,516 | 19,84,264 | 0 | 407.47 |
| 14 | Maharashtra | 15,17,922 | 1,82,896 | 13,35,026 | 15,17,922 | 0 | 154.73 |
| 15 | Manipur | 1,02,748 | 746 | 1,02,002 | 1,02,748 | 0 | 40.71 |
| 16 | Meghalaya | 1,99,839 | 0 | 1,99,839 | 1,99,839 | 0 | 97.84 |
| 17 | Mizoram | 27,970 | 0 | 27,970 | 27,970 | 0 | 34.62 |
| 18 | Nagaland | 1,32,507 | 473 | 1,32,034 | 1,32,507 | 0 | 39.23 |
| 19 | Odisha | 24,52,444 | 1,35,348 | 23,17,096 | 24,52,444 | 0 | 244.77 |
| 20 | Puducherry | 912 | 0 | 912 | 912 | 0 | 0 |
| 21 | Punjab | 3,477 | 0 | 3,477 | 3,477 | 0 | 0 |
| 22 | Rajasthan | 18,62,736 | 2,12,555 | 16,50,181 | 18,62,736 | 0 | 102.94 |
| 23 | Sikkim | 14,900 | 0 | 14,900 | 14,900 | 0 | 0 |
| 24 | Tamil Nadu | 2,170 | 2,170 | 0 | 2,170 | 0 | 0 |
| 25 | Telangana | 5,15,084 | 23,803 | 4,91,281 | 5,15,084 | 0 | 0 |
| 26 | Tripura | 1,39,090 | 1,882 | 1,37,208 | 1,39,090 | 0 | 236.67 |
| 27 | Uttarakhand | 2,48,751 | 4,960 | 2,43,791 | 2,48,751 | 0 | 35.72 |
| 28 | Uttar Pradesh | 79,80,568 | 11,33,002 | 68,47,566 | 79,80,568 | 0 | 1,386.62 |
| 29 | West Bengal | 7,32,290 | 1,94,153 | 5,38,137 | 7,32,290 | 0 | 86.90 |
| | **Total** | **2,63,03,084** | **40,45,313** | **2,22,39,037** | **2,62,84,350** | **18,734** | **4,249.47** |

* The States / DISCOMs have validated and updated the data/figures (dynamic) from time to time based on ground conditions.

ANNEXURE-I TO BOARD'S REPORT

# MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Management of the Company is pleased to present its report on the Industry Scenario including on the Company's performance during the financial year 2018-19.

## BUSINESS ENVIRONMENT

### Global Business Environment

While a year ago, the economic activity was accelerating in almost all regions of the world and the global economy was projected to grow at 3.9% in 2018 and 2019, the World Economic Outlook by the International Monetary Fund (IMF) projects a decline in growth in 2019 for 70% of the global economy. Global growth, which peaked at close to 4% in 2017, softened to 3.6% in 2018, and is projected to decline further to 3.3% in 2019. The global economy continues to expand but the expansion has weakened significantly, especially in the second half of 2018, owing to the escalation of US–China trade tensions, disruptions in the auto sector in Germany, tighter credit policies in China, weakening financial market sentiment and trade policy uncertainty alongside the normalization of monetary policy in the larger advanced economies. With investors generally lowering exposure to riskier assets, emerging market economies experienced net capital outflows during 2018.

The World Bank has also downgraded its outlook for the global economy this year, citing rising trade tension, weakening manufacturing activity and growing financial stress in emerging-market countries. It expects the world economy to grow 2.9% in 2019, the second straight year of slowing growth, from 3% in 2018 and 3.1% in 2017.

Crude oil prices have been volatile since August 2018, reflecting supply influences, including US policy on Iranian oil exports and, more recently, fears of softening global demand. Prices of metals and agricultural commodities have softened slightly since August 2018, in part due to subdued demand from China. Consumer price inflation has generally remained contained in the recent months in advanced economies, but has inched up in the United States where above-trend growth continues.

Among emerging market economies, inflationary pressures are easing with the drop in oil prices. For some, this easing has been partially offset by the pass-through of currency depreciations to domestic prices. Emerging market equity indices have sold off over this period, in the context of rising trade tensions and higher risk aversion. Concerns about inflationary effects from earlier oil price increases and, in some cases, closing output gaps or pass-through from currency depreciations have led central banks in many emerging market economies (Chile, Indonesia, Mexico, Philippines, Russia, South Africa, Thailand) to raise policy rates since the fall.

During the year 2018, the mix of fuels in global power generation has shifted significantly, with renewables gaining share substituting coal, nuclear and hydro. The share of natural gas is flat at around 20%. In contrast, the strong growth of power demand in developing economies means there is a greater scope for renewables to increase. However, as renewables do not grow sufficiently quickly to meet all of the additional power demand, coal consumption has also increased. Renewables account for around two-thirds of the increase in power generation, with their share in the global power sector increasing to around 30%. In contrast, the share of coal would decline significantly, such that by 2040 it is expected to be surpassed by renewables as the primary source of energy in the global power sector. Almost all of the growth in power demand stems from developing economies, led by China and India. Demand growth in the OECD is much smaller, reflecting both slower economic growth and a weaker responsiveness of power demand to economic growth in more mature, developed economies.

Electric vehicles continue to grow rapidly, with their impact amplified by growth of autonomous vehicles. The number of electric vehicles is expected to reach around 350 million by 2040, of which around 300 million would be passenger cars. This is equivalent to around 15% of all cars and 12% of light duty trucks. The use of electric passenger cars would be amplified by the emergence of autonomous cars from the early 2020s offering low cost, shared-mobility services, predominantly in electric cars. As a result, around 25% of passenger vehicle kilometers would be powered by electricity by the year 2040.

### Indian Business Environment

India has emerged as the fastest growing major economy in the world and is expected to be one of the top three economic powers of the world over the next 10-15 years, backed by its strong democracy and partnerships. Indian economy is presently 6$^{th}$ largest in the world, up from 11$^{th}$ position five years ago. In terms of purchasing power parity, India ranks 3$^{rd}$ largest in the world after China and USA. India is also the 3$^{rd}$ largest start-up base in the world with over 4,750 technology start-ups. India's labour force is expected to touch 160-170 million by 2020, based on rate of population growth, increased labour force participation and higher education enrolment, among other factors. With the improvement in the economic scenario and investments in various sectors of the economy, India is expected to become a 5 trillion dollar economy by 2024-25.

The rupee has recovered with the pullback in oil prices, after plunging to a record low against the dollar in October 2018. The rally may be expected to extend into next year, as cheaper oil prices reduce the import bill and help narrow the current account deficit. India's equity and debt are also expected to become more attractive to foreign investors, as growth prospects improve and inflation pressures ease.

The participation of short-term markets transaction in the country have remained low at about 11% this year and continued to be under 10% since past 10 years. Power exchange-based markets have grown from 0.8% of total energy generation in the country to around 4% in the past 10 years. In most of the developed markets, exchanges have a market share of 40% to 80%. Exchange-based transactions have yet to grow significantly for a more competitive, efficient and transparent electricity market in India.

The IMF, World Bank and RBI have reposed confidence in India's growth prospects and predicted a higher growth trajectory in the years ahead. For the financial year 2019-20, IMF has predicted India's growth forecast at 7.3%, World Bank has estimated a growth rate of 7.5% and RBI has forecasted a growth rate of 7.0%. Further, Bloomberg has predicted a 7.6% expansion in the country's GDP in fiscal 2020, up from a projected 7.2% in fiscal 2019 and 6.7% in fiscal 2018 and has estimated a growth potential of 8% - 8.5%.

On the Energy front, India has acquired the long-awaited tag of the fastest growing energy market in the world. India is the 3rd largest producer and also the 3rd largest consumer of electricity in the world. The installed capacity of the country stood at 356 GW as of March 2019. The country's investment in the energy sector grew at a rate of 12% in 2018, the highest growth rate as compared to any other country, according to the International Energy Agency. In May 2018, India ranked 4th in the Asia Pacific region out of 25 nations, on an index that measures their overall power.

India has a significant potential of electricity generation from renewable energy sources. The Renewable Energy potential in India is estimated at 900 GW, including 750 GW of Solar Power, 102 GW of Wind Power, 20 GW of Small Hydro Power and 25 GW of Bio-Energy. The Government of India, in pursuit of energy security and for minimizing impact on environment, has been prioritizing the development of the Renewable Energy sector through its policies and programmes. India has the largest government-mandated renewable energy programme with a target of 175 GW renewable energy capacity by 2022, and also announced plans to shift completely to electric vehicles by 2030. The market share of E-vehicles is also increasing in the country. India has a potential to become a hub of manufacturing E-vehicles in the near future, thereby generating employment and growth opportunities.

## INDUSTRY STRUCTURE AND DEVELOPMENT

### Industry Overview

Power is one of the most critical components of infrastructure, crucial for the economic growth and welfare of nations. The existence and development of adequate infrastructure is essential for sustained growth of the Indian economy. The electricity generation in the country has witnessed increased growth during the last few Plan periods with CAGR of 5.16% in X Plan (2002–07), 5.77% in XI Plan (2007–12) and 6.0% in XII Plan (2012 to 2015–16). India's power sector is one of the most diversified in the world. Sources of power generation range from conventional sources such as coal, lignite, natural gas, oil, hydro and nuclear power to viable non-conventional sources such as wind, solar and agricultural & domestic waste. The generation mix has also been witnessing a change with increasing penetration of renewables.

Indian power sector is undergoing a significant change that has redefined the industry outlook. Sustained economic growth continues to drive electricity demand in India. The Government of India's focus on attaining 'Power for All' has accelerated capacity addition in the country. As on March 31, 2019, the total installed capacity of power stations in India stood at 356 GW. In order to meet the increasing demand for electricity in the country, massive addition to the installed generating capacity is required. At the same time, the competitive intensity is increasing at both the demand and supply sides (fuel, logistics, finance, and manpower). It is pertinent to mention that India has turned a net exporter of electricity for the first time in financial year 2017-18, with 7,203 Million Units (MUs) supplied to Nepal, Bangladesh and Myanmar. Further, India has also supplied 4,628 MUs to the said countries upto October 2018, in financial year 2018-19. With surplus coal and power, the Government is taking several initiatives to provide 24X7 quality power for all.

On the policy front, the Government issued a draft amendment to the Electricity Act, 2003 in the year 2018. The amendments intend to separate content and carriage; distribution of subsidies through direct benefit transfer; mandate that 24x7 power supply is DISCOM's obligation; easy open access to industry by abolishing additional surcharge and limiting application of cross subsidy surcharge for only one year from the time when open access is first granted; and provision for regulations of forwards like futures and derivatives according to government's directions. The Government also launched many other consumer-centric initiatives to provide smart prepaid meters to all consumers. Further, the Government has been working on turning around debt-ridden DISCOMs and lowering of the operational costs of conventional power plants, while trying to achieve the country's climate change goal of becoming a low carbon economy.

Coal-based power generation capacity in India, which currently stands at 194.44 GW, is expected to reach 330-441 GW by 2040. Around 60% of the nation's power generation comes from coal. There has been insufficient supply of domestic coal to thermal power plants and a spike in the prices of imported coal. In 2016-17, the price of imported coal was about $30 per tonne and it has reached $55 per tonne in 2018-19. Increased coal production domestically and ensuring supply to all merchant generators without any requirement of long-term and medium-term PPA are essential drivers for securing the sector.

In the renewable energy scenario, the Government of India has released its roadmap to achieve 175 GW capacity in renewable energy by 2022, which primarily includes 100 GW of solar power and 60 GW of wind power. The Government is also preparing a 'rent-a-roof' policy for supporting its target of generating 40 GW of power through solar rooftop projects by 2022, besides various other renewable energy initiatives. With the Government's push, the total investment in renewable power has surpassed fossil fuel-based power, supported by tendering and uncertain financial prospects for new coal power. In India, solar PV spending exceeded that for coal power for the first time, supported by government auctions.

On the T&D front, grid investment rose by 4%, with one-fifth increase in transmission, but spending in distribution remained flat. A majority of renewable energy transactions in the country are happening intra-state, and focus on increasing inter-state transactions would provide a wider market. A push for regulations such as Forecasting and Scheduling will mandate renewable generators to forecast their generation in advance and adhere to it in scheduling. It would also help the market grow and facilitate better integration of renewable energy to the national grid. One of the major developments of the power sector in the recent times has been the Government's universal household electrification programme. In April 2018, the Government of India achieved 100% electrification of all inhabited villages in India. Further, 100% household electrification has also been achieved in all the States of the country as on March 31, 2019, except for Chhattisgarh.

Energy efficiency also continues to be a key focus area of the Government. India could very soon become the world's first country to use LEDs for all lighting needs, thereby saving ₹40,000 crore (US$ 6.23 billion) on an annual basis.

## Industry Structure

### Generation

The accelerated pace of generation capacity addition over the past few years has led to a situation wherein the electricity supply potential is greater than the economic demand, a scenario witnessed never before in the history of the Indian electricity sector. The installed power generating capacity in the country as on March 31, 2019 stood at 356 GW, with 86,597 MW (24%) in the Central Sector, 105,076 MW (30%) in the State Sector and 164,428 MW (46%) in the Private Sector. In terms of generation capacity by type as on March 31, 2019, the installed thermal capacity was 226,279 MW (63%), installed hydro capacity was 45,399 MW (13%), installed renewable energy capacity was 77,642 MW (22%) and the installed nuclear capacity was 6,780 MW (2%).

The power generation in the country also continued to grow. During the financial year 2018-19, the actual electric energy generation in the country was 1,072 Billion Units (BUs) in thermal power, 135 BUs in hydro power, 37 BUs in nuclear power and 126 BUs in renewable energy. The average Plant Load Factor (PLF) in financial year 2018-19 for thermal power plants across the country was 61.07% and for private sector plants it was 55.24%. The aggregate Power Supply Deficit for financial year 2018-19 decreased to 0.6% and the Peak Power Deficit also decreased to 0.8%.

As India looks to meet its energy demand on its own, which is expected to reach 15,820 TWh (Terawatt-hour) by 2040, renewable energy is set to play an important role. The Indian Renewable Energy sector is the 4$^{th}$ most attractive renewable energy market in the world. The installed renewable power generation capacity has increased at a fast pace over the past few years, posting a CAGR of 19.78% between financial year 2014 to 2018. In October 2018, India ranked 5$^{th}$ in the installed renewable energy capacity in the world. The focus of Government of India has shifted to clean energy, after it ratified the Paris Agreement. With the increased support of Government and improved economics, the sector has become attractive from investors' perspective. As on March 31, 2019, India's cumulative installed renewable energy capacity stood at 77.64 GW that comprises 35.63 GW from wind power, 28.18 GW from solar power, 9.24 GW from biomass and 4.59 GW from small hydro projects. Off-grid renewable power capacity has also increased.

## Transmission and Distribution

### Transmission

The natural resources for electricity generation in India are unevenly dispersed and concentrated in a few pockets. Transmission, an important element in the power delivery value chain, facilitates evacuation of power from generating stations and its delivery to the load centres. For efficient dispersal of power to deficit regions, strengthening the transmission system network, enhancing the Inter-State power transmission system, augmentation of the National Grid and enhancement of the transmission system network are required. An extensive network of transmission lines has been developed over the years for evacuating power produced by different electricity generating stations and distributing the same to the consumers. The nominal Extra High Voltage lines in vogue are ± 800 kV HVDC & 765 kV, 400 kV, 230/220 kV, 110 kV and 66 kV AC lines.

The country's power transmission sector has witnessed unprecedented growth in the past five years, with line length and transformer capacity growing at an average annual growth rate of 6.5% and 9.6%, respectively. Further, both operational and financial performances of the transmission utilities have witnessed an improvement. Going forward, an estimated ₹2.6 trillion investment is required in the transmission sector to meet future peak load, which is expected to reach 234 GW by 2021-22. The private sector is expected to play an important role in achieving the country's grid expansion targets, as competitive bidding gains momentum at both inter-state and intra-state levels.

Several grid expansion programmes such as the Green Energy Corridor and cross-border links are underway to expand the physical grid infrastructure. Further, transmission utilities, at the central and state level are expected to invest significantly in new technologies to make grids more reliable, resilient, secure and smart. The sector is also expected to immensely benefit from major policy reforms, including the Electricity Act amendments and the Tariff Policy amendments.

During financial year 2018-19, a total of 22,437 cKm (circuit kilometers) of transmission lines were added, as compared to about 23,119 cKm during the previous fiscal. Transformation capacity of 72,705 MVA (Mega Volt Amp) was added during financial year 2018-19 at 765 kV, 400 kV and 220 kV levels taken together.

Transmission sector works as a foundation stone, strongly holding the development of power generation & distribution segments. The growth of power sector is contingent to development of a robust and a non-collapsible transmission network.

### Distribution

Distribution is the most important link in the entire power sector value chain. As the only interface between utilities and consumers, it is the cash register for the entire power sector. Distribution is the weakest link in the power value chain of India, wherein DISCOMs (power distribution companies) of the country have huge accumulated losses and outstanding debt at high interest rates. Historically, power distribution has been a monopoly of government-owned utilities, and is actually in the realm of State Governments, with the private sector playing only a limited part. Due to legacy issues, DISCOMS are trapped in a vicious cycle with operational losses being funded by debt. The abysmal financial health of the state electricity DISCOMs is a major roadblock towards improving evacuation efficiency.

In order to uplift the distribution sector reeling under severe losses and make the State DISCOMs/Utilities viable, the policy makers have taken various important measures in the recent past. The Government of India introduced the Ujwal DISCOM Assurance Yojana (UDAY) in November 2015, a scheme for operational & financial turnaround of DISCOMS, to make these DISCOMs/Utilities credit worthy. Under UDAY, the respective State Government shall take over the debts of DISCOMs/Utilities so that the DISCOMs/Utilities could take up their future capex programs. Further, to reduce "non-technical losses" such as electricity theft, meter tampering and non-payment by customers, the Government plans to install 35 million smart meters by 2019. The Government of India also unveiled the ambitious ₹16,320 crore *Pradhan Mantri Sahaj Bijli Har Ghar Yojana* (SAUBHAGYA) in financial year 2017-18, to provide electricity connections to around 4 crore families in rural and urban areas. As on March 31, 2019, 100% household electrification has been achieved in all the States, except for Chhattisgarh.

With strong reform initiatives like revision of tariff, National Electricity Fund (NEF) and UDAY, DISCOMs, positive results have started to show. REC, in coordination with the Ministry of Power, has taken up major initiatives to improve and turn around the power distribution sector in the country, by partnering in programmes like SAUBHAGYA, DDUGJY, NEF, UDAY etc.

### Power Sector Policy Environment

In the past years, the Government of India has taken significant policy measures to restructure the power sector, increase capacity and improve the transmission, sub-transmission & distribution network. The Electricity Act, 2003 brought sweeping changes to the legal framework governing the sector, enabling capital arrangement, thereby making it possible to set up large power projects. The Act replaced various earlier legislations and introduced a multi-buyer and multi-seller system. Furthermore, it enhanced autonomy of the regulatory regime in determination of tariffs, without being constrained by rate-of-return regulations. This was followed by the notification of National Electricity Policy, National Tariff Policy, Renewable Energy Policy, National Hydro Policy and Mega Power Policy. The Government has taken several measures in the last few years to improve the working & performance of thermal power plants, which included streamlining the process of coal block allocation, improvement in coal availability & supply, quality checks of coal at mine-end and plant-end, beneficiation of coal at coal washeries, redefining of coal linkages and swapping of coal mines, to name a few.

On the hydro power front, the Government introduced the Policy on Hydro Power Development in year 2008 for accelerated development of hydro power sector in India, particularly in the Himalayan States. Despite being the cheapest source of power, hydro power has not been exploited to its full potential as many hydro projects are facing environmental issues and court rulings, causing long delays and stoppage of work. The traction in this sector has also been low due to problems like higher capital costs, long gestation periods, R&R issues and geological bottlenecks. In order to address these problems, the Government of India has

taken many steps in the last few years, notably, exempting hydro projects from competitive bidding till 2022, allowing flexibility to developers in depreciation rates and Time-of-Day Tariff and allowing distribution licensees to extend long term PPAs by additional 15 years beyond the normally allowed 35 years.

### Renewable Energy Sources

The last five years have proven to be transformational for the renewable energy industry in the country. The Indian Renewable Energy sector is the 4th most attractive renewable energy market in the world. Installed renewable power generation capacity has increased at a fast pace over the past few years. As India looks to meet its energy demand on its own, which is expected to reach 15,820 TWh by 2040, renewable energy is set to play an important role.

The Government of India has set a target of 175 GW capacity addition through renewable energy sources by the year 2022. This includes the shares of Solar energy (100 GW), Wind energy (60 GW), biomass (10 GW) and Small Hydro projects (5 GW). The focus is clearly on cleaner energy, in the light of depleting fossil fuels and environmental hazards of thermal power plants. The Government is taking several initiatives and policy measures to encourage the renewable energy sector, such as suitable amendments to the Electricity Act and Tariff Policy for strong enforcement of RPO (Renewable Purchase Obligations) and providing RGO (Renewable Generation Obligations), setting up of exclusive Solar Parks, development of power transmission network through Green Energy Corridor, identification of large government complexes / buildings for roof-top solar power projects, making roof-top solar and 10% renewable energy mandatory under the Mission Statement and Guidelines for development of Smart Cities, amendments in building bye-laws for mandating the provision of roof-top solar in new construction or higher FAR, granting infrastructure status to solar power projects, raising tax-free solar bonds, providing longer tenor loans in the segment, making roof-top solar a part of housing loans by banks and raising of funds from bilateral and international agencies, promoting new schemes like off-shore wind, floating solar power projects, as also the Green Climate Fund, to achieve the renewable energy targets.

Generation of renewable energy has also increased sharply. As on March 31, 2019, India's cumulative installed renewable energy capacity stood at 77.64 GW that comprises 35.63 GW from wind power, 28.18 GW from solar power, 9.24 GW from biomass and 4.59 GW from small hydro projects. The growth was supported by a favorable policy environment offering low import duties, a payment security mechanism and efficient auction processes, combined with a dip in PV prices. The capacity growth was also driven by a sharp fall in tariffs, with both solar and wind auctions attracting bids that were lower than the cost of power from coal-based plants. Further, transmission of renewable energy will be facilitated by the Green Energy Corridor, which should also enable grid stability by evacuating renewable power from generation points to load centers, with creation of additional and adequate transmission capacity.

It is expected that by the year 2040, around 49% of total electricity will be generated by renewable energy, as more efficient batteries will be used to store electricity which will further cut the solar energy cost by 66% as compared to the current cost. Use of renewables in place of coal will save India ₹54,000 crore (US$ 8.43 billion) annually.

### National Solar Mission

The National Solar Mission (NSM) was launched in January 2010 as a major initiative of the Government of India involving States, R&D institutions and industries to promote solar energy while addressing energy security and climate change challenges of the country. Thus, it will constitute a major contribution by India to the global effort to meet the challenges of climate change. The Mission is one of the several initiatives that are part of National Action Plan on Climate Change (NAPCC). India, with its large population and rapidly growing economy, needs access to clean, affordable and reliable sources of energy. India lies in the high solar insolation region endowed with huge solar energy potential. Most of the country has about 300 days of sunshine per year with daily incident solar radiation varying from 4-6 Kwh per square metre of surface area, depending upon the location and time of the year. The total solar power potential in the country is estimated at approximately 748.98 GW.

The objective of the Mission is to establish India as a global leader in solar energy, by creating the policy conditions for its large scale diffusion across the country as quickly as possible, abatement of carbon emissions and creation of direct and indirect employment opportunities for both skilled and unskilled persons. The Mission had set a target, amongst others, for deployment of grid connected solar capacity of 20,000 MW by 2022 to be achieved in three phases (first phase up to 2012-13, second phase from 2013-2017 and the third phase from 2017-2022).

Efforts are on to establish an investor-friendly mechanism and to provide an attractive, predictable and adequate tariff for growth of solar power projects in the country. Installation of roof-top solar power projects is being propagated in a big way. Large government installations *viz.*, Railways, Defence etc. are being encouraged to harness their land for dedicated use of solar energy, which could also reduce their dependence on the grid. Another notable effort is the development of 34 Solar Parks in the country of over 500 MW each, with infrastructural support from the Government of India. Further, 60 'Solar City' projects have been planned under the "Development of Solar Cities Programme".

### Kisan Urja Suraksha Evam Utthaan Mahabhiyan (KUSUM)

The Ministry of New and Renewable Energy has formulated a scheme 'Kisan Urja Suraksha Evam Utthaan Mahabhiyan (KUSUM)'. The scheme is currently under the process of seeking approval. The proposal on KUSUM scheme provides for:-

(i) installation of grid-connected solar power plants each of capacity up to 2 MW in the rural areas;

(ii) installation of standalone off-grid solar water pumps to fulfil irrigation needs of farmers not connected to grid; and

(iii) solarization of existing grid-connected agriculture pumps to make farmers independent of grid supply and also enable them to sell surplus solar power generated to DISCOM and get extra income.

### National Wind-Solar Hybrid Policy

The Government of India announced the National Wind-Solar Hybrid Policy on May 18, 2018, with the objective of providing a framework for promotion of large grid connected wind-solar PV hybrid system for optimal and efficient utilization of transmission infrastructure and land, reducing the variability in renewable power generation and achieving better grid stability. The policy also aims to encourage new technologies, methods and ways out involving combined operation of wind and solar PV plants. A wind-solar plant will be recognized as hybrid plant if the rated power capacity of one resource is at least 25% of the rated power capacity of the other resource. Hybrid plants would expedite the process of attaining 175 GW of renewable capacity by 2022, as there are large areas in the country where both wind and solar have high potential.

### Rural Electrification Policy

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.

### Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)

The Ministry of Power, vide OM dated December 3, 2014, had launched "Deendayal Upadhyaya Gram Jyoti Yojana" (DDUGJY), an integrated scheme covering all aspects of rural power distribution, with an outlay of ₹75,893 crore including subsumed RE components. Under the DDUGJY scheme, 60% of the project cost (85% for special States) is provided as grant by the Government of India; and additional grant up to 15% (5% for special States) is provided by the Government of India upon achievement of prescribed milestones. All erstwhile RE schemes (including Rajiv Gandhi Grameen Vidyutikaran Yojana i.e., RGGVY) have been subsumed in DDUGJY. REC is the Nodal agency for implementation of DDUGJY scheme. DDUGJY is the flagship programme of Government of India supplementing overall rural development and facilitating towards "24x7 Power for All" in the country through defined project components. The scheme was launched for:

(a) Separation of agriculture and non-agriculture feeders assuring supply of adequate power to agricultural and continuous power supply to non-agriculture consumers in the rural areas; and

(b) Strengthening and augmentation of sub-transmission & distribution infrastructure in rural areas, including metering of distribution transformers/feeders/consumers.

On August 15, 2015, the Hon'ble Prime Minister had announced that all remaining 18,452 Un-Electrified (UE) villages in the country would be electrified within 1,000 days with help of States. The Ministry of Power took up the electrification of all UE villages on mission mode and assigned the work of monitoring of electrification works of UE villages to REC. These UE villages are located in highly inaccessible areas with tough terrain, extreme temperatures, areas facing Right of Way issues or areas plagued by insurgency and extremism. A new monitoring mechanism was set up to get regular progress of each village, under which the entire village electrification process was divided into 12 milestones. Further, 'Gram Vidyut Abhiyantas' (GVAs) i.e. young electrical engineers, were appointed at block/district level; and an online application 'GARV App' was developed for transparent and accountable monitoring of the progress of village electrification. The Government of India achieved 100% electrification of all inhabited census villages of the country on April 28, 2018.

### Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA)

In addition to village electrification, the emphasis has now been laid on household electrification. The Government of India launched the *Pradhan Mantri Sahaj Bijli Har Ghar Yojana*, or Saubhagya on October 11, 2017 at a total cost of ₹16,320 crore including a Gross Budgetary support of ₹12,320 crore, with the objective of achieving universal household electrification in the country by providing last mile connectivity and electricity connections to all households in rural and urban areas; with free electricity connections to all households (both APL and poor families) in rural areas and poor families in urban areas. REC has been designated as nodal agency for operationalization of the Saubhagya scheme. All DISCOMs including private sector DISCOMs, state power departments

and rural electric co-operative societies shall be eligible for financial assistance under the scheme, comprising grant of 60% from Government of India (85% for special category states), loan from FIs/Banks comprising 30% (10% for special category states) and utility contribution of 10%/5%. Further, 50% of the loan component would be converted as additional grant from Government of India on achievement of prescribed milestones, subject to a maximum grant of 75% (90% for special category states) by the Government of India. The works of household electrification were targeted for completion by March 31, 2019.

At the time of launch of the Scheme, the States reported that about 4 crore households were un-electrified as on October 10, 2017. This was an estimate based on census figures. The States uploaded their data on Saubhagya portal (saubhagya.gov.in) created for the purpose of regular monitoring of the progress on household electrification under the scheme. Data is uploaded on the portal by the State Power Departments / State DISCOMs regularly based on field reports of progress of household electrification under the scheme. When the electrification teams of the States went to the villages, they found that the number of houses left for electrification in most villages was less than that estimated by them. This was mostly on two counts –

(i) many census households were living together and availing electricity services together with single connection, and

(ii) many households have already availed connections in the process of village electrification and intensive electrification under ongoing scheme of Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) and States' scheme.

As more and more villages were visited by the teams, the figures of the houses to be electrified and those electrified were updated on the basis of actual.

To expedite and monitor the electrification process under Saubhagya, a web portal was launched. The Saubhagya web portal has been designed and developed to disseminate information about the village-wise Household Electrification status across the country. All States launched special campaign in all parts of the State to identify any left out un-electrified households and to provide electricity connections to such households. Under the campaign, a special vehicle *viz.* 'Saubhagya Rath' was deployed around in villages/towns so that any left out households may approach them to avail electricity connection under the scheme. A dedicated toll free helpline 1800-121-5555 was launched for the purpose of reporting any left out households. The Government, with the support of State Power Departments and DISCOMs, has already connected about 2.62 crore households since the launch of Saubhagya scheme and 100% household electrification has been achieved in all the States as on March 31, 2019, except for Chhattisgarh, where also over 99% household electrification has been achieved so far.

### Integrated Power Development Scheme

The Government of India had approved the "Integrated Power Development Scheme" (IPDS scheme) with an outlay of ₹65,424 crore, vide Office Memorandum dated December 3, 2014, for improvement in sub-distribution and distribution networks of urban areas, comprising (i) strengthening of sub-transmission and distribution networks (ii) metering of Distribution Transformers / Feeders / Consumers and (iii) IT enablement of distribution sector and strengthening of distribution network for completion of the targets laid down under R-APDRP (Restructured Accelerated Power Development and Reforms Programme) for the XII and XIII Plans by carrying forward the approved outlay for R-APDRP to IPDS programme as a separate component. For this purpose, the earlier scheme of R-APDRP and its targets have been subsumed in IPDS. The financing pattern of the scheme is similar to that of DDUGJY scheme. Over the last 5 years, 1,378 towns have become IT-enabled.

### National Electricity Fund

The National Electricity Fund (NEF) was launched in financial year 2012-13 with an outlay of ₹8,466 crore to promote capital investment in distribution infrastructure for reducing distribution losses in the country. Under the scheme, interest subsidy would be provided to the DISCOMs over 14 years on the loans availed from banks & FIs for distribution projects sanctioned during years 2012-13 and 2013-14. Under this scheme, the utilities/DISCOMs, both in public and private sectors, are eligible for subsidy on interest rates based on the progress achieved in reforms-linked parameters. REC is the Nodal agency for operationalization of the scheme. Against the presently approved 920 NEF projects with loan component of ₹23,973 crore for 24 DISCOMs in 14 States, loans worth ₹17,832 crore have been disbursed by lenders upto March 31, 2019 and interest subsidy amounting to ₹175.07 crore has been approved and released to the DISCOMs till March 31, 2019.

### Ujwal DISCOM Assurance Yojana

The Government of India in financial year 2015-16 announced "Ujwal DISCOM Assurance Yojana" (UDAY) which aims at financial turnaround and revival of Power Distribution Companies (DISCOMs), and also ensures a sustainable permanent solution to the problem of DISCOMs, which were reeling under debt of ₹4.3 Lakh crore and accumulated losses of ₹3.8 Lakh crore. Through the launch of this scheme, DISCOMs are provided with the opportunity to break even in 2-3 years through the following four initiatives:

(i) Improving operational efficiencies of DISCOMs

(ii) Reduction of cost of power

(iii) Reduction in interest cost of DISCOMs

(iv) Enforcing financial discipline on DISCOMs through alignment with State Finances.

REC is assisting the Ministry of Power for the UDAY scheme. So far, 16 comprehensive MoUs and 16 operational MoUs have been signed between the Ministry of Power and various States and/or DISCOMs. Out of the total bonds of ₹2,69,056.35 crore to be issued under the UDAY scheme, bonds worth 86.29% i.e. ₹2,32,163 crore have been issued so far. REC has developed a state-of-the-art web portal and an online App for monitoring of performance of State DISCOMs. This has resulted in transparency as well as accountability of operations of DISCOMs and acts as an effective tool for monitoring & taking corrective actions by the States. REC has also been coordinating all activities for review/focused meeting with each State/DISCOM. A Monitoring Committee headed by the Secretary (Power) conducts review of performance of DISCOMs periodically. Significant positive results have started emerging for DISCOMs after implementation of the UDAY scheme. The average AT&C losses and gap between ACS and ARR of UDAY States has shown a declining trend. In addition to these benefits, the lower interest burden is also contributing towards better bottom line for DISCOMs.

### Unnat Jyoti by Affordable LEDs for All (UJALA)

Unnat Jyoti by Affordable LEDs for All (UJALA) is a scheme launched by the Government in May 2015 for replacement of 77 crore incandescent lamps with LED (Light-Emitting Diode) bulbs, in order to promote energy efficiency in the country. Under the said scheme, Energy Efficiency Services Limited (EESL), a joint venture of REC and three other power sector PSUs, provides LED bulbs to domestic consumers at a low cost. LEDs have a relatively longer life and are highly energy efficient as compared to incandescent bulbs and CFLs (Compact Fluorescent Lamps), thus saving both energy and costs in the medium term. Nearly 35 crore LED bulbs, 70 Lakh tubelights and 22 Lakh fans have so far been distributed by the Government, a move that resulted in savings of over ₹18,382 crore per year in the electricity bills of consumers leading to reduction of over 373 Lakh tonnes of carbon dioxide per year.

### Transparency and online Apps

Transparency has been given a key focus in all major power-sector reform initiatives taken in the recent past. The Ministry of Power has launched various Mobile Apps and Websites to empower the stakeholders to track the working and performance of the Ministry and various reform initiatives taken by it. These include the 'GARV App', which provides updates on the electrification works in un-electrified villages & households; 'UDAY App', which gives updates on the progress of UDAY scheme; 'UJALA App', which provides updates on the LED bulb distribution; 'Vidyut Pravah App', which gives real-time information on electricity price & availability; 'URJA App', which helps in enhancing consumer connect by showing DISCOM performance in cities and gives data of IPDS; 'TARANG App', which monitors the progress of transmission system in India; 'Merit App' which provides information pertaining to marginal variable cost and source wise purchase of electricity; 'PRAAPTI App' (Payment Ratification and Analysis in Power procurement for bringing transparency in invoicing of generators) to bring transparency in power purchase transactions between Generators and DISCOMS; 'Urja Mitra App', which enables the citizens to access real time and historic outage information of DISCOMs; and ASH TRACK, to enable better management of the ash produced by thermal power plants by providing an interface between fly ash producers (Thermal Power Plants) and potential ash users such as road contractors, cement plants etc., to name a few.

In addition to the above policies and initiatives, the Government of India has taken various other steps for improving the power sector scenario, such as National Mission for Enhanced Energy Efficiency (NMEEE); Perform, Achieve and Trade (PAT) scheme, Energy Conservation Building Code (ECBC), National E-Mobility Programme, the Chiller Star Labelling Programme etc. These initiatives, coupled with the Government's efforts towards promoting transparency, would redefine the power sector by making it an attractive investment destination in the near future.

## OPPORTUNITIES

Government's thrust on renewable energy with core focus on solar power dominated the power sector in the fiscal 2018. The Government has planned to add 175 GW of renewable energy by 2022 and increase the share of renewable energy to 40% by 2030. It is also anticipated that India's peak demand for power will increase from current level of 153 GW to 226 GW by 2021-22 and 299 GW by 2026-27. Considering the demand projections and likely retirement of 22.7 GW of capacity, total capacity addition of 175 GW, including 47.8 GW of coal-based power projects currently under construction, is envisaged in the period 2017 to 2022. Similarly, for the period 2022 to 2027, another 175 GW of capacity addition and retirement of 25 GW have been envisaged.

The Indian renewable energy sector is growing at a fast pace over the past few years. India ranks at 4th place amongst the most attractive renewable energy markets in the world, as per the Renewable Energy Attractiveness Index 2018. Further, India ranked 2nd among emerging economies to lead transition to clean energy in 2018. As on March 31, 2019, India's cumulative installed renewable energy capacity stood at 77.64 GW that comprises 35.63 GW from wind power, 28.18 GW from solar power, 9.24 GW from biomass and 4.59 GW from small hydro projects.

The Ministry of New and Renewable Energy, Government of India, has formulated an action plan to achieve a total capacity of 60 GW from hydro power and 175 GW from other Renewable Energy Sources by March, 2022, which includes 100 GW of Solar power, 60 GW from wind power, 10 GW from biomass and 5 GW from small hydro projects. This has proven to be a major thrust for the sector in India, as the market players have sufficient incentives to move to clean source. As India looks to meet its energy demand on its own, which is expected to reach 15,820 TWh by 2040, renewable energy is set to play an important role. By 2030, renewable energy sources are expected to help meet 40% of India's power needs. New investments in clean energy in the country reached US$ 11 billion in 2017.

With its Pan-India presence, experience of several decades and expert understanding of the power sector, REC is poised to tap the new business opportunities arising on the horizon, while ensuring the best interest for all its stakeholders.

## THREATS, RISKS AND CONCERNS

Barriers to entry in the power sector are high, especially in the transmission and distribution segments, which are largely state monopolies. Also, entering the power generation business requires heavy investment initially. The other barriers are fuel linkages, payment guarantees from state governments that buy power and retail distribution license.

Competition is getting intense, but despite there being enough room for many players, shortage of inputs and natural gas and regulatory hurdles has dissuaded new entrants. Trading of solar power is one segment that has not picked up yet due to aggressive tariffs, however, this also maybe an opportunity in future from the perspective of stronger payment security mechanism. Efficiency improvement measures in the sector, especially through IT enablement, promotion of environment-friendly renewable technologies and energy efficiency solutions in the coming future, are expected to provide business opportunities to various stakeholders.

Another cause of concern is the equity constraint of promoters in private sector projects, leading to delays in project implementation and consequent cost & time overruns. The failure of borrowers in meeting their debt related obligations may adversely impact the Company's profits, thereby creating stressed assets and impacting the ability of the Company to mobilize low cost funds. The Indian capital market is developing and maturing at good pace and the same may cause a shift in the pattern of power sector financing. In case the Company's borrowers start directly accessing the market, the same may affect REC's business.

The Reserve Bank of India on February 12, 2018 had introduced a revised framework for resolution of Stressed Assets, in which RBI had also withdrawn its earlier resolution schemes like Strategic Debt Restructuring, S4A etc. Although this circular was earlier not directly applicable to REC, but being in consortium with banks and other financial institutions and as a prudent measure, the Company classified all projects which were under various erstwhile resolution schemes of RBI as Non-Performing Assets. Under the above-cited RBI circular, there was a mandatory provision for referring the stressed project to NCLT (National Company Law Tribunal), if any Resolution Plan was not implemented within 180 days from the date of default. The said RBI circular was struck down by the Supreme Court in April 2019. Thereafter, RBI has issued another circular on June 7, 2019 for resolution of Stressed Assets. The revised circular doesn't have the provision for mandatory referring of the project to NCLT, however it mandates higher provisioning if Resolution Plan is not implemented within a stipulated time period.

Certain projects have been driven to NCLT, which may or may not require a significant hair-cut. The resolution under NCLT is required within a time span of 180 days, extendable further for 90 days. Considering these timelines, it is envisaged that the resolution of these stressed projects will happen in the near future. Once resolution process is complete, the funds realized from the sale of these assets will help in creating new income earning assets and will have a positive impact on the Company's financials going forward. Nevertheless, the Company faces the risk of higher provisioning and significant haircuts, wherever its projects fall under the 'stressed assets' category.

The Company is also concerned about prevailing exposure norms, financial position of DISCOMs, limited fuel availability, poor financial health of State DISCOMs, high AT&C losses, entry of new players in the market, rising competition from banks & multilateral agencies, uncertain business environment, fluctuation in rupee, likely increase in cost of capital due to volatile market conditions, low power demand and no likely addition in conventional generation capacity in the next 5 years. Further, the state of business and policy environment in the country also has a cascading effect on the interest-rate regime, cost and availability of raw materials and gestation period & capital outlays required for power projects. General economic conditions may also have a direct bearing on the viability of power projects, which may affect the capacity of the borrowers to service their loans.

However, in order to address the challenges of Power Sector, the Government is taking several initiatives to put the power sector on a revival path. Because of these initiatives, significant capacity has been added and coal scenario has also improved to a large extent. Some of the major initiatives of the Government include 24X7 Power for All (PFA) by 2019, UDAY, IPDS, DDUGJY, SAUBHAGYA, Implementation of Outage Management System, 11 kV Rural Feeder Management System, Development of National Power Portal and steps to resolve Stressed Assets in the sector. All these initiatives are likely to turnaround the power sector. Moreover, raising of resources at a low cost and ensuring their deployment in avenues offering the best returns would be the key factor for sustainable growth and profitability of the Company.

## SEGMENT-WISE OR PRODUCT-WISE PERFORMANCE

REC is a leading Public Financial Institution of the country, servicing financing needs of the entire power sector value chain, i.e. generation (conventional & renewable), transmission as well as distribution. REC's principal products are interest-bearing loans to state utilities & private-sector borrowers. The Company does not have any separate reportable segment.

During the financial year 2018-19, the Company sanctioned a total loan assistance of ₹115,957.35 crore, as compared to ₹107,534.05 crore in the last financial year. The sanctions for financial year 2018-19 included ₹41,431.87 crore towards Conventional Generation projects, ₹11,875.20 crore towards Renewable Energy projects, ₹50,610.28 crore towards T&D projects and ₹12,040.00 crore towards Short Term Loans & Other Loans.

Further, during the financial year 2018-19, the Company disbursed a total loan amount of ₹72,165.43 crore, as against ₹61,712.47 crore disbursed in the last financial year. The disbursements for financial year 2018-19 included ₹19,581.64 crore towards Conventional Generation projects, ₹6,627.76 crore towards Renewable Energy projects, ₹31,364.41 crore towards T&D projects, ₹8,870 crore towards Short Term & Other Loans and ₹5,721.62 crore under the DDUGJY and SAUBHAGYA scheme including DDG (Decentralized Distributed Generation). In addition, grant/subsidy of ₹19,662.13 crore was provided by the Government of India to various states/implementing agencies during the financial year 2018-19, under the DDUGJY, SAUBHAGYA and DDG schemes.

## OUTLOOK

The per capita energy consumption and the state of an economy are pointers to the long-term energy requirement of any country. As on March 31, 2018, the per capita energy consumption in India was 1,149 Kwh, against the world average of over 3,000 Kwh. Considering low levels of per capita energy consumption in India *vis-à-vis* the world average; and the Government's strong efforts towards economic development, it is felt that the outlook for power sector remains strong in the long term. With a proactive role of the Government in addressing the issues affecting the power sector adversely, there is a promising outlook, along with ample market opportunities for financial products to serve the power sector.

According to the Global Energy & $CO_2$ status report of the International Energy Agency, India saw primary energy demand increase by 4% or over 35 million tonne of oil equivalent during 2018. This accounts for 11% of global demand growth. Comparably, energy consumption worldwide grew by 2.3% in 2018. This is nearly twice the average rate of growth since 2010. The highly-cited report estimates that India's demand growth of 165%, nearly three times the overall non-OECD growth of 61%, also outpaces each of the BRIC countries, i.e., China (+41%), Brazil (+60%), and Russia (+6%).

According to the said report, India's overall energy consumption is expected to rise to 1,921 million tonne of oil equivalent (MToe) in 2040 from 724 MToe in 2016, with an average per annum growth rate of 4.2%. The increase in India's energy consumption is expected to push the country's share of global energy demand to 11% by 2040 from 5% in 2016, accounting for the second-largest share of the BRIC countries. Demand for renewables is expected to see the highest growth of 1,409% to 256 MToe in 2040 from 17 MToe in 2016, with an annual growth of 12%.

The electricity sector in India is going through a period of significant growth and change. India is projected to overtake China as the largest growth market for energy by late 2020s with the country's energy consumption growing by more than 4.2% per annum, the fastest among all major economies of the world.

As per CEA estimates, the electrical energy requirement is expected to grow to 1,566 BUs of energy by financial year 2021-22. The Government of India is already focused on providing universal access and 24x7 power supply. Further, the thrust in rural and household electrification and renewable energy will increase the penetration of electricity in the country, thereby driving the demand further. The development of Smart Cities and introduction of energy saving & storing devices like battery banks and ancillary services have the potential of witnessing new paradigms of investment traction. Also, the performance orientation built into SAUBHAGYA, DDUGJY, IPDS and UDAY schemes of the Government is expected to attract and accelerate investments in the distribution infrastructure, thus resulting in faster accomplishment of loss reduction and better realization of revenue and automation goals. The enormous capital expenditure and development of equally huge operational infrastructure, combining ample potential for future expansion in the distribution sector, creates an optimistic business outlook for the Company.

## MEMORANDUM OF UNDERSTANDING-RATING & AWARDS

The performance of the Company in terms of MoU signed with the Ministry of Power, Government of India for the financial year 2017-18 has been rated as "Very Good". During the year, REC has received various awards and recognitions, including the MSME Banking & NBFC Excellence Award, Dalal Street Investment Journal Award for Highest Employee Efficiency Enterprise, Golden Peacock Award 2018 for Excellence in Corporate Governance, CIMSME Banking Excellence Award, Dun & Bradstreet PSU Award 2018 for Financial Services, Award for Best PSU Issuer on Electronic Bidding Platform of NSE and India Smart Grid Forum (ISGF) Innovation Award 2019 for Best Household Electrification Programme (Saubhagya).

## INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company maintains an adequate system of Internal Controls including suitable monitoring procedures to ensure accurate and timely financial reporting of various transactions, efficiency of operations and compliance with statutory laws, regulations and Company policies. Suitable delegation of powers and guidelines for accounting have been issued for uniform compliance. REC also has in place its ERP operations and e-office system, to ensure IT based operations with minimum manual interventions. In order to ensure that adequate checks and balances are in place and internal control systems are in order, regular and exhaustive Internal Audits of various Divisions/Offices are conducted by in-house Internal Audit Division / external professional audit firms. Further, Review Audits of various Regional / State offices are also conducted by the in-house Internal Audit Division, for those offices where internal audit is being outsourced continuously for three years. The Internal Audit covers all the major areas of operations of the Company including identified critical/risk areas, as per the Annual Internal Audit Programme. The Audit Committee of Directors periodically reviews the significant findings of audits, as prescribed in the Companies Act, 2013 and in the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

## FINANCIAL AND OPERATIONAL PERFORMANCE

The Company gives utmost priority to the timely realization of its dues towards principal, interest, etc. The amount due for recovery including interest for Standard Assets (Stage I & II) during the financial year 2018-19 was ₹55,155 crore as compared to ₹46,236 crore during the previous year. The Company recovered a total sum of ₹54,502 crore towards Standard Assets (Stage I & II) during the financial year 2018-19 as against ₹45,566 crore during the previous year. The Company achieved recovery rate of 98.82% for the financial year 2018-19. The overdues from defaulting borrowers pertaining to Standard Assets (Stage I & II) as on March 31, 2019 was ₹2,413 crore. Further, an amount of ₹591 crore has been recovered from Credit Impaired Assets (NPAs) (Stage III) during financial year 2018-19 (₹785 crore recovered during financial year 2017-18).

REC's Credit Impaired Assets (NPAs) (Stage III) continue to be at low levels. As on March 31, 2019, the Gross Credit Impaired Assets (NPAs) (Stage III) of the Company were ₹20,349 crore, which was 7.24% of the Gross Loan Assets and the Net Credit Impaired Assets (NPAs) (Stage III) of the Company were ₹10,650 crore, which was 3.79% of the Net Loan Assets.

The operating income of REC on a standalone basis was ₹25,309.72 crore during the financial year 2018-19, as against ₹22,454.62 crore in the last financial year. The Profit Before Tax for the financial year 2018-19 was ₹8,100.50 crore, as against ₹5,884.15 crore in the last financial year. Net Profit and Total Comprehensive Income for the financial year 2018-19 were ₹5,763.72 crore and ₹5,703.18 crore respectively, as compared to ₹4,419.89 crore and ₹4,424.13 crore in the last financial year. Further, REC's Net Worth as on March 31, 2019 stood at ₹34,302.94 crore, which was 6% higher than its Net Worth of ₹32,303.15 crore as on March 31, 2018.

## KEY FINANCIAL RATIOS

In accordance with the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018, the details of changes in key financial ratios of the Company, as applicable and as specific to the sector in which the Company operates, are given herein below:-

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| Debtors Turnover | *Not applicable to the Company* | |
| Inventory Turnover | *Not applicable to the Company* | |
| Interest Coverage ratio | **1.52** | 1.44 |
| Current Ratio | *Not applicable to the Company* | |
| Debt Equity ratio | **6.98** | 6.15 |
| Operating Profit Margin | **31.88** | 26.15 |
| Net Profit Margin | **22.74** | 19.67 |
| Gross NPA | **7.24** | 7.15 |
| Net NPA | **3.79** | 3.61 |

Further, the Company's Return on Net Worth for the financial year 2018-19 was 17.31%, as compared to 14.06% in the last financial year, thereby showing an increase of 23.12% over the previous year. The reasons for increase in the Return on Net Worth were a higher increase of 30% in the profit during the year (Net Profit for financial year 2018-19 was ₹5,763.72 crore, as compared to ₹4,419.89 crore in the last financial year), as against a lower increase of 6% in the Net Worth of the Company during the year

(Net Worth for financial year 2018-19 was ₹34,302.94 crore, as compared to ₹32,303.15 crore in the last financial year). The increase in profit was mainly on account of increase in the loan book of the Company during the year by 17%, alongwith lesser provisioning towards impairment allowance during financial year 2018-19 amounting to ₹240.33 crore, as compared to ₹2,297.12 crore in the last financial year.

## HUMAN RESOURCES / INDUSTRIAL RELATIONS

As on March 31, 2019, the Company's total manpower stood at 487 employees, including 386 employees in the executive cadre and 101 employees in the non-executive cadre.

The Company strives to provide ample opportunities to its employees for professional training and capacity building. During the year under review, the Company sponsored 203 of its employees to various training programs, workshops etc. within the country and abroad. These initiatives enabled the Company to achieve 893 training man-days. Further, 19 executives were deputed for training programs abroad. The Company also conducts employee engagement activities and life skill trainings from time to time, for the overall well-being of its employees.

The Industrial Relations of the Company too, continued to be on a cordial note. There was no loss of man-days on account of industrial unrest. Further, there are regular interactions between the management and the employees, thereby fostering an atmosphere of trust and cooperation.

## CORPORATE SOCIAL RESPONSIBILITY & SUSTAINABLE DEVELOPMENT

REC has been actively pursuing various initiatives on the front of Corporate Social Responsibility (CSR) and Sustainable Development. For the financial year 2018-19, the Company had allocated a CSR budget of ₹157.29 crore, i.e. @ 2% of average net profits of the Company for immediately preceding three financial years, as required under the Companies Act, 2013. During the year under review, the Company undertook various CSR initiatives in the fields of health care (including healthcare for persons of old age and for persons with disabilities), drinking water and sanitation, skill development, education, environment sustainability, rural development etc. Further, for the financial year 2018-19, the Company had sanctioned a total financial assistance of ₹158.72 crore towards various CSR projects; and the total disbursement towards CSR projects was ₹103.39 crore, details of which are appearing in the CSR Report forming part of this Annual Report.

## BUSINESS STRATEGY

Last few years in the power sector have been transformational, with the advent of new technologies and new requirements like E-vehicles, Smart Equipment/Meters, Energy Efficient equipment, Emission control equipment, Energy Storage solutions and efforts to provide 100% household electrification. The power sector is poised for a considerable reformation and growth in the coming years, driven by the country's persistent economic and agricultural growth, focus on renewable energy sources and universal household electrification. REC, alongwith its subsidiaries, is well placed to tap the business opportunities arising in its existing area of operations, as well as to diversify into newer arenas of power sector such as financing power equipment manufacturing, power storage / charging infrastructure, debt syndication, fee-based project appraisal for other financial institutions, line of credit for large renewable energy projects and so on.

On the generation front, various new business opportunities are lined up before the sector, such as powering upcoming renewable energy projects (solar, wind, small hydro, biomass), investment in large hydro projects, which should see an uprise in light of the Government's new Hydro Policy, investment in solar roof-top projects and solar parks, investment in KUSUM projects (grid connected solar power plants), renovation & modernization of existing thermal power plants, replacement of old power plants and installation of pollution control equipment such as FGD (*Flue-Gas Desulfurization*) etc. REC is also looking to finance dedicated upstream infrastructure for efficient supply of coal to the thermal power stations. The Company has already commenced financing operations for development of coal mines.

The Transmission & Distribution scenario in the country is also gearing up for more robustness to cater to the 24X7 power demand of all consumers, thus requiring new investment in network addition / augmentation, underground cabling, smart meters/equipment, AMI / AMR infrastructure and smart grid. Investment would also be needed for creation of dedicated Green Corridors and new network under the Tariff Based Competitive Bidding (TBCB) route. At the consumer end, more latent demand for power will be created, given the success of the Government's Saubhagya scheme covering universal household electrification.

In order to capture the upcoming business opportunities and maximize returns for its stakeholders, REC is building close professional partnerships with national and international financial institutions, multilateral development organisations, including KfW, World Bank, IFC, Asian Development Bank, SDF etc. This would enable the Company to raise resources at competitive rates and also to align with international best practices. In the upcoming years, REC will remain at the forefront of power sector development in the country and beyond.

## RISK MANAGEMENT FRAMEWORK

The Company has a comprehensive Risk Management Policy, which covers, *inter-alia*, Credit Risk, Operational Risk and Market Risk of the organization. The Company also has a Risk Management Committee (RMC) under the chairpersonship of an Independent Director. The main function of RMC is to identify and monitor various risks of the organization and to suggest actions for mitigation of the same.

Credit risk is an inherent risk of the financing industry. It involves risk of loss arising from the diminution in credit quality of the borrower and the risk of borrower defaulting on contractual repayments under a loan or an advance. In order to mitigate such risk, the Company follows a systematic institutional and project appraisal process, which includes detailed appraisal methodology, identification of risks and suitable structuring and credit-risk mitigation measures. Further, project risks are regularly reviewed and categorized into 'High', 'Moderate' or 'Low' risk categories, on the basis of various risk parameters and exposure of the project.

Operational risk, on the other hand, arises from inadequate or failed internal processes, people and systems or external events. In REC, the operational risks are measured and categorized as 'High', 'Moderate' or 'Low' risk categories, through an organization-wide Risk Categorization Framework covering eight functional areas, namely Business, Compliance, Finance, Human Resource, Information Technology, Legal, Operational and Strategy. Further, for mitigation of Market Risk of the organization, which comprises of interest rate risk, liquidity risk and foreign currency risk, the Company has an Asset Liability Management Policy and a Hedging Policy.

### *Cautionary Note*

*Certain statements in "Management Discussion and Analysis" section may be forward looking and are stated as required by applicable laws and regulations. Many factors may affect the actual results, which could be different from what the Management envisages in terms of future performance and outlook.*

ANNEXURE-II TO BOARD'S REPORT

# REPORT ON CORPORATE GOVERNANCE

Corporate Governance is about promoting corporate fairness, transparency and accountability while applying the best management practices, compliance of law in true letter and spirit and adherence to ethical standards for effective management and distribution of wealth and discharge of social responsibility for sustainable development of all stakeholders. Ethically driven business processes are the key attributes in enhancement of long term business value creation and sustained stakeholder's trust. The essence of Corporate Governance lies in promoting and maintaining integrity, transparency and accountability in all spheres of the management and workings of the Company and essentially involves balancing the interests of a company's stakeholders.

We at REC Limited ("REC" or "the Company"), believe in adopting and adhering to the best recognized Corporate Governance practices and continuously benchmarking our operations against such practices. We consider stakeholders as partners in our success and we remain committed to maximising stakeholders' value, be it investors, shareholders, suppliers, customers, communities, policy makers or employees.

REC not only meets the requirement on Corporate Governance under Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), but also follows the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 issued by the Department of Public Enterprises ("DPE"), Secretarial Standards issued by the Institute of Company Secretaries of India ("Secretarial Standards") and adheres to all mandatory & most of the non-mandatory requirements. The Company ensures that it is fully compliant with all amendments which are notified by SEBI & other statutory authorities, from time to time.

A report regarding compliance of conditions of Corporate Governance is given below, followed by Certificate on Corporate Governance by the Statutory Auditors.

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

REC strongly believes that sound Corporate Governance is an essential ingredient for corporate success and sustainable economic growth. REC endeavors to conduct its operations with transparency and honesty towards all its stakeholders including customers, shareholders, regulators, employees and the general public. The cardinal principles such as independence, accountability, responsibility, transparency, fair and timely disclosures credibility, sustainability etc. serves as the means for implementing the philosophy of Corporate Governance in letter and in spirit. The Company's systems, policies and frameworks are regularly reviewed /upgraded to meet the challenges of rapid growth in a dynamic external business environment.

During the financial year 2018-19, the Company has been conferred with the 'Golden Peacock Award for Excellence in Corporate Governance' for the year 2018, in the Financial Services (PSU) category, by the Institute of Directors (IoD).




*Dr. P. Shakil Ahammed, Senior Executive Director and Shri J. S. Amitabh, ED & Company Secretary, REC receiving the 'Golden Peacock Award for Excellence in Corporate Governance' for the year 2018, conferred by the Institute of Directors, at the 18th Global Convention held at London.*

The Golden Peacock Award for Corporate Governance is regarded as a benchmark of Corporate Excellence worldwide.

**The Corporate Governance framework at REC is based on the following guiding principles:**

- Compliance of law, rules & regulations in true letter and spirit;
- Appropriate systems and practices to protect, promote and safeguard the interests of all its stakeholders; and
- Establishing a climate of trust and confidence among various stakeholders by means of transparent and timely disclosure of all material information.

The above principle helps in achieving the following objectives:

- To protect and enhance shareholder value;
- To protect the interest of all other stakeholders such as customers, employees and society at large;
- To ensure transparency and integrity in communication and to make available full, accurate and clear information to all concerned;
- To ensure accountability for performance and customer service and to achieve excellence at all levels; and
- To provide corporate leadership of the highest standard for others to emulate.

## 2. BOARD OF DIRECTORS

The Board of Directors provides leadership and guidance, objective judgment and at the same time monitor the strategic direction of the Company. The Company is headed by an Executive Chairman. The tenure of Part time Non Official Independent Directors holding office on the Board of the Company during the financial year 2018-19 was within the limits prescribed under the Companies Act, 2013 and all Part time Non Official Independent Directors holding office during the year have adequate qualifications, expertise and experience which enables them to contribute effectively to the management of the Company. The Directors of REC has the requisite qualification, expertise and experience that allow them to efficiently manage the business of the Company and make effective contribution to the Board and its Committees. Further, in the opinion of the Board, the Independent Directors fulfill the conditions specified in listing regulations and are independent of the management.

### a) Composition of the Board

Being a Government Company within the meaning of Section 2(45) of the Companies Act, 2013; the power to appoint Directors on the Board vests with the President of India acting through Administrative Ministry i.e. Ministry of Power. Further, as per the Articles of Association of the Company, the number of Directors of the Company shall not be less than three and not more than fifteen.

During the year 2018-19, the Board of REC underwent certain changes which include assignment of additional charge of the post of Chairman and Managing Director to Shri Ajeet Kumar Agarwal, Director (Finance); re-appointment of Shri A. Krishna Kumar & Prof. T. T. Ram Mohan, Independent Directors; and appointment of Dr. B. K. Karad as Part time Non Official Independent Director on the Board of REC. After the appointment of Dr. B. K. Karad on July 17, 2018, against the vacancy which arose on resignation of Shri Arun Singh, the composition of the Board of the Company was in compliance of Listing Regulations, Companies Act, 2013 read with rules made there under, Secretarial Standards issued by ICSI and Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 issued by DPE.

Further, the composition of the Board of Directors of REC as on March 31, 2019 was as below:

| Sl. No. | | Director Identification Number (DIN) | Position |
|---|---|---|---|
| **Whole Time Directors (Executive Directors)** | | | |
| 1. | Shri Ajeet Kumar Agarwal | 02231613 | Chairman and Managing Director (Additional Charge) & Director (Finance) |
| 2. | Shri Sanjeev Kumar Gupta | 03464342 | Director (Technical) |
| **Government Nominee Director (Non-Executive Director)** | | | |
| 3. | Dr. Arun Kumar Verma | 02190047 | Government Nominee Director |
| **Part time Non Official Independent Directors** | | | |
| 4. | Shri Aravamudan Krishna Kumar | 00871792 | Independent Director |
| 5. | Prof. Tiruvallur Thattai Ram Mohan | 00008651 | Independent Director |
| 6. | Smt. Asha Swarup | 00090902 | Independent Director |
| 7. | Dr. Bhagvat Kisanrao Karad | 00998839 | Independent Director |

### Changes in the composition of Board of Directors:

1. The Ministry of Power, Government of India vide its Letter No. 27-46/1/2018-RE dated June 6, 2019 and in terms of Clause 5.1 of Share Purchase Agreement entered between President of India, acting through Ministry of Power, Government of India with Power Finance Corporation Limited (PFC), has appointed Shri Praveen Kumar Singh (DIN 03548218) as Nominee Director of PFC, on the Board of REC Limited with effect from June 18, 2019.

2. The Ministry of Power, Government of India vide its Order No. 46/8/2011-RE dated March 6, 2019 assigned the additional charge of the post of Chairman & Managing Director, REC to Shri Ajeet Kumar Agarwal, Director (Finance) of the Company w.e.f. March 6, 2019. Dr. P.V. Ramesh, IAS has relinquished the charge of CMD, REC and ceased to be CMD of REC w.e.f. March 6, 2019 consequent upon his appointment as Director General, National Archives of India vide Ministry of Power, Government of India Order No. 46/8/2011-RE dated March 5, 2019.

3. The Ministry of Power, Government of India vide its Order No. 20/6/2017 Coord. dated November 22, 2018 has re-appointed Shri A. Krishna Kumar and Prof. T. T. Ram Mohan as Part time Non Official Independent Directors on the Board of REC for a period of one year from the date of completion of their earlier tenure or until further orders, whichever is earlier.

4. The Ministry of Power, Government of India vide its Order No. 20/6/20 17-Coord. dated July 17, 2018, has appointed Dr. Bhagvat Kisanrao Karad (DIN:00998839) as Non-official Independent Director on the Board of REC for a period of three years from the date of notification of his appointment or till further orders whichever is earlier, against the vacancy which arose on resignation of Shri Arun Singh, Independent Director of REC w.e.f. March 8, 2018.

## b) Other provisions as to Board and its Committees

### (i) Details of Board Meetings held during the financial year 2018-19

The Company follows a methodized process of decision-making by the Board and its Committees. The meeting dates are usually finalized in accordance with a pre-determined meeting calendar for the year and consultation with all Directors, in order to ensure presence of all Board Members in its meetings. All Agenda and explanatory notes *(except for price sensitive information, which are circulated separately before the meeting)* are normally sent to the Directors well in advance for the Meetings of the Board and Committees thereof. To address specific urgent business needs, sometimes meetings are also called at shorter notice in compliance of the applicable statutory provisions and utmost efforts are made to adhere to the minimum notice & agenda period. In some instances, resolutions are passed by circulation which are confirmed in the next Board Meeting. The Chairman & Managing Director of the Company decides inclusion of any matter in the agenda for discussion in the meeting of the Board/Committees thereof. Head of Divisions (HoDs)/ Senior Management officials are also called to provide additional inputs on the matters being discussed in the Meetings of the Board & Committees thereof. Further, detailed presentation on certain agenda items, if required, is also given to the Board. The Meetings of the Board of Directors are normally held at Registered Office of the Company during office hours. The Company is also complying with the Secretarial Standards issued by the Institute of Company Secretaries of India in respect of Meetings of Board and Shareholders.

During the financial year 2018-19, sixteen (16) meetings of Board of Directors of the Company were held on (i) May 28, 2018; (ii) June 22, 2018; (iii) July 25, 2018; (iv) September 1, 2018; (v) September 14, 2018; (vi) September 25, 2018; (vii) October 12, 2018; (viii) November 10, 2018; (ix) December 5, 2018; (x) December 20, 2018; (xi) January 4, 2019; (xii) February 5, 2019; (xiii) February 8, 2019; (xiv) February 28, 2019; (xv) March 6, 2019; and (xvi) March 20, 2019.

The minimum and maximum interval between Board Meetings was two (2) days and thirty seven (37) days, respectively. The quantum and quality of information supplied by the Management to the Board goes well beyond the minimum requirement stipulated in Schedule II of Listing Regulations.

### (ii) Information placed before the Board of Directors

The Board has complete access to all the information available within the Company. The information regularly provided to the Board *inter-alia* includes:

1. Annual operating plans and budgets and any updates.

2. Capital budgets and any updates.

3. Proposals relating to raising of funds.
4. Proposals for sanction of financial assistance.
5. Quarterly, Half Yearly and Annual Financial Results and Board's Report, etc.
6. All Related Party transactions.
7. Minutes of Meetings of Audit Committee and other committees of the Board.
8. Minutes of Board Meetings of Subsidiary Companies.
9. The information on recruitment and remuneration of senior officers just below the Board level, including appointment or removal of Chief Financial Officer and Company Secretary.
10. Show cause, demand, prosecution notices and penalty notices, if any, which are materially important.
11. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems, if any.
12. Any material default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company.
13. Any issue, which involves possible public or product liability claims of substantial nature, including any judgment or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
14. Details of any joint venture or collaboration agreement.
15. Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
16. Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme, etc.
17. Sale of material nature of investments, subsidiaries, assets which is not in normal course of business.
18. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
19. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer, etc., if any.
20. Investments, formation of Subsidiaries and Joint Ventures, Strategic Alliances, etc.
21. Quarterly Report on deployment of Short Term Surplus Funds.
22. Quarterly Report on Reconciliation of Share Capital Audit, Corporate Governance Report and status of Investor Grievances.
23. Quarterly Report on compliance of various applicable laws.
24. Quarterly Report on Borrowings and Redemption.
25. Half yearly Report on Long Term Investments.
26. Action Taken Report on earlier deliberations/decisions/suggestions of the Board.
27. Half yearly Report on compliance of Fair Practices Code.
28. Periodic Reports under Delegation of Powers of the Company.
29. Quarterly Report on compliance of Whistle Blower Policy of the Company.
30. Any other information required to be presented to the Board for information or approval.

**(iii) Details of Director's attendance (physically or through video conferencing) at Board Meetings and AGM held during the financial year 2018-19, number of other Directorships/Committee Memberships:**

| Sl. No. | Name of Director | Meetings held during the tenure | Board Meetings | | Attendance at last AGM (held on September 25, 2018) | As on March 31, 2019 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Attended | Percentage of attendance | | No. of other Directorships | No. of other Committee Memberships | | Directorships held in other Listed Entities and Category of Directorship* |
| | | | | | | | As Chairman | As Member | |
| 1. | Dr. P V Ramesh# | 14 | 14 | 100 | Present | - | - | - | - |
| 2. | Shri Ajeet Kumar Agarwal | 16 | 16 | 100 | Present | 3 | Nil | Nil | 1. Indian Energy Exchange Limited (Nominee Director) |
| 3. | Shri Sanjeev Kumar Gupta | 16 | 15 | 93.75 | Present | 2 | Nil | Nil | - |
| 4. | Dr. Arun Kumar Verma | 16 | 12 | 75 | Present | 2 | Nil | Nil | 1. Power Finance Corporation Limited (Nominee Director); and<br>2. PTC India Limited (Nominee Director) |
| 5. | Shri A. Krishna Kumar | 16 | 15 | 93.75 | Present | 6 | 1 | 1 | 1. Central Depository Services (India) Limited (Director); and<br>2. Andhra Bank (Shareholder's Director) |
| 6. | Prof. T. T. Ram Mohan | 16 | 13 | 81.25 | Absent | 3 | Nil | 2 | 1. Induslnd Bank Limited (Director) |
| 7. | Smt. Asha Swarup | 16 | 15 | 93.75 | Present | 1 | Nil | Nil | - |
| 8. | Dr. Bhagvat Kisanrao Karad | 14 | 14 | 100 | Present | Nil | Nil | Nil | - |

# Dr. P V Ramesh ceased to be CMD of REC w.e.f. March 6, 2019 and Shri Ajeet Kumar Agawal was given additional charge of CMD from that date.
* Details of the listed entities where Director of REC holds position as Director and the category of directorship in terms of Regulation 34 and Schedule V of the Listing Regulations.

In line with Regulation 26 of Listing Regulations for reckoning the number of Committee memberships, the Chairmanship/ Membership in Audit Committee and Stakeholders Relationship Committee in Indian Public Limited Companies (other than REC), have been taken into consideration and none of the Directors is a member of more than ten (10) Board level Committees of Indian Public Limited Companies nor are they Chairperson of more than five (5) Committees of such companies.

**(iv)** In accordance with the provisions of the Companies Act, 2013 and Article 91 (iv) of the Articles of Association of the Company, Shri Ajeet Kumar Agarwal, Director (Finance) shall retire by rotation at the 50th Annual General Meeting of the Company and being eligible, offers himself for re-appointment.

**(v)** There is no inter-se relationship between the Directors and as on March 31, 2019 none of the Non-Executive Director of the Company holds any shares or convertible instruments in the Company.

**(vi) Key Board skills, expertise, competencies and attributes:**

The REC Board comprises of qualified members who bring in the required skills, competence and expertise that allow them to make effective contributions to the Board and its committees. The Board members are committed to ensure that REC is in compliance with the highest standards of Corporate Governance.

Considering the nuances of the business & power sector, the Board has identified the following key skills, expertise, competencies and attributes to enable it to function effectively:

| **Parameters of Director qualifications** | |
|---|---|
| Financial Management | Planning, organizing, directing and controlling the financial activities which include mobilization and utilization of funds, financial accounting and management control systems, financial planning, liquidity & fund management, working capital management, treasury & forex management, tax planning and liaising with financial institutions, etc. |
| Power sector domain expertise | A significant background in technology and in-depth insight into the various elements of power generation, transmission & distribution, renewable energy sector and the challenges/ aspects/ nuances of power sector in India and abroad, knowledge of how to anticipate technological trends, generate disruptive innovation and extend or create new business models. |
| Project appraisal | Systematic and comprehensive review of the technical parameters, social impact, economic, environmental, financial and other such aspects of a project to determine if it meets its objectives. |
| Corporate Planning and Strategy | Management activities that are used to set priorities, focus energy and resources, strengthen operations and ensure that employees and other stakeholders are working towards common goals by establishing agreement on intended outcomes/results and assess & adjust the organization's direction in response to a changing environment. |
| Risk Management | Forecasting and evaluation of operational risk, credit risk, market risk, interest rate, liquidity, foreign currency and other financial risks together with the identification of procedures to avoid or minimize their impact. Identifying any potential threats that may occur during the investment/ financing process and mitigation of the same. |
| Leadership | Extended leadership experience for establishing a clear vision, providing the guidance, knowledge and methods to realize that vision and involves setting & achieving goals, taking actions for achieving the organisational goals. |
| Board practices and governance | Service on a public listed company or holding responsible positions in Central/State Government departments, Banks and reputed institutes of learning. The company Board to develop insights about maintaining board and management accountability, protecting shareholder interests and observing appropriate governance practices. |
| Business Development | Experience in developing strategies to increase business and market share, build brand awareness and enhance corporate reputation by creation of long-term value for borrowers/ investors, markets and all other stakeholders. |

In the table below, the specific areas of focus or expertise of individual Board member have been highlighted. However, the absence of a mark against a member's name does not necessarily mean the member does not possess the corresponding skill or expertise:

| Name of Director | Key Board qualifications | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Area of expertise | | | | | | | |
| | Financial Management | Power sector domain expertise | Project appraisal | Corporate Planning and Strategy | Risk Management | Leadership | Board practices and governance | Business Development |
| Shri Ajeet Kumar Agarwal | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Shri Sanjeev Kumar Gupta | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Dr. Arun Kumar Verma | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Shri A. Krishna Kumar | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Prof. T.T. Ram Mohan | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Smt. Asha Swarup | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Dr. Bhagvat Kisanrao Karad | - | ✓ | - | ✓ | ✓ | ✓ | ✓ | - |
| Shri Praveen Kumar Singh | - | ✓ | ✓ | ✓ | - | ✓ | ✓ | ✓ |

## 3. COMMITTEES OF THE BOARD OF DIRECTORS

The Board functions either as full Board or through various Committees constituted to oversee specific operational areas. Each Committee of the Board is guided by its terms of reference, which defines the composition, scope and powers of the Committee. The Committees meet at regular intervals and focus on specific areas and make informed decisions within the authority delegated to them. As on March 31, 2019, the Board had the following committees:

1. Audit Committee;
2. Nomination and Remuneration Committee;
3. Stakeholders Relationship Committee;
4. Risk Management Committee;
5. Corporate Social Responsibility Committee;
6. Loan Committee;
7. Executive Committee;
8. Sub-Committee for review of lending rates for Term Loans/ Short Term Loans; and
9. Committee on Investment/Deployment of Surplus Funds.

The Minutes of Meetings of all Committees are placed before the Board for information & noting in terms of Article 105 of the Articles of Association of the Company, Secretarial Standards on Board Meetings and other applicable statutory requirements.

### 3.1 Audit Committee

#### (i) As on March 31, 2019, the composition of the Audit Committee was as under:

| Sl. No. | Name of the Committee Members/ Attendees | Position in the Committee | Number of Meetings | | | Attendance at AGM held on September 25, 2018 |
|---|---|---|---|---|---|---|
| | | | Held during tenure of Director | Attended | Percentage of attendance | |
| 1. | Shri A. Krishna Kumar, Independent Director | Chairman | 7 | 7 | 100 | Yes |
| 2. | Prof. T. T. Ram Mohan, Independent Director | Member | 7 | 6 | 85.71 | No |
| 3. | Shri Sanjeev Kumar Gupta, Director (Technical) | Member | 7 | 7 | 100 | Yes |
| 4. | Smt. Asha Swarup, Independent Director | Member | 7 | 6 | 85.71 | Yes |
| 5. | Dr. Bhagvat Kisanrao Karad, Independent Director* | Member (w.e.f. October 8, 2018) | 3 | 3 | 100 | Yes |

*Appointed as Independent Director w.e.f. July 17, 2018.

The quorum for Audit Committee meeting shall either be two members or one third of the members of the Audit Committee, whichever is greater, with at least two Independent Directors present for the meeting. Further, Director (Finance), Head of Internal Audit and representatives of Statutory Auditors are invited for the meetings of the Audit Committee. The Company Secretary acts as the Secretary to the Committee.

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

a) To comply with the requirements in accordance with Section 177 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time;

b) To comply with the requirements relating to Audit Committee as envisaged in Listing Regulations, as amended from time to time;

c) To comply with the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010, as notified by the DPE, as amended from time to time; and

d) To comply with any other applicable provisions, as amended from time to time, relating to the Audit Committee.

During the financial year 2018-19, seven (7) meetings of the Audit Committee were held on (i) May 28, 2018; (ii) July 25, 2018; (iii) August 31, 2018; (iv) September 14, 2018; (v) October 12, 2018; (vi) December 5, 2018; and (vii) February 8, 2019. The maximum gap between any two Meetings was not more than one hundred and twenty days.

The Chairman of the Audit Committee possesses accounting and financial management expertise and all other members of the Audit Committee are financially literate. Further, the Chairman of the Audit Committee was present at the Annual General Meeting held on September 25, 2018 to answer shareholders' queries.

### 3.2 Nomination and Remuneration Committee

REC, being a Central Public Sector Undertaking, the appointment, tenure and remuneration of Chairman & Managing Director, Whole Time Functional Directors and other Directors are decided by the President of India as per the Articles of Association of the Company and the same are communicated by the Administrative Ministry. The remuneration of Functional Directors and employees of the Company is fixed as per extant guidelines issued by DPE, from time to time. Further, the Part time Non Official Independent Directors are paid sitting fees, as decided by the Board of Directors from time to time, for attending meetings of Board and Committees thereof, well within the limits prescribed under Companies Act, 2013. As per the norms of Government of India, the Government Nominee Director is not entitled to get any remuneration/ sitting fee from the Company. The composition of Nomination and Remuneration Committee is in line with the provisions of Regulation 19 of SEBI Listing Regulations & Section 178 of the Companies Act, 2013.

The terms of reference of Nomination and Remuneration Committee to the extent applicable to REC are as under:

a) To comply with the requirements in accordance with Section 178 of the Companies Act, 2013 read with the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time;

b) To comply with the requirements relating to Nomination and Remuneration Committee as envisaged in Listing Regulations, as amended from time to time; and

c) To comply with the Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010 including to decide the quantum of annual bonus, variable pay and policy for ESOP scheme, pension scheme, etc. within the prescribed limits across Whole Time Directors, executive and non-unionized supervisors, as notified by the DPE and as amended from time to time.

Ministry of Corporate Affairs (MCA) vide Notification dated June 5, 2015, has exempted Government Companies from the requirements related to formulation of criteria for determining qualifications, positive attributes, independence and annual evaluation of Directors & policy relating to remuneration of Directors.

Further, MCA vide Notification dated July 5, 2017 prescribed that the provisions relating to review of performance of Independent Directors and evaluation mechanism, prescribed in Schedule IV of the Companies Act, 2013, is also not applicable to Government Companies. During the financial year 2018-19, the performance evaluation of the Non- Executive Independent Directors of the Company was carried out by the Administrative Ministry/Department of Public Enterprises as per their internal guidelines.

As on March 31, 2019, the composition of the Nomination and Remuneration Committee was as under:

| Sl. No. | Name of the Committee Members | Position in the Committee | Number of Meetings | | |
|---|---|---|---|---|---|
| | | | Held during tenure of Director | Attended | Percentage of attendance |
| 1. | Prof. T. T. Ram Mohan, Independent Director | Chairman | 1 | 1 | 100 |
| 2. | Shri A. Krishna Kumar, Independent Director | Member | 1 | 1 | 100 |
| 3. | Smt. Asha Swarup, Independent Director | Member | 1 | 1 | 100 |
| 4. | Dr. B. K. Karad, Independent Director | Member (w.e.f. September 1, 2018) | 1 | 1 | 100 |

Quorum of the Nomination and Remuneration Committee Meeting is two members including Chairman of the Committee. Director (Finance), Director (Technical) and ED (HR)/GM (HR) are standing invitees to the Meetings of the Committee. During the financial year 2018-19, one (1) meeting of the Nomination and Remuneration Committee was held on November 10, 2018.

The details of remuneration paid to Key Managerial Personnel (KMPs) of the Company during the financial year 2018-19 are given below:

(Amount in ₹)

| Sl. No. | Name & Designation | Salary & allowances | Performance Linked Incentive* | Perquisites | Other Benefits included in Form 16# | Leave Encashment | CPF Contribution | Pension Fund Contribution | Total^ |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Dr. P V Ramesh (ceased to be CMD w.e.f. March 6, 2019) | 29,34,000 | 0 | 0 | 6,942 | 0 | 0 | 0 | 29,40,942 |
| 2. | Shri Ajeet Kumar Agarwal, CMD (Additional Charge) and Director (Finance) | 53,89,851 | 10,65,611 | 9,47,152 | 65,720 | 0 | 3,94,478 | 3,20,459 | 81,83,271 |
| 3. | Shri Sanjeev Kumar Gupta, Director (Technical) | 53,69,685 | 10,66,138 | 10,62,656 | 30,799 | 0 | 3,93,946 | 3,20,189 | 82,43,413 |
| 4. | Shri J. S. Amitabh, Company Secretary | 55,58,901 | 5,89,385 | 1,77,168 | 22,897 | 0 | 3,78,433 | 3,07,045 | 70,33,829 |

In the financial year 2018-19, Pension contribution deposited in NPS account, hence, Employer Pension Contribution is part of Salary U/s 17(1) in Form 16.

*Performance Linked Incentive is paid, in line with the guidelines issued in this regard by the DPE.

#excludes reimbursement towards uniform, entertainment, electricity, water and attendant charges and exempt medical expense/ reimbursement.

^includes allowances exempt u/s 10 of Income Tax Act, 1961 and excludes employer's contribution into REC Gratuity Fund, based on actuarial valuation.

### Remuneration of Independent Directors and Government Nominee Director(s)

The Independent Directors are paid sitting fees at the rate of ₹20,000/- for attending each Meeting of the Board and Committee thereof as fixed by the Board in its 395th Meeting held on May 28, 2013, which is within the limits prescribed under the Companies Act, 2013 and Rules made thereunder.

Details of payments towards sitting fees (excluding GST) to Independent Directors during the financial year 2018-19 is as under:

(Amount in ₹)

| Sl. No. | Name of Part time Non Official Independent Director | Sitting Fees | | Total |
|---|---|---|---|---|
| | | Board Meetings | Committee Meetings | |
| 1. | Shri A. Krishna Kumar | 3,00,000 | 4,40,000 | 7,40,000 |
| 2. | Prof. T. T. Ram Mohan | 2,60,000 | 3,00,000 | 5,60,000 |
| 3. | Smt. Asha Swarup | 3,00,000 | 3,60,000 | 6,60,000 |
| 4. | Dr. B. K. Karad | 2,80,000 | 1,40,000 | 4,20,000 |
| | **Total** | 11,40,000 | 12,40,000 | 23,80,000 |

The Government Nominee Director is not entitled to any remuneration/ sitting fee from the Company.

Apart from the above, the Non-Executive Directors including Independent & Government Nominee Directors do not have any material pecuniary relationship or transactions with the Company, except to the extent of payment/reimbursement towards air tickets, hotel accommodation, hiring of vehicle, out of pocket expenses, local conveyance, etc., in respect of attending the Meetings of the Board and Committees thereof.

### 3.3 Stakeholders Relationship Committee

The Company has a Stakeholders Relationship Committee in terms of the provisions of Section 178 of the Companies Act, 2013, the provisions of Regulation 20 of Listing Regulations and other applicable laws. This Committee specifically looks into the redressal of complaints from various security holders including shareholders, debenture holders, etc. such as non-receipt of dividend credit/ warrants, non-receipt of interest on debentures, annual report, transfer of shares or debentures, issue of duplicate share/ debenture certificate, matters connected with transfer, transmission, rematerialization, dematerialization, splitting and consolidation of securities issued by the Company.

As on March 31, 2019, the composition of the Stakeholders Relationship Committee was as under:

| Sl. No. | Name of the Committee Members | Position in the Committee | Number of Meetings | |
|---|---|---|---|---|
| | | | Held during tenure of Director | Attended |
| 1 | Shri A. Krishna Kumar, Independent Director | Chairman | 4 | 4 |
| 2 | Shri Ajeet Kumar Agarwal, CMD and Director (Finance) | Member | 4 | 3 |
| 3 | Shri Sanjeev Kumar Gupta, Director (Technical) | Member | 4 | 4 |

The quorum of meeting of the Stakeholders Relationship Committee is two members including the Chairman of the Committee.

Further, the representatives of Registrar & Share Transfer Agents (R&TAs) appointed by the Company are Standing Invitees at the meetings of Stakeholders Relationship Committee. During the financial year 2018-19, four (4) meetings of Stakeholders Relationship Committee were held on (i) May 28, 2018; (ii) September 14, 2018; (iii) December 5, 2018; and (iv) February 8, 2019 to review the status of pending Shareholders/Investors grievances and various other aspects of securityholders' interest.

Shri J. S. Amitabh, Executive Director & Company Secretary is the Compliance Officer of the Company in terms of Listing Regulations. The Chairman of the Stakeholders Relationship Committee was present at the Annual General Meeting held on September 25, 2018.

#### Status of Shareholders/Investors Grievances

To redress the investor grievances/complaints promptly, the Company has established three tier mechanism to handle Investor Grievances i.e. Support Service from respective Registrars, In-house Investor Cell and direct supervision by Stakeholders Relationship Committee, which has resulted in timely resolution of all the grievances.

Securities and Exchange Board of India has a web based complaints redressal system namely SCORES (SEBI Complaints Redressal System) through which investors can lodge a complaint against a company for their grievances. The status of

every complaint can be viewed online and if required, the investor can send reminder for the complaints. Also, through this system, the investors are able to check the status of the complaints e.g. with whom the complaint is pending, upon whom the responsibility has been fixed and for how much time the complaint is pending. An investor, who is not familiar with SCORES or does not have access to SCORES, can lodge the complaint in physical form.

The Company has been attending to all investor grievances/complaints expeditiously and promptly to the satisfaction of stakeholder(s). The status of Shareholders/ Investors Grievances pursuant to Regulation 13(3) of Listing Regulations for the financial year 2018-19, is as follows:

| Particulars | Number of Complaints |
|---|---|
| Pending at the beginning of the financial year | 0 |
| Received during the financial year | 2390 |
| Disposed during the financial year | 2388 |
| Remaining unresolved as on March 31, 2019 | 2* |

*Action Taken Report (ATR) for these complaints was submitted with SEBI by April 2, 2019.

### 3.4 Risk Management Committee

The Risk Management Committee has been constituted in line with the provisions of Regulation 21 of Listing Regulations, to manage the integrated risk. The main function of Risk Management Committee is to monitor various risks likely to arise and to review the risk management policies and practices adopted by the Company including threat related to cyber security and to initiate action for mitigation of risks arising in the operation and other related matters of the Company.

As on March 31 2019, the composition of the Risk Management Committee was as under:

| Sl. No. | Name of the Committee Members | Position in the Committee | Number of Meetings | |
|---|---|---|---|---|
| | | | Held during tenure of director | Attended |
| 1. | Smt. Asha Swarup, Independent Director | Chairperson | 2 | 2 |
| 2. | Shri Ajeet Kumar Agarwal, CMD & Director (Finance) | Member | 2 | 2 |
| 3. | Shri Sanjeev Kumar Gupta, Director (Technical) | Member | 2 | 2 |
| 4. | Dr. B. K. Karad, Independent Director | Member (w.e.f. September 1, 2018) | 2 | 2 |

The operational heads of Finance Division (Resource Mobilization) and Asset Liability Management Division are the standing invitees at Risk Management Committee Meetings. During the financial year 2018-19, two (2) Meetings of the Risk Management Committee were held on December 5, 2018 and March 20, 2019.

### 3.5 Corporate Social Responsibility Committee

As per the provisions of Section 135 of the Companies Act, 2013 and rules made thereunder and Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises (CPSEs) issued by DPE, the Board of Directors of the Company has constituted 'Corporate Social Responsibility Committee' and the terms of reference of the Committee are as under:

a) To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;

b) To monitor the Corporate Social Responsibility Policy of the Company from time to time;

c) To recommend the amount of expenditure to be incurred on the activities referred to in clause (a);

d) To recommend/ review CSR projects / programs / proposals, falling within the purview of Schedule VII of the Companies Act, 2013;

e) To institute a transparent monitoring mechanism for implementation of the CSR projects / programmes/ activities undertaken by the Company;

f) To assist the Board of Directors to formulate strategies on CSR initiatives of the Company;

g) To approve the content of annual report on CSR activities as per Performa given in the Rules, *inter-alia* covering responsibility statement that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company;

h) To periodically submit the reports to the Board of Directors for their information, consideration and necessary directions; and

i) To comply with the other requirements on Corporate Social Responsibility Policy, as amended from time to time.

As on March 31, 2019, the composition of the Corporate Social Responsibility Committee was as under:

| Sl. No. | Name of the Committee Members | Position in the Committee | Number of Meetings | |
|---|---|---|---|---|
| | | | Held during tenure of Director | Attended |
| 1 | Prof. T. T. Ram Mohan, Independent Director | Chairman | 8 | 7 |
| 2 | Shri A. Krishna Kumar, Independent Director | Member | 8 | 7 |
| 3 | Smt. Asha Swarup, Independent Director | Member | 8 | 8 |
| 4 | Shri Ajeet Kumar Agarwal, CMD & Director (Finance) | Member | 8 | 7 |
| 5 | Shri Sanjeev Kumar Gupta, Director (Technical) | Member | 8 | 8 |

The quorum of the meeting of the Corporate Social Responsibility Committee is two Members including Chairman of the Committee.

During the financial year 2018-19, eight (8) meetings of Corporate Social Responsibility Committee were held on (i) May 28, 2018; (ii) July 25, 2018; (iii) August 31, 2018; (iv) November 10, 2018; (v) December 20, 2018; (vi) February 8, 2019; (vii) February 28, 2019; and (viii) March 20, 2019.

### 3.6 Loan Committee

The Loan Committee of the Directors has been constituted for sanction of financial assistance in the form of Rupee Term Loan subject to following limits:

| Type of Entity | Limit for individual scheme/project | Overall ceiling in a financial year* |
|---|---|---|
| Central/State Government Power utilities or Central/State PSUs | Upto ₹500 crore | ₹30,000 crore |
| Private Sector Power utilities | Upto ₹500 crore | ₹10,000 crore |

*The Board of Directors of the Company has increased the overall sanctioning limit w.e.f November 10, 2018.

As on March 31, 2019, the Loan Committee comprised of the following members:

| Sl. No. | Name of the Committee Members | Designation | Position in the Committee |
|---|---|---|---|
| 1 | Shri Ajeet Kumar Agarwal | CMD & Director (Finance) | Chairman |
| 2 | Shri Sanjeev Kumar Gupta | Director (Technical) | Member |
| 3 | Dr. Arun Kumar Verma | Government Nominee Director | Member |

The quorum of meeting of the Loan Committee is three Members including CMD and Government Nominee Director. During the financial year 2018-19, four (4) meetings of Loan Committee were held on (i) April 19, 2018; (ii) June 22, 2018; (iii) September 7, 2018; and (iv) November 6, 2018.

### 3.7 Executive Committee

The Executive Committee of the Directors has been constituted for sanction of financial assistance in the form of Rupee Term Loan subject to following limits:

| Type of Entity | Limit for individual scheme/project | Overall ceiling in a financial year* |
|---|---|---|
| Central/State Government Power utilities or Central/State PSUs | Upto ₹150 crore | ₹25,000 crore |
| Private Sector Power utilities | Upto ₹100 crore | ₹6,000 crore |

*The Board of Directors of the Company has increased the overall sanctioning limit w.e.f November 10, 2018.

As on March 31 2019, the Executive Committee comprised of the following members:

| Sl. No. | Name of the Committee Members | Designation | Position in the Committee |
|---|---|---|---|
| 1 | Shri Ajeet Kumar Agarwal | CMD and Director (Finance) | Chairman |
| 2 | Shri Sanjeev Kumar Gupta | Director (Technical) | Member |

The quorum of the Executive Committee of the Board of Directors is two Members including CMD. During the financial year 2018-19, thirteen (13) meetings of the Executive Committee were held on (i) April 13, 2018; (ii) May 11, 2018; (iii) June 14, 2018; (iv) June 26, 2018; (v) July 19, 2018; (vi) August 2, 2018; (vii) August 28, 2018; (viii) September 27, 2018; (ix) October 22, 2018; (x) November 19, 2018; (xi) December 20, 2018; (xii) February 6, 2019; and (xiii) February 27, 2019.

### 3.8 Sub Committee for review of lending rates for Term Loans/Short Term Loans

The Sub Committee of Directors for review of lending rates for Term Loans/ Short Term Loans has been constituted for reviewing the lending rates of Short Term Loans and Term Loans.

As on March 31, 2019, the Sub-Committee for review of lending rates for Term Loans/ Short Term Loans comprised of the following members:

| Sl. No. | Name of the Committee Members | Designation | Position in the Committee |
|---|---|---|---|
| 1 | Shri Ajeet Kumar Agarwal | CMD and Director (Finance) | Chairman |
| 2 | Shri Sanjeev Kumar Gupta | Director (Technical) | Member |

The quorum for the meeting of Sub-Committee for review of lending rates for Term Loans / Short Term Loans is two Members including CMD. During the financial year 2018-19, twelve (12) meetings of Sub-Committee for review of lending rates for Term Loans/ Short Term Loans were held on (i) April 4, 2018; (ii) May 28, 2018; (iii) June 14, 2018; (iv) July 10, 2018; (v) July 17, 2018; (vi) September 13, 2018; (vii) October 22, 2018; (viii) November 19, 2018; (ix) December 20, 2018; (x) February 6, 2019; (xi) February 12, 2019; and (xii) March 8, 2019.

### 3.9 Committee on Investment/Deployment of Surplus Funds

The Committee for Investment/ Deployment of Surplus Funds has been constituted for the purpose of deployment of short term surplus funds.

As on March 31, 2019, the Committee on Investment / Deployment of Surplus Funds comprised of following members:

| Sl. No. | Name of the Committee Members | Designation | Position in the Committee |
|---|---|---|---|
| 1 | Shri Ajeet Kumar Agarwal | CMD and Director (Finance) | Member |
| 2 | Shri Sanjeev Kumar Gupta | Director (Technical) | Member |

The quorum of the meeting of the Committee is two members including CMD. As on date, the Committee is *inter-alia* authorized to approve the investment/deployment of short term surplus funds at any time of ₹1,000 crore and above in single instance in Commercial Papers/Certificate of Deposits and ₹1,500 crore and above in Mutual Funds and Fixed Deposits.

Meetings of this Committee are held for deciding the investment/deployment of short term surplus funds, as and when required. However, no meeting of this Committee was held during the financial year under review.

## 4. Other Committees:

In addition to the Committees of the Directors constituted by the Board from time to time, as detailed at 3.1 to 3.9 above, the Company has a Share Transfer Committee and an IT Strategy Committee.

### 4.1 Share Transfer Committee

The Share Transfer Committee comprise of Senior Officials and was constituted to consider and approve requests received from shareholders for splitting/ consolidation of certificates and transfer of physical shares exceeding 500 equity shares per individual in each case and for issue of duplicate share certificates.

As on March 31, 2019, the Share Transfer Committee comprised of the following Members:

| Sl. No. | Name of the Committee Member | Designation |
|---|---|---|
| 1 | Shri J. S. Amitabh | Executive Director & Company Secretary |
| 2 | Shri Daljeet Singh Khatri | General Manager (F&A)- Resources |

To facilitate splitting/ consolidation/ transfer process of securities within the prescribed time limit, the Registrar and Share Transfer Agent (R&TA) 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.

During the financial year 2018-19, one meeting of the Committee was held on June 14, 2018 for issue of duplicate share certificate, after complying with the applicable statutory requirements in this regard.

### 4.2 IT STRATEGY COMMITTEE

The Board of REC has constituted an IT Strategy Committee (ITSC) comprising of an Independent Director and other Senior Officials of the Company, in compliance of the Reserve Bank of India's Master Directions for NBFC Sector Companies. The IT Strategy Committee was constituted for implementation of IT Framework in REC. The role of the Committee includes monitoring the methods to determine the IT resources needed to achieve strategic goals and to provide high-level direction for sourcing and use of IT resources & approving IT strategy and policy documents.

The Committee comprises of one Independent Director, Chief Information Officer (CIO), Chief Technology Officer (CTO) of REC and one Director/Partner level representative of KPMG, as an outside Technical Expert.

During the financial year 2018-19, two (2) meetings of the IT Strategy Committee were held on (i) May 28, 2018; and (ii) December 13, 2018.

## 5. SUBSIDIARY COMPANIES

The Company does not have any "material subsidiary" as defined under Listing Regulations. The Company has devised a Policy on Materiality of Subsidiaries, as required under the Listing Regulations and the same is available on REC's website at https://www.recindia.nic.in/uploads/files/PolicyDeterminingMaterialSubsidiaries.pdf.

The Company has following unlisted Wholly Owned Subsidiary Companies as on March 31, 2019:

(i) REC Power Distribution Company Limited (CIN: U40101DL2007GOI165779); and

(ii) REC Transmission Projects Company Limited (CIN: U40101DL2007GOI157558)

REC Transmission Projects Company Limited (RECTPCL) acts as "Bid Process Coordinator" for selection of Transmission Service Provider(s), through Tariff Based Competitive Bidding (TBCB) process for independent inter-state and intra-state Transmission Project allocated by the Ministry of Power (MoP), Government of India and State Government(s), respectively, from time to time.

Further, in order to initiate development of each independent inter-state and intra-state Transmission Project, RECTPCL has incorporated Project specific Special Purpose Vehicle (SPV) as Wholly Owned Subsidiary Company and after selection of successful bidder through Tariff Based Competitive Bidding Process for transmission projects as notified by Ministry of Power, the respective Project Specific SPV along with its all assets and liabilities is transferred to the selected bidder. During the financial year 2018-19, Eight (8) SPVs were incorporated and Two (2) SPVs were transferred to successful bidders.

Further, as on March 31, 2019, RECTPCL was having the following project specific Special Purpose Vehicles (SPVs) as its Wholly Owned Subsidiary Companies:

(i) Dinchang Transmission Limited (CIN: U40300DL2015GOI288066)

(ii) Chandil Transmission Limited (CIN: U40108DL2018GOI330905)

(iii) Koderma Transmission Limited (CIN: U40300DL2018GOI331192)

(iv) Dumka Transmission Limited (CIN:U40300DL2018GOI331490)

(v) Mandar Transmission Limited (CIN: U40101DL2018GOI331526)

(vi) Bhind Guna Transmission Limited (CIN: U40300DL2018GOI338734)

(vii) Udupi Kasargode Transmission Limited (CIN: U40100DL2018GOI342365)

(viii) Ajmer Phagi Transco Limited (CIN:U40101DL2019GOI347423)

(ix) Jam Khambaliya Transco Limited (CIN: U40105DL2019GOI347089)

(x) Khetri Transco Limited (CIN: U40100DL2019GOI347127)

(xi) Lakadia Banaskantha Transco Limited (CIN: U40107DL2019GOI347428)

(xii) WRSS XXI (A) Transco Limited (CIN: U40107DL2019GOI347713)

The Minutes of Board Meetings of all Subsidiary Companies are placed before the Board of Directors of the Company for information. The Financial Results of unlisted Subsidiary Companies, in particular the investments made by unlisted Subsidiary Companies were reviewed by the Audit Committee of Directors of REC. The Audited Financial Statements and related information of all Subsidiary Companies of REC is available on the website of the Company at www.recindia.com under the head "Subsidiary Companies".

## 6. GENERAL BODY MEETINGS

The details of last three Annual General Meetings of the Company are given below:

| Meeting No. | Financial year | Date | Time | Venue | Whether any Special Resolution passed |
|---|---|---|---|---|---|
| 47th | 2015-16 | September 21, 2016 | 11.00 A.M. | Weightlifting Auditorium, Jawaharlal Nehru Stadium, Bhisham Pitamah Marg, Pragati Vihar, Lodhi Colony, New Delhi-110003. | Yes |
| 48th | 2016-17 | September 21, 2017 | 11.00 A.M. | Manekshaw Centre, Parade Road, Delhi Cantonment, New Delhi -110010. | Yes |
| 49th | 2017-18 | September 25, 2018 | 11.00 A.M. | | Yes |

During the financial year ended March 31, 2019, no special resolution was passed through postal ballot.

Further, the Company will continue to provide e-voting facility in the ensuing AGM to enable shareholders to exercise their right to vote through electronic means and the e-voting portal will be kept open for such period as mentioned in the Notice of 50th AGM. To encourage participation of larger number of shareholders, spread across remote locations; the Company will also provide one way live webcast facility to Shareholders which will enable them to witness live proceedings of the 50th AGM of REC. Details of webcast can be referred to in the Notice of 50th AGM of REC.

## 7. SERVICE OF DOCUMENTS THROUGH ELECTRONIC MEANS

The Companies Act, 2013 permits companies to send documents like Notice of General Meetings, Annual Report and other documents through electronic means to its members at their registered email addresses, instead of sending the same in physical form.

As a responsible Corporate Citizen, your Company has actively supported the paper less initiative and digitalization move and effected electronic delivery of Notice and Annual Report and other documents since 2010-11 to those shareholders whose email ids were registered with the respective Depository Participants (DPs). The intimation of Interim/ Final Dividend paid are also being sent electronically to those shareholders whose email ids were registered.

Members, who have not registered their e-mail addresses so far, are requested to register their e-mail address with their Depository Participant (DP) or with the Registrar and Share Transfer Agent (R&TA) of the Company, for receiving communications in electronic form.

Further, the Agenda and Explanatory Notes of all the Meetings of the Board and Committees thereof of the Company are being sent to Directors through electronic means under a secured platform, to enable them to access the Agenda papers without any hassle.

## 8. SECRETARIAL AUDIT

M/s. Chandrasekaran Associates, Practicing Company Secretaries, New Delhi has conducted Secretarial Audit for the financial year 2018-19 and has submitted their report to the Company. A copy of Secretarial Audit Report is annexed in this Annual Report for information of the shareholders.

## 9. RELATED PARTY TRANSACTIONS

The Company has formulated a Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions as per provisions of Listing Regulations and the same is available on the website of the Company on the link at: https://www.recindia.nic.in/uploads/files/RPT.pdf.

In line with the said Policy, all the Related Party Transactions were approved by the Audit Committee and/ or by the Board of Directors or the Shareholders, as the case may be. The transactions with related parties are included in the Notes to Accounts as per applicable provisions of Companies Act, 2013. Further, a status report on Related Party transactions is put up for information of Audit Committee and Board of Directors on quarterly basis. The particulars of Related Party Transactions are given in form AOC-2 annexed to the Board's Report.

## 10. DISCLOSURES

(i) The Company has complied with all the requirements of Listing Regulations, the Companies Act, 2013, Secretarial Standards and Guidelines on Corporate Governance for CPSEs, issued by DPE and there were no instances of non-compliance on any matter related to the Capital Markets during the last three years. Shri Arun Singh, Independent Director resigned from the Board of the Company on March 8, 2018, resulting in the vacancy of one Independent Director. However, after

the appointment of Dr. Bhagvat Kisanrao Karad, as Independent Director, with effect from July 17, 2018, the composition of the Board is also in compliance with the statutory provisions.




(ii) As required under statutory provisions, all returns /reports were filed within stipulated time with stock exchanges/ other authorities.

(iii) The Company has complied with the requirements of Regulation 17 to 27 of Listing Regulations, as amended from time to time, relating to Board, Committees and Corporate Governance requirements and related to maintaining & updating the website of the Company as required under Regulation 46 of Listing Regulations except as detailed in point (i) above. The Company has also complied with the disclosure requirements under Corporate Governance Report as per Part C of Schedule V of the Listing Regulations.

Further, in compliance of Regulation 46 of Listing Regulations, the Company has *inter-alia* disclosed the information relating to details of business of the Company, terms and conditions of appointment of Independent Directors, composition of various committees of Board of Directors, Code of Business Conduct and Ethics for Board Members and Senior Management on REC's website at www.recindia.com.

Details of establishment of Vigil Mechanism/ Whistle Blower policy, criteria of making payments to Non-Executive Directors, Policy on dealing with Related Party transactions, Policy for determining material subsidiaries, details of familiarization programme imparted to Independent Directors and Policy for determination of materiality of events for disclosure to the stock exchanges, etc. are also available on REC's website at www.recindia.nic.in/policies.

(iv) The Company has a Board approved Risk Management Policy which covers Hedging Policy that provides a framework for the management of foreign currency exchange risk, involving exchange rate movements among currencies that may adversely impact the value of foreign currency denominated assets, liabilities and off-balance sheet arrangements. Appropriate disclosures regarding the foreign currency risks are made in the Notes to Accounts, forming part of the Audited Financial Statements and the same are being managed through various derivative instruments such as swaps, options, forwards, etc. The nature of the business of the Company is not such, as may give rise to any commodity price risk.

(v) To indemnify the Directors and officers of the Company, REC has obtained Director's and Officer's (D&O) Liability Insurance Policy, which is a comprehensive policy covering the liabilities that may arise against Directors and Officers of the Company. The insurance policy covers the Board of Directors of REC including the Independent Directors, Company Secretary, other Key Managerial Personnel and Managers and above level officers of the Company.

(vi) The Company has not entered into any material, financial or commercial transactions with the Director(s) or the Management or their relatives or the companies and firms, etc., in which they are either directly or through their relatives interested as Directors and/ or Partners.

(vii) 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.) and there was no such instance of conflict for financial year 2018-19.

(viii) There were no materially significant transactions with related parties i.e. Promoters, Directors or the management, conflicting with the Company's interest. The Independent Directors do not hold any equity shares of the Company.

(ix) The Company has laid down the procedure to inform the Board about the risk assessment and minimization. The Board of Directors of the Company reviews the procedures to ensure that the integrated risks are managed through a properly defined framework.

(x) The Balance Sheet, Statement of Profit & Loss, Statement of changes in equity and Cash Flow Statement for the financial year 2018-19 have been prepared as per the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015 ("Ind AS"), as amended, and other accounting principles generally accepted in India.

(xi) The Company affirms that a Whistle Blower Policy/ Vigil Mechanism is in place and no person has been denied access to the Competent Authority.

(xii) The disclosures in terms of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 forms part of the Board's report.

(xiii) The Company has adopted all mandatory items and some of the non-mandatory items on Corporate Governance. The status of non-mandatory requirements pertaining to Corporate Governance section of Listing Regulations is as follows:

a. **The Board:** The Company is headed by an Executive Chairman;

b. **Shareholder Rights:** The Company is making available to the shareholders / investors all information in a timely manner, to enable them to be sufficiently informed of the major decisions of the Company;

c. **Audit Qualifications:** There are no audit qualifications pertaining to financial year 2018-19 and it is always Company's endeavor to maintain unqualified financial statements;

d. **Separate posts of Chairman and CEO:** There is no separate post of Chairman and CEO. REC being a Government Company, the role of CEO is being performed by Chairman and Managing Director of the Company; and

e. **Reporting of Internal Auditor:** The Head of Internal Audit of the Company directly reports all observations to the Audit Committee and is invited to the Meetings of the Audit Committee.

(xiv) During the financial year 2018-19, the Company has received presidential directive in respect of implementation of Pay revision of Board Level and Below Board Level Executives and Non-Unionized Supervisors effective from January 1, 2017 and the same *inter-alia* has been implemented by the Company.

(xv) The Company has not incurred any expenditure which is not for the purpose of the business. Further, no expense was incurred which was personal in nature and was incurred for the Board of Directors and Top Management.

(xvi) The administrative and office expenses for the financial year 2018-19 have increased to ₹186.61 crore as compared to ₹104.13 crore during relevant period of the previous year, mainly due to higher publicity and promotion expenses of ₹81.72 crore as against ₹8.56 crore. There is a minor variation in other expenditure in line with normal increase in business activities of the Company. Administrative and office expenses as a percentage of total expenses for the financial year 2018-19 is 1.08% (previous year 0.63%) and as a percentage of financial expenses for the financial year 2018-19 is 1.19% (previous year 0.78%).

(xvii) In pursuance to Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs), 2010 issued by DPE, Compliance Report is being submitted to Ministry of Power within 15 days from the end of quarter. The details of submission of the report are as under:

| Report for Quarter ended | Date of submission of Report |
|---|---|
| June 30, 2018 | July 10, 2018 |
| September 30, 2018 | October 4, 2018 |
| December 31, 2018 | January 11, 2019 |
| March 31, 2019 | April 12, 2019 |

Also the Report containing Annual Score (consolidated score of four quarters) was submitted to Ministry of Power on May 17, 2019 against the due date of May 31, 2019.

The Company has also submitted quarterly compliance reports on Corporate Governance with the Stock Exchanges in accordance with the requirements of Regulation 27(2)(a) of Listing Regulations for all quarters of financial year 2018-19.

(xviii) There are no audit qualifications by Statutory Auditors in their report pertaining to financial year 2018-19. Further, the Company has informed the Stock Exchanges that the Statutory Auditors have furnished Audit Report on Standalone & Consolidated Financial Results with unmodified opinion in line with the provision of the Listing Regulations.

(xix) The Board members based on their requirement, attend various seminars, conferences, training programmes from time to time. Further, as per the requirement of Corporate Governance Guidelines issued by DPE, the Company has framed a Policy for Training to Board Members.

On appointment, the Board Members are provided with necessary documents, reports and internal policies to enable them to familiarize with the Company's procedures and practices. Further, presentations on the business and performance of the Company are made at the Board Meetings. The details of Familiarization Programme for Independent Directors are available at https://www.recindia.nic.in/uploads/files/Familiarization_Programme_for_Independent_Directors.pdf

As per the policy of the Company for Training to Board Members, Dr. B. K. Karad, Independent Director of the Company has attended a two day orientation programme on "Role and Responsibilities of Directors under Companies Act, 2013" organized by Department of Public Enterprises (DPE) in December, 2018 at Dibrugarh, Assam.

A separate meeting of Independent Directors was held on March 24, 2019, in compliance of Companies Act, 2013, Listing Regulations and Guidelines on Corporate Governance for CPSEs, 2010 issued by DPE, which was attended by all the Independent Directors of REC.

(xx) The Company has not issued any Stock Options/ ESOP during the financial year 2018-19.

(xxi) Your Company was well recognized across the industry and market, in India and abroad with abbreviated names like "REC" or "RECL" and has also become a brand name. To correctly display the remarkable presence of the Company in financing all segments of Indian Power Sector *viz.* generation, transmission, distribution, renewable energy, etc. and to remove the myth that the Company is mainly into the business of rural electrification, the name of the Company was changed from "Rural Electrification Corporation Limited" to "REC Limited". A fresh certificate of incorporation dated October 13, 2018, was issued by the Ministry of Corporate (MCA) after the name change and after all applicable statutory approvals in this regard.

(xxii) During the financial year, the President of India acting through Ministry of Power has transferred its entire equity shareholding in REC i.e. 1,03,93,99,343 (One Hundred Three Crore Ninety Three Lakh Ninety Nine Thousand Three Hundred Forty Three) equity shares, representing 52.63% of the total paid-up share capital of REC to Power Finance Corporation Limited (PFC) on March 28, 2019 and the President of India ceases to hold any equity shares in REC. Further, in terms of Section 2 (87) of the Companies Act, 2013 and rules made thereunder, REC has become a subsidiary of PFC.

(xxiii) Details of utilization of funds raised through preferential allotment or qualified institutions placement as specified under Regulation 32 (7A) of Listing Regulations is not applicable during the period under review.

(xxiv) The domestic debt instrument of REC continues to enjoy "AAA" rating, the highest rating assigned by CRISIL, CARE, India Ratings & Research and ICRA, Credit Rating Agencies throughout the financial year 2018-19 and there is no revision in the rating assigned to REC.

Further, the Company also enjoys International Credit Rating of "Baa3" and "BBB-" from International Credit Rating Agencies Moody's and Fitch, respectively, throughout the financial year 2018-19 and there is no revision in the rating assigned to REC.

(xxv) On an annual basis, the Company obtains from each Director, details of the Board and Board Committee positions he/she occupies in other Companies and changes, if any regarding their Directorships. The Company has obtained a Certificate from M/s. Hemant Singh & Associates, Practicing Company Secretaries, that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of the Company by SEBI/ Ministry of Corporate Affairs or any such statutory authority. A copy of Certificate issued by the Practicing Company Secretary is annexed to this Report, for information of the shareholders.

(xxvi) To oversee specific operational areas, the Board of Directors of the Company has constituted various board level committees and has delegated certain functions to these committees. The respective committee focuses on their assigned areas & make informed decisions and wherever required, makes it recommendations for further consideration of the Board of Directors. During the financial year 2018-19, there was no instance where the Board of Directors has not accepted the recommendation given by any Board level Committee of the Company.

## 11. COMPLIANCE WITH APPLICABLE LAWS

The Company has a robust system in place for monitoring of various statutory and procedural compliances. The Board of Directors of the Company periodically reviews the status of statutory, policy and related procedural compliances in order to ensure proper compliances of all laws applicable to the Company.

## 12. CODE OF BUSINESS CONDUCT AND ETHICS FOR BOARD MEMBERS AND SENIOR MANAGEMENT

REC has a "Code of Business Conduct and Ethics for Board Members and Senior Management", which is a comprehensive code applicable to all the Directors, Key Managerial and Senior Management Personnel of the Company. It was laid down in alignment with Company's mission and objectives and aims at enhancing ethical and transparent process in managing the affairs of the Company. The said Code was duly amended after the introduction of Companies Act, 2013 and SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015, in supersession of the earlier Code of Conduct.

A copy of the Code of Business Conduct and Ethics is available on the website of the Company at https://www.recindia.nic.in/uploads/files/CodeBusinessConductEthics.pdf. Based on the affirmation received from the Board Members and Senior Management Personnel, a declaration regarding Compliance of Code of Business Conduct and Ethics from Chairman and Managing Director of the Company is as under:

**Declaration under SEBI (LODR) Regulations, 2015 and DPE's Guidelines on Corporate Governance**

All Board Members and Senior Management have affirmed compliance with the 'Code of Business Conduct and Ethics for Board Members and Senior Management' of the Company for the financial year ended March 31, 2019.

Sd/-
**Ajeet Kumar Agarwal**
CMD and Director (Finance)
(DIN:02231613)

Date : May 14, 2019
Place : New Delhi

## 13. CODE OF CONDUCT FOR REGULATING, MONITORING AND REPORTING TRADING BY DESIGNATED PERSONS AND THEIR IMMEDIATE RELATIVES AND FOR FAIR DISCLOSURE

The Company had a comprehensive Code for Prevention of Insider Trading in REC's Equity Shares/ Securities, which was further aligned with the SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time, to preserve the confidentiality and to prevent misuse of unpublished price sensitive information.

Further, the said code has recently been amended and updated in terms of SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018 and has been renamed as "Code of Conduct for Regulating, Monitoring and Reporting Trading by Designated Persons and their Immediate Relatives and for Fair Disclosure ("Code")". The Code has been framed with an aim that the Designated Persons and their immediate relatives, as defined in the Code, do not derive any benefit or assist others to derive any benefit from the access to and possession of Unpublished Price Sensitive Information (UPSI) about the Company which is not in the public domain and thus constitutes Insider information. The Company Secretary has been appointed as the Compliance Officer and is responsible for adherence of the said Code. A copy of the revised Code has been posted on the Company's website at https://www.recindia.nic.in/uploads/files/cs-revised-insider-trading-code-submitted-to-stock-exchanges-dt070619.pdf.

The "Code" sets up policies and procedures to prevent leakage of UPSI and to institute adequate mechanism of Internal Controls to preserve confidentiality of the sensitive information. Further, it also prescribes the practices, procedures and norms to be followed for fair disclosure of UPSI and to prescribe legitimate purposes, subject to which the UPSI can be shared with the various stakeholders and business partners of REC. Further, the Code lays down the procedures to be followed and disclosures to be made while dealing in the equity shares/ securities of the Company and the consequences of non-compliance.

In line with the requirement of the said Code, whenever some unpublished price sensitive information is submitted to the Board for consideration and approval, the trading window is being closed from time to time. Notice of the closure of trading window is issued to designated employees and concerned persons well in advance and proper announcements are also made on the website of the Company as well as to Stock Exchanges where the shares of the Company are listed, restraining them and their dependent family members from dealing in securities of the Company, when the window is closed.

## 14. POLICY FOR PREVENTION OF FRAUD

Policy for Prevention of Fraud in REC has been framed to provide a system for detection and prevention of fraud, reporting of any fraud that is detected or suspected and fair dealing of matters pertaining to fraud. The policy covers the following provisions:

i. to ensure that management is aware of its responsibilities for detection and prevention of fraud and for establishing procedures for preventing fraud and/or detecting fraud when it occurs;

ii. to provide a clear guidance to employees and others dealing with REC forbidding them from involvement in any fraudulent activity and the action to be taken by them where they suspect any fraudulent activity;

iii. to conduct investigations into fraudulent activities; and

iv. to provide assurances that any and all suspected fraudulent activity will be fully investigated.

## 15. WHISTLE BLOWER POLICY

The Company has a Whistle Blower Policy in place, in terms of Companies Act, 2013 read with rules made thereunder, Listing Regulations and Clause 8 of Guidelines on Corporate Governance for CPSEs issued by DPE. The Whistle Blower Policy enables Directors/ Employees of REC and/ or its subsidiaries to raise concerns regarding any alleged malpractice or wrong doing, which could affect the business or reputation of the Company. The complaint can be made to the Competent Authority in the manner prescribed under the Policy. In addition, REC had also adopted the Whistle Blower Policy (PIDPI Resolution) as issued by Central Vigilance Commission vide Office Order dated May 17, 2004 and the same has also been incorporated in "Vigilance Hand Book" issued by Vigilance Division. The Whistle Blower Policy is available on the website of the Company.

A declaration by the Chairman and Managing Director that he has not denied any Director / Employee of REC and/or its subsidiaries, access to the Competent Authority and that he has provided adequate safeguards and protection to the Complainants / Whistle Blowers from adverse personnel action during the financial year ended March 31, 2019 is as under:

**Annual Affirmation in terms of Whistle Blower Policy of the Company**

During the financial year 2018-19, no person has been denied access to the Competent Authority and necessary system has been put in place, to provide protection to the complainant, wherever required.

Sd/-
**Ajeet Kumar Agarwal**
CMD and Director (Finance)
(DIN:02231613)

Date : May 16, 2019
Place : New Delhi

**16.** Total fees for all services paid by the listed entity and its subsidiaries, on a consolidated basis, to the Statutory Auditor and all entities in the network firm/network entity of which the Statutory Auditor is a part are as below:

(Amount in ₹ crore)

| Sl. No. | Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|---|
| **A** | Fee paid to Statutory Auditor: | | |
| i | As auditor | 0.48 | 0.43 |
| ii | For taxation matters* | 0.29 | 0.12 |
| iii | For company law matters (includes limited review fees) | 0.45 | 0.26 |
| iv | For other services: | | |
| | (i) Certification of MTN Offer Document/Comfort Letter | 0.20 | 0.30 |
| | (ii) Other certifications | 0.08 | 0.06 |
| v | For reimbursement of expenses | 0.03 | 0.02 |
| | **Sub-total** | **1.53** | **1.19** |
| **B** | Non-recoverable tax credit in respect of fees paid to auditors | 0.10 | 0.10 |
| | **Total** | **1.63** | **1.29** |

* Includes ₹0.09 crore (previous year ₹0.02 crore) of Tax Audit fees pertaining to earlier years.

## 17. MEANS OF COMMUNICATION

i. The Company recognizes the rights of shareholders/investors & communications as key elements of the overall Corporate Governance framework and therefore emphasizes on continuous, efficient and relevant communication with shareholders and other stakeholders.

ii. A dedicated Investor Relations Cell has been set up in the Company for interaction with the analysts and providing timely information and to hold analyst meetings in order to keep the investors updated about the matters related to the Company and to develop an appropriate feedback system that directs the information flow and communication between the management and investors.

iii. The Company communicates with its shareholders through its Annual Reports, General Meetings and disclosures on its website and through Stock Exchanges. The Company also communicates with its institutional shareholders through analysts briefing/ individual discussions and also by participation in investor conferences from time to time. Analysts and investors meets are being organized where members of the Board of the Company interacts with the investor community. Further, Press Meet with representatives of media are also held from time to time. Financial results are discussed by way of conference calls regularly after the close of each quarter. All important information pertaining to the Company is also mentioned in the Annual Report for each financial year, which is circulated to the members and others entitled thereto.

iv. Shareholders related information, announcements and latest updates regarding the Company can be accessed at Company's website at www.recindia.com which *inter-alia* includes the following:

- Corporate Disclosures made from time to time to the Stock Exchanges
- Quarterly/ Half-yearly/ Annual Financial Results and Corporate Governance Report
- Quarterly Shareholding Pattern
- Transcripts of conference calls/meets with analysts
- Official news releases, presentations made to institutional investors or to the analysts.

v. The extracts of Quarterly/Half-yearly/Annual Financial Results of the Company are communicated to the Stock Exchanges and published in financial and national newspapers like The Economic Times (English & Hindi), Mint (English), Dainik Jagran (Hindi), Hindustan (Hindi), Financial Express (English), Business Standard (English & Hindi), Hindu Business Line (English), etc. These results and all other announcements are also made available on Company's website at www.recindia.com.

vi. The Company also makes press releases and corporate presentations on important corporate developments, from time to time and the same are also displayed on its website at www.recindia.com.

## 18. CEO/CFO CERTIFICATION

In terms of Regulation 17 (8) of the Listing Regulations, a Certificate on financial reporting and internal controls to the Board, duly signed by Chairman & Managing Director and Director (Finance) was placed before the Board of Directors in its 459th Meeting held on May 24, 2019, alongwith the Annual Audited Financial Statements of the Company for the financial year ended on March 31, 2019.

## 19. GENERAL SHAREHOLDERS' INFORMATION

### i. Annual General Meeting for the financial year 2018-19

| Day and Date | Time | Venue |
|---|---|---|
| Thursday, August 29, 2019 | 11.00 AM | Manekshaw Centre, Parade Road, Delhi Cantonment, New Delhi - 110010 |

### ii. Financial Calendar for financial year 2019-20 *vis-à-vis* financial year 2018-19

| Particulars | Financial year 2018-19 | | Financial year 2019-20 | |
|---|---|---|---|---|
| Accounting Period | April 1, 2018 to March 31, 2019 | | April 1, 2019 to March 31, 2020 | |
| Announcement of Financial Results | 1st Quarter* | September 14, 2018 | 1st Quarter | Announcement within 45 days from the end of the quarter. |
| | 2nd Quarter* | December 5, 2018 | 2nd Quarter | |
| | 3rd Quarter | February 8, 2019 | 3rd Quarter | |
| | 4th Quarter & Annual Financial Results | May 24, 2019 | 4th Quarter & Annual Financial Results | Announcement within 60 days from the end of the financial year. |
| Annual General Meeting | August 29, 2019 | | August, 2020 | |

**Relaxation for submission of financials statements was availed in terms of SEBI circular dated July 5, 2016, due to first time implementation of Ind-AS.*

### iii. Payment of Dividend

#### a. Dividend Distribution Policy

The Company has formulated a Dividend Distribution Policy in compliance of Regulations 43A of Listing Regulations which *inter-alia* specifies the external and internal factors including financial parameters that shall be considered while declaring dividend and the circumstances under which the shareholders of the Company may or may not expect dividend. The policy is available on the website of the Company at https://www.recindia.nic.in/uploads/files/DividendDistributionPolicy.pdf.

#### b. Dividend details for the financial year 2018-19

In pursuance of Article 114 of the Articles of Association of the Company read with Section 123 of the Companies Act, 2013 and Companies (Declaration and Payment of Dividend) Rules, 2014, as amended from time to time, the Company has paid an Interim Dividend of ₹11 per equity share (on the face value of ₹10/- each) on March 19, 2019 for the financial year 2018-19. The Board of Directors of the Company has not recommended any final Dividend for the financial year 2018-19.

#### c. Dividend History for the last five financial years

| Financial year | Total paid-up capital (₹ in crore) | Total amount of Dividend Paid (₹ in crore) | Rate of Dividend (%) | Date of payment | |
|---|---|---|---|---|---|
| | | | | Interim Dividend | Final Dividend |
| 2013-14 | 987.46 | 938.09 | 95.00 | February 28, 2014 | October 1, 2014 |
| 2014-15 | 987.46 | 1,056.58 | 107.00 | February 27, 2015 | October 7, 2015 |
| 2015-16 | 987.46 | 1,688.55 | 171.00 | February 25, 2016 | October 4, 2016 |
| 2016-17 | 1,974.92 | 1,905.79 | 96.50* | March 6, 2017 | October 9, 2017 |
| 2017-18 | 1,974.92 | 1,807.05 | 91.50 | February 27, 2018 | October 15, 2018 |

**The decrease in percentage of dividend from previous year is due to issue of Bonus Shares in the ratio of 1:1 during the financial year 2016-17.*

#### d. Unpaid/Unclaimed Dividend and Equity Shares transferred to Investor Education Protection Fund

Pursuant to Section 124(5) of the Companies Act, 2013, the dividend amount and share application money which remains unpaid/ unclaimed for a period of seven years, is required to be transferred to the Investor Education & Protection Fund (IEPF) of the Central Government.

Accordingly, during the financial year 2018-19, the Company has deposited the following amount in Investor Education and Protection Fund after the same remained unpaid / unclaimed for a period of seven years:

| Financial year | Interim/ Final Dividend | Amounts (in ₹) | Date of transfer |
|---|---|---|---|
| 2010-11 | Final Dividend | 24,08,944 | November 15, 2018 |
| 2011-12 | Interim Dividend | 33,43,285 | March 19, 2019 |
| | **Total** | **57,52,229** | |

Further, during the financial year 2018-19, an amount of ₹1,97,75,616/- on account of principal and ₹50,43,615/- of interest amount has been transferred to the IEPF Account with respect to the debt securities of the Company.

**Shares transferred to IEPF**

As per provisions of Section 124 (6) of the Companies Act, 2013 read with Rule 6 of IEPF Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 {IEPF Rules}, all shares in respect of which dividend has not been claimed for seven consecutive years, are required to be transferred by the Company to the Demat account of IEPF Authority. Accordingly, the Company transferred 25,683 Equity shares in November, 2018. As on March 31, 2019, the numbers of equity shares held in Demat account of IEPF authority were 89,794. Subsequently 7,365 equity shares were transferred to IEPF in April, 2019, in line with statutory provisions.

The investor-wise details of dividend and equity shares transferred to IEPF are available on the website of the Company.

The members who have a claim on above dividends and shares may claim the same from IEPF Authority by submitting an online application in the prescribed Form No. IEPF-5 available on the website www.iepf.gov.in and sending a physical copy of the same, duly signed to the Company, along with requisite documents enumerated in the Form No. IEPF-5. No claims shall lie against the Company in respect of the dividends/shares so transferred to IEPF authorities.

**Nodal Officer**

Pursuant to Rule 7(2A) of the IEPF Rules, Shri M. L. Kumawat, AGM (F&A)-CS Division is the Nodal officer for Equity shares and Shri D. S. Khatri, GM (F&A) - Bonds is the Nodal officer for Bonds issued by the Company.

The Company has been issuing notices in the newspapers from time to time in order to invite attention of shareholders to submit their claims towards the unpaid and unclaimed dividend. It is hereby again advised to all shareholders to encash warrants relating to unpaid/ unclaimed share application money and /or dividend immediately or write to R&TA of the Company for revalidation or issue of DDs in place of old warrants.

The Company has uploaded the details of unclaimed/unpaid amounts pertaining to Shareholders/Bondholders of the Company containing information like name, address, amount due to be transferred to IEPF and due date of transfer of amount to IEPF on its website at www.recindia.com.

### iv. Date of Book Closure

The Register of Members and Share Transfer Books of the Company will remain closed from Friday, August 23, 2019 to Thursday, August 29, 2019 (both days inclusive) for the purpose of the 50th Annual General Meeting.

### v. Listing of Equity Shares

Equity shares of REC are listed on the following Stock Exchanges:

| Name & address of Stock Exchanges | Telephone / Fax / E-mail ID / Website | Scrip Code |
|---|---|---|
| National Stock Exchange of India Limited (NSE)<br>Exchange Plaza, C-1, Block G,<br>Bandra Kurla Complex,<br>Bandra (East), Mumbai-400 051. | Telephone: (022) 26598100 - 8114<br>Fax: (022) 26598120<br>E-mail ID: cmlist@nse.co.in<br>Website: www.nseindia.com | RECLTD |
| BSE Limited (BSE)<br>Phiroze Jeejeebhoy Towers,<br>Dalal Street,<br>Mumbai-400 001. | Telephone: (022) 22721233/4<br>Fax: (022) 22721919<br>E-mail ID: corp.relations@bseindia.com<br>Website: www.bseindia.com | 532955 |

Further, various series of Debt securities of the Company are also listed on the Stock Exchanges and for further details, refer Annexure - IX to the Board's Report.

### vi. International Securities Identification Number (ISIN)

ISIN is a unique identification number of traded scrip. This number has to be quoted in each transaction relating to the dematerialized securities of the Company. ISIN of Equity Shares of REC is INE020B01018. For ISIN of various series of Debt securities of the Company, please refer to the Annexure-IX to the Board's Report.

### vii. Inclusion of Company's name in indices of National Stock Exchange of India Limited

Based on good performance of stock of REC and various qualifying factors, India Index Services & Products Limited (a group Company of NSE) had included REC in "NIFTY 100" and "NIFTY Next 50" on March 31, 2017.

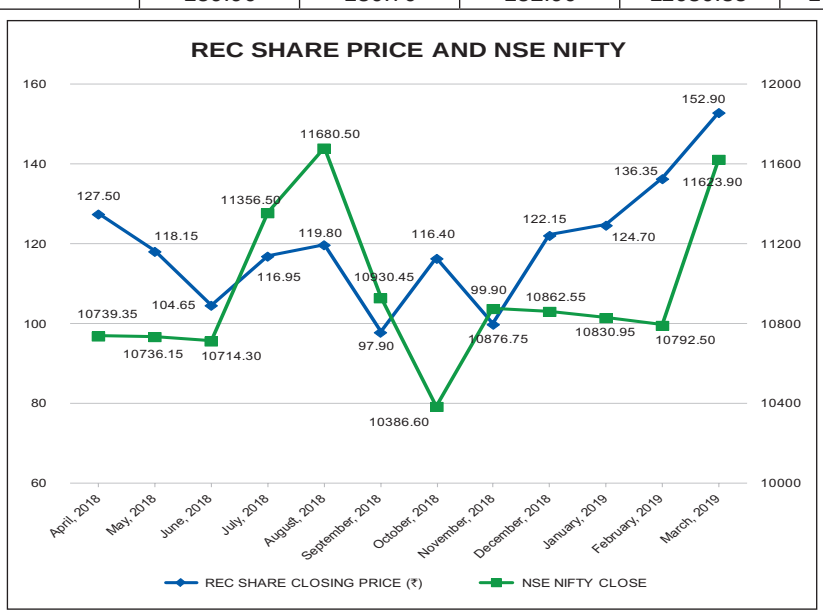
### viii. Registrar and Share Transfer Agent

Karvy Fintech Private Limited
(formerly Karvy Computershare Private Limited)
Karvy Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad-500 032, India.
Tel. : 040-67162222 | Fax : 040-23001153
E-mail: balaji.reddy@karvy.com; raju.sv@karvy.com; einward.ris@karvy.com
Website: www.karvyfintech.com

### ix. Market Price Data for the financial year 2018-19

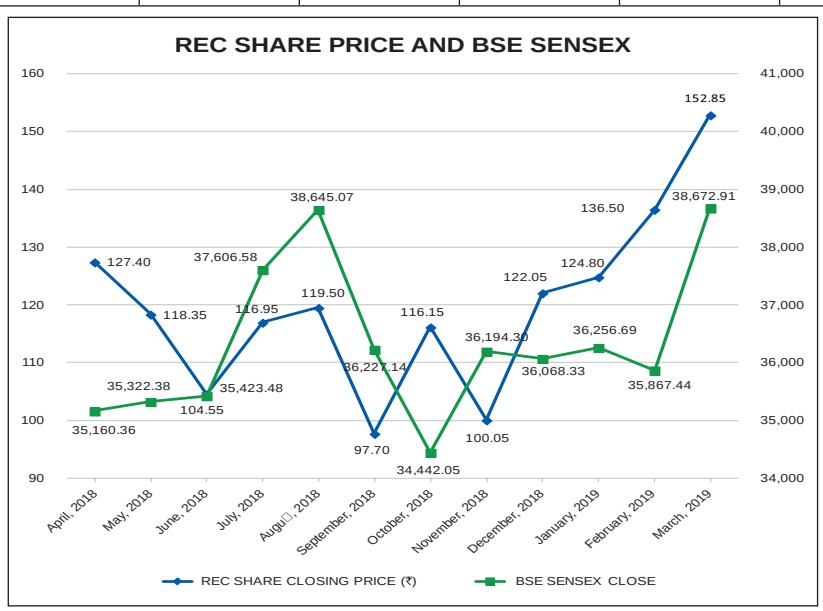
**Performance of REC Share *vis-à-vis* NSE NIFTY:**

| | Performance of REC Share at NSE | | | Movement of NSE NIFTY | | |
|---|---|---|---|---|---|---|
| **Month** | **High (₹)** | **Low (₹)** | **Month Close (₹)** | **High** | **Low** | **Month Close** |
| April, 2018 | 132.50 | 125.00 | 127.50 | 10759.00 | 10111.30 | 10739.35 |
| May, 2018 | 129.15 | 107.70 | 118.15 | 10929.20 | 10417.80 | 10736.15 |
| June, 2018 | 121.75 | 99.00 | 104.65 | 10893.25 | 10550.90 | 10714.30 |
| July, 2018 | 117.70 | 89.00 | 116.95 | 11366.00 | 10604.65 | 11356.50 |
| August, 2018 | 121.50 | 107.50 | 119.80 | 11760.20 | 11234.95 | 11680.50 |
| September, 2018 | 122.75 | 94.20 | 97.90 | 11751.80 | 10850.30 | 10930.45 |
| October, 2018 | 117.00 | 94.60 | 116.40 | 11035.65 | 10004.55 | 10386.60 |
| November, 2018 | 127.10 | 99.25 | 99.90 | 10922.45 | 10341.90 | 10876.75 |
| December, 2018 | 123.80 | 98.75 | 122.15 | 10985.15 | 10333.85 | 10862.55 |
| January, 2019 | 129.65 | 117.70 | 124.70 | 10987.45 | 10583.65 | 10830.95 |
| February, 2019 | 137.40 | 115.55 | 136.35 | 11118.10 | 10585.65 | 10792.50 |
| March, 2019 | 159.90 | 130.70 | 152.90 | 11630.35 | 10817.00 | 11623.90 |



**Performance of REC Share *vis-à-vis* BSE SENSEX:**

| | Performance of REC Share at BSE | | | Movement of BSE SENSEX | | |
|---|---|---|---|---|---|---|
| **Month** | **High (₹)** | **Low (₹)** | **Month Close (₹)** | **High** | **Low** | **Month Close** |
| April, 2018 | 132.50 | 125.10 | 127.40 | 35213.30 | 32972.56 | 35160.36 |
| May, 2018 | 129.20 | 107.70 | 118.35 | 35993.53 | 34302.89 | 35322.38 |
| June, 2018 | 121.70 | 99.50 | 104.55 | 35877.41 | 34784.68 | 35423.48 |
| July, 2018 | 117.85 | 89.10 | 116.95 | 37644.59 | 35106.57 | 37606.58 |
| August, 2018 | 121.35 | 107.75 | 119.50 | 38989.65 | 37128.99 | 38645.07 |
| September, 2018 | 122.60 | 94.25 | 97.70 | 38934.35 | 35985.63 | 36227.14 |
| October, 2018 | 116.80 | 94.75 | 116.15 | 36616.64 | 33291.58 | 34442.05 |
| November, 2018 | 127.50 | 99.40 | 100.05 | 36389.22 | 34303.38 | 36194.30 |
| December, 2018 | 123.70 | 98.85 | 122.05 | 36554.99 | 34426.29 | 36068.33 |
| January, 2019 | 129.50 | 117.70 | 124.80 | 36701.03 | 35375.51 | 36256.69 |
| February, 2019 | 137.50 | 115.60 | 136.50 | 37172.18 | 35287.16 | 35867.44 |
| March, 2019 | 159.30 | 130.10 | 152.85 | 38748.54 | 35926.94 | 38672.91 |




## x. Share Transfer System

The shares under physical segment are processed by Karvy Fintech Private Limited ('R&TA' or 'Karvy'). Karvy receives the shares to be transferred along with the transfer deed from transferee, verifies it and prepares the Memorandum of transfer for seeking approval of the Company. However, request for splitting/ consolidation and transfer of physical shares upto 500 equity shares per individual in each case are approved directly by Karvy.

Further, 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 and for issue of Duplicate Share Certificates.

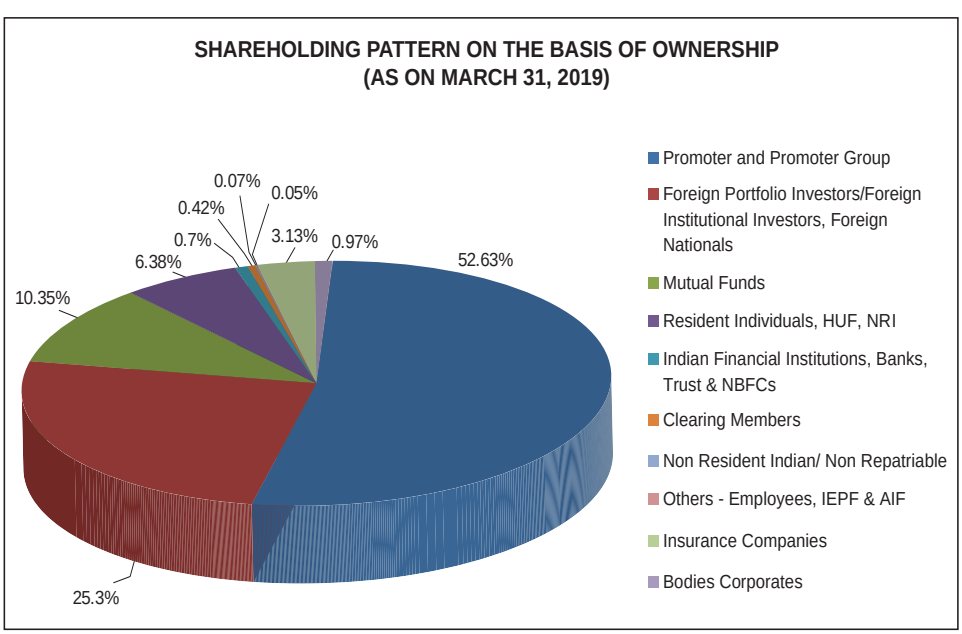
Pursuant to Regulation 40(9) & (10) of Listing Regulations, Certificate from Practicing Company Secretary on half yearly basis confirming due compliance of share transfer formalities by the Company has been submitted to Stock Exchanges within stipulated time period. Further, it is also confirmed that all transfer of shares were completed within the prescribed time period.

SEBI through its Press Release dated December 3, 2018 has prescribed that with effect from April 1, 2019; requests for effecting transfer of securities (except transmission or transposition cases) shall not be processed unless the securities are held in the dematerialized form with a depository. Accordingly, we request you to convert your shareholdings from physical form to Demat form at the earliest, in existing demat account or new demat account to be opened with any Depository Participant.

## xi. Shareholding Pattern/Distribution of Shareholding

### a. Shareholding Pattern on the Basis of Ownership

| Category | As on March 31, 2019 | | As on March 31, 2018 | |
|---|---|---|---|---|
| | Number of Equity Shares | Percentage of total Equity Shares | Number of Equity Shares | Percentage of total Equity Shares |
| Promoter and Promoter Group | 1,03,94,95,247 | 52.63 | 1,15,16,78,783 | 58.32 |
| Foreign Portfolio Investors/ Foreign Institutional Investors, Foreign Nationals | 49,95,96,483 | 25.30 | 45,77,35,673 | 23.17 |
| Mutual Funds | 20,43,49,699 | 10.35 | 9,46,71,528 | 4.79 |
| Resident Individuals | 11,63,30,510 | 5.89 | 13,18,27,400 | 6.68 |
| Insurance Companies | 6,17,62,206 | 3.13 | 6,71,71,496 | 3.40 |
| Bodies Corporates | 1,91,21,836 | 0.97 | 3,20,17,475 | 1.62 |
| Clearing Members | 83,35,517 | 0.42 | 99,42,990 | 0.50 |
| Banks | 63,12,568 | 0.32 | 70,67,026 | 0.36 |
| H U F | 58,81,424 | 0.30 | 85,78,395 | 0.43 |
| Trusts | 54,84,817 | 0.28 | 49,91,147 | 0.25 |
| Non Resident Indians | 37,93,231 | 0.19 | 37,61,419 | 0.19 |
| Indian Financial Institutions | 19,68,545 | 0.10 | 20,76,645 | 0.11 |
| Non Resident Indian/ Non Repatriable | 13,84,708 | 0.07 | 19,85,525 | 0.10 |
| Employees | 8,46,622 | 0.04 | 9,32,545 | 0.05 |
| Others - IEPF & AIF | 2,39,794 | 0.01 | 1,84,751 | 0.01 |
| NBFC | 14,793 | Negligible | 1,66,202 | 0.01 |
| Foreign Nationals | - | - | 1,29,000 | 0.01 |
| **Total** | **1,97,49,18,000** | **100.00** | **1,97,49,18,000** | **100.00** |



**b. Distribution of Shareholding as on March 31, 2019**

| Number of shares | Number of shareholders | Percentage of shareholders | Total Shares | Percentage of shares |
|---|---|---|---|---|
| 1-5000 | 3,21,711 | 98.95 | 8,89,92,903 | 4.50 |
| 5001 - 10000 | 1,627 | 0.50 | 1,17,97,176 | 0.60 |
| 10001- 20000 | 713 | 0.22 | 1,01,84,512 | 0.52 |
| 20001- 30000 | 233 | 0.07 | 58,55,212 | 0.30 |
| 30001- 40000 | 108 | 0.03 | 38,28,914 | 0.19 |
| 40001- 50000 | 75 | 0.02 | 34,09,057 | 0.17 |
| 50001- 100000 | 186 | 0.06 | 1,32,47,589 | 0.67 |
| 100001 and above | 490 | 0.15 | 1,83,76,02,637 | 93.05 |
| **Total** | **3,25,143** | **100.00** | **1,97,49,18,000** | **100.00** |

## xii. Dematerialization of shares & liquidity

The shares of the Company are in compulsory dematerialized segment and available for trading under systems of both National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The names and addresses of the Depositories are as under:

| | |
|---|---|
| **National Securities Depository Limited**<br>Trade World, 4th Floor,<br>Kamala Mills Compound,<br>Senapathi Bapat Marg, Lower Parel, Mumbai-400013 | **Central Depository Services (India) Limited**<br>28th Floor, Phiroze Jeejeebhoy Towers,<br>Dalal Street, Mumbai-400 023 |

The details of number of shares held in dematerialized and physical form as on March 31, 2019 was as under:

| Category | Number of Shareholders | Number of Shares | Percentage of total Shares issued |
|---|---|---|---|
| Physical | 13,637 | 43,189 | Negligible |
| NSDL (Demat) | 1,97,113 | 1,92,94,73,568 | 97.70 |
| CDSL (Demat) | 1,14,393 | 4,54,01,243 | 2.30 |
| **Total** | **3,25,143** | **1,97,49,18,000** | **100.00** |

## xiii. Reconciliation of Share Capital Audit Report

For every quarter of the financial year 2018-19, M/s Savita Jyoti Associates, Practicing Company Secretaries, Secunderabad carried out audits to reconcile the total admitted, issued and listed share capital with NSDL & CDSL and issued the Reconciliation of Share Capital Audit Report. The report confirms that the total issued/ paid up share capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL & CDSL and the same was submitted to the Stock Exchanges within the stipulated time.

## xiv. Details of Demat Suspense account

The Company went for an Initial Public Offer of 15,61,20,000 equity shares in February, 2008, which comprised of 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. Further, the Company went for a Follow on Public Offer of 17,17,32,000 Equity Shares in February, 2010 which comprised fresh issue of 12,87,99,000 equity shares by the Company and Offer for Sale of 4,29,33,000 Equity Shares by the President of India. In accordance with the requirement of Regulation 34(3) and Part F of Schedule V

to the SEBI Listing Regulations, the details of equity shares as on March 31, 2019 in the Demat Suspense Account are as follows:

| Sl. No. | Particulars | April 1, 2018 to March 31, 2019 | | | |
|---|---|---|---|---|---|
| | | Initial Public Offer | | Further Public Offer | |
| | | Number of cases | Number of shares involved | Number of cases | Number of shares involved |
| 1 | Aggregate number of shareholders and outstanding unclaimed shares in the Suspense Account as on April 1, 2018. | 47 | 7,210 (including Bonus shares) | 4 | 780 (including Bonus shares) |
| 2 | Number of shareholders who approached the Company for transfer of unclaimed shares from the Suspense account during the financial year. | 0 | 0 | 0 | 0 |
| 3 | Number of shareholders to whom unclaimed shares were transferred from the Suspense Account during the financial year. | 11 | 1,732 (IEPF Transfer) | 4 | 780 (IEPF Transfer) |
| 4 | Aggregate number of shareholders and the outstanding unclaimed shares in the Suspense Account as on March 31, 2019. | 36 | 5,478 | 0 | 0 |

The voting rights on the shares outstanding in the suspense account as on March 31, 2019 shall remain frozen till the time rightful owner of such shares claims the shares.

**xv. Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion dates and likely impact on equity.**

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

**xvi. Annual Listing Fee to Stock Exchanges**

The Company has paid Annual Listing Fee for the financial year 2019-20 to National Stock Exchange of India Limited and BSE Limited in relation to its listed securities.

**xvii. Annual Custodial Fee To Depositories**

The Company has timely paid the annual custodian fee for financial year 2019-20 to National Securities Depository Limited and Central Depository Services (India) Limited.

**xviii. Plant Locations**

As the Company is a Public Financial Institution, it does not have any plant. However, apart from Registered Office, the Company has various Regional / State Offices across the country (detailed in the last pages of the Annual Report) and one Training Institute i.e. REC Institute of Power Management and Training (RECIPMT) at Hyderabad.

**xix. Address for correspondence**

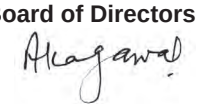
REC Limited, Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003, India.

**xx. Corporate Identification Number (CIN) : L40101DL1969GOI005095**

**xxi. Compliance Officer and Public spokesperson**

Shri J. S. Amitabh
Executive Director & Company Secretary
REC Limited
Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003, India
Tel: 91-11-24367305, Fax: 91-11-24362039
E-mail: complianceofficer@recl.in, jsamitabh@recl.in

**For and on behalf of the Board of Directors**



**Ajeet Kumar Agarwal**
**CMD and Director (Finance)**
**(DIN: 02231613)**

**Place: New Delhi**
**Date : July 22, 2019**

# CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

**[Pursuant to Regulation 34(3) and clause (i) of Point (10) of Para C of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]**

**To**
**The Members,**
**REC Limited,**
**Core 4, SCOPE Complex,**
**7, Lodhi Road,**
**New Delhi -110003**

We have examined the relevant registers, records, forms, returns maintained by the Company and the disclosures received from the Directors of REC Limited (formerly Rural Electrification Corporation Limited) bearing CIN: L40101DL1969GOI005095 and having its Registered Office at Core 4, SCOPE Complex,7, Lodhi Road, New Delhi -110003 (hereinafter referred to as 'the Company'), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with clause (i) of Point (10) of Para C of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In our opinion and to the best of our information and according to the verifications [including Director Identification Number (DIN) status at the portal www.mca.gov.in] as considered necessary and explanations furnished to us by the Company & its officers, we hereby certify that none of the Directors on the Board of the Company as stated below, for the financial year ending on March 31, 2019 have been debarred or disqualified from being appointed or continuing as Directors of the Company by the Securities and Exchange Board of India/Ministry of Corporate Affairs or any such other Statutory Authority:

| Sl. No. | Name of Director | Director Identification Number (DIN) |
|---|---|---|
| 1 | Shri Ajeet Kumar Agarwal | 02231613 |
| 2 | Shri Sanjeev Kumar Gupta | 03464342 |
| 3 | Dr. Arun Kumar Verma | 02190047 |
| 4 | Shri Krishna Kumar Aravamudan | 00871792 |
| 5 | Prof. Ram Mohan Tiruvallur Thattai | 00008651 |
| 6 | Smt. Asha Swarup | 00090902 |
| 7 | Dr. Bhagvat Kisanrao Karad | 00998839 |

Ensuring the eligibility for the appointment/continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on the same based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For Hemant Singh & Associates**
**Company Secretaries**

**Hemant Kumar Singh**
**(Partner)**
**FCS No.: 6033**
**CP No.: 6370**

**Place: New Delhi**
**Date : June 10, 2019**

ANNEXURE-III TO BOARD'S REPORT

# AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

**To,**

**The Members,**
**REC Limited,**
**New Delhi.**

We have examined the compliance of conditions of Corporate Governance by REC Limited (Formerly Rural Electrification Corporation Limited) ("the Company") for the financial year ended March 31, 2019, as stipulated in SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") (as amended) executed with the Stock Exchanges and Clause 8.2.1 of Guidelines on Corporate Governance for Central Public Sector Enterprises (CPSEs), 2010 issued by the Department of Public Enterprises (DPE), Ministry of Heavy Industries and Public Enterprises, Government of India.

The compliance of the 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 explanations given to us, we certify that as on March 31, 2019, the Company was in compliance with the requirement of Corporate Governance as stipulated in Listing Regulations and Guidelines on Corporate Governance for CPSEs, 2010, except for a short period from April 1, 2018 till July 16, 2018, due to vacancy of an Independent Director, on account of resignation by Shri Arun Singh. However, after the appointment of Dr. Bhagvat Kisanrao Karad as Part-time Non-official Independent Director on the Board of REC vide Ministry of Power order dated July 17, 2018, the composition of Board of the Company is also in compliance with the applicable statutory provisions.

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**
**Firm Regn No. 008744N**

**Ritesh Logani**
**Partner**
**UDIN: 19060882AAAAAI8680**

**For A.R. & Co.**
**Chartered Accountants**
**Firm Regn. No. 002744C**

**Priyanshu Jain**
**Partner**
**UDIN: 19530262AAAAAO3554**

**Place: New Delhi**
**Date : July 26, 2019**

ANNEXURE-IV TO BOARD'S REPORT

# BUSINESS RESPONSIBILITY REPORT

**Section A: General Information about the Company**

| | | |
|---|---|---|
| 1. | Corporate Identity Number (CIN) of the Company | L40101DL1969GOI005095 |
| 2. | Name of the Company | REC Limited<br>*(Formerly Rural Electrification Corporation Limited)* |
| 3. | Registered address | Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003, India. |
| 4. | Website | www.recindia.com |
| 5. | E-mail Id | complianceofficer@recl.in |
| 6. | Financial year reported | 2018-19 |
| 7. | Sector(s) that the Company is engaged in (industrial activity code-wise) | REC is a Non-Banking Financial Company (NBFC) under Section 45-IA of the RBI Act, 1934, categorized as Infrastructure Finance Company (IFC) by the Reserve Bank of India. The Company is engaged in financing of all segments of Indian Power Sector *viz.* generation (both conventional and renewable energy), transmission, distribution, etc.<br>Further, as per National Industrial Classification issued by the Ministry of Statistics and Programme Implementation, the business activities of the Company fall under the following code:-<br>Group: 649 Class: 6492 Sub class: 64920 : Other Financial Service activities - Other Credit Granting.<br>[This class includes financial service activities primarily concerned with making loans by institutions not involved in monetary intermediation (such as venture capital companies, industrial banks, investment clubs), where the granting of credit can take a variety of forms, such as loans, mortgages, credit cards etc.] |
| 8. | Key products / services that the Company manufactures / provides (as in balance sheet) | REC is engaged in financing projects / schemes of power generation (both conventional and renewable energy), transmission, distribution, rural electrification, system improvement, renovation and modernization of power plants etc. in both public and private sectors. Its key products include Term Loans, Medium Term Loans, Short Terms Loans etc. for the entire power sector value chain.<br>Further, the Ministry of Power has designated REC as the Nodal Agency for its flagship programmes namely '*Pradhan Mantri Sahaj Bijli Har Ghar Yojana*' (SAUBHAGYA) for universal household electrification and 'Deendayal Upadhyaya Gram Jyoti Yojana' (DDUGJY), covering all aspects of rural power distribution, facilitating towards achievement of '24x7 Power for All' in rural areas of the country through defined project components. |
| 9. | Total number of locations where business activity is undertaken by the Company<br>(a) Number of International Locations<br>(b) Number of National Locations | The Registered & Corporate Office of REC is located at New Delhi.<br>In addition to the above, REC has 25 Regional Offices / State Offices / Sub-offices at various locations in India, namely Kolkata, Chennai, Jaipur, Panchkula, Shimla, Jammu, Lucknow, Bhopal, Mumbai, Vadodara, Bengaluru, Thiruvananthapuram, Bhubaneshwar, Hyderabad [Regional Office as well as REC's training arm *viz.*, REC Institute of Power Management and Training (RECIPMT)], Shillong, Guwahati, Ranchi, Dehradun, Patna, Raipur, Varanasi, Vijayawada, Itanagar and Imphal.<br>Further, the Company does not have any international office, at present. |
| 10. | Markets served by the Company – Local/State/ National/International | REC serves the Indian markets and its business extends throughout the country. The Company also taps the international capital markets, besides domestic markets, for resource mobilization purpose. |

**Section B : Financial Details of the Company**

| | | |
|---|---|---|
| 1. | Paid-up Capital (₹) | 1,974.92 crore |
| 2. | Total Turnover (₹) | 25,341.16 crore |
| 3. | Total Profit after Taxes (₹) | 5,763.72 crore |
| 4. | Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax | During the financial year 2018-19, REC sanctioned an amount of ₹158.72 crore towards various CSR projects, as against the allocated CSR Budget of ₹157.29 crore for the year (calculated @ 2% of the average net profits of the Company during the three immediately preceding financial years).<br>Further, REC disbursed an amount of ₹103.39 crore towards various CSR projects during the financial year 2018-19. The amount of disbursement is linked with the pre-defined milestones / deliverables of each CSR project, as per the terms of sanction. The undisbursed amount(s), if any, is disbursed in the subsequent year(s), along with the amount required to be disbursed under the CSR initiatives of such year(s). |
| 5. | List of activities in which expenditure in 4 above has been incurred. | The major areas on which REC has incurred CSR expenditure, include:<br>a. Health care, sanitation, safe drinking water etc.<br>b. Education, vocational skills and livelihood enhancement projects etc.<br>c. Setting up of old age homes and such other facilities for senior citizens etc.<br>d. Environmental Sustainability<br>e. Rural Development Projects<br>More details about the Company's CSR initiatives are appearing in *Annual Report on CSR Activities*, forming part of this Annual Report. |

**Section C : Other Details**

| | | |
|---|---|---|
| 1. | Does the Company have any Subsidiary Company/ Companies? | The Company had the following wholly-owned subsidiary companies as on March 31, 2019:<br>1. REC Power Distribution Company Limited (RECPDCL)<br>2. REC Transmission Projects Company Limited (RECTPCL)<br>3. Dinchang Transmission Limited*<br>4. Chandil Transmission Limited*<br>5. Koderma Transmission Limited*<br>6. Dumka Transmission Limited*<br>7. Mandar Transmission Limited*<br>8. Bhind Guna Transmission Limited*<br>9. Udupi Kasargode Transmission Limited*<br>10. Jam Khambaliya Transco Limited*<br>11. Khetri Transco Limited*<br>12. Ajmer Pahgi Transco Limited*<br>13. Lakadia Banaskantha Transco Limited*<br>14. WRSS XXI (A) Transco Limited*<br>*(* denotes wholly-owned subsidiary of RECTPCL)*<br>More details about the Company's subsidiary companies are given in the Board's Report, forming part of this Annual Report. |

| | | |
|---|---|---|
| 2. | Do the Subsidiary Company/ Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s). | REC encourages all its subsidiary companies to participate in its Business Responsibility (BR) initiatives on a wide range of topics. During the financial year 2018-19, two subsidiary companies *viz.* RECPDCL and RECTPCL participated in the following BR initiatives:-<br><br>a. Electrification of 18,452 UE Villages - RECPDCL was involved in day-to-day monitoring of rural electrification works and surveillance quality checks for electrification of 18,452 un-electrified (UE) villages across the country, an initiative of the Government of India. It is pertinent to mention that 100% electrification of all inhabited census villages in India has been achieved on April 28, 2018.<br><br>b. 100% household electrification - RECPDCL is monitoring the works under Government of India's 100% household electrification programme (SAUBHAGYA scheme) by way of Pan-India deployment of *Gram Vidyut Abhiyantaas* (GVAs). It is pertinent to mention that as on March 31, 2019, 100% electrification of all willing households has been achieved in all States of the country except for Chhattisgarh, where also over 99% electrification has been achieved so far.<br><br>c. Urja Mitra - RECTPCL has developed an online web platform and Mobile App *viz.*, *Urja Mitra* under the guidance of Ministry of Power, for dissemination of outage information to power consumers across India through SMS/email/push notifications. This is an initiative towards better transparency & accountability, whereby data of around 19 crore Rural/Urban/Mixed feeder consumers of 52 DISCOMS has been linked to the web portal and the application is live in 48 DISCOMs with consumer base of approximately 15 crore, as on March 31, 2019.<br><br>d. 11 kV Rural Feeder Monitoring Scheme - RECTPCL is the nodal agency for implementation of 11 kV Rural Feeder Monitoring Scheme of the Ministry of Power, which aims to enable monitoring of energy input/power supply at feeder level and also to give an accurate picture of power supply in rural areas of the country, so as to ensure achievement of "24x7 Power for All".<br><br>e. Electrification works in Arunachal Pradesh and Tripura – RECPDCL was the project implementing agency for electrification of 521 villages in Arunachal Pradesh, by installing 6,834 Nos. of 300Wp Solar Home Power Packs under DDUGJY scheme of the Government of India; and electrification of 3,601 rural households in Tripura through Solar Home Lighting Standalone systems each of capacity 300Wp, under the SAUBHAGYA scheme of the Government of India. |
| 3. | Do any other entity /entities (e.g. suppliers, distributors etc.) that the Company does business with participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/ entities? | Energy Efficiency Services Limited (EESL), i.e., REC's joint venture company with three other power sector PSUs, is a pioneer in the field of energy efficiency. EESL's flagship initiative 'UJALA' for distribution of energy efficient LED bulbs, LED tubelights and energy efficient fans to domestic consumers has reduced the country's carbon emissions significantly. EESL's energy efficient appliances and technologies have saved over 50 billion kilowatt hours of estimated energy for the country annually. EESL also leads the market-related activities of National Mission for Enhanced Energy Efficiency (NMEEE).<br><br>REC also supports its Borrower's initiatives in safeguarding the environment. Loans have been provided to the Borrowers for renovation & modernization of old thermal power plants, replacement of power plants and for installation of pollution control equipment such as FGD (Flue Gas Desulphurization) etc., in this direction.<br><br>The Company encourages its employees to save paper and go green. REC is the first CPSE in the country to go paperless, by introducing 'E-office' system in all its offices across the country and the offices of its subsidiaries.<br><br>During the year under review, REC won an award for its CSR Initiatives and Business Responsibility from the Chamber of Indian Micro, Small & Medium Enterprises. |

**Section D : BR Information**

**1. Details of Director responsible for BR / BR Head**

| Sl. No. | Particulars | Details |
|---|---|---|
| 1. | Name | Shri Sanjeev Kumar Gupta |
| 2. | Designation | Director (Technical) |
| 3. | DIN | 03464342 |
| 4. | Telephone number | 011-2436 7479 / 011-4309 1522 |
| 5. | E-mail id | skgupta@recl.in |

**2. Principle-wise (as per NVGs) BR Policy / policies**

In line with Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with SEBI Circular dated November 4, 2015, it is stipulated that Top 500 listed companies shall formulate a structured Business Responsibility Report based on the following nine principles, describing the initiatives taken by them from an environmental, social and governance perspective:-

| | |
|---|---|
| Principle 1 | Businesses should conduct and govern themselves with Ethics, Transparency and Accountability. **[Ethics, Transparency & Accountability]** |
| Principle 2 | Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle. **[Sustainability in Life-Cycle of Product]** |
| Principle 3 | Businesses should promote the well-being of all employees. **[Employee Well-Being]** |
| Principle 4 | Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized. **[Stakeholder Engagement]** |
| Principle 5 | Businesses should respect and promote human rights. **[Promotion of Human Rights]** |
| Principle 6 | Businesses should respect, protect and make efforts to restore the environment. **[Environmental Protection]** |
| Principle 7 | Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner. **[Responsible Public Policy Advocacy]** |
| Principle 8 | Businesses should support inclusive growth and equitable development. **[Inclusive Growth and Equitable Development]** |
| Principle 9 | Businesses should engage with and provide value to their customers and consumers in a responsible manner. **[Customer Value]** |

**2 (a) Details of compliance (Reply in Y/N)**

| Sl. No. | Questions | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Do you have a policy/policies for… | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 2. | Has the policy being formulated in consultation with the relevant stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 3. | Does the policy conform to any national / international standards? If yes, specify? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 4. | Has the policy being approved by the Board? If yes, has it been signed by MD / owner / CEO / appropriate Board Director? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 5. | Does the company have a specified committee of the Board/ Director/ Official to oversee the implementation of the policy? | Y | Y | Y | Y | Y | Y | Y | Y | Y |

| Sl. No. | Questions | P1 | P2 | P3 | P4 | P5 | P6 | P7 | P8 | P9 |
|---|---|---|---|---|---|---|---|---|---|---|
| 6. | Indicate the link for the policy to be viewed online? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 7. | Has the policy been formally communicated to all relevant internal and external stakeholders? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 8. | Does the Company have in-house structure to implement the policy/ policies? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 9. | Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies? | Y | Y | Y | Y | Y | Y | Y | Y | Y |
| 10. | Has the Company carried out independent audit/evaluation of the working of this policy by an internal or external agency? | Y | Y | Y | Y | Y | Y | Y | Y | Y |

**Note:** The relevant explanation/information/links are mentioned in the Annexure to this report.

| | | |
|---|---|---|
| **2 (b)** | If answer to the question at Sl. No. (a) against any principle, is 'No', please explain why. | Not Applicable. |
| **3.** | **Governance related to BR** | |
| | Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the performance of the Company. | On quarterly & annual basis. |
| | Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published? | Yes. REC publishes its Business Responsibility Report annually, as a part of its Annual Report. The hyperlink for viewing the Annual Report for the financial year 2018-19 is https://www.recindia.nic.in/uploads/files/ar2018-19.pdf. |

**Section E: Principle-wise performance**

**Principle 1- ETHICS, TRANSPARENCY & ACCOUNTABILITY**

| | | |
|---|---|---|
| 1. | Does the policy relating to ethics, bribery and corruption cover only the Company? Yes/ No. Does it extend to the Group/ Joint Ventures Suppliers/ Contractors/ NGOs/Others? | REC is engaged in the business of financing all segments of the Indian Power Sector *viz.* generation (both conventional and renewable energy), transmission, distribution etc. The Company has a strong legacy of fair, transparent and ethical governance practices. The ethics and governance framework of the Company is defined in the form of various polices / codes etc., such as:-<br>1. 'Policy for Prevention of Fraud', which sets forth obligation on part of every employee of the Company for prevention, detection and reporting of any act of fraud, bribery or corruption.<br>2. 'Vigil Mechanism' for Directors and employees to report their genuine concerns or grievances about unethical behavior, actual or suspected fraud or violation of the Company's Code of Conduct or Ethics Policy. As an integral part of such Vigil Mechanism, there is also the 'Whistle Blower Policy' to empower the Directors and employees of REC and / or its subsidiary companies, to detect and report any improper activity within the Company.<br>3. 'Code of Business Conduct & Ethics', which captures the behavioral and ethical standards to be followed by Board Members and Senior Management of the Company.<br>4. 'Fair Practices Code', in line with RBI requirements, which sets out fair and transparent practices to be followed by the Company in its lending operations with its customers.<br>5. 'REC Procurement Guidelines', which lay down the procedures to be followed for procurement of goods and services in a fair and transparent manner and also in compliance with the guidelines of Central Vigilance Commission (CVC). |

| | | |
|---|---|---|
| | | 6. 'Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions', which prescribe adequate procedures and disclosures to be made before entering into related party transactions.<br>7. 'REC Conduct, Discipline and Appeal (CDA) Rules', which define the code of conduct for all employees, under which acts of bribery, corruption, etc., if any, are construed as misconduct on the part of employees.<br>8. REC's 'Delegation of Powers (DoP)', which sets out the internal procedures to be followed for day-to-day operations of the Company within the organizational hierarchy. The DoP aims to facilitate smooth and expeditious working, based on financial propriety and overall policy framework of the Company.<br>9. 'Code of Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons and their immediate relatives and for Fair Disclosure', which is for compliance of the insider trading law prescribed by SEBI. It applies to not only the Company's Directors and designated employees, but also to the employees of the holding company, subsidiary companies, intermediaries and fiduciaries dealing with the Company.<br>The above policies, codes, rules etc. are also followed by REC's subsidiary companies, wherever applicable. Further, REC also ensures that other stakeholders of the Company conform to the principles of fairness, ethics and transparency in their dealings with REC.<br>It is pertinent to mention that REC, under its CSR activities, has set up 29 "Integrity Clubs" in various schools of the country. The purpose of Integrity Clubs in schools is to inculcate moral values in the minds of young children, so that they grow up as socially and morally responsible citizens of the country; and also to develop them as warriors to collectively fight against the menace of corruption.<br>The Company's strong commitment to governance and ethics is well-recognized at various national and international forums. During the year under review, REC received the prestigious **Golden Peacock Award 2018 for Excellence in Corporate Governance**, conferred by the Institute of Directors at a ceremony held in London. |
| 2. | How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so. | During the financial year 2018-19, the Company did not receive any complaint under its Whistle Blower Policy and Fair Practices Code.<br>Further, 15 general complaints (other than anonymous/pseudonymous complaints) were received out of which 10 complaints (i.e. 67%) were resolved during the financial year 2018-19 and the remaining complaints are under review.<br>Further, the Company received 1,463 and 12,839 request/complaints from its Equity Shareholders and Bondholders (Listed/Un-listed Debt Securities) respectively. All the request/complaints of the Equity Shareholders and Bondholders received during the financial year 2018-19 were satisfactorily resolved as on March 31, 2019, except for 2 complaints pertaining to bondholders, which have also been satisfactorily resolved as on the date of this report. |

**Principle 2- SUSTAINABILITY IN LIFE-CYCLE OF PRODUCT**

| | | |
|---|---|---|
| 1. | List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities. | Being a NBFC-IFC, the main business of REC is to provide loan assistance to various State Power Utilities, Private Sector Project Developers, Central Power Sector Utilities and State Governments for investment in Power Generation projects (both conventional and renewable energy), Transmission & Distribution projects, Renovation & Modernization of power plants and other System Improvement schemes/initiatives. Further, the Ministry of Power has designated REC as the Nodal Agency for operationalization of its flagship programmes namely '*Pradhan Mantri Sahaj Bijli Har Ghar Yojana*' (SAUBHAGYA) for universal household electrification and 'Deendayal Upadhyaya Gram Jyoti Yojana' (DDUGJY), covering all aspects of rural power distribution, facilitating towards achievement of '24x7 Power for All' in rural areas of the country through defined project components. |

| | | |
|---|---|---|
| | | The key products/services offered by the Company include Term Loans, Medium Term Loans, Short Terms Loans etc., which are financial products *per se*. The Company endeavors to incorporate social and environmental concerns in the appraisal of the projects it finances.<br><br>Further, REC has defined a policy framework for financing of renewable energy projects such as solar, wind, biomass, small hydro etc., in line with the Government of India's enhanced focus on promotion of renewable energy. The Company provides loans at concessional rates for financing / refinancing of renewable energy projects. The Company also provides financial support at concessional rates for development of North-Eastern States.<br><br>Being the nodal agency of SAUBHAGYA, REC is supporting the Government's universal household electrification programme for providing last mile connectivity and electricity connections to all households in rural and urban areas, with free electricity connections to all households (both APL and poor families) in rural areas and poor families in urban areas. For this purpose, REC has developed a dedicated web portal (Saubhagya) for monitoring of the electrification works and also deployed Gram Vidyut Abhiyantas (GVAs) at areas where major un-electrified households remain. Further, regular reviews of the progress of electrification works are undertaken with all the agencies concerned.<br><br>REC is also the first Indian PSU to launch listed Green Bonds denominated in US Dollars, the proceeds of which are used for financing / re-financing of eligible Green Projects as per the Climate Bond Standards. The proceeds of the said Green Bonds have been utilized so far to finance solar projects, wind projects, Renewal Purchase Obligations and refinancing of eligible projects, as defined in the Green Bond framework of REC. Thus, REC is contributing towards strengthening of India's energy security and making a positive environmental impact through promoting green energy. |
| 2. | For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product.<br>i. Reduction during sourcing/ production/ distribution achieved since the previous year throughout the value chain?<br>ii. Reduction during usage by consumers (energy, water) has been achieved since the previous year? | Considering the business activities of the Company, these questions have limited applicability. Being a NBFC, the Company offers financial products/services and therefore, its main resources consumed are electricity and paper. REC has taken a number of initiatives during the year for optimizing its resource use.<br><br>The offices of REC have been made more energy-efficient by replacement of all conventional / CFL light fittings with energy efficient LED lights. The Company also contributes to effective monitoring, controlling & scheduling of AC chilling units, elevators etc. maintained by SCOPE at its registered office premises in New Delhi, thereby helping in lesser power consumption.<br><br>REC is also the first CPSE in the country to go paperless, by introducing 'E-office' system in all its offices across the country and the offices of its subsidiaries, thereby improving productivity, efficiency, accountability & transparency and also helping in reducing the carbon footprint of the Company by lesser use of paper. Further, electronic waste of the Company is collected from time to time, for responsible disposal to E-waste recyclers. As an effort towards conserving water, the Company has installed water-saving faucets / fittings in the washrooms in its Offices. |
| 3. | Does the Company have procedures in place for sustainable sourcing (including transportation)?<br>(a) If yes, what percentage of your inputs was sourced sustainably? Also provide details thereof, in about 50 words or so. | REC is a Financial Institution and hence, less resource-intensive in terms of material requirements. Its major material requirements comprise of office supplies, communications and IT related equipment.<br><br>Despite the limited scope, the Company ensures responsible sourcing of its material and follows the procedure defined in its Procurement Guidelines at all stages. Further, the Company also ensures requisite procurement from MSME vendors. |

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| 4. | Has the Company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?<br>(a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors? | Being a Financial Institution, procurement of goods and services has limited applicability to REC. Considering the nature of business, procurements mainly comprise of office equipment like computers, printers and consumables & stationery items, etc. However, the Company gives preference to locally available goods and services, other considerations being comparable. Further, REC also encourage procurement from Micro, Small and Medium Enterprises (MSMEs), as an endeavor to foster the Government's ambitious initiatives for the promotion of MSME sector. REC has made it mandatory to procure 100% of common use goods/services valuing upto ₹10 Lakh from MSME vendors and also to allow price preference upto 50% to MSEs, out of which 20% is reserved for SC/ ST and Women Vendors.<br>The Company also extends various facilities in its procurement procedures to MSME Units registered with the National Small Industries Corporation, such as supply of tender sets free of cost, exemption from payment of earnest money, waiver of security deposit in some cases etc. Further, REC is registered on *Sambandh, Samadhaan* and TReDS portals of the Government, which are for facilitating the MSME sector. The Company also participates in Vendor Development Programmes organized by various industrial bodies / associations from time to time. |
| 5. | Does the Company have a mechanism to recycle products and waste? If yes, what is the percentage of recycling of products and waste? Also provide details thereof, in about 50 words or so. | The Company, being a Financial Institution, has limited scope for recycling of products and waste.<br>However, the Company has outsourced the mechanism to collect waste papers from its premises for recycling of the same. Further, REC is also following E-waste (Management and Handling) Rules, 2011, as notified by the Ministry of Environment & Forests (MoEF), Government of India. The Company aims to minimize its E-waste and ensures responsible disposal of its E-waste through Government / Pollution Control Board registered E-waste recyclers. |

**Principle 3 - EMPLOYEE WELL-BEING**

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| 1. | Please indicate the total number of employees | As on March 31, 2019, the Company had 487 employees. |
| 2. | Please indicate the total number of employees hired on temporary/ contractual/ casual basis | During the financial year 2018-19, the Company had not hired any employees on temporary/contractual/casual basis. However, the Company utilizes the services of temporary staff through placement agencies, based on the organization's requirement from time to time. |
| 3. | Please indicate the number of permanent women employees | As on March 31, 2019, the Company had 78 permanent women employees, i.e., forming 16% of its permanent workforce. |
| 4. | Please indicate the number of permanent employees with disabilities | As on March 31, 2019, the Company had 13 '*Divyang*' employees (employees with disabilities) on its rolls, i.e. 3% of its permanent workforce. |
| 5. | Do you have an employee association that is recognized by management? | Yes, REC has recognized Union of its non-supervisory permanent employees and Association of its Executives. |
| 6. | What percentage of your permanent employees is members of this recognized employee association? | Regular employees of the Company are members of either the Employees' Union or the Executives' Association of REC. |
| 7. | Please indicate the number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year. | The Company has not received any complaints relating to child labour / forced labour / involuntary labour or sexual harassment in the last financial year and no complaint was pending as on March 31, 2019. Further, the Company neither engages in any form of child labour / forced labour / involuntary labour nor adopts any discriminatory employment practices. |

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| | | The Company has a proper framework for dealing with instances relating to sexual harassment. In line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, an 'Internal Complaints Committee' has been constituted in the Company for redressal of complaint(s) against sexual harassment of women employees. The Committee is headed by a senior woman official of the Company and includes representative from NGO as one of its members. Anti-sexual harassment stance of the Company is also outlined in REC (Conduct, Discipline and Appeal) Rules. |
| 8. | What percentage of your undermentioned employees were given safety & skill upgradation training in last year? | Considering the nature of business of the Company, the question has limited relevance in respect of safety related training. However, the Company provides continuous skill upgradation trainings to its employees from time to time.<br>REC's Training and Human Resource Policy aims at sharpening the business skills and competencies required for better employee performance and provides all possible opportunities and support to the employees to improve their performance and productivity. Trainings are also provided to sensitize the employees about the socio-economic environment in which the Company operates and on topics of spiritual, health and attitudinal importance.<br>During the financial year 2018-19, 203 permanent employees (42% of total), 41 permanent women employees (8% of total) and 7 permanent employees with disabilities (1% of total) of the Company received technical skill up-gradation, spiritual, health and attitudinal training, which works out to 893 training man-days. |

**Principle 4- STAKEHOLDER ENGAGEMENT**

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| 1. | Has the company mapped its internal and external stakeholders? Yes/No. | Yes, the Company has clearly mapped its internal and external stakeholders. The internal stakeholders include the employees of the Company. The external stakeholders include the equity shareholders, bondholders, lenders, creditors, State Governments, State Electricity Boards, State Power Utilities and other Borrowers, Reserve Bank of India, SEBI and other regulatory bodies. |
| 2. | Out of the above, has the Company identified the disadvantaged, vulnerable & marginalized stakeholders? | Yes, the Company has identified the disadvantaged, vulnerable & marginalized stakeholders; and also takes active steps to ensure their best interests.<br>For its employees, staff and their dependents, REC has adopted welfare-oriented policies, in line with the general laws and regulations of the country and sound ethical practices, covering areas such as employee benefits during service, study leave to deserving employees, post-retirement medical benefits, women-centric policies focusing on work-life balance and prevention of sexual harassment at the workplace, equal opportunity to employees with disabilities, rehabilitation package in the unfortunate event of death or disability of the employee etc., which endeavor to provide an environment of care, nurturing and opportunity to its employees to accomplish their professional aspirations.<br>The Company is also following the guidelines/ directions issued by the Government of India from time to time, in respect of reservation for women and persons belonging to SC/ST/OBC/differently-abled categories in recruitment. Further, the Company has adopted Guidelines framed by the Department of Telecommunications (DoT) to grant compensation to families of victims dying at public places due to negligence and/or due to unforeseen circumstances.<br>There are dedicated Investor Service Teams in the Company for its equity shareholders / bondholders, which endeavor to satisfactorily resolve all queries / grievances of such stakeholders at the earliest. The Company also makes best efforts on a regular basis to reach out to those equity shareholders who have unclaimed / unpaid dividend etc. lying with the Company, so that such investors do not miss out on getting their rightful monies.<br>Further, the interests of Borrowers of the Company are safeguarded through giving them direct access to ERP (Borrowers Portal) and effective implementation of Fair Practices Code in the Company.<br>REC also promotes procurement from MSMEs and extends certain facilities in its procurement procedures, to MSME vendors registered with the National Small Industries Corporation. |

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| 3. | Are there any special initiatives taken by the Company to engage with the disadvantaged, vulnerable and marginalized stakeholders? If so, provide details thereof, in about 50 words or so. | Yes, the Company regularly undertakes initiatives to engage with its internal and external stakeholders which might be disadvantaged, vulnerable and marginalized.<br>Under its CSR initiatives, the Company has taken up a number of socially beneficial projects to support economically and socially backward communities, elderly persons, differently abled persons, women, children, youth etc. Some of the projects undertaken/ initiated by the Company for benefit of disadvantaged, vulnerable and marginalized sections of the society include:<br>• Job-oriented skill-development training to women in 100 Self Help Groups in Mewat (Haryana), which included doorstep training in stitching, tailoring, embroidery, food processing, beauty and wellness, thus enabling the women to gain financial independence and raise their family income.<br>• Job-oriented skill development training to youth from economically weaker sections of the society.<br>• Financial assistance for setting up of a hospital in Rewa, Madhya Pradesh for providing better healthcare services to people from economically weaker sections of the society / from marginalized communities.<br>• Providing education, study material, uniforms, food, bedding, medicine, toiletries and vocational training to 300 tribal children studying in Odisha, with the aim to supplement the assimilation of underprivileged children into the formal education system.<br>• Projects for safe drinking water facilities through RO water plant, bore well etc. in rural areas.<br>• Distribution of assistive aids & appliances to persons with disabilities from weaker sections of society.<br>• Rehabilitation of handicapped persons by development of infrastructure facilities and providing professional services *viz.* speech therapy, physiotheropy, occupational therapy etc.<br>• Financial support for infrastructure development works at Seth Anandi Lal Poddar Deaf and Dumb Senior Secondary School at Jaipur.<br>• Program (s) for rural development works like construction of community hall, roads, conduits, providing sanitation facilities, as installation of LED Lights, RO plants, procurement of mortuary vans, freezers, big size boats, rejuvenation of ponds, house hold waste management, watershed development etc. in various rural areas.<br>REC is also the Nodal Agency for the Government's flagship programmes namely '*Pradhan Mantri Sahaj Bijli Har Ghar Yojana*' (SAUBHAGYA) for universal household electrification and 'Deendayal Upadhyaya Gram Jyoti Yojana' (DDUGJY), covering all aspects of rural power distribution, facilitating towards achievement of '24x7 Power for All' in rural areas of the country through defined project components. It is pertinent to mention that in April 2018, 100% village electrification of all inhabited census villages in India was achieved. Further, as on March 31, 2019, 100% electrification of all willing households has been achieved in all States of the country except for Chhattisgarh, where also over 99% electrification has been achieved so far. |

**Principle 5- PROMOTION OF HUMAN RIGHTS**

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| 1. | Does the policy of the Company on human rights cover only the Company or extend to the Group/Joint Ventures/ Suppliers/ Contractors/ NGOs/ Others? | REC is an active member of the UN Global Compact and follows its principles in the areas of human rights, labour, environment and anti-corruption, which enjoy universal consensus and are derived from the Universal Declaration of Human Rights, International Labour Organization's Declaration on Fundamental Principles and Rights at Work, Rio Declaration on Environment & Development and United Nations Convention Against Corruption. |

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| | | Considering the nature of business of the Company, human rights cover only the Company and its subsidiary companies. In order to protect the human rights of its employees, REC has adopted employee - oriented policies covering areas such as employee benefits, prevention of sexual harassment at workplace, equal opportunities etc., in line with the general laws and regulations of the country and sound ethical practices. REC endeavors to provide an environment of care, nurturing and opportunity to its employees to accomplish their professional aspirations.<br>Further, the Company believes that a sustainable organization rests on the foundation of ethics and respect for human rights. The Company ensures diversity of workplace through efforts to recruit, develop and retain the most talented people from a diverse candidate pool. REC upholds the principle that advancement is based on talent and performance; and there is a commitment to equal opportunity. The Company also emphasizes on safe social environment and human well-being. It discourages conduct that implies granting or withholding favors or opportunities as a basis for decisions affecting an individual, in return for that individual's compliance. |
| 2. | How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management? | The Company did not receive any complaint in the area of human rights violation from any of its stakeholders. |

**Principle 6 - ENVIRONMENTAL PROTECTION**

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| 1. | Does the policy related to Principle 6 cover only the Company or extends to the Group/Joint Ventures/ Suppliers/ Contractors/ NGOs/others. | The Company encourages its Group Companies/Joint Ventures/Suppliers/ Contractors/ NGOs/others to participate in initiatives focused on environmental protection and sustainability and as such, the policy of the Company pertaining to environmental protection is applicable to all our group companies. |
| 2. | Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc. | Being a NBFC-IFC, REC is addressing the global environmental issues by laying a greater thrust on the financing of Green Energy projects such as Solar, Wind, Biomass, Co-generation, Small Hydro projects etc. REC offers concessional interest rates for financing such projects, thereby facilitating the country's lesser dependence on fossil fuels. During the year 2018-19, REC has sanctioned loan assistance of ₹11,875.20 crore and disbursed ₹6,627.76 crore towards various renewable energy projects.<br>REC has also financed E-vehicles alongwith charging infrastructure, a clean technology which is expected to come up in a big way in the near future. REC has also funded large scale lift-irrigation projects in Telangana and Andhra Pradesh, which will contribute to environmental sustainability.<br>REC has inked a pact with International Solar Alliance (ISA), a dedicated platform for cooperation among solar-resource rich countries where the global community, including bilateral and multilateral organizations, corporates, industry and other stakeholders can make a positive contribution to assist and help achieve the common goals of increasing the use of solar energy in meeting energy needs of ISA member countries in a safe, convenient, affordable, equitable and sustainable manner. REC has made a contribution of USD 1 Million to ISA for promoting sustainability through global collaboration.<br>REC is also the first Indian PSU to mobilize/raise funds through Green Bonds denominated in US Dollars, which are listed on the London Stock Exchange and Singapore Exchange. The proceeds from the said Green Bonds are utilized for financing / re-financing eligible Green Projects, primarily solar power projects, wind power projects and renewable purchase obligations, as per Climate Bond Standards.<br>REC has also created a 'Green Portfolio' of the projects in which the proceeds of Green Bonds are allocated. The said Green Portfolio is managed through a well laid ERP-based internal tracking system.<br>During the year 2018-19, the Company and its employees observed '*Swachta Pakhwada*' and undertook special cleanliness drive. Further, the Company regularly organizes programmes, interactive sessions, *Nukkad Nataks* etc. to spread awareness about environment protection amongst its employees. |

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| 3. | Does the Company identify and assess potential environmental risks? Y/N | The above question is not applicable to the Company as it is not a manufacturing company. However, during appraisal of all the power projects it finances, REC identifies and assesses the potential environmental risks associated with such project(s).<br>REC has been in the forefront of integrating environmental risk assessment and mitigation of such risks into its overall investment risk assessment process. As part of the project appraisal, environment related issues are identified and a detailed due diligence is carried out that includes site visits, secondary information collection and analysis, review of applicable compliances etc. |
| 4. | Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also if yes, whether any environmental compliance report is filed? | The above question is not applicable directly to the Company as it is not a manufacturing company.<br>However, REC has devised a policy for offering lower interest rates for Clean Energy projects such as solar, wind, biomass, small hydro and other renewable projects across the country, in order to address global environmental concerns such as climate change, global warming, reduction of greenhouse gas emissions etc.<br>During the year, REC sanctioned loan assistance of ₹11,875.20 crore to 36 Renewable Energy projects with installed generation capacity aggregating 2197.46 MW, out of which 12 were solar photo-voltaic projects aggregating 860 MW, 13 were wind energy projects aggregating 1280 MW, 2 were small hydro projects aggregating 27 MW, 1 was solar pump set project (6,583 No. of pump sets) aggregating 28.81 MW, 1 was solar PV rooftop project aggregating 1.65 MW, 1 was Electric-vehicle project and 6 were loans to State DISCOMs for meeting their renewable purchase obligations.<br>It is pertinent to mention that in financial year 2018-19, REC's sanctions and disbursements under the "Renewable Energy" category recorded a growth of over 69% and 23% respectively, *vis-à-vis* the last year. |
| 5. | Has the Company undertaken any other initiatives on clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc. | During the year under review, REC sanctioned a loan of ₹111.83 crore for installation of 6,583 Nos. of Solar Pumps in various districts of Andhra Pradesh. Further, REC sanctioned ₹56.81 crore for E-buses in Hyderabad, alongwith charging infrastructure. REC also made financial assistance towards power-related project components of large-scale Lift Irrigation Projects, being implemented in the States of Telangana and Andhra Pradesh.<br>Further, REC undertakes measures for environmental sustainability under its CSR initiatives. To name a few such projects, REC has extended financial assistance for setting up of solar PV systems in educational institutions, installation of Water ATMs in crowded areas for the benefit of public, conservation & sustainable management of bio resources in Andhra Pradesh and setting up of Electric Crematorium in Ghaziabad.<br>For more details of related initiatives of the Company, please refer to *Annual Report on CSR Activities* forming part of this Annual Report. |
| 6. | Are the emissions/waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported? | The above question has limited relevance to the Company as it is not a manufacturing Company. However, the Company complies with applicable environmental regulations in respect of its premises and operations. |
| 7. | Number of show cause/legal notices received from CPCB/ SPCB which are pending (i.e. not resolved to satisfaction) as on end of financial year. | REC has not received any show cause/legal notices from CPCB/SPCB. |

**Principle 7- RESPONSIBLE PUBLIC POLICY ADVOCACY**

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| 1. | Is your Company a member of any trade and chamber or association? If yes, name only those major ones that your business deals with. | Yes. REC is a member of various national and international trade chambers, associations etc., including the World Energy Council, Confederation of Indian Industry (CII), The Federation of Indian Chambers of Commerce and Industry (FICCI), Central Board of Irrigation & Power (CBIP), Standing Conference of Public Enterprises (SCOPE), The Associated Chambers of Commerce and Industry of India (ASSOCHAM), Power HR Forum, India CFO Forum, All India Management Association (AIMA), Institute of Public Enterprises (IPE) and Global Compact. REC has also inked a pact with the International Solar Alliance (ISA). Further, REC is already registered with Government's E-Marketplace (GeM).<br><br>The senior officials of REC also contribute towards the formulation of various policies relating to Power Sector, as part of various committees/working groups constituted by the Ministry of Power, Government of India. |
| 2. | Have you advocated/ lobbied through above associations for the advancement or improvement of public good? If yes, specify the broad areas. | The Company has raised issues relating to clean energy, clean technology and energy efficiency at different platforms of the above associations from time to time. The Company has also taken initiatives for promotion of Non-conventional Energy sources, Rural Industry Promotion, Rural Electricity Delivery Model and Skill Development.<br><br>Further, under its CSR activities, the Company is also working on several initiatives for creation of infrastructure for public good like construction of school buildings, sanitation facilities in schools, sewage treatment plants, hospitals and medical facilities, education, health care initiatives including care of elderly persons and persons with disabilities, etc. For more details of related initiatives of the Company, please refer to *Annual Report on CSR Activities* forming part of this Annual Report.<br><br>It is pertinent to mention that Energy Efficiency Services Limited (EESL), REC's joint venture with three other power sector PSUs, is a market leader in the field of energy efficiency. EESL's flagship initiative to distribute energy efficient LED bulbs has reduced the carbon footprint and power bills of the entire country.<br><br>REC is also registered on the TReDS platform (Trade Receivable Discounting System), an online mechanism for facilitating the financing of trade receivables of MSMEs through multiple financiers; and is poised to let its presence felt on this forum for Bill Discounting by MSME Vendors. Further, REC is also registered on other MSME-related portals of the Government *viz.*, *Sambandh* and *Samadhaan*. REC has also partnered in the Vendor Development Programs conducted by FICCI and CII in March, 2019 at Chandigarh and Surat respectively. |

**Principle 8- INCLUSIVE GROWTH AND EQUITABLE DEVELOPMENT**

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| 1. | Does the Company have specified programme/ initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof. | The Ministry of Power has designated REC as the Nodal Agency for operationalization of its flagship programmes namely '*Pradhan Mantri Sahaj Bijli Har Ghar Yojana*' (SAUBHAGYA) for universal household electrification and 'Deendayal Upadhyaya Gram Jyoti Yojana' (DDUGJY), covering all aspects of rural power distribution, facilitating towards achievement of '24x7 Power for All' in rural areas of the country through defined project components.<br><br>Under its CSR initiatives, the Company regularly takes up projects in the fields of rural development, skill development, women empowerment, environmental sustainability and rural infrastructural development, etc., in pursuit of the principle of inclusive growth and equitable development. Detailed information about such programmes is appearing in *Annual Report on CSR Activities*, forming part of this Annual Report.<br><br>REC has also adopted an 'Equal Opportunity Policy' to facilitate 'Accessible India Campaign' for persons with disabilities, in accordance with the Rights of Persons with Disabilities Act, 2016. |

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| 2. | Are the programmes/ projects undertaken through in-house team/own foundation/ external NGO/ government structures/ any other organization? | For operationalization of the works under the Government's flagship programmes namely '*Pradhan Mantri Sahaj Bijli Har Ghar Yojana*' (SAUBHAGYA) and 'Deendayal Upadhyaya Gram Jyoti Yojana' (DDUGJY), REC's wholly owned subsidiary *viz.*, RECPDCL is engaged for implementing / monitoring works from time to time.<br><br>REC has engaged its wholly owned subsidiary RECPDCL for implementation / monitoring of village and household electrification works in the country, under the initiatives of the Government of India. For this purpose, dedicated online portals *viz.*, GARV / Saubhagya have been developed, for real time updation of the progress of village / household electrification, as against the pre-defined milestones. Further, young engineers (*Gram Vidyut Abhiyantas*) were deployed in all States of the country at field level, for intensive monitoring and reporting of the status / progress of electrification works through the online app / web portal. Further, in order to ensure that no willing households are left out without electricity connection, special campaign was launched in the form of movement of *Saubhagya* Rath across the districts; and publicity was also done through door-to-door campaigns and publications of ads in electronic and print media etc. were also carried out.<br><br>The CSR activities of the Company are undertaken through REC Foundation, a society registered under the Societies Registration Act, 1860. REC Foundation implements the CSR activities/projects through specialized agencies, as specified in the Company's CSR & Sustainability Policy, in line with their focus areas of operations and having past work experience with Government / Semi-Government / PSU / Autonomous Organizations for similar works. |
| 3. | Have you done any impact assessment of your initiative? | REC is the Nodal Agency for the Government's flagship programmes namely '*Pradhan Mantri Sahaj Bijli Har Ghar Yojana*' (SAUBHAGYA) for universal household electrification and 'Deendayal Upadhyaya Gram Jyoti Yojana' (DDUGJY), covering all aspects of rural power distribution, facilitating towards achievement of '24x7 Power for All' in rural areas of the country through defined project components.<br><br>In April 2018, 100% village electrification was achieved in all inhabited census villages in India; and as on March 31, 2019, 100% electrification of all willing households has been achieved in all States of the country except for Chhattisgarh, where also over 99% electrification has been achieved so far.<br><br>Impact assessment of the Company's CSR initiatives is done as per the established procedure defined under REC's CSR and Sustainability Policy, wherein progress and impact of CSR initiatives is monitored, evaluated and presented to the senior management for review from time to time. |
| 4. | What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken? | Community development is an integral part of various CSR initiatives undertaken by the Company from time to time. During the year under review, REC's CSR initiatives included development of rural areas in Rajasthan by deepening of wells, renovation & construction of check dams and organizing medical camps, construction of multipurpose hall cum indoor stadium in a village in Manipur and rural development works like construction of community hall, PCC Road, Conduits, Yatri Shed, installation of LED Lights, RO Plants etc. in some areas of Bihar.<br><br>One of the CSR initiatives of REC included financial support of ₹9.41 crore to North East Slow Food and Agrobiodiversity Society (NESFAS), for rural development in 130 remote villages in Meghalaya and Nagaland. The said program *viz.*, "No one shall be left behind" is a three-year project aimed at enhancing indigenous food systems to improve nutrition, provide food security and generate sustainable livelihoods for over 3,000 households. The project activity includes nutritional analysis, community seed fares, promoting consumption of nutrient-rich local species, skilling and training for entrepreneurship and livelihood program, and an initiative in renewable energy for community well being. The program is designed to benefit youth, adolescent girls, women and community elders in the project area. |

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| 5. | Have you taken steps to ensure that this community development initiative is successfully adopted by the community? | The successful adoption of REC's community development programmes is monitored and reviewed under the established procedure of REC's CSR and Sustainability Policy.<br><br>Further, REC encourages the active engagement of stakeholders such as Government Agency(ies) / Department(s), NGOs and other local institutions in project planning and implementation of such community development programmes, in order to ensure the ownership and sustainability of the programme. Feedback received from such stakeholders is suitably incorporated in further development of such / similar programme(s) in same or other locations. |

**Principle 9 - CUSTOMER VALUE**

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| 1. | What percentage of customer complaints/ consumer cases are pending as on the end of financial year. | All complaints received during financial year 2018-19 from various stakeholders were satisfactorily resolved as on March 31, 2019, except for 2 complaints pertaining to bondholders, which have also been satisfactorily resolved as on the date of this report. Further, as on March 31, 2019, there is only one consumer case relating to investor in bonds pending in Consumer Court which will be resolved in the best interest of the investor. |
| 2. | Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/NA/Remarks | The same is not applicable, as the Company is not a manufacturing Company. However, the Company ensures that adequate disclosures relating to its corporate profile and financial products & services offered, are displayed on REC website and the corporate communique issued by the Company to various stakeholders from time to time, such as press ads, handouts and corporate brochures etc. distributed at various trade and business events.<br><br>Further, the Company has extended the benefit of its ERP portal directly to its Borrowers, by developing an online "Borrower Portal", to facilitate them in knowing the status of their loans and REC schemes etc. on a real time basis. |
| 3. | Is there any case filed by any stakeholder against the Company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years and pending as on end of financial year? If so, provide details thereof, in about 50 words or so. | REC, together with its subsidiary companies, is committed to the highest possible standards of ethical practices and moral business conduct within the framework of law. As at the end of financial year 2018-19, no case regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior was pending in REC.<br><br>During the financial year 2014-15, upon an information filed by an informant (name not disclosed) against RECPDCL, a wholly owned subsidiary of REC, the Competition Commission of India (CCI) had ordered an investigation. CCI disposed off the case in favor of RECPDCL, while observing that no contravention of the provisions of the Competition Act, 2002 has been made out against RECPDCL & others and the matter was ordered to be closed in the year 2016-17. |
| 4. | Did your Company carry out any consumer survey/ consumer satisfaction trends? | REC believes in providing best services to its customers. Regular meeting(s) are held with the customers from time to time, to understand their expectations and gauge the Company's competitiveness in the market. REC leverages its presence across the country to remain consistently in touch with the customers through its Regional / State offices located Pan-India. Feedback received from the customers is implemented to further enhance the quality of service. The Senior Management meets on a regular basis to review the progress, where all such matters are taken up and measures necessary to address the customized requirements of Borrowers are decided upon.<br><br>In the past, REC got a Customer Satisfaction Survey conducted through Administrative Staff College of India, Hyderabad. The survey covered REC's esteemed customers across the country comprising of Central and State Government power entities and Private power entities. The overall Customer Satisfaction Index (CSI) score achieved by REC under the survey was 85.7, which by average American Customer Satisfaction Index, is amongst the best in Banking Services.<br><br>The Company has also initiated the next Customer Satisfaction Survey of its customers, to be conducted during year 2019. |

## ANNEXURE TO BUSINESS RESPONSIBILITY REPORT

P1 *Businesses should conduct and govern themselves with Ethics, Transparency and Accountability*

Sl. No. 3 - REC conducts its business activities with utmost importance to ethics, transparency and accountability. The Company has various policies and codes in place defining its Ethics and Governance framework, for strict adherence by its leadership, management, employees and business associates. Such policies are in full conformity with the laws applicable to the Company

Sl. No. 6 - The links of relevant policies / codes approved by the Board of Directors of the Company and which are in public domain, are given below:-

| **Name of the Policy** | **Weblink** |
|---|---|
| Policy for Prevention of Fraud | https://www.recindia.nic.in/uploads/files/prevention_fraud_policy.pdf |
| Whistle Blower Policy | https://www.recindia.nic.in/uploads/files/Whistle_Blower_Policy.pdf |
| Code of Business Conduct and Ethics | http://www.recindia.nic.in/uploads/files/Code_Business_Conduct_Ethics.pdf |
| Fair Practices Code | http://recindia.nic.in/download/fair_practice_code.pdf |
| Policy on Materiality of Related Party Transactions and Dealing with Related Party Transactions | https://www.recindia.nic.in/uploads/files/RPT.pdf |
| Code of Conduct for Regulating, Monitoring and Reporting of Trading by Designated Persons and their immediate relatives and for Fair Disclosure | https://www.recindia.nic.in/uploads/files/cs-revised-insider-trading-code-submitted-to-stock-exchanges-dt070619.pdf |

The other policies are internal documents and accessible only to employees of the organization.

P2 *Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle*

Sl. No. 3 - Considering the nature of the Company's business, this Principle has limited applicability to the Company. However, the Company strives to follow sustainable business practices with focus on economic, environmental and social concerns in order to achieve the twin-objectives of growth and sustainability. The Company complies with regulations governing its products and services and has taken initiatives to promote inclusive growth and environmental sustainability.

Sl. No. 6 - The Corporate Social Responsibility and Sustainability Policy is available on the website of the Company at the link: https://www.recindia.nic.in/uploads/files/CSR-Policy-Wef110717-UpldDt300518.pdf.

P3 *Businesses should promote the well-being of all employees.*

Sl. No. 3 - The Company has adopted employee-oriented policies covering areas such as employee benefits, prevention of sexual harassment at the workplace, equal opportunity etc., in line with the general laws and regulations of the country and sound ethical practices, for the well-being of its employees.

Sl. No. 6 - These policies can be viewed online / physically only by the employees of the Company.

P4 *Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.*

Sl. No. 3 - The Company respects the interest of all its stakeholders including disadvantaged, vulnerable & marginalized stakeholders. The Company works towards inclusive growth in pursuance of its Corporate Social Responsibility & Sustainability Policy, through interventions in areas like health care, education, vocational skills and livelihood enhancement projects, rural development projects etc.

Sl. No. 6 - The Corporate Social Responsibility and Sustainability Policy is available on the website of the Company at the link: https://www.recindia.nic.in/uploads/files/CSR-Policy-Wef110717-UpldDt300518.pdf

| | |
|---|---|
| P5 | *Businesses should respect and promote human rights.*<br><br>Sl. No. 3 - REC strives to safeguard and promote human rights in all ways possible. The Code of Business Conduct & Ethics for Board Members and Senior Management which has been adopted by the Company, addresses the requirements of this principle. The Code emphasizes fair employment practices & diversity, fair competition, prohibition of harassment & intimidation and safety at the workplace.<br><br>Sl. No. 6 - The Code of Business Conduct and Ethics is available on the website of the Company at the link: https://www.recindia.nic.in/uploads/files/Code_Business_Conduct_Ethics.pdf. |
| P6 | *Businesses should respect, protect and make efforts to restore the environment.*<br><br>The aspects outlined under this Principle are not directly linked with the nature of business of the Company. However, the Company requires its borrowers to comply with various national environmental standards/requirements etc. The Company also complies with applicable environmental regulations in respect of its premises and operations. Further, the Company participates in initiatives towards addressing environmental issues, wherever possible. |
| P7 | *Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.*<br><br>While there is no specific policy outlined for this principle, the Company is working with the State Governments and other organizations to promote initiatives in the field of Skill Development, Education, Health Care, Rural Development and Environmental Sustainability. |
| P8 | *Businesses should support inclusive growth and equitable development.*<br><br>REC strives to ensure inclusive growth and equitable development in pursuance of its Corporate Social Responsibility and Sustainability Policy. During the financial year 2018-19, REC has taken various initiatives in this regard in the areas of preventive health care, sanitation, safe drinking water, education, vocational skills and livelihood enhancement projects, Environmental Sustainability and Rural Development Projects.<br><br>Sl. No. 6 - The Corporate Social Responsibility and Sustainability Policy is available on the website of the Company at the link: https://www.recindia.nic.in/uploads/files/CSR-Policy-Wef110717-UpldDt300518.pdf. |
| P9 | *Businesses should engage with and provide value to their customers and consumers in a responsible manner.*<br><br>Sl. No. 3- In order to ensure that fair and transparent practices are followed with the customers in its lending operation, the Company has Fair Practices Code in place, which conforms to the guidelines issued by the Reserve Bank of India in this regard.<br><br>Sl. No. 6 - The above Code can be viewed online on https://www.recindia.nic.in/uploads/files/fair_practice_code.pdf |
| All policies and processes are subject to audits and reviews done internally in the Company from time to time. Further, implementation of all policies / codes etc. is regularly reviewed by the senior management including Board of Directors, wherever applicable, from time to time. | |

ANNEXURE-V TO BOARD'S REPORT

# SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019

**The Members,**
**REC Limited**
**(Formerly Known as Rural Electrification Corporation Limited)**
**Core-4, SCOPE Complex,**
**7, Lodhi Road, New Delhi-110003**

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by REC Limited (Formerly Known as Rural Electrification Corporation Limited) (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on March 31, 2019 according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made thereunder;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder to the extent of Regulation 76 of Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

I. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

II. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

III. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

IV. The Securities and Exchange Board of India (Share Based employee Benefits) Regulations, 2014; Not Applicable

V. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

VI. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client to the extent of securities issued;

VII. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009: Not Applicable; and

VIII. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018: Not Applicable.

The Company is a Non- Banking Financial Company (NBFC) categorized as Infrastructure Finance Company (IFC) with the Reserve Bank of India (RBI) and the Company is engaged in the business of providing finance for power sector. As confirmed and certified by the management, following law is specifically applicable to the Company based on the Sectors / Businesses:

- Reserve Bank of India Act, 1934 and rules, regulations and directions issued by RBI, from time to time.
- Guidelines on Corporate Governance for Central Public Sector Enterprises issued by Department of Public Enterprises.

We have also examined compliance with the applicable clauses/regulations of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India.

(ii) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above, including the provisions of Section 149 of the Companies Act, 2013 and read with regulation 17 of SEBI (Listing Obligation & Disclosure Requirements), Regulation, 2015, with respect to the composition of Board of Directors except from April 1, 2018 till July 16, 2018, due to non-appointment of one Independent Director.**

We further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors subject to above mentioned observation. The changes, if any, in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance (except for meetings conducted at a shorter notice after complying the necessary provisions) and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings are carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period, the following specific events / actions took place in the Company having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.:

1. During the period under review, in pursuance of the in-principle approval of the Cabinet Committee on Economic Affairs dated December 6, 2018 and subsequently in terms of Share Purchase Agreement entered between the President of India acting through Ministry of Power, Government of India with Power Finance Corporation Limited (PFC) on March 20, 2019; PFC has on March 28, 2019 acquired 1,03,93,99,343 Equity Shares bearing 52.63% of total paid up equity share capital of ₹10/- each fully paid up of REC Limited held by the President of India acting through Ministry of Power, Government of India.

2. The Company has raised the long term fund by issue of different debt instruments for financing various projects as per details mentioned below:

| Sl. No. | Type of Bonds | Amount (₹ in crore) |
|---|---|---|
| 1 | Capital Gain Bonds (54 EC Capital Gain Bonds) | 6,652 |
| 2 | Institutional Bonds | 24,010 |
| 3 | Foreign Currency Borrowing and FCNR(B) Loan | 14,171 |
| 4 | Commercial Papers | 19,393 |
| 5 | Term Loans from Banks/ FIs/ Government | 24,550 |
| | **Total Fund Raised during the Period** | **88,776** |

**For Chandrasekaran Associates**
**Company Secretaries**

**Dr. S. Chandrasekaran**
**Membership No. FCS 1644**
**Certificate of Practice No. 715**

**Date : June 21, 2019**
**Place: Delhi**

Note: This report is to be read with our letter of even date which is annexed as Annexure-A and forms an integral part of this report.

## ANNEXURE-A

**The Members,**
**REC Limited**
**(Formerly Known as Rural Electrification Corporation Limited)**
**Core-4, SCOPE Complex,**
**7, Lodhi Road, New Delhi-110003**

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the random test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events, etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on random test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**For Chandrasekaran Associates**
**Company Secretaries**

**Dr. S. Chandrasekaran**
**Membership No. FCS 1644**
**Certificate of Practice No. 715**

**Date : June 21, 2019**
**Place: Delhi**

ANNEXURE-VI TO BOARD'S REPORT

# ANNUAL REPORT ON CSR ACTIVITIES

**1. a. Brief Outline of the Company's CSR policy:**

The Company has its 'Corporate Social Responsibility & Sustainability Policy' aligned with the provisions of Companies Act, 2013. The Companies (Corporate Social Responsibility Policy) Rules, 2014 and Guidelines for CSR and Sustainability for Central Public Sector Enterprises issued by Department of Public Enterprises.

**The salient features of the 'CSR and Sustainability Policy' of the Company are as under:**

**Approach:** REC shall strive to fully exploit its core competence and mobilize its resource capabilities in the implementation of CSR activities/projects, as also to align CSR and Sustainability policy with its business policies and strategies to the extent possible and shall select such CSR activities/ projects which can be better monitored through in-house expertise.

**Broad activities under Corporate Social Responsibility:**

The Company would endeavor to adopt an integrated approach to address the community, societal & environmental concerns by taking up a range of the following activities, which shall be taken up strategically, in project mode, in a focused manner to the extent possible.

Although the Company may select CSR projects from a vast range of available options, priority would be accorded to activities pertaining to inclusive growth of society, with special attention to the development of weaker sections of society and the backward districts of the country in the given chosen/focus area(s) and environment sustainability. In line with the above, the Company shall ensure carrying out CSR projects/ programs in line with activities prescribed under Schedule VII of the said Act.

**Financial component:** In line with Section 135 of the Companies Act, 2013, at least 2% of the average net profits of the Company during the three immediately preceding financial years shall be spent on Corporate Social Responsibility. Net Profit means profit of the Company as per its financial statement prepared and adjusted in accordance with applicable provisions of the Act.

**Institutional set-up under CSR:** The institutional set up shall be as follows:

A Corporate Social Responsibility Committee of the Board ('the CSR Committee') shall be constituted consisting of three or more Directors, out of which at least one Director shall be an Independent Director. Role & Responsibilities of the Corporate Social Responsibility Committee shall *inter-alia* include, formulating and recommending to the Board the activities to be undertaken by the Company as specified in Schedule VII, monitor and recommend the amount of expenditure, periodically submit the reports to the Board of Directors.

The Role & Responsibilities of the Board of Directors shall include, to ensure formation of the Corporate Social Responsibility Committee of the Board, to approve CSR Policy for the Company, after taking into account recommendations made by CSR Committee of the Board and disclose the contents of such policy in its report, to ensure that activities in its CSR policy are related to activities included in Schedule VII, etc.

While Corporate Social Responsibility Committee of the Board shall keep an oversight on the whole activities, to steer the CSR projects, Committee shall be deployed for screening and recommendation of CSR project proposals.

**Mechanism of carrying out CSR activities:**

The CSR activities shall be undertaken by the Company, as per its stated CSR Policy, as projects or programs or activities (either new or ongoing), excluding activities undertaken in pursuance of its normal course of business.

The Company may decide to undertake its CSR activities through a company established under section 8 of the Act or a registered trust or a registered society established by the Company, either singly or along with any other company, or established by Central Government or State Government or any entity established under an Act of Parliament or a State legislature, as permitted under the Companies (Corporate Social Responsibility Policy) Rules, 2014. In line with the above, the Company may give preference to those agencies which have past work experience with government/ semi-government/PSUs/autonomous bodies, in line with their focus area of operations.

REC established a society 'REC Foundation' and currently undertakes all its CSR activities through the society.

**Monitoring**

The Company shall carry out implementation/monitoring of the CSR Projects in line with Implementation Progress/ Monitoring Guidelines for CSR Projects.

The Company may conduct, through its own manpower, located at its Regional Offices/State Offices/Corporate Office or by an external agency, periodic monitoring of CSR projects concurrently with implementation or otherwise, to assess if the progress is on expected lines in terms of timelines, budgetary expenditure and achievement of physical targets, etc.

For detailed CSR & Sustainability Policy, please refer REC website as detailed at (c) below.

**b. REC Foundation**

REC Limited has formed a society **'REC Foundation'**, to undertake its CSR activities. REC Foundation is registered under Societies Registration Act. The foundation is governed by senior management & officials of REC Limited. Presently, all the CSR projects are being implemented through REC Foundation.

REC Foundation is headed by Chief Executive Officer who is responsible for planning, execution, monitoring, identification & completion of projects, statutory compliances & reporting, etc. REC Foundation has a dedicated team of social work, finance & HR professionals which is managed by CEO for smooth operation of the REC Foundation.

**c. Overview of projects or programmes undertaken**

As per the Companies Act, 2013 and the Rules thereunder, "Corporate Social Responsibility (CSR)" means and includes but is not limited to:

(i) Projects or programmes relating to activities specified in Schedule VII to the Act; or

(ii) Projects or programmes relating to activities undertaken by the Board of Directors of the Company ('the Board') in pursuance of recommendations of CSR Committee of the Board as per declared CSR Policy of the Company.

REC through its CSR initiatives attempts to fund and support socially beneficial projects with sustainability as a guiding principle giving priority to issues of foremost concern as in the national development agenda and to reach a wide spectrum of beneficiaries with a view to empower economically and socially backward communities, old age persons, differently abled, children, youth, etc. The overview of the thematic area-wise projects/ programmes undertaken/ on-going during the financial year is as under:

**i. Eradicating hunger, poverty and malnutrition, promoting prevention health care and sanitation, including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation, and making available safe drinking water:**

By supporting project for amplifying the message of Swachh Bharat Mission - sustained and safe sanitation practices in addition to the issues around women's health and empowerment via communication intervention titled '*Main Kuch Bhi Kar Sakti Hoon*' Season 3, contribution to Swachh Bharat Kosh, installation of water ATM & hand pumps for providing safe drinking water to rural communities, infrastructure development of the hospitals, providing medical equipment to hospitals, distribution of milk pouches to students studying in Government schools, distribution of aids & assistive devices to person with disabilities, etc.




*Installation of Reverse Osmosis water ATM for distribution of free drinking water near Sangam Ghaat, Allahabad, Uttar Pradesh.*




*Awareness programme under the project, setting up mechanized sweeping, collection, transportation of municipal solid waste in Varanasi.*



*Providing Aids & Appliances to specially abled persons of the societies across various locations in India.*

ii. **Promoting Education including special education and employment enhancing vocation skills, especially among children, women, elderly and differently-abled and livelihood enhancement projects:**

By supporting projects for improved learning outcomes for select primary school children, development of infrastructure facility in schools & educational institutions, raising young innovators through the conceptual research experience, supporting job-oriented skill development training program in various trades for youth from economically weaker sections of society including women.



*Providing job oriented skill development training (machine operator) to beneficiaries belonging to economically weaker sections.*



*Providing job oriented skill development training (Apparel segment) to beneficiaries belonging to economically weaker sections.*

iii. **Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups:**

By supporting projects for skill development & livelihood support for women beneficiaries, construction and operation of shelter home with wellness facility for the care of the elderly, contribution to 'Swachh Kumbh Kosh' created for the benefit of sanitation workers engaged in Kumbh Mela, etc.

iv. **Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air & water, including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga:**

By supporting projects for setting up solar PV panel in various institutions, development of public park, conservation & sustainable management of bio resources, etc.

**v. Protection of national heritage, art and culture, including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional art and handicrafts:**

By contributing for construction of Statue of Unity in Sardar Sarovar Dam.

**vi. Rural development projects:**

By supporting programme for farmer-centric integrated watershed development for improving rural livelihoods, building of culvert, deepening of wells, renovation & construction of check dams, support for community based interventions through various projects, community development awareness programme for ultimate utilization of the naturally available nutrition, food and energy around the communities, various rural development works like construction of community hall, PCC road, conduits, installation of LED lights, etc.

**2. Web links of Corporate Social Responsibility and Sustainability Policy and programmes**:

In line with the Companies Act 2013, the Corporate Social Responsibility and Sustainability Policy of the Company and details of the CSR projects approved by the Board of Directors during the financial year, have been uploaded on the Company's website i.e. www.recindia.com,

The updated status of the ongoing CSR projects is also being uploaded periodically on the website of the Company.

**3. Composition of the CSR Committee:**

In line with the Companies Act 2013, the Company shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one Director shall be an Independent Director.

The composition of the Corporate Social Responsibility Committee of Directors w.e.f. March 24, 2017 is as under:

i. Prof. T.T. Ram Mohan, Independent Director – Chairperson of the Committee

ii. Shri A. Krishna Kumar, Independent Director - Member

iii. Smt. Asha Swarup, Independent Director - Member

iv. Shri Ajeet Kumar Agarwal, CMD & Director (Finance) – Member

v. Shri Sanjeev Kumar Gupta, Director (Technical) – Member

**4. Average net profit of the Company for last three financial years:**

The net profit of the Company for the last three financial years, as per Companies Act 2013, is as under:

| | | (₹ in crore) |
|---|---|---|
| Financial Year 2015-16 | : | 8,032.15 |
| Financial Year 2016-17 | : | 8,774.66 |
| Financial Year 2017-18 | : | 6,786.41 |
| **Total** | : | **23,593.22** |
| Average net profit | : | ₹7,864.41 crore |

**5. Prescribed CSR expenditure (2 per cent of the amount as in item 4 above) :** ₹157.29 crore.

**6. Details of CSR spent during the financial year:**

(a) Total amount to be spent for the financial year: **₹157.29 crore.**

(b) Amount unspent, if any : The unspent amount for the year is **₹53.90 crore.**

(c) Manner in which the amount spent during the financial year is at **Annexure - A.**

**7. In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board Report:**

The Company has sanctioned total CSR projects with aggregated amount of ₹158.72 crore during the financial year 2018-19. The disbursement under the CSR projects sanctioned till March 31, 2019 are linked with achievement of predefined milestones as per sanction terms, which are required to be completed in the time span extended up to 36 months. Since implementing agencies could not submit the physical progress and claims as per the milestones committed for the projects, the disbursement could not be made. The undisbursed amount of ₹53.90 crore shall be released in subsequent years as per milestones.

**8. Responsibility Statement of the CSR Committee:**

The implementation and monitoring of CSR policy by the Company is in compliance with CSR objectives and Policy of the Company.

Sd/-
Director (Finance/CSR)

Sd/-
Chairman of CSR Committee

## CSR AMOUNT SPENT DURING THE FINANCIAL YEAR 2018-19

(₹ in crore)

| (1) | (2) | (3) | (4) | (5) | (6) | | (7) | (8) | (9) |
|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | CSR Project or Activity identified | Sector in which the project is covered | Projects or programmes (1) Local area or other (2) Specify the State and district where projects or programmes was undertaken | Amount outlay (budget) project or programmes wise | Amount spent on the projects or programmes | | Total expenditure for the year | Cumulative expenditure up to the reporting period | Amount spent : Direct or through implementing agency |
| | | | | | Direct expenditure on projects or programmes (A) | Overheads (B) | (6A + 6B) | | |
| **1 A. Sanitation** | | | | | | | | | |
| 1 | Setting up of sanitation facilities in Government Schools by construction of 12292 Nos. of toilets under Swachh Vidyalaya Abhiyaan | Eradicating hunger, poverty and malnutrition, promoting prevention health care and sanitation, including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation, and making available safe drinking water. | 32 districts in Uttar Pradesh, Punjab, Rajasthan, Bihar, Madhya Pradesh & Telangana | 190.00 | 1.37 | 0.08 | 1.45 | 152.89 | REC Power Distribution Company Limited & Concerned State Education Authorities |
| 2 | Construction of 194 Nos. of toilets in 111 Nos. of Government Schools | | Sadat & Saidpur Blocks, Ghazipur District, Uttar Pradesh | 3.74 | 0.38 | 0.02 | 0.41 | 3.59 | REC Power Distribution Company Limited |
| 3 | Contribution on 'Swachh Bharat Kosh', set up by Government of India, to achieve the objective of Swachh Bharat Mission | | Across India | 10.00 | 10.00 | - | 10.00 | 10.00 | Ministry of Drinking water and Sanitation, Government of India |
| 4 | Amplifying the message of Swachh Bharat Mission - sustained and safe sanitation practices in addition to the issues around women's health and empowerment via communication intervention titled 'Main Kuch Bhi Kar Sakti Hoon' Season 3 | | Across India | 10.00 | 5.41 | 0.33 | 5.74 | 5.66 | Population Foundation of India |
| | | | **Sub-total (A)** | **213.74** | **17.16** | **0.44** | **17.60** | **172.14** | |

(₹ in crore)

| (1) | (2) | (3) | (4) | (5) | (6) | | (7) | (8) | (9) |
|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | CSR Project or Activity identified | Sector in which the project is covered | Projects or programmes (1) Local area or other (2) Specify the State and district where projects or programmes was undertaken | Amount outlay (budget) project or programmes wise | Amount spent on the projects or programmes | | Total expenditure for the year | Cumulative expenditure up to the reporting period | Amount spent : Direct or through implementing agency |
| | | | | | Direct expenditure on projects or programmes (A) | Overheads (B) | (6A + 6B) | | |
| **1 B. Health care** | | | | | | | | | |
| 5 | Distribution of aids & assistive devices to approximate to 8,000 Nos. of persons with disabilities through organising camps in various places | Eradicating hunger, poverty and malnutrition, promoting prevention health care and sanitation, including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation, and making available safe drinking water. | Across India | 10.00 | 5.47 | 0.34 | 5.80 | 5.72 | Artificial Limbs Manufacturing Corporation of India, Kanpur, |
| 6 | Development and rehabilitation of the handicapped persons by development of infrastructure facility and providing professional services *viz* speech therapy, physiotherapy, occupational therapy etc. | | Bhubaneswar, Odisha | 0.05 | 0.01 | 0.00 | 0.01 | 0.05 | The Institute for Helping the Disabled, Bhubaneswar |
| 7 | Infrastructure support for kitchen and providing kitchen equipments for Mid day meal scheme | | Bhilwara, Rajasthan | 2.08 | 0.56 | 0.03 | 0.59 | 2.08 | Akshaya Patra Foundation, Jaipur |
| 8 | Renovation of Central Sterile Supply Department (CSSD) unit of AIIMs, Delhi, and procurement of new medical equipment | | New Delhi | 13.02 | 10.77 | 0.66 | 11.43 | 11.28 | All India Institute of Medical Sciences, New Delhi |
| 9 | Purchase and installation of one vision equipment (Constellation Vision System) in a Hospital | | Palampur, Kangra, Himachal Pradesh | 0.75 | 0.15 | 0.01 | 0.16 | 0.74 | Palampur Rotary Eye Foundation, Palampur |
| 10 | Support for distribution of pasteurised milk pouches to school children in Government schools | | Latehar district, Jharkhand | 2.60 | 1.33 | 0.08 | 1.41 | 2.14 | National Dairy Development Board Foundation for Nutrition, Anand, Gujarat |
| 11 | Providing aids and appliances to special-abled persons of the society across India | | Across India | 1.00 | 0.30 | 0.02 | 0.32 | 1.00 | Shri Bhagwan Mahaveer Viklang Sahayata Samiti, Jaipur |

(₹ in crore)

| (1) | (2) | (3) | (4) | (5) | (6) | | (7) | (8) | (9) |
|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | CSR Project or Activity identified | Sector in which the project is covered | Projects or programmes (1) Local area or other (2) Specify the State and district where projects or programmes was undertaken | Amount outlay (budget) project or programmes wise | Amount spent on the projects or programmes | | Total expenditure for the year | Cumulative expenditure up to the reporting period | Amount spent : Direct or through implementing agency |
| | | | | | Direct expenditure on projects or programmes (A) | Overheads (B) | (6A + 6B) | | |
| 12 | Construction & renovation of Gandhi Memorial Hospital (a Government Hospital) affiliated to Shyam Shah Medical College in Rewa | | Rewa, Madhya Pradesh | 10.96 | 3.20 | 0.20 | 3.40 | 3.35 | Medical College, Rewa |
| | | | **Sub-total (B)** | **40.46** | **21.79** | **1.34** | **23.12** | **26.36** | |
| **1 C. Safe Drinking Water** | | | | | | | | | |
| 13 | Supporting for installation of 250 hand pumps in rural areas | Eradicating hunger, poverty and malnutrition, promoting prevention health care and sanitation, including contribution to the Swachh Bharat Kosh set-up by the Central Government for the promotion of sanitation, and making available safe drinking water. | Basti District, Uttar Pradesh | 0.74 | 0.30 | 0.02 | 0.32 | 0.74 | Bhartiya Cooperative Gramin Vikas Evam Nirman Limited, Lucknow |
| 14 | Supporting for installation of 200 hand pumps in rural areas | | Kanpur District, Uttar Pradesh | 1.26 | 0.57 | 0.03 | 0.60 | 1.26 | District Magistrate, Kanpur |
| 15 | Supporting for installation of 500 hand pumps in rural areas | | Machlishahar, Jaunpur District, Uttar Pradesh | 2.18 | 0.55 | 0.03 | 0.58 | 0.98 | UP Jal Nigam, Jaunpur |
| 16 | Installation of reverse osmosis based water treatment plant in rural areas | | Chhainsa & Gehlab, Hathin block, Palwal District, Haryana | 0.25 | 0.12 | 0.01 | 0.13 | 0.18 | Deputy Commissioner, Palwal |
| 17 | Supporting for installation of 100 hand pumps & excavation of pond | | Bagaha and Chiwantaha, Bihar | 1.01 | 0.30 | 0.02 | 0.32 | 0.30 | Paryavaran Care Society, New Delhi |
| 18 | Supporting for installation of 20 Nos. of water ATM machines at Kumbh Mela site & at various iconic places in India | | Prayagraj, Uttar Pradesh & various iconic locations of India | 1.78 | 0.65 | 0.04 | 0.69 | 0.68 | Bisnouli Sarvodaya Gramodaya Sewa Sansthan |
| | | | **Sub-total (C)** | **7.22** | **2.49** | **0.15** | **2.64** | **4.14** | |
| | | | **Sub-total for Category 1** | **261.42** | **41.44** | **1.93** | **43.36** | **202.64** | |

(₹ in crore)

| (1) | (2) | (3) | (4) | (5) | (6) | | (7) | (8) | (9) |
|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | CSR Project or Activity identified | Sector in which the project is covered | Projects or programmes (1) Local area or other (2) Specify the State and district where projects or programmes was undertaken | Amount outlay (budget) project or programmes wise | Amount spent on the projects or programmes | | Total expenditure for the year | Cumulative expenditure up to the reporting period | Amount spent : Direct or through implementing agency |
| | | | | | Direct expenditure on projects or programmes (A) | Overheads (B) | (6A + 6B) | | |
| **2 A. Education** | | | | | | | | | |
| 19 | Supporting for infrastructure development works at Govt. Seth Anandi Lal Poddar Deaf and Dumb Sr. Secondary School | Promoting Education including special education and employment enhancing vocation skills, especially among children, women, elderly and differently-abled and livelihood enhancement projects | Jaipur, Rajasthan | 1.16 | 0.22 | 0.01 | 0.23 | 1.07 | Anandi Lal Poddar Deaf & Dumb School, Jaipur |
| 20 | Establishment of Virtual Classrooms (VCR) at Government high schools to improve the quality of education | | Uttara Kannada, Tumakuru, Chikmagalur, Kodagu, Chamarajanagara, Udupi, Mandya, Bellary, Bagalkote, Vijayapura districts in Karnataka | 1.74 | 0.07 | 0.00 | 0.07 | 1.32 | Karnataka State Council for Science & Technology, Bangalore |
| 21 | Providing English learning programme in 10 government schools | | Aizawl district, Mizoram | 0.05 | 0.01 | 0.00 | 0.01 | 0.01 | Deputy Commissioner, Aizawl |
| 22 | Raising young innovators through the conceptual research experience | | 30 Government institutions of Telangana | 2.55 | 2.41 | 0.15 | 2.55 | 2.52 | T-Hub Foundation |
| 23 | Establishment of REC integrity clubs in 25 schools | | Pan India | 0.80 | 0.03 | 0.00 | 0.03 | 0.03 | Vigilance Division, REC |
| 24 | Improve learning outcomes in primary education to children studying in Govt. schools | | Azamgarh district, Uttar Pradesh | 1.31 | 1.05 | 0.06 | 1.11 | 1.10 | Research and Extension Association for Conservation Horticulture and Agro-forestry |
| | | | **Sub-total (A)** | **7.60** | **3.77** | **0.23** | **4.01** | **6.05** | |

(₹ in crore)

| (1) | (2) | (3) | (4) | (5) | (6) | | (7) | (8) | (9) |
|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | CSR Project or Activity identified | Sector in which the project is covered | Projects or programmes (1) Local area or other (2) Specify the State and district where projects or programmes was undertaken | Amount outlay (budget) project or programmes wise | Amount spent on the projects or programmes | | Total expenditure for the year | Cumulative expenditure up to the reporting period | Amount spent : Direct or through implementing agency |
| | | | | | Direct expenditure on projects or programmes (A) | Overheads (B) | (6A + 6B) | | |
| **2 B. Skill Development Training Projects** | | | | | | | | | |
| 25 | Job oriented skill development training programme for 500 youth from economically weaker section of society | Promoting Education including special education and employment enhancing vocation skills, especially among children, women, elderly and differently-abled and livelihood enhancement projects | Sirsa in Haryana and Kaushambi in Uttar Pradesh | 0.95 | 0.12 | 0.01 | 0.13 | 0.95 | HARDICON Limited, New Delhi |
| 26 | Job oriented skill development training programme for 500 youth from economically weaker section of society | | Murthal, Haryana | 3.02 | 1.21 | 0.07 | 1.28 | 3.02 | Central Institute of Plastic Engineering & Technology |
| 27 | Job oriented skill development training programme for 1,000 youth from economically weaker section of society | | Andhra Pradesh, Chhattisgarh, Tamil Nadu, Odisha, Telangana, and Jharkhand etc. | 2.69 | 0.59 | 0.04 | 0.63 | 1.54 | Indo-German Institute of Advanced Technology, Andhra Pradesh |
| 28 | Job oriented skill development training programme for 1,300 youth from economically weaker section of society | | Pithoragarh, Uttarakhand | 1.48 | 0.30 | 0.02 | 0.31 | 0.31 | Mahila Ashram Muwani, Pithoragarh |
| 29 | Job oriented skill development training to 880 women belonging to economically weaker section of society | | Gurdaspur, Punjab and Ghaziabad, Uttar Pradesh | 1.25 | 0.54 | 0.03 | 0.57 | 0.56 | Bisnouli Sarvodaya Gramodaya Sewa Sansthan |
| | | | **Sub-total (B)** | **9.38** | **2.76** | **0.17** | **2.93** | **6.38** | |
| | | | **Sub-total of Category 2** | **16.98** | **6.53** | **0.40** | **6.93** | **12.43** | |
| **3. Setting up Homes & hostels/ providing facilities to senior citizens** | | | | | | | | | |
| 30 | Providing skill development training to 100 Nos. of Self-Help groups (SHG) consisting of 10 women each | Promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups | Mewat, Haryana | 0.77 | 0.15 | 0.01 | 0.16 | 0.16 | Matrix Society for Social Services, Mewat |
| 31 | Construction and operation of 60 seater shelter home with wellness facility for the care of the elderly. | | Shey village, Leh-Ladakh, Jammu & Kashmir | 3.50 | 0.31 | 0.02 | 0.33 | 0.33 | Helpage India, New Delhi |
| 32 | Contribution to 'Swachh Kumbh Kosh' created for the benefit of sanitation workers engaged in Kumbh Mela | | Prayagraj, Uttar Pradesh | 2.00 | 2.00 | - | 2.00 | 2.00 | Prayagraj Mela Pradhikaran |
| | | | **Sub-total of Category 3** | **6.27** | **2.46** | **0.03** | **2.49** | **2.49** | |

(₹ in crore)

| (1) | (2) | (3) | (4) | (5) | (6) | | (7) | (8) | (9) |
|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | CSR Project or Activity identified | Sector in which the project is covered | Projects or programmes (1) Local area or other (2) Specify the State and district where projects or programmes was undertaken | Amount outlay (budget) project or programmes wise | Amount spent on the projects or programmes | | Total expenditure for the year | Cumulative expenditure up to the reporting period | Amount spent : Direct or through implementing agency |
| | | | | | Direct expenditure on projects or programmes (A) | Overheads (B) | (6A + 6B) | | |
| **4. Environmental Sustainability, Clean Ganga Fund etc.** | | | | | | | | | |
| 33 | Installation of solar power panels, in President Estate, New Delhi | Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air & water, including contribution to the Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga | President Estate, Rashtrapati Bhawan, New Delhi | 6.00 | 0.04 | 0.00 | 0.04 | 2.34 | REC Power Distribution Company Limited |
| 34 | Installation of 279 KWp solar PV panels and installation of 2,200 Nos. of LED lights in the IISc campus | | Indian Institute of Science Bangalore campus, Bangalore | 4.94 | 1.78 | 0.11 | 1.89 | 3.12 | Indian Institute of Science, Bangalore |
| 35 | Installation of 2 MW solar PV panel in the campus of IIT Madras | | IIT Madras Campus, Tamil Nadu | 14.50 | 0.84 | 0.05 | 0.89 | 9.89 | Indian Institute of Technology, Madras |
| 36 | Installation of 2 MW solar PV panel at campus of IIM, Tiruchirappalli | | IIM Tiruchirappalli campus, Tamil Nadu | 14.20 | 5.68 | 0.35 | 6.03 | 5.94 | Indian Institute of Management (IIM), Tiruchirappalli, Tamil Nadu |
| 37 | Installation of solar PV panel and micro grids in 5 villages under Smartgram project | | Alipur, Daulha, Harchandpur, Tajnagar villages in Gurgaon and Rojka Meo village in Mewat district, Haryana | 2.04 | 1.00 | 0.06 | 1.06 | 1.51 | Skill Council for Green Jobs, New Delhi |
| 38 | Installation of 445 solar based street lighting system and 145 solar high mast lights in rural areas | | Bareilly, Aonla, Bisalpur and Bareilly Cantt. regions of Uttar Pradesh | 2.38 | 1.81 | 0.11 | 1.92 | 1.90 | Energy Efficiency Services Limited, Noida |
| 39 | Installation of 50KWp grid connected solar PV panel at the campus of Information Technology Institute for the Tribes of India | | Jhajra, Dehradun, Uttarakhand | 0.34 | 0.03 | 0.00 | 0.04 | 0.04 | Swatantrata Senani Lokbandhu Rammurti Pawsey Sewa Nyas, Dehradun |
| 40 | Installation of solar PV panel of capacity 5 kWp each in 16 residential schools owned by the ST & SC Development Department of Govt of Odisha | | Kandhamal, Nabarangpur, Koraput, Rayagada, Bargarh, Sundargarh, Sambalpur, Bolangir & Keonjhar districts of Odisha | 1.97 | 0.03 | 0.00 | 0.03 | 1.70 | REC Power Distribution Company Limited |

(₹ in crore)

| (1) | (2) | (3) | (4) | (5) | (6) | | (7) | (8) | (9) |
|---|---|---|---|---|---|---|---|---|---|
| Sl. No. | CSR Project or Activity identified | Sector in which the project is covered | Projects or programmes (1) Local area or other (2) Specify the State and district where projects or programmes was undertaken | Amount outlay (budget) project or programmes wise | Amount spent on the projects or programmes | | Total expenditure for the year | Cumulative expenditure up to the reporting period | Amount spent : Direct or through implementing agency |
| | | | | | Direct expenditure on projects or programmes (A) | Overheads (B) | (6A + 6B) | | |
| 41 | Development and maintenance of public parks at Deen Dayal Upadhyay Marg, New Delhi | | New Delhi | 5.00 | 5.00 | 0.31 | 5.31 | 5.00 | CPWD, New Delhi |
| 42 | Conservation & sustainable management of bio resources of Andhra Pradesh | | Andhra Pradesh | 0.22 | 0.07 | 0.00 | 0.07 | 0.07 | Andhra Pradesh State Biodiversity Board |
| | | | **Sub-total of Category 4** | **51.59** | **16.27** | **1.00** | **17.27** | **31.51** | |
| **5. Protection of national heritage, art and culture** | | | | | | | | | |
| 43 | Assistance for contribution for construction of Statue of Unity in Sardar Sarovar Dam | Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art, setting up public libraries, promotion and development of traditional art and handicrafts. | Sardar Sarovar Dam, Gujarat | 12.50 | 12.50 | - | 12.50 | 12.50 | Sardar Vallabhbhai Patel Rashtriya Ekta Trust, Gandhinagar |
| | | | **Sub-total of Category 5** | **12.50** | **12.50** | **-** | **12.50** | **12.50** | |
| **6. Rural development project** | | | | | | | | | |
| 44 | Development of rural areas by deepening of wells, renovation & construction of check dams and organizing medical camps | Rural development project | Udaipur, Banswara and Pratapgarh district of Rajasthan | 1.69 | 0.84 | 0.05 | 0.89 | 0.88 | Rajasthan Vanvasi Kalayan Parishad, Udaipur |
| 45 | Construction of multipurpose hall cum indoor stadium in a village | | Ukhrul district, Manipur | 4.04 | 0.59 | 0.04 | 0.63 | 0.62 | North Eastern Region Community Resource Management Society |
| 46 | Community development awareness program for ultimate utilization of the naturally available nutrition, food and energy around the communities | | Meghalaya and Nagaland | 9.41 | 3.29 | 0.20 | 3.49 | 3.45 | North East Slow Food & Agrobiodiversity Society |
| 47 | Rural Development Works like construction of community hall, PCC Road, Conduits, Yatri Shed, installation of LED Lights, RO Plants etc. | | Villages in Arrah, Koilwar & Barhara Blocks in Bhojpur District, Bihar | 18.70 | 14.89 | 0.91 | 15.81 | 14.89 | NHPC Limited (NHPC), New Delhi |
| | | | **Sub-total of Category 6** | **33.83** | **19.62** | **1.20** | **20.83** | **19.84** | |
| | | | **Total for the year (1 to 6)** | **382.60** | **98.83** | **4.56** | **103.39** | **281.41** | |

ANNEXURE -VII TO BOARD'S REPORT

# FORM NO. MGT-9

## EXTRACT OF ANNUAL RETURN (as on the financial year ended on March 31, 2019)

**[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]**

### I. REGISTRATION AND OTHER DETAILS

| | | |
|---|---|---|
| (i) | CIN | L40101DL1969GOI005095 |
| (ii) | Registration Date | July 25, 1969 |
| (iii) | Name of the Company | REC Limited (Formerly Rural Electrification Corporation Limited) |
| (iv) | Category/Sub-Category of the Company | Company Limited by Shares / Union Government Company |
| (v) | Address of the Registered Office and Contact Details- | Core-4, SCOPE Complex, 7 Lodhi Road, New Delhi-110003, India.<br>Phone No.: + 91 11 24365161 Fax No.: + 91 11 24360644<br>Email: complianceofficer@recl.in; Website: www.recindia.com |
| (vi) | Whether Listed Company (Yes/ No) | Yes |
| (vii) | Name, Address and Contact Details of Registrar and Transfer Agent, if any- | Karvy Fintech Private Limited (Formerly Karvy Computershare Private Limited)<br>Karvy Selenium Tower-B, Plot 31-32,<br>Gachibowli Financial District, Nanakramguda, Hyderabad-500032, India.<br>Phone No.:- +91 040 6716 2222 Fax No. + 91 040 23001153<br>Email: balaji.reddy@karvy.com; raju.sv@karvy.com, einward.ris@karvy.com<br>Website: www.karvyfintech.com |

### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company shall be stated:-

| Sl. No. | Name and Description of main products/ services | NIC Code of the Product/ Service | % to total turnover of the Company |
|---|---|---|---|
| 1 | Other Financial Services and Activities - Other Credit Granting | 64920 | 100% |

**Note:** The Company is a Non Banking Financial Company (NBFC) registered with the Reserve Bank of India (RBI), categorized as Infrastructure Finance Company (IFC) and the Company is engaged in the business of providing finance for power sector.

### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES AS ON MARCH 31, 2019

| Sl. No. | Name of the Company | Address of the Registered Office | CIN/GLN | Holding/ Subsidiary/ Associate | % of Shares held | Applicable Section |
|---|---|---|---|---|---|---|
| 1 | Power Finance Corporation Limited | 'URJANIDHI', 1, Barakhamba Lane, Connaught Place, New Delhi - 110001 | L65910DL1986GOI024862 | Holding | 52.63% | 2(46) |
| 2 | REC Power Distribution Company Limited | Core-4, SCOPE Complex, 7 Lodhi Road, New Delhi - 110003 | U40101DL2007GOI165779 | Subsidiary | 100% | 2(87) |
| 2 | REC Transmission Projects Company Limited | | U40101DL2007GOI157558 | Subsidiary | 100% | 2(87) |
| 3 | Dinchang Transmission Limited | | U40300DL2015GOI288066 | Subsidiary | Wholly Owned Subsidiaries of REC Transmission Projects Company Limited (RECTPCL) | 2(87) |
| 4 | Chandil Transmission Limited | | U40108DL2018GOI330905 | Subsidiary | | 2(87) |
| 5 | Koderma Transmission Limited | | U40300DL2018GOI331192 | Subsidiary | | 2(87) |
| 6 | Dumka Transmission Limited | | U40300DL2018GOI331490 | Subsidiary | | 2(87) |
| 7 | Mandar Transmission Limited | | U40101DL2018GOI331526 | Subsidiary | | 2(87) |
| 8 | Udupi Kasargode Transmission Limited | | U40100DL2018GOI342365 | Subsidiary | | 2(87) |
| 9 | Bhind Guna Transmission Limited | | U40300DL2018GOI338734 | Subsidiary | | 2(87) |
| 10 | Jam Khambaliya Transco Limited | | U40105DL2019GOI347089 | Subsidiary | | 2(87) |
| 11 | Khetri Transco Limited | | U40100DL2019GOI347127 | Subsidiary | | 2(87) |
| 12 | Ajmer Phagi Transco Limited | | U40101DL2019GOI347423 | Subsidiary | | 2(87) |
| 13 | Lakadia Banaskantha Transco Limited | | U40107DL2019GOI347428 | Subsidiary | | 2(87) |
| 14 | WRSS XXI (A) Transco Limited | | U40107DL2019GOI347713 | Subsidiary | | 2(87) |
| 15 | Energy Efficiency Services Limited (Joint Venture Company) | 4th Floor, Sewa Bhawan, R.K Puram, New Delhi - 110066 | U40200DL2009PLC196789 | Associate | 21.70% (See Note on next page) | 2(6) |

**Note:** REC has paid an amount of ₹71.60 crore on April 8, 2019 as Share Application money towards subscription to right issue of Energy Efficiency Services Limited.

## IV SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

### (i) Category-wise Share Holding

| Category of Shareholder | | No. of shares held at the beginning of the year (April 1, 2018) | | | | No. of shares held at the end of the year (March 31, 2019) | | | | % change during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| (I) | (II) | (III) | (IV) | (V) | (VI) | (VII) | (VIII) | (IX) | (X) | (XI) |
| **(A)** | **PROMOTER** | | | | | | | | | |
| **(1)** | **INDIAN** | | | | | | | | | |
| (a) | Individual /HUF | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (b) | Central Government | 1,15,16,78,783 | 0 | 1,15,16,78,783 | 58.32 | 0 | 0 | 0 | 0 | (58.32) |
| (c) | State Government(s) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (d) | Bodies Corporate | 0 | 0 | 0 | 0 | 1,03,94,95,247 | 0 | 1,03,94,95,247* | 52.63 | 52.63 |
| (e) | Banks/FI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (f) | Any Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Sub-Total (A) (1) :** | **1,15,16,78,783** | **0** | **1,15,16,78,783** | **58.32** | **1,03,94,95,247** | **0** | **1,03,94,95,247** | **52.63** | **(5.69)** |
| **(2)** | **FOREIGN** | | | | | | | | | |
| (a) | NRIs-Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (b) | Other-Individuals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (c) | Bodies Corporate | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (d) | Banks/FI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (e) | Qualified Foreign Investors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (f) | Any Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Sub-Total (A)(2) :** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | **Total Shareholding of Promoters A=A(1)+A(2)** | **1,15,16,78,783** | **0** | **1,15,16,78,783** | **58.32** | **1,03,94,95,247** | **0** | **1,03,94,95,247** | **52.63** | **(5.69)** |
| **(B)** | **PUBLIC SHAREHOLDING** | | | | | | | | | |
| **(1)** | **Institutions** | | | | | | | | | |
| (a) | Mutual Funds/UTI | 9,48,01,528 | 0 | 9,48,01,528 | 4.80 | 20,43,49,699 | 0 | 20,43,49,699 | 10.35 | 5.55 |
| (b) | Financial Institutions/Banks | 91,43,671 | 0 | 91,43,671 | 0.46 | 82,81,113 | 0 | 82,81,113 | 0.42 | (0.04) |
| (c) | Central/ State Government | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (d) | Venture Capital Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (e) | Insurance Companies | 6,71,71,496 | 0 | 6,71,71,496 | 3.40 | 6,17,62,206 | 0 | 6,17,62,206 | 3.13 | (0.27) |
| (f) | FIIs/FPIs | 45,77,35,673 | 0 | 45,77,35,673 | 23.18 | 49,95,96,483 | 0 | 49,95,96,483 | 25.30 | 2.12 |
| (g) | Foreign Venture Capital Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (h) | Qualified Foreign Investors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (i) | Others (specified below) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Sub-Total (B) (1) :** | **62,88,52,368** | **0** | **62,88,52,368** | **31.84** | **77,39,89,501** | **0** | **77,39,89,501** | **39.19** | **7.35** |
| **(2)** | **NON-INSTITUTIONS** | | | | | | | | | |
| (a) | Bodies Corporate | 3,20,17,475 | 0 | 3,20,17,475 | 1.62 | 1,91,21,836 | 0 | 1,91,21,836 | 0.97 | (0.65) |
| (i) | Indian | 3,20,17,475 | 0 | 3,20,17,475 | 1.62 | 1,91,21,836 | 0 | 1,91,21,836 | 0.97 | (0.65) |
| (ii) | Overseas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| (b) | Individuals | 14,12,82,153 | 56,187 | 14,13,38,340 | 7.16 | 12,30,15,367 | 43,189 | 12,30,58,556 | 6.23 | (0.93) |
| | (i) Individuals shareholders holding nominal share capital upto ₹1 Lakh | 10,56,05,670 | 56,187 | 10,56,61,857 | 5.35 | 9,45,68,435 | 43,189 | 9,46,11,624 | 4.79 | (0.56) |
| | (ii) Individuals shareholders holding nominal share capital in excess of ₹1 Lakh | 3,56,76,483 | 0 | 3,56,76,483 | 1.81 | 2,84,46,932 | - | 2,84,46,932 | 1.44 | (0.37) |
| (c) | Others (specified below) | **2,10,31,034** | **0** | **2,10,31,034** | **1.06** | **1,92,52,860** | **0** | **1,92,52,860** | **0.97** | **(0.08)** |
| | Clearing Members | 99,42,990 | 0 | 99,42,990 | 0.50 | 83,35,517 | 0 | 83,35,517 | 0.42 | (0.08) |
| | Foreign Nationals | 1,29,000 | | 1,29,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| | IEPF | 54,751 | 0 | 54,751 | 0 | 89,794 | 0 | 89,794 | 0 | 0 |
| | NBFCs registered with RBI | 1,66,202 | 0 | 1,66,202 | 0.01 | 14,793 | 0 | 14,793 | 0 | (0.01) |

| Category of Shareholder | | No. of shares held at the beginning of the year (April 1, 2018) | | | | No. of shares held at the end of the year (March 31, 2019) | | | | % change during the year |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Demat | Physical | Total | % of Total Shares | Demat | Physical | Total | % of Total Shares | |
| (I) | (II) | (III) | (IV) | (V) | (VI) | (VII) | (VIII) | (IX) | (X) | (XI) |
| | Non Resident Indians-NRI | 37,61,419 | 0 | 37,61,419 | 0.19 | 37,93,231 | 0 | 37,93,231 | 0.19 | 0 |
| | NRI Non-Repatriation | 19,85,525 | 0 | 19,85,525 | 0.10 | 13,84,708 | 0 | 13,84,708 | 0.07 | (0.03) |
| | Alternate Investment Fund | 1,30,000 | 0 | 1,30,000 | 0 | 1,50,000 | 0 | 1,50,000 | 0.01 | 0.01 |
| | Trusts | 49,91,147 | 0 | 49,91,147 | 0.25 | 54,84,817 | 0 | 54,84,817 | 0.28 | 0.02 |
| | **Sub-Total (B) (2) :** | **19,43,30,662** | **56,187** | **19,43,86,849** | **9.83** | **16,13,90,063** | **43,189** | **16,14,33,252** | **8.17** | **(1.66)** |
| | **Total Public Shareholding (B)=(B) (1)+B (2) :** | **82,31,83,030** | **56,187** | **82,32,39,217** | **41.68** | **93,53,79,564** | **43,189** | **93,54,22,753** | **47.37** | **5.69** |
| (C) | **Shares held by custodians for GDRs & ADRs** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | **Sub-Total (C) :** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** | **0** |
| | **Grand Total (A+B+C) :** | **1,97,48,61,813** | **56,187** | **1,97,49,18,000** | **100.00** | **1,97,48,74,811** | **43,189** | **1,97,49,18,000** | **100.00** | **0** |

** As on April 1, 2018; 95,904 equity shares held by PFC in REC, was under the 'Public Category (Bodies Corporate)'.*

### (ii) Shareholding of Promoters

| Sl. No. | Shareholder's Name | Shareholding at the beginning of the year (April 1, 2018) | | | Shareholding at the end of the year (March 31, 2019) | | | % change in shareholding during the year |
|---|---|---|---|---|---|---|---|---|
| | | No. of Shares | % of Total Shares of the Company | % of Shares Pledged/ encumbered to total shares | No. of Shares | % of Total Shares of the Company | % of Shares Pledged/ encumbered to total shares | |
| 1 | President of India | 1,15,16,78,783 | 58.32 | 0 | 0 | 0 | 0 | (58.32) |
| 2 | Power Finance Corporation Limited | 95,904 | Negligible | 0 | 1,03,94,95,247 | 52.63 | 0 | 52.63 |
| | **Total** | **1,15,17,74,687** | **58.32** | **0** | **1,03,94,95,247** | **52.63** | **0** | **(5.69)** |

### (iii) Change in Promoters' Shareholding

| Sl. No. | Particulars | | Shareholding at the beginning of the year (April 1, 2018) | | Cumulative shareholding during the year (April 1, 2018 to March 31, 2019) | |
|---|---|---|---|---|---|---|
| | | | No. of Shares | % of total shares of the Company | No. of Shares | % of total shares of the Company |
| 1 | President of India | | | | | |
| | At the beginning of the year | | 1,15,16,78,783 | 58.32 | | |
| | Date wise Increase/Decrease in Promoters' Shareholding during the year specifying the reasons for increase/ decrease | | | | | |
| | **Date** | **Reason for Increase/ decrease** | | | | |
| | June 18, 2018 | Sale (See Note 1 below) | | | 64,73,244 | (0.33) |
| | December 4, 2018 | Sale (See Note 2 below) | | | 10,14,70,139 | (5.14) |
| | February 21, 2019 | Sale (See Note 3 below) | | | 43,36,057 | (0.22) |
| | March 28, 2019 | Sale (See Note 4 below) | | | 1,03,93,99,343 | (52.63) |
| | At the end of the year | | | | 0 | 0 |
| 2 | Power Finance Corporation Limited | | 95,904 | Negligible | | |
| | At the beginning of the year | | | | | |
| | Date wise Increase/Decrease in Promoters' Shareholding during the year specifying the reasons for increase/ decrease | | | | | |
| | **Date** | **Reason for Increase/ decrease** | | | | |
| | March 28, 2019 | Purchase (See Note 4 below) | | | 1,03,93,99,343 | 52.63 |
| | At the end of the year | | | | 1,03,94,95,247 | 52.63 |

**Notes:**

1 The President of India acting through Ministry of Power, Government of India divested/sold 64,73,244 equity shares i.e. 0.33% of total paid up capital of the Company on June 18, 2018 through off market sale of shares under 'Bharat 22 Exchange Traded Fund'.

2 The President of India on December 4, 2018, further divested/sold 10,14,70,139 equity shares i.e. 5.14% of total paid up capital of the Company through off market sale under third Further Fund Offer (FFO 3) of CPSE ETF Mutual Fund Scheme.

3 The President of India on February 21, 2019, further divested/sold 43,36,057 equity shares of face value ₹10/- each i.e. 0.22% of total paid up capital of the Company, to ICICI Prudential Asset Management Company Limited, the Asset Management Company of Bharat 22 ETF Scheme.

4 Further, in line with the "in-principle" approval on December 6, 2018 of the Cabinet Committee on Economic Affairs and subsequently in terms of Share Purchase Agreement entered between the President of India acting through Ministry of Power, Government of India with Power Finance Corporation Limited (PFC) on March 20, 2019, the President of India on March 28, 2019 has divested/sold its entire shareholding in REC Limited, comprising of 1,03,93,99,343 equity shares of face value ₹10/- each i.e. 52.63% of total paid up capital of the Company, to PFC.

**(iv) Shareholding Pattern of Top Ten Shareholders (Other Than Directors, Promoters & Promoters' Group and holders of GDRs and ADRs)**

| Sl. No. | Name of the Shareholder | Shareholding at the beginning of the year (April 1, 2018) | | Net Increase / Decrease in shareholding (Refer Notes) | | Cumulative Shareholding at the end of the year (March 31, 2019) | |
|---|---|---|---|---|---|---|---|
| | | No. of shares | % of total shares of the Company | Increase | Decrease | No. of shares | % of total shares of the Company |
| 1 | CPSE ETF# | 0 | 0 | 7,04,82,201 | - | 7,04,82,201 | 3.57 |
| 2 | HDFC Trustee Company Limited - HDFC Prudence Fund* | 2,06,65,000 | 1.05 | 2,48,75,000 | - | 4,55,40,000 | 2.31 |
| 3 | Life Insurance Corporation of India* | 4,53,59,430 | 2.30 | - | - | 4,53,59,430 | 2.30 |
| 4 | HDFC Trustee Company Limited-HDFC Equity Fund* | 1,49,60,900 | 0.76 | 2,15,58,800 | - | 3,65,19,700 | 1.85 |
| 5 | The Prudential Assurance Company Limited* | 3,87,71,824 | 1.96 | - | 1,22,04,101 | 2,65,67,723 | 1.35 |
| 6 | India Capital Fund Limited* | 1,13,90,000 | 0.58 | 73,28,888 | | 1,87,18,888 | 0.95 |
| 7 | Eastspring Investments - Developed and Emerging AS* | 1,89,49,880 | 0.96 | - | 32,15,465 | 1,57,34,415 | 0.80 |
| 8 | HDFC Trustee Company Ltd. A/c HDFC Top 100 Fund# | 78,34,538 | 0.40 | 77,37,999 | - | 1,55,72,537 | 0.79 |
| 9 | HDFC Trustee Company Ltd - A/c HDFC Mid - Cap Opportunities Fund# | 0 | 0 | 1,43,96,500 | - | 1,43,96,500 | 0.73 |
| 10 | Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds* | 1,18,88,245 | 0.60 | - | 12,81,489 | 1,06,06,756 | 0.54 |
| 11 | CPSE ETF@ | 1,83,39,388 | 0.93 | - | 1,83,39,388 | 0 | 0 |
| 12 | East Bridge Capital Master Fund Limited@ | 1,27,37,653 | 0.64 | - | 1,27,37,653 | 0 | 0 |
| 13 | BNP Paribas Arbitrage@ | 1,35,89,214 | 0.69 | - | 1,35,42,575 | 46,639 | Negligible |

(* denotes position in Top 10 shareholders as on April 1, 2018 and March 31, 2019; @ denotes position in Top 10 shareholders as on April 1, 2018 only; and # denotes position in Top 10 shareholders as on March 31, 2019 only.)

**Note:** The shares of the Company are traded on a daily basis and hence, the date-wise increase / decrease in shareholding is not indicated.

## (v) SHAREHOLDING OF DIRECTORS AND KEY MANAGERIAL PERSONNEL (KMP)

| Sl. No. | Name of the Director / KMP | Shareholding at the beginning of the year (April 1, 2018) | | Cumulative shareholding at the end of the year (March 31, 2019) | |
|---|---|---|---|---|---|
| | | No. of Shares | % of total shares of the Company | No. of Shares | % of total shares of the Company |
| **1** | **Dr. P V Ramesh, Chairman & Managing Director (ceased to be CMD w.e.f March 6, 2019)** | | | | |
| | At the beginning of the year | 0 | 0 | | |
| | Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase / decrease | No change | | | |
| | As on date of cessation | | | 0 | 0 |
| **2** | **Shri Ajeet Kumar Agarwal, Chairman & Managing Director & Director (Finance)** | | | | |
| | At the beginning of the year | 484 | Negligible | | |
| | Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase / decrease | No change | | | |
| | At the end of the year | | | 484 | Negligible |
| **3** | **Shri Sanjeev Kumar Gupta, Director (Technical)** | | | | |
| | At the beginning of the year | 0 | 0 | | |
| | Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase / decrease | No change | | | |
| | At the end of the year | | | 0 | 0 |
| **4** | **Dr. Arun Kumar Verma, Government Nominee Director** | | | | |
| | At the beginning of the year | 0 | 0 | | |
| | Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase / decrease | No change | | | |
| | At the end of the year | | | 0 | 0 |
| **5** | **Shri A. Krishna Kumar, Independent Director** | | | | |
| | At the beginning of the year | 0 | 0 | | |
| | Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase / decrease | No change | | | |
| | At the end of the year | | | 0 | 0 |
| **6** | **Prof. T.T Ram Mohan, Independent Director** | | | | |
| | At the beginning of the year | 0 | 0 | | |
| | Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase / decrease | No change | | | |
| | At the end of the year | | | 0 | 0 |
| **7** | **Smt. Asha Swarup, Independent Director** | | | | |
| | At the beginning of the year | 0 | 0 | | |
| | Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase / decrease | No change | | | |
| | At the end of the year | | | 0 | 0 |

| Sl. No. | Name of the Director / KMP | Shareholding at the beginning of the year (April 1, 2018) | | Cumulative shareholding at the end of the year (March 31, 2019) | |
|---|---|---|---|---|---|
| | | No. of Shares | % of total shares of the Company | No. of Shares | % of total shares of the Company |
| **8** | **Dr. B. K. Karad, Independent Director (Director w.e.f. July 17, 2018)** | | | | |
| | As on date of appointment | 0 | 0 | | |
| | Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase / decrease | No change | | | |
| | At the end of the year | | | 0 | 0 |
| **9** | **Shri Jyoti Shubhra Amitabh, Company Secretary (KMP)** | | | | |
| | At the beginning of the year | 2,242 | Negligible | | |
| | Date wise Increase/Decrease in Shareholding during the year specifying the reasons for increase / decrease | No change | | | |
| | At the end of the year | | | 2,242 | Negligible |

**Note:-**

1 During the financial year 2017-18, Dr. B. K. Karad (DIN: 00998839), Independent Director of REC,on the Board of the Company w.e.f. July 17, 2018.

2 The Ministry of Power, Government of India vide its Order No. 20/6/2017-Coord. dated November 22, 2018; has re-appointed Shri A. Krishna Kumar and Prof. T. T. Ram Mohan as Part time Non Official Independent Directors on the Board of REC for a period of one year from the date of completion of their earlier tenure i.e. till November 12, 2019 or until further orders, whichever is earlier.

## V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(₹ in crore)

| Particulars | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|---|---|---|---|
| **Indebtedness at the beginning of the financial year** | | | | |
| i) Principal Amount | 58,892.13 | 1,39,899.46 | - | 1,98,791.59 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 2,287.02 | 3,802.08 | - | 6,089.10 |
| iv) Ind AS adjustment on Principal (Opening) | -64.98 | -376.80 | - | -441.78 |
| **Total (i+ii+iii+iv)** | **61,114.17** | **1,43,324.74** | **-** | **2,04,438.91** |
| **Change in Indebtedness during the financial year** | | | | |
| **i) Principal Amount** | | | | |
| • Addition | 6,651.50 | 82,803.39 | - | 89,454.89 |
| • Reduction | 17,795.90 | 32,396.21 | - | 50,192.11 |
| • Foreign Exchange Gain/loss | - | 1,232.08 | - | 1,232.08 |
| Ind AS adjustment on Principal Positive/Negative | 7.08 | 1,069.12 | - | 1,062.04 |
| **Net Change in Principal Amount (i)** | **-11,137.32** | **50,570.14** | **-** | **39,432.82** |
| **ii) Interest due but not paid** | | | | |
| • Addition | - | - | - | - |
| • Reduction | - | - | - | - |
| **Net Change in Interest due but not paid (ii)** | **-** | **-** | **-** | **-** |

(₹ in crore)

| Particulars | Secured Loans excluding deposits | Unsecured Loans | Deposits | Total Indebtedness |
|---|---|---|---|---|
| **iii) Interest accrued but not due** | | | | |
| • Addition | 4,009.66 | 10,301.88 | - | 14,311.54 |
| • Reduction | 4,366.61 | 9,599.74 | - | 13,966.35 |
| • Foreign Exchange Gain/loss | - | -4.61 | - | -4.61 |
| **Net Change in Interest accrued but not due (iii)** | **-356.95** | **706.75** | **-** | **340.58** |
| **Total Net Change (i+ii+iii)** | **-11,494.27** | **51,276.89** | **-** | **39,773.40** |
| **Indebtedness at the end of the financial year** | | | | |
| i) Principal Amount | 47,747.73 | 1,91,538.72 | - | 2,39,286.45 |
| ii) Interest due but not paid | - | - | - | - |
| iii) Interest accrued but not due | 1,930.07 | 4,508.83 | - | 6,438.90 |
| iv) Ind AS adjustment on Principal (Closing) | -57.90 | -1,346.36 | - | -1,404.26 |
| **Total (i+ii+iii)** | **49,619.90** | **1,94,701.19** | **-** | **2,44,321.09** |

**Notes:**

1. Commercial Papers and Working Capital Demand Loan raised and redeemed during the year has not been considered in "Addition / Reduction" head.
2. In respect of Zero Coupon Bonds, interest accrued but not due of ₹96.97 crore has been included in principal amount instead of inclusion of the same in interest accrued but not due.
3. Change in indebtedness includes change in principal and interest during the year.

## VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

### A. Remuneration to Managing Director, Whole Time Directors and/or Manager

(Amount in ₹)

| Sl. No. | Particulars of Remuneration | Dr. P V Ramesh, CMD (ceased to be CMD w.e.f March 6, 2019) | Shri Ajeet Kumar Agarwal CMD & Director (Finance) | Shri Sanjeev Kumar Gupta Director (Technical) | Total |
|---|---|---|---|---|---|
| 1 | Gross Salary | | | | |
| | a) Salary as per provisions contained in Section 17 (1) of the Income Tax Act, 1961 | 29,34,000 | 67,75,921 | 67,56,012 | 1,64,65,933 |
| | b) Value of Perquisites under Section 17 (2) of the Income Tax Act, 1961 | 6,942 | 10,12,872 | 10,93,455 | 21,13,269 |
| | c) Profits in lieu of salary under Section 17 (3) of the Income Tax Act, 1961 | NIL | NIL | NIL | NIL |
| 2 | Stock Option | NIL | NIL | NIL | NIL |
| 3 | Sweat Equity | NIL | NIL | NIL | NIL |
| 4 | Commission | | | | |
| | - as % of profit | NIL | NIL | NIL | NIL |
| | - others | NIL | NIL | NIL | NIL |
| 5 | Others, as specified below | | | | |
| | - Employer Contribution towards Provident Fund | NIL | 3,94,478 | 3,93,946 | 7,88,424 |
| | - Employer Contribution towards Pension Fund {(amount over and above ₹1,50,000 has been included in perquisites u/s 17 (2)} | NIL | Include in Section 17(1) Salary | Include in Section 17(1) Salary | - |
| | **Total (A)** | **29,40,942** | **81,83,271** | **82,43,413** | **1,93,67,626** |
| | Ceiling as per the Act # | # The ceiling for managerial remuneration is not applicable for Government Companies as per MCA Notification dated June 5, 2015. | | | |

**Note:** REC, being a Government Company, the role of CEO and CFO is being performed by "CMD" and "Director (Finance)" of the Company, respectively.

**B. Remuneration to other Directors**

(Amount in ₹)

| S. No. | Particulars of Remuneration | Independent Directors | | | | Government Nominee Director | Total |
|---|---|---|---|---|---|---|---|
| | | Shri A. Krishna Kumar | Prof. T.T. Ram Mohan | Smt. Asha Swarup | Dr. B. K. Karad, (Director w.e.f July 17, 2018) | Dr. Arun Kumar Verma | |
| 1 | **Independent Directors** | | | | | | |
| | • Fee for attending Board/Committee meetings | 7,40,000 | 5,60,000 | 6,60,000 | 4,20,000 | NIL | 23,80,000 |
| | • Commission | NIL | NIL | NIL | NIL | NIL | NIL |
| | • Others | NIL | NIL | NIL | NIL | NIL | NIL |
| | **Total (1)** | **7,40,000** | **5,60,000** | **6,60,000** | **4,20,000** | **NIL** | **23,80,000** |
| 2 | **Other Non- Executive Directors** | | | | | | |
| | • Fee for attending Board/ Committee meetings | NIL | NIL | NIL | NIL | NIL | NIL |
| | • Commission | NIL | NIL | NIL | NIL | NIL | NIL |
| | • Other | NIL | NIL | NIL | NIL | NIL | NIL |
| | **Total (2)** | **NIL** | **NIL** | **NIL** | **NIL** | **NIL** | **NIL** |
| | **Total (B) =(1+2)** | **7,40,000** | **5,60,000** | **6,60,000** | **4,20,000** | **NIL** | **23,80,000** |
| | **Total Managerial Remuneration (A+B)** | | | | | | **2,17,47,626** |
| | Overall Ceiling as per the Act | Exempt for Government Companies as per MCA Notification dated June 5, 2015. | | | | | |

**Notes:** 1. Besides payment of sitting fee to Independent Directors for attending the meetings of Board / Committees thereof, Company is also bearing expenses relating to their air tickets, hotel accommodation, hiring of vehicle, out of pocket expenses and other local conveyance, etc.

2. Fee paid to Shri A Krishna Kumar includes an amount of ₹40,000/- paid for attending a meeting of IT Strategy Committee, which is not a Board Level Committee.

**C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD**

(Amount in ₹)

| Sl. No. | Particulars of Remuneration | Company Secretary (Shri J.S. Amitabh) |
|---|---|---|
| 1 | Gross Salary | |
| a) | Salary as per provisions contained in Section 17 (1) of the Income Tax Act 1961 | 64,55,331 |
| b) | Value of Perquisites under Section 17 (2) of the Income Tax Act, 1961 | 2,00,065 |
| c) | Profits in lieu of salary under Section 17 (3) of the Income Tax Act, 1961 | NIL |
| 2 | Stock Option | NIL |
| 3 | Sweat Equity | NIL |
| 4 | Commission | |
| | - as % of profit | NIL |
| | - others | NIL |
| 5 | Others, as specified below | |
| | - Employer Contribution towards Provident Fund | 3,78,433 |
| | - Employer Contribution towards Pension Fund (amount over and above ₹1,50,000 has been included in perquisites u/s 17 (2)) | Included in section 17(1) Salary |
| | **Total (C)** | **70,33,829** |

**VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:**

| Sl. No. | Type | Section of the Companies Act | Brief Description | Details of Penalty / Punishment / Compounding fees imposed | Authority [RD / NCLT / Court] | Appeal made, if any (give details) |
|---|---|---|---|---|---|---|
| **A.** | **COMPANY** | | | | | |
| | Penalty | | | None | | |
| | Punishment | | | | | |
| | Compounding | | | | | |
| **B.** | **DIRECTORS** | | | | | |
| | Penalty | | | None | | |
| | Punishment | | | | | |
| | Compounding | | | | | |
| **C.** | **OTHER OFFICERS IN DEFAULT** | | | | | |
| | Penalty | | | None | | |
| | Punishment | | | | | |
| | Compounding | | | | | |

**For and on behalf of the Board of Directors**



**Ajeet Kumar Agarwal**
**CMD & Director (Finance)**
**(DIN: 02231613)**

**Place: New Delhi**
**Date : July 22, 2019**

# FORM No. AOC-2

**(Pursuant to clause (h) of sub-section (3) of Section 134 of the Companies Act, 2013 and Rule 8(2) of the Companies (Accounts) Rules, 2014)**
Disclosure of particulars of contracts/arrangements entered by REC Limited with its related parties (as per Section 188(1) of the Companies Act, 2013)

## 1. Details of contracts or arrangements or transactions not at arm's length basis:

| Name(s) of the related party and nature of relationship | Nature of contracts/ arrangements/ transactions | Duration of the contracts / arrangements / transactions | Salient terms of the contracts or arrangements or transactions including the value, if any | Justification for entering into such contracts or arrangements or transactions | Date(s) of approval by the Board | Amount paid as advances, if any | Date on which the special resolution was passed in general meeting as required under first proviso to Section 188 |
|---|---|---|---|---|---|---|---|
| REC Transmission Projects Company Limited (RECTPCL)<br>(Wholly-Owned Subsidiary of REC) | Appointment as a Consultant for preparation of Detailed Project Reports. | 6-7 months | Appointment as Consultant for preparation of DPR of Maharashtra State Electricity Distribution Company Limited (MSEDCL) projects, having financial implication of approximately ₹1.60 crore (excluding taxes), subject to actual cost charged by the agency to be appointed by RECTPCL, at a nominal fee of ₹10 Lakh. | In view of urgency and long standing relation with MSEDCL, it was decided to appoint RECTPCL on nomination basis, for this assignment. | May 28, 2018 | NIL | Not Required |
| | | -- | Appointment of RECTPCL as a consultant, on nomination basis, at a nominal fee of ₹10 Lakh to meet their administrative costs, for carrying out all activities related to preparation of DPR for implementation of Solar Power Projects by Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL) in their existing thermal plants, having a financial implication of approx. ₹50 Lakh (excluding taxes). | RECTPCL is a leading consultant in various fields of Power Sector and is capable of handling consultancy work of preparation of solar DPRs for RRVUNL for implementation of Solar Power Projects in their existing thermal plants, in a time bound manner. | October 12, 2018 | NIL | |
| REC Power Distribution Company Limited (RECPDCL)<br>(Wholly-Owned Subsidiary of REC) | Day to day monitoring of electrification of UE villages. | -- | Sanction of additional amount of ₹3.08 crore, incurred up to April, 2018, towards day to day monitoring of electrification of un-electrified villages under DDUGJY, executed through RECPDCL, on nomination and cost plus basis, to be borne out of 0.5% service charges of REC under DDUGJY. | Increase in expenses due to execution of works in extreme remote areas, tough terrain, LWE affected areas and monitoring of electrification of non-GARV villages which was not envisaged earlier. | September 14, 2018 | NIL | Not Required |

**2. Details of material contracts or arrangement or transactions at arm's length basis:** No material contracts or arrangements or transactions were entered by the Company with any Related Party, during the period under review.

**For and on behalf of the Board of Directors**

**(Ajeet Kumar Agarwal)**
**CMD & Director (Finance)**
**(DIN: 02231613)**

**Place : New Delhi**
**Date : July 22, 2019**

# DETAILS OF DEBENTURE TRUSTEES APPOINTED BY THE COMPANY FOR DIFFERENT BOND SERIES AS ON MARCH 31, 2019

**{IN TERMS OF REGULATION 53 OF SEBI (LISTING OBLIGATIONS & DISCLOSURE REQUIREMENTS) REGULATIONS, 2015}**

| Sl. No. | Name & Address of Debenture Trustee | ISIN | Series No. | Secured/ Unsecured | Redemption Date (DD/MM/YYYY) | Coupon Rate | Listed at | | Registrar & Transfer Agent |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | NSE | BSE | |
| 1 | IDBI Trusteeship Services Limited,<br>Asian Building, Ground Floor,<br>17 R, Kamani Marg, Ballard Estate,<br>Mumbai-400001<br>Contact : Mr. Ajit Guruji<br>Phone : 022-40807001<br>Fax No. : 022-66311776<br>E mail : ajit.guruji@idbitrustee.com,<br>response@idbitrustee.com<br>Website : www.idbitrustee.com | INE020B08500 | Infra Bonds Series-I (2010-11) | Unsecured | 31/03/2021 | 8.00% | Yes | No | Beetal Financial & Computer Services (P) Limited,<br>Beetal House, 3rd Floor,<br>99 Madangir,<br>Behind Local Shopping Centre,<br>Near Dada Harsukhdas Mandir,<br>New Delhi-110062<br>Contact : Mr. Sanjay Rastogi<br>Phone : 011-29961281-83<br>Fax : 011-29961284<br>Email : recbonds1969@gmail.com<br>beetal@beetalfinancial.com |
| | | INE020B08518 | | Unsecured | 31/03/2020 | 8.10% | Yes | No | |
| | | INE020B08526 | | Unsecured | 31/03/2021 | 8.20% | Yes | No | |
| | | INE020B08534 | | Unsecured | 31/03/2020 | 8.20% | Yes | No | |
| | | INE020B07EP5 | 90 | Secured | 03/08/2019 | 8.80% | Yes | No | |
| | | INE020B07ER1 | 90B-II | Secured | 04/09/2019 | 8.72% | Yes | No | |
| | | INE020B07EV3 | 90C-II | Secured | 07/10/2019 | 8.80% | Yes | No | |
| | | INE020B07EY7 | 91-II | Secured | 18/11/2019 | 8.80% | Yes | No | |
| | | INE020B07FC0 | 92-II | Secured | 22/01/2020 | 8.65% | Yes | No | |
| | | INE020B08427 | 94 | Unsecured | 09/06/2025 | 8.75% | Yes | No | |
| | | INE020B08435 | 95-I | Unsecured | 12/07/2019 | 8.70% | Yes | No | |
| | | INE020B08443 | 95-II | Unsecured | 14/07/2025 | 8.75% | Yes | No | |
| | | INE020B08450 | 96 | Unsecured | 26/10/2020 | 8.80% | Yes | Yes | |
| | | INE020B08468 | 97 | Unsecured | 30/11/2020 | 8.80% | Yes | No | |
| | | INE020B08476 | 0 CPN-I | Unsecured | 15/12/2020 | 0 | Yes | No | |
| | | INE020B08484 | 0 CPN-II | Unsecured | 03/02/2021 | 0 | Yes | Yes | |
| | | INE020B08492 | 98 | Unsecured | 15/03/2021 | 9.18% | Yes | No | |
| | | INE020B08567 | 100 | Unsecured | 15/07/2021 | 9.63% | Yes | No | |
| | | INE020B08591 | 101-III | Unsecured | 10/08/2021 | 9.48% | Yes | No | |
| | | INE020B08641 | 105 | Unsecured | 11/11/2021 | 9.75% | Yes | No | |
| | | INE020B08740 | 107 | Unsecured | 15/06/2022 | 9.35% | Yes | No | |
| | | INE020B08765 | 108-II | Unsecured | 20/07/2019 | 9.39% | Yes | Yes | |
| | | INE020B08799 | 111-I | Unsecured | 19/11/2019 | 9.02% | Yes | Yes | |
| | | INE020B08807 | 111-II | Unsecured | 19/11/2022 | 9.02% | Yes | Yes | |
| | | INE020B08823 | 113 | Unsecured | 09/03/2020 | 8.87% | Yes | Yes | |
| | | INE020B08831 | 114 | Unsecured | 12/04/2023 | 8.82% | Yes | Yes | |
| | | INE020B08849 | 115 | Unsecured | 31/05/2023 | 8.06% | Yes | Yes | |
| | | INE020B07IV4 | 122 | Secured | 18/06/2019 | 9.02% | Yes | Yes | Karvy Fintech Private Limited,<br>Karvy Selenium Tower B,<br>Plot 31-32, Gachibowli,<br>Financial District, Nanakramguda,<br>Hyderabad-500032<br>Contact : Mr. K. Brahmanandam<br>Phone : 040-67161598<br>Email : brahma.k@karvy.com |
| | | INE020B07IW2 | 123-I | Secured | 17/07/2021 | 9.40% | Yes | Yes | |
| | | INE020B07IZ5 | 123-III-10 yrs | Secured | 23/08/2024 | 9.34% | Yes | Yes | |
| | | INE020B08856 | 125 | Unsecured | 11/10/2019 | 9.04% | Yes | Yes | |
| | | INE020B08864 | 126 | Unsecured | 13/11/2019 | 8.56% | Yes | Yes | |
| | | INE020B08872 | 127 | Unsecured | 04/12/2021 | 8.44% | Yes | Yes | |
| | | INE020B08880 | 128 | Unsecured | 21/12/2024 | 8.57% | Yes | Yes | |
| | | INE020B08898 | 129 | Unsecured | 23/01/2025 | 8.23% | Yes | Yes | |
| | | INE020B08906 | 130 | Unsecured | 06/02/2025 | 8.27% | Yes | Yes | |
| | | INE020B08914 | 131 | Unsecured | 21/02/2025 | 8.35% | Yes | Yes | |
| | | INE020B08922 | 132 | Unsecured | 09/03/2022 | 8.27% | Yes | Yes | |

| Sl. No. | Name & Address of Debenture Trustee | ISIN | Series No. | Secured/ Unsecured | Redemption Date (DD/MM/YYYY) | Coupon Rate | Listed at | | Registrar & Transfer Agent |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | NSE | BSE | |
| 2 | Vistra ITCL (India) Limited<br>The IL &FS Financial Centre<br>G Block, Plot C-22,<br>Bandra Kurla Complex, Bandra (E),<br>Mumbai-400051<br>Contact : Mr. Sanjay Dodti<br>Phone : 022-26593644<br>Fax : 022-26533297<br>Email : sanjay.dodti@ilfsindia.com<br>shailesh.kokate@ilfsindia.com<br>Website : www.itclindia.com | INE020B08708 | Infra Bonds Series-II (2011-12) | Unsecured | 15/02/2022 | 8.95% | Yes | No | Beetal Financial & Computer Services (P) Limited,<br>Beetal House, 3rd Floor,<br>99 Madangir,<br>Behind Local Shopping Centre,<br>Near Dada Harsukhdas Mandir,<br>New Delhi-110062<br>Contact : Mr. Sanjay Rastogi<br>Phone : 011-29961281-83<br>Fax : 011-29961284<br>Email : recbonds1969@gmail.com<br>beetal@beetalfinancial.com |
| | | INE020B08716 | | Unsecured | 15/02/2022 | 8.95% | Yes | No | |
| | | INE020B08724 | | Unsecured | 15/02/2027 | 9.15% | Yes | No | |
| | | INE020B08732 | | Unsecured | 15/02/2027 | 9.15% | Yes | No | |
| | | INE020B07GG9 | 2011-12 Public Issue Tranche-1 | Secured | 28/03/2022 | 7.93% | No | Yes | Karvy Fintech Private Limited,<br>Karvy Selenium Tower B,<br>Plot 31-32, Gachibowli,<br>Financial District, Nanakramguda,<br>Hyderabad-500032<br>Contact : Mr. K. Brahmanandam<br>Phone : 040-67161598<br>Email : brahma.k@karvy.com |
| | | | | | 28/03/2022 | 8.13% | No | Yes | |
| | | INE020B07GH7 | | Secured | 29/03/2027 | 8.12% | No | Yes | |
| | | | | | 29/03/2027 | 8.32% | No | Yes | |
| 3 | SBICAP Trustee Company Limited<br>6th Floor, Apeejay House, 3,<br>Dinshaw Wachha Road, Churchgate,<br>Mumbai-400020<br>Contact : Mr. Ajit Joshi<br>Phone : 022-43025566<br>Fax : 022-22040465<br>Email : corporate@sbicaptrustee.com,<br>investor.cell@sbicaptrustee.com<br>Website : www.sbicaptrustee.com | INE020B07KU2 | 54EC Series XII (2018-19) | Secured | 30/04/2023 | 5.75% | No | No | Karvy Fintech Private Limited,<br>Karvy Selenium Tower B,<br>Plot 31- 32, Gachibowli,<br>Financial District, Nanakramguda,<br>Hyderabad–500032<br>Contact : Mr. K. Brahmanandam<br>Phone : 040-67161598<br>Email : brahma.k@karvy.com |
| | | INE020B07KV0 | | Secured | 31/05/2023 | 5.75% | No | No | |
| | | INE020B07KW8 | | Secured | 30/06/2023 | 5.75% | No | No | |
| | | INE020B07KX6 | | Secured | 31/07/2023 | 5.75% | No | No | |
| | | INE020B07KY4 | | Secured | 31/08/2023 | 5.75% | No | No | |
| | | INE020B07KZ1 | | Secured | 30/09/2023 | 5.75% | No | No | |
| | | INE020B07LA2 | | Secured | 31/10/2023 | 5.75% | No | No | |
| | | INE020B07LB0 | | Secured | 30/11/2023 | 5.75% | No | No | |
| | | INE020B07LC8 | | Secured | 31/12/2023 | 5.75% | No | No | |
| | | INE020B07LD6 | | Secured | 31/01/2024 | 5.75% | No | No | |
| | | INE020B07LE4 | | Secured | 28/02/2024 | 5.75% | No | No | |
| | | INE020B07LF1 | | Secured | 31/03/2024 | 5.75% | No | No | |
| | | INE020B07JV2 | 54EC Series X (2016-17) | Secured | 30/04/2019 | 6.00% | No | No | |
| | | INE020B07JW0 | | Secured | 31/05/2019 | 6.00% | No | No | |
| | | INE020B07JX8 | | Secured | 30/06/2019 | 6.00% | No | No | |
| | | INE020B07JY6 | | Secured | 31/07/2019 | 6.00% | No | No | |
| | | INE020B07JZ3 | | Secured | 31/08/2019 | 6.00% | No | No | |
| | | INE020B07KA4 | | Secured | 30/09/2019 | 6.00% | No | No | |
| | | INE020B07KB2 | | Secured | 31/10/2019 | 6.00% | No | No | |
| | | INE020B07KC0 | | Secured | 30/11/2019 | 6.00% | No | No | |
| | | INE020B07KD8 | | Secured | 31/12/2019 | 5.25% | No | No | |
| | | INE020B07KE6 | | Secured | 31/01/2020 | 5.25% | No | No | |
| | | INE020B07KF3 | | Secured | 29/02/2020 | 5.25% | No | No | |
| | | INE020B07KG1 | | Secured | 31/03/2020 | 5.25% | No | No | |

| Sl. No. | Name & Address of Debenture Trustee | ISIN | Series No. | Secured/ Unsecured | Redemption Date (DD/MM/YYYY) | Coupon Rate | Listed at | | Registrar & Transfer Agent |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | NSE | BSE | |
| | SBICAP Trustee Company Limited<br>6th Floor, Apeejay House, 3,<br>Dinshaw Wachha Road, Churchgate,<br>Mumbai-400020<br>Contact : Mr. Ajit Joshi<br>Phone : 022-43025566<br>Fax : 022-22040465<br>Email : corporate@sbicaptrustee.com, investor.cell@sbicaptrustee.com<br>Website : www.sbicaptrustee.com | INE020B07KI7 | 54EC Series XI (2017-18) | Secured | 30/04/2020 | 5.25% | No | No | Karvy Fintech Private Limited,<br>Karvy Selenium Tower B,<br>Plot 31- 32, Gachibowli,<br>Financial District, Nanakramguda,<br>Hyderabad–500032<br>Contact : Mr. K. Brahmanandam<br>Phone : 040-67161598<br>Email : brahma.k@karvy.com |
| | | INE020B07KJ5 | | Secured | 31/05/2020 | 5.25% | No | No | |
| | | INE020B07KK3 | | Secured | 30/06/2020 | 5.25% | No | No | |
| | | INE020B07KL1 | | Secured | 31/07/2020 | 5.25% | No | No | |
| | | INE020B07KM9 | | Secured | 31/08/2020 | 5.25% | No | No | |
| | | INE020B07KN7 | | Secured | 30/09/2020 | 5.25% | No | No | |
| | | INE020B07KO5 | | Secured | 31/10/2020 | 5.25% | No | No | |
| | | INE020B07KP2 | | Secured | 30/11/2020 | 5.25% | No | No | |
| | | INE020B07KQ0 | | Secured | 31/12/2020 | 5.25% | No | No | |
| | | INE020B07KR8 | | Secured | 31/01/2021 | 5.25% | No | No | |
| | | INE020B07KS6 | | Secured | 28/02/2021 | 5.25% | No | No | |
| | | INE020B07KT4 | | Secured | 31/03/2021 | 5.25% | No | No | |
| | | INE020B08930 | 133 | Unsecured | 10/04/2025 | 8.30% | Yes | Yes | |
| | | INE020B08948 | 134 | Unsecured | 14/08/2020 | 8.37% | Yes | Yes | |
| | | INE020B08955 | 135 | Unsecured | 22/09/2020 | 8.36% | Yes | Yes | |
| | | INE020B08963 | 136 | Unsecured | 07/10/2025 | 8.11% | Yes | Yes | |
| | | INE020B08997 | 139 | Unsecured | 21/10/2021 | 7.24% | Yes | Yes | |
| | | INE020B08AA3 | 140 | Unsecured | 07/11/2026 | 7.52% | Yes | Yes | |
| | | INE020B08AB1 | 141 | Unsecured | 09/12/2021 | 7.14% | Yes | Yes | |
| | | INE020B08AC9 | 142 | Unsecured | 30/12/2026 | 7.54% | Yes | Yes | |
| | | INE020B08AD7 | 143 | Unsecured | 29/06/2020 | 6.83% | Yes | Yes | |
| | | INE020B08AE5 | 144 | Unsecured | 21/09/2020 | 7.13% | Yes | Yes | |
| | | INE020B08AF2 | 145 | Unsecured | 28/02/2022 | 7.46% | Yes | Yes | |
| | | INE020B08AH8 | 147 | Unsecured | 12/03/2027 | 7.95% | Yes | Yes | |
| | | INE020B08AI6 | 148 | Unsecured | 17/06/2020 | 7.42% | Yes | Yes | |
| | | INE020B08AJ4 | 149 | Unsecured | 24/09/2020 | 6.87% | Yes | Yes | |
| | | INE020B08AK2 | 150 | Unsecured | 07/09/2022 | 7.03% | Yes | Yes | |
| | | INE020B08AM8 | 152 | Unsecured | 17/10/2022 | 7.09% | Yes | Yes | |
| | | INE020B08AN6 | 153 | Unsecured | 31/12/2020 | 6.99% | Yes | Yes | |
| | | INE020B08AO4 | 154 | Unsecured | 21/05/2021 | 7.18% | Yes | Yes | |
| | | INE020B08AP1 | 155 | Unsecured | 30/11/2022 | 7.45% | Yes | Yes | |
| | | INE020B08AQ9 | 156 | Unsecured | 10/12/2027 | 7.70% | Yes | Yes | |
| | | INE020B08AR7 | 157 | Unsecured | 17/04/2021 | 7.60% | Yes | Yes | |
| | | INE020B08AS5 | 158 | Unsecured | 15/03/2021 | 7.70% | Yes | Yes | |
| | | INE020B08AT3 | 159 | Unsecured | 23/02/2023 | 7.99% | Yes | Yes | |
| | | INE020B08AU1 | 160 | Unsecured | 16/09/2019 | 7.77% | Yes | Yes | |
| | | INE020B08AV9 | 161-A | Unsecured | 13/03/2020 | 7.59% | Yes | Yes | |

| Sl. No. | Name & Address of Debenture Trustee | ISIN | Series No. | Secured/ Unsecured | Redemption Date (DD/MM/YYYY) | Coupon Rate | Listed at | | Registrar & Transfer Agent |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | NSE | BSE | |
| | SBICAP Trustee Company Limited<br>6th Floor, Apeejay House, 3,<br>Dinshaw Wachha Road, Churchgate,<br>Mumbai-400020<br>Contact : Mr. Ajit Joshi<br>Phone : 022-43025566<br>Fax : 022-22040465<br>Email : corporate@sbicaptrustee.com, investor.cell@sbicaptrustee.com<br>Website : www.sbicaptrustee.com | INE020B08AW7 | 161-B | Unsecured | 15/06/2021 | 7.73% | Yes | Yes | Karvy Fintech Private Limited,<br>Karvy Selenium Tower B,<br>Plot 31-32, Gachibowli,<br>Financial District, Nanakramguda,<br>Hyderabad–500032<br>Contact : Mr. K. Brahmanandam<br>Phone : 040-67161598<br>Email : brahma.k@karvy.com |
| | | INE020B08AX5 | GOI-I | Unsecured | 21/03/2028 | 8.09% | Yes | Yes | |
| | | INE020B08AY3 | GOI-II | Unsecured | 24/03/2028 | 8.01% | Yes | Yes | |
| | | INE020B08AZ0 | GOI-III | Unsecured | 27/03/2028 | 8.06% | Yes | Yes | |
| | | INE020B07GU0 | 2012-13 Private Placement | Secured | 21/11/2022 | 7.21% | Yes | Yes | |
| | | INE020B07GV8 | | Secured | 22/11/2027 | 7.38% | Yes | Yes | |
| | | INE020B07GW6 | 2012-13 Public Issue Tranche-1 | Secured | 19/12/2022 | 7.22% | Yes | Yes | |
| | | | | | 19/12/2022 | 7.72% | Yes | Yes | |
| | | INE020B07GX4 | | Secured | 20/12/2027 | 7.38% | Yes | Yes | |
| | | | | | 20/12/2027 | 7.88% | Yes | Yes | |
| | | INE020B07GY2 | 2012-13 Public Issue Tranche-2 | Secured | 27/03/2023 | 6.88% | Yes | Yes | |
| | | | | | 27/03/2023 | 7.38% | Yes | Yes | |
| | | INE020B07GZ9 | | Secured | 27/03/2028 | 7.04% | Yes | Yes | |
| | | | | | 27/03/2028 | 7.54% | Yes | Yes | |
| | | INE020B07HM5 | 2013-14 Private Placement-1 | Secured | 29/08/2023 | 8.01% | Yes | Yes | |
| | | INE020B07HN3 | | Secured | 29/08/2028 | 8.46% | Yes | Yes | |
| | | INE020B07HO1 | 2013-14 Public Issue Tranche-1 | Secured | 25/09/2023 | 8.01% | Yes | Yes | |
| | | INE020B07HR4 | | Secured | 25/09/2023 | 8.26% | Yes | Yes | |
| | | INE020B07HP8 | | Secured | 25/09/2028 | 8.46% | Yes | Yes | |
| | | INE020B07HS2 | | Secured | 25/09/2028 | 8.71% | Yes | Yes | |
| | | INE020B07HQ6 | | Secured | 26/09/2033 | 8.37% | Yes | Yes | |
| | | INE020B07HT0 | | Secured | 26/09/2033 | 8.62% | Yes | Yes | |
| | | INE020B07HU8 | 2013-14 Private Placement-2 | Secured | 11/10/2023 | 8.18% | Yes | Yes | |
| | | INE020B07HV6 | | Secured | 11/10/2028 | 8.54% | Yes | Yes | |
| | | INE020B07IC4 | 2013-14 Public Issue Tranche-2 | Secured | 22/03/2024 | 8.19% | Yes | Yes | |
| | | INE020B07IF7 | | Secured | 22/03/2024 | 8.44% | Yes | Yes | |
| | | INE020B07ID2 | | Secured | 23/03/2029 | 8.63% | Yes | Yes | |
| | | INE020B07IG5 | | Secured | 23/03/2029 | 8.88% | Yes | Yes | |
| | | INE020B07IE0 | | Secured | 24/03/2034 | 8.61% | Yes | Yes | |
| | | INE020B07IH3 | 2013-14 Public Issue Tranche-2 | Secured | 24/03/2034 | 8.86% | Yes | Yes | |
| | | INE020B07J07 | 2015-16 Private Placement | Secured | 23/07/2025 | 7.17% | Yes | Yes | |
| | | INE020B07JP4 | 2015-16 Public Issue Tranche-1 | Secured | 05/11/2025 | 6.89% | No | Yes | |
| | | INE020B07JQ2 | | Secured | 05/11/2025 | 7.14% | No | Yes | |
| | | INE020B07JR0 | | Secured | 05/11/2030 | 7.09% | No | Yes | |
| | | INE020B07JS8 | | Secured | 05/11/2030 | 7.34% | No | Yes | |
| | | INE020B07JT6 | | Secured | 05/11/2035 | 7.18% | No | Yes | |
| | | INE020B07JU4 | | Secured | 05/11/2035 | 7.43% | No | Yes | |

| Sl. No. | Name & Address of Debenture Trustee | ISIN | Series No. | Secured/ Unsecured | Redemption Date (DD/MM/YYYY) | Coupon Rate | Listed at | | Registrar & Transfer Agent |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | NSE | BSE | |
| 4 | Beacon Trusteeship Limited<br>F-801, Jay Balaji CHS Ltd<br>Plot No. 26, Sector-6,<br>Nerul, Navi Mumbai, Mumbai-400706<br>Contact : Ms. Jayshree Kakani<br>Phone : 022-26558759<br>Email : jayshree@beacontrustee.co.in | INE020B08BA1 | 162 | Unsecured | 09/08/2028 | 8.55% | Yes | Yes | Karvy Fintech Private Limited,<br>Karvy Selenium Tower B,<br>Plot 31-32, Gachibowli,<br>Financial District, Nanakramguda,<br>Hyderabad–500032<br>Contact : Mr. K. Brahmanandam<br>Phone : 040-67161598<br>Email : brahma.k@karvy.com |
| | | INE020B08BB9 | 163 | Unsecured | 25/08/2028 | 8.63% | Yes | Yes | |
| | | INE020B08BC7 | GOI-IV | Unsecured | 28/09/2028 | 8.70% | Yes | Yes | |
| | | INE020B08BD5 | 165 | Unsecured | 21/01/2022 | 8.83% | Yes | Yes | |
| | | INE020B08BE3 | GOI-V | Unsecured | 15/11/2028 | 8.54% | Yes | Yes | |
| | | INE020B08BF0 | 167 | Unsecured | 22/03/2022 | 8.45% | Yes | Yes | |
| | | INE020B08BG8 | 168 | Unsecured | 29/11/2028 | 8.56% | Yes | Yes | |
| | | INE020B08BH6 | 169 | Unsecured | 07/12/2028 | 8.37% | Yes | Yes | |
| | | INE020B08BJ2 | GOI-VI | Unsecured | 22/01/2029 | 8.80% | Yes | Yes | |
| | | INE020B08BK0 | 172 | Unsecured | 20/08/2020 | 8.57% | Yes | Yes | |
| | | INE020B08BL8 | GOI-VII | Unsecured | 08/03/2029 | 8.60% | Yes | Yes | |
| | | INE020B08BM6 | 173 | Unsecured | 11/03/2022 | 8.35% | Yes | Yes | |
| | | INE020B08BN4 | 174 | Unsecured | 18/06/2021 | 8.15% | Yes | Yes | |
| | | INE020B08BO2 | GOI-VIII | Unsecured | 25/03/2029 | 8.30% | Yes | Yes | |
| | | INE020B08BP9 | 175 | Unsecured | 28/03/2029 | 8.97% | Yes | Yes | |

# BALANCE SHEET AS AT 31ST MARCH 2019

(₹ in Crores)

| S. No. | Particulars | Note No. | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|---|
| | **ASSETS** | | | | |
| **(1)** | **Financial Assets** | | | | |
| (a) | Cash and cash equivalents | 5 | **342.94** | 212.00 | 4,465.95 |
| (b) | Other Bank Balances | 6 | **1,253.31** | 1,570.07 | 28.44 |
| (c) | Derivative financial instruments | 7 | **1,802.58** | 690.38 | 628.07 |
| (d) | Loans | 8 | **270,450.92** | 228,878.25 | 193,934.52 |
| (e) | Investments | 9 | **2,397.62** | 2,824.80 | 2,908.56 |
| (f) | Other financial assets | 10 | **18,342.48** | 4,224.89 | 54.16 |
| | **Total - Financial Assets (1)** | | **294,589.85** | **238,400.39** | **202,019.70** |
| **(2)** | **Non-Financial Assets** | | | | |
| (a) | Current tax assets (net) | 11 | **275.83** | 21.02 | 38.97 |
| (b) | Deferred tax assets (net) | 12 | **2,358.29** | 2,904.11 | 2,187.88 |
| (c) | Investment Property | 13 | **0.01** | 0.01 | 0.01 |
| (d) | Property, Plant & Equipment | 14 | **153.98** | 123.19 | 120.81 |
| (e) | Capital Work-in-Progress | 14 | **196.94** | 127.23 | 61.41 |
| (f) | Intangible Assets Under Development | 14 | **1.59** | 1.46 | 1.46 |
| (g) | Other Intangible Assets | 14 | **8.51** | 5.15 | 0.43 |
| (h) | Other non-financial assets | 15 | **132.30** | 86.63 | 57.98 |
| | **Total - Non-Financial Assets (2)** | | **3,127.45** | **3,268.80** | **2,468.95** |
| | **Total ASSETS (1+2)** | | **297,717.30** | **241,669.19** | **204,488.65** |
| | **LIABILITIES AND EQUITY** | | | | |
| | **LIABILITIES** | | | | |
| **(1)** | **Financial Liabilities** | | | | |
| (a) | Derivative financial instruments | 7 | **159.40** | 317.75 | 354.46 |
| (b) | Debt Securities | 16 | **192,839.79** | 179,140.13 | 148,723.25 |
| (c) | Borrowings (other than debt securities) | 17 | **46,662.54** | 22,631.42 | 21,700.17 |
| (d) | Subordinated Liabilities | 18 | **4,818.76** | 2,667.36 | 2,667.21 |
| (e) | Other financial liabilities | 19 | **18,751.75** | 4,299.40 | 244.96 |
| | **Total - Financial Liabilities (1)** | | **263,232.24** | **209,056.06** | **173,690.05** |
| **(2)** | **Non-Financial Liabilities** | | | | |
| (a) | Provisions | 20 | **99.58** | 220.37 | 214.00 |
| (b) | Other non-financial liabilities | 21 | **82.54** | 89.61 | 32.84 |
| | **Total - Non-Financial Liabilities (2)** | | **182.12** | **309.98** | **246.84** |
| **(3)** | **EQUITY** | | | | |
| (a) | Equity Share Capital | 22 | **1,974.92** | 1,974.92 | 1,974.92 |
| (b) | Other equity | 23 | **32,328.02** | 30,328.23 | 28,576.84 |
| | **Total - Equity (3)** | | **34,302.94** | **32,303.15** | **30,551.76** |
| | **Total - LIABILITIES AND EQUITY (1+2+3)** | | **297,717.30** | **241,669.19** | **204,488.65** |

Accompanying Notes to Financial Statements 1 to 59

For and on behalf of the Board

**J.S. Amitabh**
GM & Company Secretary

**Sanjeev Kumar Gupta**
Director (Technical)
DIN - 03464342

**Ajeet Kumar Agarwal**
CMD and Director (Finance)
DIN - 02231613

In terms of our Audit Report of even date

**For G.S. Mathur & Co.**
Chartered Accountants
Firm Reg. No.: 008744N

**S.C. Choudhary**
Partner
M.No. : 082023

**For A.R. & Co.**
Chartered Accountants
Firm Reg. No.: 002744C

**Anil Gaur**
Partner
M.No. : 017546

Place: New Delhi
Date: 24th May 2019

## STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2019

(₹ in Crores)

| S. No. | Particulars | Note No. | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|---|---|
| | **Revenue from Operations** | | | |
| (i) | Interest Income | 24 | **24,971.02** | 22,089.55 |
| (ii) | Dividend Income | 25 | **113.61** | 65.68 |
| (iii) | Fees and Commission Income | 26 | **225.09** | 299.39 |
| **I.** | **Total Revenue from Operations (i to iii)** | | **25,309.72** | **22,454.62** |
| **II.** | Other Income | 27 | **31.44** | 12.73 |
| **III.** | **Total Income (I+II)** | | **25,341.16** | **22,467.35** |
| | **Expenses** | | | |
| (i) | Finance Costs | 28 | **15,641.54** | 13,337.11 |
| (ii) | Net translation/ transaction exchange loss | 29 | **521.19** | 19.37 |
| (iii) | Fees and commission Expense | 30 | **34.38** | 24.58 |
| (iv) | Net loss on fair value changes | 31 | **348.52** | 573.37 |
| (v) | Impairment on financial instruments | 32 | **240.33** | 2,297.12 |
| (vi) | Employee Benefits Expenses | 33 | **157.53** | 172.42 |
| (vii) | Depreciation and amortization | 34 | **7.17** | 5.65 |
| (viii) | Corporate Social Responsibility Expenses | 35 | **103.39** | 49.45 |
| (ix) | Other Expenses | 36 | **186.61** | 104.13 |
| **IV.** | **Total Expenses (i to ix)** | | **17,240.66** | **16,583.20** |
| **V.** | **Profit before Tax (III-IV)** | | **8,100.50** | 5,884.15 |
| **VI.** | **Tax Expense** | 37 | | |
| (i) | Current tax | | **1,791.64** | 2,180.59 |
| (ii) | Deferred Tax | | **545.14** | (716.33) |
| | Total Tax Expense (i+ii) | | **2,336.78** | **1,464.26** |
| **VII.** | **Profit for the period from continuing operations** | | **5,763.72** | 4,419.89 |
| (i) | Items that will not be reclassified to profit or loss | | | |
| (a) | Re-measurement gains/(losses) on defined benefit plans | | **(19.37)** | (6.34) |
| (b) | Changes in Fair Value of FVOCI Equity Instruments | | **(47.26)** | 8.48 |
| (c) | Income tax relating to these items | | | |
| | - Re-measurement gains/(losses) on defined benefit plans | | **6.77** | 2.20 |
| | - Changes in Fair Value of FVOCI Equity Instruments | | **(0.68)** | (0.10) |
| **VIII.** | **Other comprehensive Income/(Loss) for the period (a+b+c)** | | **(60.54)** | 4.24 |
| **IX.** | **Total comprehensive Income for the period (VII+VIII)** | | **5,703.18** | 4,424.13 |
| **X.** | **Basic & Diluted Earnings per Equity Share of ₹ 10 each (in ₹)** | 38 | | |
| (1) | For continuing operations | | **29.18** | 22.38 |
| (2) | For continuing and discontinued operations | | **29.18** | 22.38 |

Accompanying Notes to Financial Statements 1 to 59

For and on behalf of the Board

**J.S. Amitabh**
GM & Company Secretary

**Sanjeev Kumar Gupta**
Director (Technical)
DIN - 03464342

**Ajeet Kumar Agarwal**
CMD and Director (Finance)
DIN - 02231613

In terms of our Audit Report of even date

**For G.S. Mathur & Co.**
Chartered Accountants
Firm Reg. No.: 008744N

**S.C. Choudhary**
Partner
M.No. : 082023

**For A.R. & Co.**
Chartered Accountants
Firm Reg. No.: 002744C

**Anil Gaur**
Partner
M.No. : 017546

Place: New Delhi
Date: 24th May 2019

# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2019

## A Equity share capital

(₹ in Crores)

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| **Opening Balance** | **1,974.92** | **1,974.92** |
| Changes in equity share capital during the year | - | - |
| **Closing Balance** | **1,974.92** | **1,974.92** |

## B Other Equity

(₹ in Crores)

| Particulars | Reserves & Surplus | | | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961 | Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961 | Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934 | Debenture Redemption Reserve | Securities Premium Account | Foreign Currency Monetary Item Translation Difference Account | General Reserve | Retained Earnings | Equity Instruments through Other Comprehensive Income | |
| **Balance as at 1st April 2017** | **12,230.70** | **2,425.30** | **-** | **924.95** | **2,236.54** | **203.78** | **4,677.40** | **5,696.31** | **181.86** | **28,576.84** |
| Profit for the period | | | | | | | | 4,419.89 | | 4,419.89 |
| Re-measurement loss on defined benefit plans | | | | | | | | (4.14) | | (4.14) |
| Equity Instruments through Other Comprehensive Income | | | | | | | | - | 8.38 | 8.38 |
| **Total Comprehensive Income** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **4,415.75** | **8.38** | **4,424.13** |
| Transfer to/ (from) Retained Earnings | 1,582.49 | 335.80 | - | 196.59 | | | 500.00 | (2,614.88) | | - |
| Dividends | | | | | | | | (1,984.79) | | (1,984.79) |
| Dividend Distribution Tax | | | | | | | | (397.88) | | (397.88) |
| Foreign Currency Translation Loss on long term monetary items during the period | | | | | | (311.74) | | | | (311.74) |
| Amortisation during the period | | | | | | 21.67 | | | | 21.67 |
| **Balance as at 31st March 2018** | **13,813.19** | **2,761.10** | **-** | **1,121.54** | **2,236.54** | **(86.29)** | **5,177.40** | **5,114.51** | **190.24** | **30,328.23** |
| Profit for the period | | | | | | | | **5,763.72** | | 5,763.72 |
| Re-measurement loss on defined benefit plans | | | | | | | | (12.60) | | (12.60) |
| Equity Instruments through Other Comprehensive Income | | | | | | | | - | (47.94) | (47.94) |
| **Total Comprehensive Income** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **5,751.12** | (47.94) | **5,703.18** |
| Transfer to/ (from) Retained Earnings | 1,323.59 | 273.62 | 1,153.00 | 196.59 | | | - | (2,946.80) | | - |
| Dividends | | | | | | | | (2,518.02) | | (2,518.02) |
| Dividend Distribution Tax | | | | | | | | (506.84) | | (506.84) |
| Reclassification of gain/ loss on sale of FVOCI equity instrument | | | | | | | | 5.42 | (5.42) | - |
| Foreign Currency Translation Loss on long term monetary items during the period | | | | | | (1,404.88) | | | | (1,404.88) |
| Amortisation during the period | | | | | | 726.35 | | | | 726.35 |
| **Balance as at 31st March 2019** | **15,136.78** | **3,034.72** | **1,153.00** | **1,318.13** | **2,236.54** | **(764.82)** | **5,177.40** | **4,899.39** | **136.88** | **32,328.02** |

Accompanying Notes to Financial Statements 1 to 59

In terms of our Report of even date

**For G.S. Mathur & Co.**
Chartered Accountants
Firm Reg. No.: 008744N

**S.C. Choudhary**
Partner
M.No. : 082023

**For A.R. & Co.**
Chartered Accountants
Firm Reg. No.: 002744C

**Anil Gaur**
Partner
M.No. : 017546

For and on behalf of the Board

**J.S. Amitabh**
GM & Company Secretary

**Sanjeev Kumar Gupta**
Director (Technical)
DIN - 03464342

**Ajeet Kumar Agarwal**
CMD & Director (Finance)
DIN - 02231613

Place: New Delhi
Date: 24th May 2019

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2019

(₹ in Crores)

| PARTICULARS | | YEAR ENDED 31.03.2019 | | YEAR ENDED 31.03.2018 | |
|---|---|---|---|---|---|
| **A.** | **Cash Flow from Operating Activities :** | | | | |
| | Net Profit before Tax | **8,100.50** | | **5,884.15** | |
| | **Adjustments for:** | | | | |
| 1. | Loss on derecognition of Property, Plant and Equipment (net) | **0.86** | | 0.56 | |
| 2. | Depreciation & Amortization | **7.17** | | 5.65 | |
| 3. | Impairment losses on financial assets | **240.33** | | 2,297.12 | |
| 4. | Adjustments towards Effective Interest Rate in respect of Loans | **1.33** | | (37.70) | |
| 5. | Adjustments towards Effective Interest Rate in respect of Borrowings | **(788.28)** | | 84.16 | |
| 6. | Fair Value Changes in Derivatives | **351.52** | | 586.76 | |
| 7. | Interest on Commercial Paper | **402.84** | | 135.60 | |
| 8. | Interest Accrued on Zero Coupon Bonds | **97.02** | | 89.54 | |
| 9. | Loss/ (Gain) on Exchange Rate fluctuation | **558.51** | | (53.61) | |
| 10. | Dividend Income | **(113.61)** | | (65.68) | |
| 11. | Interest Income on Investments | **(193.31)** | | (214.64) | |
| 12. | Provision made for Interest on Advance Income Tax | **3.46** | | 5.53 | |
| | **Operating profit before Changes in Operating Assets & Liabilities** | **8,668.34** | | **8,717.44** | |
| | **Inflow / (Outflow) on account of :** | | | | |
| 1. | Loan Assets | **(41,760.36)** | | (37,474.64) | |
| 2. | Derivatives | **(1,622.07)** | | (685.78) | |
| 3. | Other Operating Assets | **(13,895.21)** | | (5,437.99) | |
| 4. | Operating Liabilities | **14,639.43** | | 4,269.13 | |
| | **Cash flow from Operations** | **(33,969.87)** | | **(30,611.84)** | |
| 1. | Income Tax Paid (including TDS) | **(2,043.14)** | | (2,168.60) | |
| 2. | Income Tax refund | **-** | | 2.57 | |
| | **Net Cash Flow from Operating Activities** | | **(36,013.01)** | | **(32,777.87)** |
| **B.** | **Cash Flow from Investing Activities** | | | | |
| 1. | Sale of Property, Plant & Equipment | **0.10** | | 0.14 | |
| 2. | Investment in Property, Plant & Equipment (incl. CWIP & Capital Advances) | **(85.51)** | | (73.31) | |
| 3. | Investment in Intangible Assets (including intangible assets under development) | **(5.00)** | | (5.35) | |
| 4. | Finance Costs Capitalised | **(11.37)** | | (6.32) | |
| 5. | Sale of Equity Shares/ Venture Capital Funds (net of investment) | **24.39** | | (2.08) | |
| 6. | Redemption of Debt Securities (net of investment) | **398.17** | | 94.32 | |
| 7. | Interest Income from long term investments | **150.68** | | 214.64 | |
| 8. | Dividend Income | **113.61** | | 65.68 | |
| | **Net Cash Flow from Investing Activities** | | **585.07** | | **287.72** |

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2019 (CONTD.)

(₹ in Crores)

| PARTICULARS | | YEAR ENDED 31.03.2019 | | YEAR ENDED 31.03.2018 | |
|---|---|---|---|---|---|
| **C.** | **Cash Flow from Financing Activities** | | | | |
| 1. | Issue of Rupee Debt Securities (Net of redemptions) | **4,220.72** | | 19,558.55 | |
| 2. | Issue of Commercial Paper (net of repayments) | **4,143.04** | | 3,014.84 | |
| 3. | Raising of Rupee Term Loans/ WCDL from Govt./ Banks/ FIs (net of repayments) | **24,350.00** | | (350.00) | |
| 4. | Raising of Foreign Currency Debt Securities and Borrowings (net of redemptions) | **3,718.78** | | 8,395.48 | |
| 5. | Raising of Subordinated Liabilities (net of redemptions) | **2,151.20** | | - | |
| 6. | Payment of Dividend on Equity Shares | **(2,518.02)** | | (1,984.79) | |
| 7. | Payment of Corporate Dividend Tax | **(506.84)** | | (397.88) | |
| | **Net Cash flow from Financing Activities** | | **35,558.88** | | **28,236.20** |
| | **Net Increase/Decrease in Cash & Cash Equivalents** | | **130.94** | | **(4,253.95)** |
| | Cash & Cash Equivalents as at the beginning of the period | | **212.00** | | **4,465.95** |
| | Cash & Cash Equivalents as at the end of the period | | **342.94** | | **212.00** |

**Components of Cash & Cash Equivalents as at end of the year are:**

(₹ in Crores)

| PARTICULARS | AS AT 31.03.2019 | | AS AT 31.03.2018 | |
|---|---|---|---|---|
| - Cash in Hand (including postage & imprest) | | **0.01** | | 0.01 |
| - Balances with Banks | | **339.97** | | 157.45 |
| - Short-term Deposits with Scheduled Banks | | **2.96** | | 54.54 |
| **Total Cash & Cash Equivalents** | | **342.94** | | **212.00** |

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2019 (CONTD.)

**Reconciliation of liabilities arising from financing activities**

(₹ in Crores)

| Particulars | Opening Balance | Cash Flows during the year (net) | Movement in Interest Accrued * | Non-cash Changes | | Closing Balance |
|---|---|---|---|---|---|---|
| | | | | Exchange Differences | EIR Adjustments | |
| **FY 2018-19** | | | | | | |
| Rupee Debt Securities | **168,517.14** | **4,220.72** | **124.83** | **-** | **108.71** | **172,971.40** |
| Commercial Paper | **3,150.44** | **4,143.04** | **-** | **-** | **402.84** | **7,696.32** |
| Rupee Term Loans/ WCDL | **414.82** | **24,350.00** | **119.43** | **-** | **-** | **24,884.25** |
| Foreign Currency Debt Securities & other Borrowings | **29,689.04** | **3,718.78** | **104.02** | **1,220.89** | **(782.48)** | **33,950.25** |
| Subordinated Liabilities | **2,667.36** | **2,151.20** | **1.58** | **-** | **(1.38)** | **4,818.76** |
| **Total** | **204,438.80** | **38,583.74** | **349.86** | **1,220.89** | **(272.31)** | **244,320.98** |
| **FY 2017-18** | | | | | | |
| Rupee Debt Securities | **148,723.25** | 19,558.55 | 148.57 | - | 86.77 | **168,517.14** |
| Commercial Paper | **-** | 3,014.84 | - | - | 135.60 | **3,150.44** |
| Rupee Term Loans/ WCDL | **776.66** | (350.00) | (11.84) | - | - | **414.82** |
| Foreign Currency Debt Securities & other Borrowings | **20,923.38** | 8,395.48 | 46.98 | 235.32 | 87.88 | **29,689.04** |
| Subordinated Liabilities | **2,667.21** | - | - | - | 0.15 | **2,667.36** |
| **Total** | **173,090.50** | **30,618.87** | **183.71** | **235.32** | **310.40** | **204,438.80** |

* Movement in Interest Accrued has been considered in 'Operating Liabilities' as Cash Flow from Operating Activities.

Note : Previous period figures have been rearranged and regrouped wherever necessary.

For and on behalf of the Board

**J.S. Amitabh**
GM & Company Secretary

**Sanjeev Kumar Gupta**
Director (Technical)
DIN - 03464342

**Ajeet Kumar Agarwal**
CMD and Director (Finance)
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In terms of our Audit Report of even date

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**S.C. Choudhary**
Partner
M.No. : 082023

**For A.R. & Co.**
Chartered Accountants
Firm Reg. No.: 002744C

**Anil Gaur**
Partner
M.No. : 017546

Place: New Delhi
Date: 24th May 2019

# NOTES TO ACCOUNTS

## 1. Company Overview

REC Limited ("REC" or the "Company") was incorporated in the year 1969. The Company is domiciled in India and is limited by shares, having its registered office and principal place of business at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003, India. The Company has 23 State offices spread across the country, mainly in the State Capitals and one training center at Hyderabad.

The Company is a Government Company engaged in extending financial assistance across the power sector value chain and is a Systemically Important (Non-Deposit Accepting or Holding) Non-Banking Finance Company (NBFC) registered with Reserve Bank of India (RBI) as an Infrastructure Finance Company (IFC).

REC is a leading public Infrastructure Finance Company in India and the principal products of REC are interest-bearing loans to State Electricity Boards, State Power utilities/State Power Departments and Private sector for all segments of Power infrastructure.

The Registrar of Companies, NCT of Delhi & Haryana has issued Fresh Certificate of Incorporation dated 13th October 2018, consequent upon change in the name of the Company from 'Rural Electrification Corporation Limited' to 'REC Limited'. Further, the Company has also received requisite approvals/No Objection Certificate for the said change in name from Ministry of Power, Reserve Bank of India & Stock Exchanges.

Power Finance Corporation Ltd. (PFC) has acquired 103,93,99,343 equity shares of the Company, representing 52.63% of the share capital, from the President of India. Consequently, PFC has become the holding Company of REC.

The shares of the Company are listed on National Stock Exchange of India Limited and BSE Limited.

## 2. Statement of Compliance and Basis of Preparation

The Company has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) with effect from 01.04.2018. These Standalone Financial Statements comply with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended), applicable provisions of the Companies Act, 2013 and other applicable regulatory norms / guidelines. These are the Company's first Ind AS Standalone Financial Statements and the date of transition is 01.04.2017.

The Company prepared its standalone financial statements up to the year ended 31.03.2018, in accordance with the requirements of previous Generally Accepted Accounting Principles (previous GAAP), which included Accounting Standards (AS) specified under Section 133 of the Companies Act, 2013 read with rules made thereunder and applicable RBI directions. The Company followed the provisions of Ind AS 101-'First Time adoption of Indian Accounting Standards' in preparing its opening Ind AS Standalone Balance Sheet as of the date of transition and adjustments were made to restate the opening balances as per Ind AS. The impact of transition has been accounted for in the opening reserves as at 01.04.2017. The comparative figures have been presented in accordance with the same accounting principles that are used in preparation of the Company's first Ind AS standalone financial statements.

The mandatory exceptions and optional exemptions availed by the Company on First-time adoption have been detailed in Note 54. Along with this, the reconciliation of total equity under previous GAAP and under Ind-AS as at 1st April 2017 & 31st March 2018 and of the Profit after tax as per Previous GAAP and Total Comprehensive Income under Ind AS for the year ended 31st March 2018 has also been presented in the same note.

The financial statements for the year ended 31st March 2019 were authorized and approved for issue by the Board of Directors on 24th May 2019.

These standalone financial statements have been prepared on going concern basis following accrual system of accounting and are in accordance with the Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended), applicable provisions of the Companies Act, 2013 and other applicable regulatory norms/ guidelines.

## 2.1 Standards issued but not yet effective

### Ind AS 116 - Leases:

On 30.03.2019, Ministry of Corporate Affairs (MCA) has notified Ind AS 116, Leases. Ind AS 116 will replace Ind AS 17 and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities

# NOTES TO ACCOUNTS

for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Standard also contains enhanced disclosure requirements for lessees.

### Ind AS 12 - Appendix C, Uncertainty over Income Tax Treatments:

On 30.03.2019, MCA has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

### Amendment to Ind AS 12 – Income taxes

On 30.03.2019, MCA issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

### Amendment to Ind AS 19 – Plan amendment, curtailment or settlement

On 30.03.2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements requiring an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The effective date for application of these amendments is annual period beginning on or after 01.04.2019. The Company is currently evaluating the effect of these amendments on the Standalone financial statements.

## 3. Significant Accounting Policies

The significant accounting policies applied in preparation of the financial statements are as given below:

### 3.1 Basis of Preparation and Measurement

The financial statements have been prepared on historical cost basis except for certain financial assets and financial liabilities which are measured at fair values as explained in relevant accounting policies. These policies have been applied consistently for all the periods presented in the financial statements.

Functional and presentation currency

The financial statements are presented in Indian Rupee ('INR') which is also the functional currency of the Company.

### 3.2 Income recognition

**Interest income**

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.

For all financial assets measured at amortized cost, interest income is recorded using the effective interest rate (EIR), i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets.

Interest on financial assets subsequently measured at fair value through profit and loss is recognized on an accrual basis in accordance with the terms of the respective contract.

Rebate on account of timely payment of interest by borrowers is recognized on receipt of entire interest amount due in time, in accordance with the terms of the respective contract and is netted against the corresponding interest income.

**Income from Government schemes**

Income of agency fee on Government schemes is recognized on accrual basis based on the services rendered.

# NOTES TO ACCOUNTS

**Dividend income**

Income from dividend on shares of corporate bodies and units of mutual funds is taken into account on accrual basis when REC's right to receive payment is established.

Provided that in case of final dividend, the right to receive payment shall be considered as established only upon approval of the dividend by the shareholders in the Annual General Meeting.

**Other services**

Fees/ charges on loan assets, other than those considered an adjustment to EIR, are accounted for on accrual basis. Pre-payment premium is accounted for by the Company in the year of receipt.

## 3.3 Borrowing costs

Borrowing costs consist of interest and other costs that the Company incurred in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition and/ or construction of a qualifying asset, till the time such a qualifying asset becomes ready for its intended use sale, are capitalized. A qualifying asset is one that necessarily takes a substantial period to get ready for its intended use.

All other borrowing costs are charged to the Statement of Profit and Loss on an accrual basis as per the effective interest rate method.

## 3.4 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

To calculate diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

## 3.5 Foreign Currency Translation

**Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing on the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in the Statement of Profit or Loss. However, for the long-term monetary items recognized in the financial statements before 1 April 2018, such gains and losses are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortized over the balance period of such long term monetary item, by recognition as income or expense in each of such periods.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date).

## 3.6 Intangible assets

**Recognition and initial measurement**

Intangible assets mainly comprise of computer software which is initially measured at cost. Such assets are recognized where it is probable that the future economic benefits attributable to the assets will flow to the company.

Subsequent measurement (amortization method, useful lives and residual value).

All intangible assets with finite useful life are amortized on a straight line basis over the estimated useful lives, and a possible impairment is assessed if there is an indication that the intangible asset may be impaired. Residual values and useful lives for all intangible assets are reviewed at each reporting date. Changes, if any, are accounted for as changes in accounting estimates. Management estimates the useful life of intangible assets to be five years.

**Intangible Assets under Development**

Expenditure incurred which are eligible for capitalization under intangible assets is carried as 'Intangible assets under development' till they are ready for their intended use.

# NOTES TO ACCOUNTS

**Derecognition of Intangible Assets**

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in the Statement of Profit and Loss when the asset is derecognized.

## 3.7 Property, Plant and Equipment (PPE)

**Recognition and initial measurement**

***Land***

Land held for use is initially recognized at cost. For land, as no finite useful life can be determined, related carrying amounts are not depreciated. Land also includes land held under finance lease, which is depreciated over the lease term.

***Other Tangible assets***

PPE other than land is initially recognized at acquisition cost or construction cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company beyond one year. Maintenance or servicing costs of PPE are recognized in the Statement of Profit and Loss as incurred.

Subsequent measurement (depreciation method, useful lives, residual value, and impairment)

PPE are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation on PPE is provided on the straight-line method over the useful life of the assets as prescribed under Part 'C' of Schedule II of the Companies Act, 2013.

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

Leasehold land is amortized over the lease period.

The residual values, useful lives, and method of depreciation are reviewed at the end of each financial year. PPE other than land is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

**De-recognition**

An item of PPE and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of an item of PPE is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss.

**Capital Work-in-Progress**

The cost of PPE under construction at the reporting date is disclosed as 'Capital work-in-progress.' The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Advances paid for the acquisition/ construction of PPE which are outstanding at the balance sheet date are classified under 'Capital Advances.'

## 3.8 Leases

**Company as a lessee**

At the inception of each lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

# NOTES TO ACCOUNTS

**Finance leases**

Assets leased by the Company in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Company are classified as finance leases. A finance lease is recognized as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability. The Finance expense is allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

**Operating Leases**

Leases in which the lessor does not transfer substantially all the risks and rewards of ownership of an asset to the lessee are classified as operating leases. Lease rentals are charged to statement of profit and loss on straight-line basis except where a scheduled increase in rent compensates the lessor for expected inflationary costs.

## 3.9 Investment property

Investment properties are the assets which have undetermined future use. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are stated at cost less accumulated depreciation. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company beyond one year. All other repair and maintenance costs are recognized in the Statement of Profit and Loss as incurred.

Subsequent measurement (depreciation and useful lives)

The Company only has land as an investment property, which is not depreciated.

**De-recognition**

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

## 3.10 Financial Instruments

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Initial recognition and measurement**

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Amortized cost
- Financial assets at fair value through profit or loss (FVTPL)

## NOTES TO ACCOUNTS

- Financial assets at fair value through other comprehensive income (FVOCI)
- Investments in equity shares of subsidiaries and joint ventures (carried at cost in accordance with Ind AS 27)

All financial assets except for those at FVTPL or equity instruments at FVOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied to each category of financial assets, which are described below.

**Amortized cost**

A financial asset is measured at amortized cost using Effective Interest Rate (EIR) if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A loss allowance for expected credit losses is recognized on financial assets carried at amortized cost.

**Modification of cash flows**

When the contractual cash flows of a financial asset are renegotiated or otherwise modified, and the renegotiation or modification does not result in derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

**Financial assets at FVTPL**

Financial assets at FVTPL include financial assets that are either do not meet the criteria for amortized cost classification or are equity instruments held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments also fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements may apply. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

**Financial assets at FVOCI**

FVOCI financial assets comprise of equity instruments measured at fair value. An equity investment classified as FVOCI is initially measured at fair value plus transaction costs. Gains and losses are recognized in other comprehensive income and reported within the FVOCI reserve within equity, except for dividend income, which is recognized in profit or loss. There is no recycling of such gains and losses from OCI to Statement of Profit & Loss, even on the derecognition of the investment. However, the Company may transfer the same within equity.

**De-recognition of financial assets**

**De-recognition of financial assets due to a substantial modification of terms and conditions**

The Company derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

**De-recognition of financial assets other than due to substantial modification**

Financial assets (or where applicable, a part of financial asset or part of a group of similar financial assets) are derecognized (i.e. removed from the Company's balance sheet) when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and substantially all the risks and rewards are transferred. The Company also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

# NOTES TO ACCOUNTS

**Classification and subsequent measurement of financial liabilities**

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

**Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

**Derivative financial instruments and hedge accounting**

The derivative financial instruments are accounted for at FVTPL. The Company does not apply hedge accounting.

## 3.11 Impairment of financial assets

**Loan assets**

The Company follows a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- Stage 1 includes loan assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date.
- Stage 2 includes loan assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment.
- Stage 3 includes loan assets that have objective evidence of impairment at the reporting date.

The Expected Credit Loss (ECL) is measured at 12-month ECL for Stage 1 loan assets and lifetime ECL for Stage 2 and Stage 3 loan assets. ECL is the product of the Probability of Default, Exposure at Default and Loss Given Default, defined as follows:

**Probability of Default (PD) -** The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.

**Loss Given Default (LGD)** – LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type, and preference of claim and availability of collateral or other credit support.

**Exposure at Default (EAD)** – EAD is based on the amount of outstanding exposure as on the assessment date on which ECL is computed including undisbursed amounts in respect of Letters of Comfort.

Forward-looking economic information is included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the expected credit loss are monitored and reviewed on an ongoing basis.

**Financial assets other than Loans**

In respect of its other financial assets, the Company assesses if the credit risk on those financial assets has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses.

To make that assessment, the Company compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition. The Company also considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Company assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

**Write-offs**

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery.

# NOTES TO ACCOUNTS

## 3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments (original maturity less than three months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

## 3.13 Dividend

Proposed dividends and interim dividends payable to the shareholders are recognized as changes in equity in the period in which they are approved by the shareholders' meeting and the Board of Directors respectively.

## 3.14 Material prior period errors

Material prior period errors are corrected retrospectively by restating the comparative amounts for the prior periods presented in which the error occurred. If the error occurred before the earliest period presented, the opening balances of assets, liabilities and equity for the earliest period presented, are restated.

## 3.15 Prepaid Expenses

A prepaid expense up to Rs. 1,00,000/- is recognized as expense upon initial recognition.

## 3.16 Taxation

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax. It is recognized in Statement of Profit and Loss, except when it relates to an item that is recognised in OCI or directly in equity, in which case, the tax is also recognised in OCI or directly in equity.

Current tax is determined as the tax payable in respect of taxable income for the year, using tax rates enacted or substantively enacted and as applicable at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided those rates are enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

Deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Dividend Distribution Tax is recognized at the same time when the liability to pay a dividend is recognized.

## 3.17 Employee benefits

**Short-term employee benefits**

Short-term employee benefits including salaries, short term compensated absences (such as a paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non-monetary benefits for current employees are estimated and measured on an undiscounted basis.

# NOTES TO ACCOUNTS

**Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:**

**Defined contribution plan**

A defined contribution plan is a plan under which the Company pays fixed contributions in respect of the employees into a separate fund. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The contributions made by the Company towards defined contribution plans are charged to the profit or loss in the period to which the contributions relate.

**Defined benefit plan**

The Company has an obligation towards gratuity, Post Retirement Medical Facility (PRMF) and Other Defined Retirement Benefit (ODRB) which are being considered as defined benefit plans covering eligible employees. Under the defined benefit plans, the amount that an employee will receive on retirement is defined by reference to the employee's length of service, final salary, and other defined parameters. The legal obligation for any benefits remains with the Company, even if plan assets for funding the defined benefit plan have been set aside.

The Company's obligation towards defined benefit plans is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. The liability recognized in the statement of financial position for defined benefit plans is the present value of the Defined Benefit Obligation (DBO) at the reporting date less the fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries.

Actuarial gains/losses resulting from re-measurements of the liability/asset are included in Other Comprehensive Income.

**Other long-term employee benefits:**

Liability in respect of compensated absences becoming due or expected to be availed more than one-year after the balance sheet date is estimated on the basis of actuarial valuation performed by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to statement of profit and loss in the period in which such gains or losses are determined.

**Loan to employees at concessional rate**

Loans given to employees at concessional rate are initially recognized at fair value and subsequently measured at amortised cost. The difference between the initial fair value of such loans and transaction value is recognised as deferred employee cost, which is amortised on a straight-line basis over the expected remaining period of the Loan. In case of change in expected remaining period of the Loan, the unamortised deferred employee cost on the date of change is amortised over the updated expected remaining period of the loan on a prospective basis.

## 3.18 Provisions, Contingent Liabilities, and Contingent Assets

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

A contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Company or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

In those cases, where the outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized or disclosure is made.

Any reimbursement that the Company can be virtually certain to collect from a third party concerning the obligation (such as from insurance) is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

Contingent assets are not recognized. However, when the inflow of economic benefits is probable, the related asset is disclosed.

# NOTES TO ACCOUNTS

## 3.19 Fair value measurement

The Company measures financial instruments, such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements regularly, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 4. Significant management judgment in applying accounting policies and estimation of uncertainty

The preparation of the Company's financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the related disclosures. Actual results may differ from these estimates.

**Significant management judgments**

**Recognition of deferred tax assets/ liability** – The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized. Further, the Company Management has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income tax Act, 1961 and thus, the special reserve created and maintained is not capable of being reversed. Hence, the company does not create any deferred tax liability on the said reserve.

**Evaluation of indicators for impairment of assets** – The evaluation of the applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

**Non recognition of Interest Income on Credit Impaired Loans -** Interest income on credit-impaired loan assets is not being recognised as a matter of prudence, pending the outcome of resolutions of stressed assets.

## NOTES TO ACCOUNTS

**Significant estimates**

**Useful lives of depreciable/amortizable assets** – Management reviews its estimate of the useful lives of depreciable/ amortizable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets.

**Defined benefit obligation (DBO)** – Management's estimate of the DBO is based on a number of underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

**Fair value measurements** – Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. In case of non-availability of market-observable data, Level 2 & Level 3 hierarchy is used for fair valuation.

**Income Taxes** – Significant estimates are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions and also in respect of expected future profitability to assess deferred tax asset.

**Expected Credit Loss ('ECL')** – The measurement of an expected credit loss allowance for financial assets measured at amortized cost requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., likelihood of customers defaulting and resulting losses). The Company makes significant judgments about the following while assessing expected credit loss to estimate ECL:

- Determining criteria for a significant increase in credit risk;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and the associated ECL; and
- Establishing groups of similar financial assets to measure ECL.
- Estimating the probability of default and loss given default (estimates of recoverable amounts in case of default)

# NOTES TO ACCOUNTS

## 5 Cash and cash equivalents

(₹ in Crores)

| Particulars | As at 31-03-19 | As at 31-03-18 | As at 01-04-17 |
|---|---|---|---|
| | | | |
| **- Balances with Banks** | **339.97** | **157.45** | 848.08 |
| **- Cash on Hand (including postage & imprest)** | **0.01** | **0.01** | - |
| **Sub-total** | **339.98** | **157.46** | **848.08** |
| | | | |
| **- Term Deposits & Other Cash Equivalents** | | | |
| - Short-term Deposits with Scheduled Banks | **2.96** | **54.54** | **2,457.87** |
| - Short term Investment in Debt Mutual Funds | **-** | **-** | **1,160.00** |
| **Sub-total** | **2.96** | **54.54** | **3,617.87** |
| **Total (Cash & Cash Equivalents)** | **342.94** | **212.00** | **4,465.95** |

**5.1** There are no repatriation restrictions with respect to Cash and Cash equivalents as at the end of the reporting year and prior years presented.

## 6 Other Bank Balances

(₹ in Crores)

| Particulars | As at 31-03-19 | As at 31-03-18 | As at 01-04-17 |
|---|---|---|---|
| | | | |
| **- Earmarked Balances with Banks** | | | |
| - For unpaid dividends | **4.15** | 3.49 | 2.75 |
| - For grants | **522.50** | 56.02 | 0.51 |
| | | | |
| **- Earmarked Term Deposits** | | | |
| - For grants | **2.15** | 39.02 | 23.20 |
| - Deposits in Compliance of Court Order | **2.47** | 2.31 | 1.98 |
| | | | |
| **- Balances with banks not available for use pending allotment of securities** | **722.04** | **1,469.23** | **-** |
| **Total (Other Bank Balances)** | **1,253.31** | **1,570.07** | **28.44** |

## 7. Derivative Financial Instruments

The Company has entered into derivative contracts for hedging foreign exchange risks and interest rate risks. Derivative contracts held for risk management purposes can either be accounted under hedge accounting or as economic hedges. However Company has elected not to apply hedge accounting.

Refer Note 44 for Risk Management Disclosures in respect of the derivatives.

**Part I**

(₹ in Crores)

| | Particulars | As at 31.03.2019 | | | As at 31.03.2018 | | | As at 01.04.2017 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Notional Amounts | Fair Value - Assets | Fair Value - Liabilities | Notional Amounts | Fair Value - Assets | Fair Value - Liabilities | Notional Amounts | Fair Value - Assets | Fair Value - Liabilities |
| **(i)** | **Currency Derivatives** | | | | | | | | | |
| | Spot and forwards | **518.78** | **-** | **10.26** | - | - | | | - | |
| | Currency swaps | **5,701.69** | **419.05** | **0.41** | 6,584.19 | 173.50 | 71.50 | 13,100.71 | 202.64 | 163.19 |
| | - Others | | | | | | | | | |
| | Call Spread | **3,839.01** | **129.43** | **-** | 6,049.10 | 70.76 | 161.17 | 6,029.99 | 168.11 | 126.05 |
| | Seagull Options | **14,306.98** | **1,093.63** | **18.57** | 2,821.78 | 209.35 | - | | | |
| | **Sub-total (i)** | **24,366.46** | **1,642.11** | **29.24** | **15,455.07** | **453.61** | **232.67** | **19,130.70** | **370.75** | **289.24** |
| | | | | | | | | | | |
| **(ii)** | **Interest Rate Derivatives** | | | | | | | | | |
| | - Forward Rate Agreements and Interest Rate Swaps | **21,436.70** | **160.47** | **130.16** | 27,506.20 | 236.77 | 85.08 | 23,089.85 | 257.32 | 65.22 |
| | **Sub-total (ii)** | **21,436.70** | **160.47** | **130.16** | **27,506.20** | **236.77** | **85.08** | **23,089.85** | **257.32** | **65.22** |
| | **Total - Derivative Financial Instruments (i + ii)** | **45,803.16** | **1,802.58** | **159.40** | **42,961.27** | **690.38** | **317.75** | **42,220.55** | **628.07** | **354.46** |

**Part II**

Included in Part I are derivatives held for hedging and risk management purposes as below:

(₹ in Crores)

| | Particulars | As at 31.03.2019 | | | As at 31.03.2018 | | | As at 01.04.2017 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Notional Amounts | Fair Value - Assets | Fair Value - Liabilities | Notional Amounts | Fair Value - Assets | Fair Value - Liabilities | Notional Amounts | Fair Value - Assets | Fair Value - Liabilities |
| **(i)** | Undesignated Derivatives | **45,803.16** | **1,802.58** | **159.40** | 42,961.27 | 690.38 | 317.75 | 42,220.55 | 628.07 | 354.46 |
| | **Total - Derivative Financial Instruments** | **45,803.16** | **1,802.58** | **159.40** | **42,961.27** | **690.38** | **317.75** | **42,220.55** | **628.07** | **354.46** |

## NOTES TO ACCOUNTS

### 8. Loans

The Company has categorised all loans at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

| | Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|---|
| | | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **(A)** | **Loans** | | | | | | |
| (i) | Term Loans | **279,021.68** | **279,748.67** | 233,801.39 | 234,480.65 | 198,339.82 | 199,285.98 |
| (ii) | Working Capital Loans | **2,188.00** | **2,200.18** | 5,647.93 | 5,673.05 | 3,588.85 | 3,609.74 |
| | **Total (A) - Gross Loans** | **281,209.68** | **281,948.85** | **239,449.32** | **240,153.70** | **201,928.67** | **202,895.72** |
| | Less: Impairment loss allowance | **(11,497.93)** | **(11,497.93)** | (11,275.45) | (11,275.45) | (8,961.20) | (8,961.20) |
| | **Total (A) - Net Loans** | **269,711.75** | **270,450.92** | **228,173.87** | **228,878.25** | **192,967.47** | **193,934.52** |
| | | | | | | | |
| **(B)** | **Security Details** | | | | | | |
| (i) | Secured by tangible assets | **216,394.62** | **206,845.46** | 198,454.16 | 199,024.92 | 170,201.07 | 171,043.22 |
| (ii) | Secured by intangible assets | | | | | | |
| (iii) | Covered by Bank/ Govt. Guarantees | **42,575.45** | **52,751.86** | 26,915.40 | 27,005.32 | 22,156.38 | 22,251.13 |
| (iv) | Unsecured | **22,239.61** | **22,351.53** | 14,079.76 | 14,123.46 | 9,571.22 | 9,601.37 |
| | **Total (B) - Gross Loans** | **281,209.68** | **281,948.85** | **239,449.32** | **240,153.70** | **201,928.67** | **202,895.72** |
| | Less: Impairment loss allowance | **(11,497.93)** | **(11,497.93)** | (11,275.45) | (11,275.45) | (8,961.20) | (8,961.20) |
| | **Total (B) - Net Loans** | **269,711.75** | **270,450.92** | **228,173.87** | **228,878.25** | **192,967.47** | **193,934.52** |
| | | | | | | | |
| **(C)(I)** | **Loans in India** | | | | | | |
| (i) | Public Sector | **247,719.13** | **248,463.55** | 206,410.52 | 207,015.02 | 168,810.92 | 169,388.65 |
| (ii) | Private Sector | **33,490.55** | **33,485.30** | 33,038.80 | 33,138.68 | 33,117.75 | 33,507.07 |
| | **Total (C)(I) - Gross Loans** | **281,209.68** | **281,948.85** | **239,449.32** | **240,153.70** | **201,928.67** | **202,895.72** |
| | Less: Impairment loss allowance | **(11,497.93)** | **(11,497.93)** | (11,275.45) | (11,275.45) | (8,961.20) | (8,961.20) |
| | **Total (C)(I) - Net Loans** | **269,711.75** | **270,450.92** | **228,173.87** | **228,878.25** | **192,967.47** | **193,934.52** |
| | | | | | | | |
| **(C)(II)** | **Loans outside India** | | | | | | |
| (i) | Public Sector | **-** | **-** | | - | | - |
| (ii) | Private Sector | **-** | **-** | | - | | - |
| | **Total (C)(II) - Gross Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| | Less: Impairment loss allowance | **-** | **-** | | - | | - |
| | **Total (C)(II) - Net Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| | **Total (C)(I) and (C)(II)** | **269,711.75** | **270,450.92** | **228,173.87** | **228,878.25** | **192,967.47** | **193,934.52** |

## NOTES TO ACCOUNTS

**8.1** Reconciliation between the figures reported under Ind-AS and actual amounts outstanding in respect of Loans:

(₹ in Crores)

| Particulars | As at 31-03-19 | As at 31-03-18 | As at 01-04-17 |
|---|---|---|---|
| **Net Loans** | **270,450.92** | **228,878.25** | **193,934.52** |
| Less: Interest accrued and due on Loans classified under the same head as per Ind-AS | **(445.05)** | (462.37) | (781.26) |
| Less: Interest accrued and not due on Loans classified under the same head as per Ind-AS | **(341.01)** | (303.23) | (288.31) |
| Add: Allowance for Expected Credit Loss netted off as per Ind-AS | **11,497.93** | 11,275.45 | 8,961.20 |
| Add: Ind-AS Adjustments in respect of fees based income at Effective Interest Rate (EIR) | **46.89** | 61.22 | 102.52 |
| **Gross Loans** | **281,209.68** | **239,449.32** | **201,928.67** |

**8.2** Loan balance confirmations for 88.56% of total loan assets as at 31st March 2019 have been received from the borrowers. Out of the remaining 11.44% loan assets amounting to ₹ 32,163 crore for which balance confirmations have not been received, 72% loans are secured by way of hypothecation of assets, 25% by way of Government Guarantee/ Loans to Government and 3% are unsecured loans.

**8.3** One of the borrowers, M/s RKM Powergen Pvt Ltd. has obtained an ad-interim order from Hon'ble High Court of Madras on 18 September 2015 not to classify the account as Non-Performing Asset. Accordingly, the loan outstanding of the borrower has not been classified as Stage III Asset, even though the overdues are more than 3 months old and the asset is credit impaired.

However, the Company has created an adequate provision of ₹ 942.67 crore (As at 31st March 2018 - ₹ 942.67 crore, as at 1st April 2017 - ₹ 942.67 crore) @ 40.95% of Loan outstanding of ₹ 2,302 crore (As at 31st March 2018 - ₹ 2,302 crore, as at 1st April 2017 - ₹ 2,302 crore) in the books of accounts as per Expected Credit Loss (ECL) as on 31st March 2019 after considering the financial and operational parameters of the project.

### 9 Investments

(₹ in Crores)

| As at 31st March 2019 | Amortised Cost | At fair value | | | | At Cost | Total |
|---|---|---|---|---|---|---|---|
| | | Through Other Comprehensive Income | Through profit or loss | Designated at fair value through profit or loss | Sub-total | | |
| | (1) | (2) | (3) | (4) | (5=2+3+4) | (6) | (7=1+5+6) |
| **Government Securities** | | | | | - | | |
| - Govt. of MP Power Bonds - II | **47.16** | | | | - | | **47.16** |
| (1 Bond of ₹ 47.16 Crores each) | | | | | | | |
| **Sub-total - Government Securities** | **47.16** | - | - | - | - | - | **47.16** |
| **Debt Securities** | | | | | | | |
| 11.15% Perpetual Bonds of Indian Bank | | | **500.31** | | **500.31** | | **500.31** |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | | |
| 11.25% Perpetual Bonds of Vijaya Bank | | | **556.25** | | **556.25** | | **556.25** |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | | |
| 11.25% Perpetual Bonds of Syndicate Bank | | | **500.31** | | **500.31** | | **500.31** |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | | |
| **Sub-total - Debt Securities** | - | - | 1,556.87 | - | 1,556.87 | - | 1,556.87 |

## NOTES TO ACCOUNTS

(₹ in Crores)

| As at 31st March 2019 | Amortised Cost | At fair value | | | | At Cost | Total |
|---|---|---|---|---|---|---|---|
| | | Through Other Comprehensive Income | Through profit or loss | Designated at fair value through profit or loss | Sub-total | | |
| | (1) | (2) | (3) | (4) | (5=2+3+4) | (6) | (7=1+5+6) |
| **Equity Instruments** | | | | | | | |
| - NHPC Ltd. | | **433.00** | | | **433.00** | | **433.00** |
| (17,53,02,206 Equity shares of ₹ 10 each) | | | | | | | |
| - Indian Energy Exchange Ltd. | | **206.25** | | | **206.25** | | **206.25** |
| (1,25,00,000 Equity shares of ₹ 1 each) | | | | | | | |
| - HUDCO Ltd. | | **1.56** | | | **1.56** | | **1.56** |
| (3,47,429 Equity shares of ₹ 10 each) | | | | | | | |
| - Universal Commodity Exchange Ltd. | | **-** | | | **-** | | **-** |
| (1,60,00,000 Equity shares of ₹ 10 each) | | | | | | | |
| - Lanco Teesta Hydro Power Pvt. Ltd. | | **-** | | | **-** | | **-** |
| (10,20,00,000 Equity shares of ₹ 10 each) | | | | | | | |
| **Sub-total - Equity Instruments** | **-** | **640.81** | **-** | **-** | **640.81** | **-** | **640.81** |
| **Subsidiaries** | | | | | | | |
| - REC Power Distribution Company Ltd. | | | | | **-** | **0.05** | **0.05** |
| (50,000 Equity shares of ₹ 10 each) | | | | | | | |
| - REC Transmission Projects Company Ltd. | | | | | **-** | **0.05** | **0.05** |
| (50,000 Equity shares of ₹ 10 each) | | | | | | | |
| **Sub-total - Subsidiaries** | **-** | **-** | **-** | **-** | **-** | **0.10** | **0.10** |
| **Joint Ventures** | | | | | | | |
| - Energy Efficiency Services Ltd. | | | | | **-** | **146.50** | **146.50** |
| (14,65,00,000 Equity shares of ₹ 10 each) | | | | | | | |
| **Sub-total - Joint Ventures** | **-** | **-** | **-** | **-** | **-** | **146.50** | **146.50** |
| **Others** | | | | | | | |
| - Units of 'Small is Beautiful' Fund | | **6.18** | | | **6.18** | | **6.18** |
| (61,52,200 units of ₹ 10 each) | | | | | | | |
| **Sub-total - Others** | **-** | **6.18** | **-** | **-** | **6.18** | **-** | **6.18** |
| **Total - Gross (A)** | **47.16** | **646.99** | **1,556.87** | **-** | **2,203.86** | **146.60** | **2,397.62** |
| (i) Investments outside India | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| (ii) Investments in India | **47.16** | **646.99** | **1,556.87** | **-** | **2,203.86** | **146.60** | **2,397.62** |
| **Total (B)** | **47.16** | **646.99** | **1,556.87** | **-** | **2,203.86** | **146.60** | **2,397.62** |
| Less: Allowance for impairment loss (C) | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total - Net (D=A-C)** | **47.16** | **646.99** | **1,556.87** | **-** | **2,203.86** | **146.60** | **2,397.62** |

## NOTES TO ACCOUNTS

(₹ in Crores)

| As at 31st March 2018 | Amortised Cost | At fair value | | | | At Cost | Total |
|---|---|---|---|---|---|---|---|
| | | Through Other Comprehensive Income | Through profit or loss | Designated at fair value through profit or loss | Sub-total | | |
| | (1) | (2) | (3) | (4) | (5=2+3+4) | (6) | (7=1+5+6) |
| **Government Securities** | | | | | - | | |
| - Govt. of MP Power Bonds - II | 141.48 | | | | - | | 141.48 |
| (3 Bonds of ₹ 47.16 Crores each) | | | | | | | |
| **Sub-total - Government Securities** | **141.48** | **-** | **-** | **-** | **-** | **-** | **141.48** |
| **Debt Securities** | | | | | | | |
| - Bonds of UP Power Corporation Ltd. | 317.47 | | | | - | | 317.47 |
| (30,385 Bonds of ₹ 0.01 Crores each) | | | | | | | |
| - Perpetual Bonds of Indian Bank | | | 500.31 | | 500.31 | | 500.31 |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | | |
| - Perpetual Bonds of Vijaya Bank | | | 500.00 | | 500.00 | | 500.00 |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | | |
| - Perpetual Bonds of Syndicate Bank | | | 500.31 | | 500.31 | | 500.31 |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | | |
| **Sub-total - Debt Securities** | **317.47** | **-** | **1,500.62** | **-** | **1,500.62** | **-** | **1,818.09** |
| **Equity Instruments** | | | | | | | |
| - NHPC Ltd. | | 509.71 | | | 509.71 | | 509.71 |
| (18,40,11,865 Equity shares of ₹ 10 each) | | | | | | | |
| - Indian Energy Exchange Ltd. | | 200.36 | | | 200.36 | | 200.36 |
| (12,50,000 Equity shares of ₹ 10 each) | | | | | | | |
| - HUDCO Ltd. | | 2.30 | | | 2.30 | | 2.30 |
| (3,47,429 Equity shares of ₹ 10 each) | | | | | | | |
| - Universal Commodity Exchange Ltd. | | - | | | - | | - |
| (1,60,00,000 Equity shares of ₹ 10 each) | | | | | | | |
| - Lanco Teesta Hydro Power Pvt. Ltd. | | - | | | - | | - |
| (10,20,00,000 Equity shares of ₹ 10 each) | | | | | | | |
| **Sub-total - Equity Instruments** | **-** | **712.37** | **-** | **-** | **712.37** | **-** | **712.37** |
| **Subsidiaries** | | | | | | | |
| - REC Power Distribution Company Ltd. | | | | | - | 0.05 | 0.05 |
| (50,000 Equity shares of ₹ 10 each) | | | | | | | |
| - REC Transmission Projects Company Ltd. | | | | | - | 0.05 | 0.05 |
| (50,000 Equity shares of ₹ 10 each) | | | | | | | |
| **Sub-total - Subsidiaries** | **-** | **-** | **-** | **-** | **-** | **0.10** | **0.10** |

## NOTES TO ACCOUNTS

(₹ in Crores)

| As at 31st March 2018 | Amortised Cost | At fair value | | | | At Cost | Total |
|---|---|---|---|---|---|---|---|
| | | Through Other Comprehensive Income | Through profit or loss | Designated at fair value through profit or loss | Sub-total | | |
| | (1) | (2) | (3) | (4) | (5=2+3+4) | (6) | (7=1+5+6) |
| **Joint Ventures** | | | | | | | |
| - Energy Efficiency Services Ltd. | | | | | - | 146.50 | 146.50 |
| (14,65,00,000 Equity shares of ₹ 10 each) | | | | | | | |
| **Sub-total - Joint Ventures** | **-** | **-** | **-** | **-** | **-** | **146.50** | **146.50** |
| **Others** | | | | | | | |
| - Units of 'Small is Beautiful' Fund | | 6.26 | | | 6.26 | | 6.26 |
| (61,52,200 units of ₹ 10 each) | | | | | | | |
| **Sub-total - Others** | **-** | **6.26** | **-** | **-** | **6.26** | **-** | **6.26** |
| **Total - Gross (A)** | **458.95** | **718.63** | **1,500.62** | **-** | **2,219.25** | **146.60** | **2,824.80** |
| (i) Investments outside India | - | - | - | - | - | - | - |
| (ii) Investments in India | 458.95 | 718.63 | 1,500.62 | - | 2,219.25 | 146.60 | 2,824.80 |
| **Total (B)** | **458.95** | **718.63** | **1,500.62** | **-** | **2,219.25** | **146.60** | **2,824.80** |
| Less: Allowance for impairment loss (C) | - | - | - | - | - | - | - |
| **Total - Net (D=A-C)** | **458.95** | **718.63** | **1,500.62** | **-** | **2,219.25** | **146.60** | **2,824.80** |

(₹ in Crores)

| As at 31st March 2017 | Amortised Cost | At fair value | | | | At Cost | Total |
|---|---|---|---|---|---|---|---|
| | | Through Other Comprehensive Income | Through profit or loss | Designated at fair value through profit or loss | Sub-total | | |
| | (1) | (2) | (3) | (4) | (5=2+3+4) | (6) | (7=1+5+6) |
| **Government Securities** | | | | | - | | |
| - Govt. of MP Power Bonds - II | 235.80 | | | | - | | 235.80 |
| (5 Bonds of ₹ 47.16 Crores each) | | | | | | | |
| **Sub-total - Government Securities** | **235.80** | **-** | **-** | **-** | **-** | **-** | **235.80** |
| **Debt Securities** | | | | | | | |
| - Bonds of UP Power Corporation Ltd. | 317.47 | | | | - | | 317.47 |
| (30,385 Bonds of ₹ 0.01 Crores each) | | | | | | | |
| - Perpetual Bonds of Indian Bank | | | 500.31 | | 500.31 | | 500.31 |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | | |
| - Perpetual Bonds of Vijaya Bank | | | 500.00 | | 500.00 | | 500.00 |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | | |
| - Perpetual Bonds of Syndicate Bank | | | 500.31 | | 500.31 | | 500.31 |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | | |
| **Sub-total - Debt Securities** | **317.47** | **-** | **1,500.62** | **-** | **1,500.62** | **-** | **1,818.09** |

## NOTES TO ACCOUNTS

(₹ in Crores)

| As at 31st March 2017 | Amortised Cost | At fair value | | | | At Cost | Total |
|---|---|---|---|---|---|---|---|
| | | Through Other Comprehensive Income | Through profit or loss | Designated at fair value through profit or loss | Sub-total | | |
| | (1) | (2) | (3) | (4) | (5=2+3+4) | (6) | (7=1+5+6) |
| **Equity Instruments** | | | | | | | |
| - NHPC Ltd. | | 592.52 | | | 592.52 | | 592.52 |
| (18,40,11,865 Equity shares of ₹ 10 each) | | | | | | | |
| - Indian Energy Exchange Ltd. | | 109.25 | | | 109.25 | | 109.25 |
| (12,50,000 Equity shares of ₹ 10 each) | | | | | | | |
| - Universal Commodity Exchange Ltd. | | - | | | - | | - |
| (1,60,00,000 Equity shares of ₹ 10 each) | | | | | | | |
| - Lanco Teesta Hydro Power Pvt. Ltd. | | - | | | - | | - |
| (10,20,00,000 Equity shares of ₹ 10 each) | | | | | | | |
| **Sub-total - Equity Instruments** | **-** | **701.77** | **-** | **-** | **701.77** | **-** | **701.77** |
| **Subsidiaries** | | | | | | | |
| - REC Power Distribution Company Ltd. | | | | | - | 0.05 | 0.05 |
| (50,000 Equity shares of ₹ 10 each) | | | | | | | |
| - REC Transmission Projects Company Ltd. | | | | | - | 0.05 | 0.05 |
| (50,000 Equity shares of ₹ 10 each) | | | | | | | |
| **Sub-total - Subsidiaries** | **-** | **-** | **-** | **-** | **-** | **0.10** | **0.10** |
| **Joint Ventures** | | | | | | | |
| - Energy Efficiency Services Ltd. | | | | | - | 146.50 | 146.50 |
| (14,65,00,000 Equity shares of ₹ 10 each) | | | | | | | |
| **Sub-total - Joint Ventures** | **-** | **-** | **-** | **-** | **-** | **146.50** | **146.50** |
| **Others** | | | | | | | |
| - Units of 'Small is Beautiful' Fund | | 6.30 | | | 6.30 | | 6.30 |
| (61,52,200 units of ₹ 10 each) | | | | | | | |
| **Sub-total - Others** | **-** | **6.30** | **-** | **-** | **6.30** | **-** | **6.30** |
| **Total - Gross (A)** | **553.27** | **708.07** | **1,500.62** | **-** | **2,208.69** | **146.60** | **2,908.56** |
| (i) Investments outside India | - | - | - | - | - | - | - |
| (ii) Investments in India | 553.27 | 708.07 | 1,500.62 | - | 2,208.69 | 146.60 | 2,908.56 |
| **Total (B)** | **553.27** | **708.07** | **1,500.62** | **-** | **2,208.69** | **146.60** | **2,908.56** |
| Less: Allowance for impairment loss (C) | - | - | - | - | - | - | - |
| **Total - Net (D=A-C)** | **553.27** | **708.07** | **1,500.62** | **-** | **2,208.69** | **146.60** | **2,908.56** |

# NOTES TO ACCOUNTS

## 9.1 Details of Investment in Subsidiaries and Joint Ventures:

(₹ in Crores)

| Name of the company | Principal place of business / Country of Incorporation | Proportion of ownership interest as at | | |
|---|---|---|---|---|
| | | As at 31-03-19 | As at 31-03-18 | As at 01-04-17 |
| **Subsidiaries :** | | | | |
| REC Power Distribution Company Ltd. | India | **100.00%** | 100.00% | 100.00% |
| REC Transmission Projects Company Ltd. | India | **100.00%** | 100.00% | 100.00% |
| Joint Ventures : | | | | |
| Energy Efficiency Services Ltd. | India | **21.70%** | 31.71% | 31.71% |

The investments in subsidiaries and joint ventures are measured at cost in accordance with the provisions of Ind AS 27 'Separate Financial Statements'.

**9.2** Under the Right Issue Offer of Energy Efficiency Services Limited (EESL), the Company has applied for 7,16,00,000 shares of Energy Efficiency Services Limited (EESL) for a consideration of Rs. 71.60 crores on 8th April 2019. The final allotment of shares is pending as on date and subsequent to this, the shareholding of the Company may increase in EESL.

**9.3** The Company has elected an irrevocable option to designate some of the equity instruments at FVOCI (Fair Value through Other Comprehensive Income). The Company's main operation is to provide financial assistance to power sector. Thus, in order to isolate Standalone Statement of Profit & Loss from price fluctuations of these instruments, management believes that this provides a more meaningful presentation, rather than classifying them at FVTPL (Fair Value through Profit & Loss).

### Details of FVOCI investments derecognised during the year

(₹ in Crores)

| Name of the company | FY 2018-19 | | | FY 2017-18 | | |
|---|---|---|---|---|---|---|
| | No. of shares derecognised | Fair Value as on de-recognition | Cumulative Gain/ loss on de-recognition | No. of shares derecognised | Fair Value as on de-recognition | Cumulative Gain/ loss on de-recognition |
| **NHPC Limited** | **0.87** | **24.39** | **5.42** | - | - | - |

The shares of NHPC Ltd. were sold under buyback offer of the company, under which the shares were offered to be bought back at a price higher than the prevailing market price and the Company considered it as an opportunity to sell a large lot of equity shares through this mode, instead of selling the shares in open market at lower prices.

Subsequent to the derecognition of the investments on account of actual sale of the equity shares, the Company has transferred the cumulative gain or loss on such shares within equity during the period.

**9.4** Under the Buy Back Offer of Indian Energy Exchange Limited, The Company has sold and consequently derecognised 2,28,789 shares for a consideration of Rs. 4.23 crores on 10th April 2019. The shares had been offered to be bought back at a price higher than the prevailing market price and the Company considered it as an opportunity to sell a large lot of equity shares through this mode, instead of selling the shares in open market at lower prices.

# NOTES TO ACCOUNTS

## 10 Other financial assets

The Company has categorised all the components under 'Other Financial Assets' at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| **(A)** | **Loans to Employees** | **28.80** | 32.72 | 37.05 |
| **(B)** | **Advances to Employees** | **0.32** | 0.16 | 0.09 |
| **(C)** | **Loans & Advances to Subsidiaries** | **1.72** | 1.49 | 1.35 |
| **(D)** | **Security Deposits** | **1.13** | 0.98 | 0.73 |
| **(E)** | **Recoverable from Govt. of India** | | | |
| | - Towards GoI Fully Serviced Bonds | **18,131.11** | 4,011.23 | - |
| | - Agency Charges on Govt. Schemes | **159.61** | 161.01 | - |
| | - Reimbursement of Expenses on Govt. Schemes | **0.91** | 8.00 | 9.44 |
| | **Total - Recoverable from Govt. of India** | **18,291.63** | **4,180.24** | **9.44** |
| | | | | |
| **(F)** | **Recoverable from State Electricity Boards/ Others** | **6.17** | 5.72 | 2.17 |
| **(G)** | **Other Amounts Recoverable** | **39.40** | 15.85 | 8.92 |
| | Less: Allowance for Expected Credit Loss | **(26.69)** | (12.27) | (5.59) |
| | **Other Amounts Recoverable (Net)** | **12.71** | 3.58 | 3.33 |
| | **Total (A to G)** | **18,342.48** | **4,224.89** | **54.16** |

## 10.1 Details of Loans to Employees

The Company has categorised all loans to employees at Amortised Cost only in accordance with the requirements of Ind AS 109.

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| **(A)** | **Secured Loans** | | | |
| | - To Key Managerial Personnel | **-** | - | 0.02 |
| | - To Others | **3.74** | 4.14 | 4.45 |
| | **Sub-total (A)** | **3.74** | **4.14** | **4.47** |
| **(B)** | **Unsecured Loans** | | | |
| | - To Key Managerial Personnel | **0.46** | 0.56 | 0.51 |
| | - To Others | **24.60** | 28.02 | 32.07 |
| | **Sub-total (B)** | **25.06** | **28.58** | **32.58** |
| | **Total (A+B)** | **28.80** | **32.72** | **37.05** |

The figures above include interest accrued on such loans amounting to ₹ 5.72 crores (Previous year ₹ 5.45 crores).

# NOTES TO ACCOUNTS

## 11. Current tax assets (net)

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **Advance Income-tax & TDS** | **2,083.39** | 2,199.97 | 2,653.30 |
| Less; Provision for Income Tax | **(1,807.56)** | (2,178.95) | (2,614.33) |
| **Current tax assets (Net)** | **275.83** | **21.02** | **38.97** |

## 12. Deferred tax assets (net)

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Deferred Tax Assets (Net) | **2,358.29** | 2,904.11 | 2,187.88 |

## 12.1 Significant components of net deferred tax assets and liabilities for the year ended 31st March 2019 are as follows

(₹ in Crores)

| Particulars | Opening balance | Recognised in Profit or Loss | Recognised in OCI | Others | Closing balance |
|---|---|---|---|---|---|
| **Deferred Tax Assets** | | | | | |
| Expected Credit Loss | 2,979.61 | (12.89) | | | 2,966.72 |
| Provision for Earned Leave | 3.50 | 0.52 | | | 4.02 |
| Provision for Medical Leave | 6.91 | 0.66 | | | 7.57 |
| **Total Deferred Tax Assets** | **2,990.02** | **(11.71)** | **-** | **-** | **2,978.31** |
| **Deferred Tax Liabilities** | | | | | |
| Due to different tax base of Property, Plant & Equipment | 3.05 | - | | | 3.05 |
| Unamortised Foreign Currency Exchange Fluctuations | 30.15 | 237.11 | | | 267.26 |
| Fair Valuation of Derivatives | (9.27) | 21.31 | | | 12.04 |
| Financial assets and liabilities measured at amortised cost | 61.88 | 275.01 | | | 336.89 |
| Fair Valuation of Investments | 0.10 | | 0.68 | | 0.78 |
| **Total Deferred Tax Liabilities** | **85.91** | **533.43** | **0.68** | **-** | **620.02** |
| **Total Deferred Tax Assets (Net)** | **2,904.11** | **(545.14)** | **(0.68)** | **-** | **2,358.29** |

# NOTES TO ACCOUNTS

**Significant components of net deferred tax assets and liabilities for the year ended 31st March 2018 are as follows**

(₹ in Crores)

| Particulars | Opening balance | Recognised in Profit or Loss | Recognised in OCI | Others | Closing balance |
|---|---|---|---|---|---|
| **Deferred Tax Assets** | | | | | |
| Expected Credit Loss | 2,272.18 | 707.43 | | | 2,979.61 |
| Provision for Earned Leave | 10.77 | (7.27) | | | 3.50 |
| Provision for Medical Leave | 6.67 | 0.24 | | | 6.91 |
| **Total Deferred Tax Assets** | **2,289.62** | **700.40** | **-** | **-** | **2,990.02** |
| **Deferred Tax Liabilities** | | | | | |
| Depreciation and Amortisation | 3.79 | (0.74) | | | 3.05 |
| Unamortised Foreign Currency Exchange Fluctuations | (70.52) | 100.67 | | | 30.15 |
| Fair Valuation of Derivatives | 91.23 | (100.50) | | | (9.27) |
| Financial assets and liabilities measured at amortised cost | 77.24 | (15.36) | | | 61.88 |
| Fair Valuation of Investments | - | | 0.10 | | 0.10 |
| **Total Deferred Tax Liabilities** | **101.74** | **(15.93)** | **0.10** | **-** | **85.91** |
| **Total Deferred Tax Assets (Net)** | **2,187.88** | **716.33** | **(0.10)** | **-** | **2,904.11** |

## 13. Investment Property

(₹ in Crores)

| Particulars | Opening Balance | Additions during the period | Sales/ adjustment during the period | Closing Balance |
|---|---|---|---|---|
| **FY 2018-19** | **0.01** | **-** | **-** | **0.01** |
| FY 2017-18 | 0.01 | - | - | 0.01 |

**13.1** The company has classified the land held for undeterminable future use as investment property and is not earning any rental income on it.

**13.2** Fair value of investment property:

(₹ in Crores)

| Particulars | As at 31-03-19 | As at 31-03-18 | As at 01-04-17 |
|---|---|---|---|
| Carrying Value | **0.01** | 0.01 | 0.01 |
| Fair Value | **0.61** | 0.51 | 0.41 |

The Company obtains independent valuations for its investment properties at least annually. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the Company consider information from variety of sources including:

- current prices in an active market of similar properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.

- current circle rates in the jurisdiction where the investment property is located.

The fair values of investment property has been determined by an independent valuer and the main inputs used are circle rates and current prices of similar properties. All resulting fair value estimates for investment property are included in Level 3.

## 14. Property, Plant & Equipment and Intangible Assets

(₹ in Crores)

| Particulars | Property, Plant & Equipment | | | | | | | | Capital Work-in-Progress | Intangible Assets under Development | Other Intangible Assets |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold Land | Leasehold Land | Buildings | Furniture & Fixtures | EDP Equipments | Office Equipments | Vehicles | Total | Immovable Property | Computer Software | Computer Software |
| **Gross carrying value** | | | | | | | | | | | |
| **As at 01.04.2017** | **82.92** | **1.59** | **31.58** | **7.31** | **15.26** | **13.64** | **0.43** | **152.73** | **61.41** | **1.46** | **7.03** |
| Additions | - | - | 0.16 | 1.95 | 2.64 | 3.34 | - | **8.09** | **59.50** | **-** | **5.35** |
| Borrowings Cost Capitalised | | | | | | | | | **6.32** | | |
| Disposals | - | - | - | 0.15 | 2.10 | 0.76 | 0.03 | **3.04** | **-** | **-** | **-** |
| **As at 31.03.2018** | **82.92** | **1.59** | **31.74** | **9.11** | **15.80** | **16.22** | **0.40** | **157.78** | **127.23** | **1.46** | **12.38** |
| Additions | 27.47 | - | - | 1.75 | 4.97 | 3.22 | - | **37.41** | **58.34** | **0.13** | **4.87** |
| Borrowings Cost Capitalised | | | | | | | | **-** | **11.37** | | |
| Disposals | - | - | - | 0.21 | 0.85 | 0.94 | - | **2.00** | **-** | **-** | **-** |
| **As at 31.03.2019** | **110.39** | **1.59** | **31.74** | **10.65** | **19.92** | **18.50** | **0.40** | **193.19** | **196.94** | **1.59** | **17.25** |
| **Accumulated depreciation/ amortisation** | | | | | | | | | | | |
| **As at 01.04.2017 *** | **-** | **0.25** | **7.62** | **5.31** | **11.57** | **6.89** | **0.28** | **31.92** | **-** | **-** | **6.60** |
| Charge for the year | - | 0.04 | 0.48 | 0.56 | 2.04 | 1.88 | 0.02 | **5.02** | **-** | **-** | **0.63** |
| Adjustment for disposals | - | - | - | 0.08 | 1.92 | 0.32 | 0.03 | **2.35** | **-** | **-** | **-** |
| **As at 31.03.2018** | **-** | **0.29** | **8.10** | **5.79** | **11.69** | **8.45** | **0.27** | **34.59** | **-** | **-** | **7.23** |
| Charge for the year | - | 0.02 | 0.48 | 0.59 | 2.27 | 2.27 | 0.03 | **5.66** | **-** | **-** | **1.51** |
| Adjustment for disposals | - | - | - | 0.06 | 0.59 | 0.39 | - | **1.04** | **-** | **-** | **-** |
| **As at 31.03.2019** | **-** | **0.31** | **8.58** | **6.32** | **13.37** | **10.33** | **0.30** | **39.21** | **-** | **-** | **8.74** |
| **Net block as at 01.04.17 *** | **82.92** | **1.34** | **23.96** | **2.00** | **3.69** | **6.75** | **0.15** | **120.81** | **61.41** | **1.46** | **0.43** |
| **Net block as at 31.03.18** | **82.92** | **1.30** | **23.64** | **3.32** | **4.11** | **7.77** | **0.13** | **123.19** | **127.23** | **1.46** | **5.15** |
| **Net block as at 31.03.19** | **110.39** | **1.28** | **23.16** | **4.33** | **6.55** | **8.17** | **0.10** | **153.98** | **196.94** | **1.59** | **8.51** |

* represents deemed cost on the date of transition to Ind AS. Gross block and accumulated depreciation/ amortisation from the previous GAAP have been disclosed for the purpose of better understanding of the original cost of assets.

**14.1** As on 31st March 2019, the formalities regarding registration of conveyance deed in respect of certain immovable properties acquired by the Company are yet to be executed. The details are as below:

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Land | Building | Land | Building | Land | Building |
| **Gross Carrying Value** | **68.31** | **4.59** | 45.92 | 4.59 | 45.92 | 4.59 |
| **Net Carrying Value** | **68.31** | **2.20** | 45.92 | 2.26 | 45.92 | 2.32 |

**14.2** As on 31st March 2019, certain Property, Plant & Equipment has been pledged as security against secured borrowings of the Company as per the details below:

(₹ in Crores)

| Particulars | As at 31-03-19 | As at 31-03-18 | As at 01-04-17 |
|---|---|---|---|
| **Gross Carrying Value** | **3.45** | 3.45 | 3.45 |
| **Net Carrying Value** | **2.46** | 2.50 | 2.55 |

**14.3** In the opinion of management, there are no events or changes in circumstances that indicate the impairment of PPE and Intangible Assets in terms of Ind AS 36 'Impairment of Assets'. Accordingly, no provision for impairment has been made.

**14.4** While the Company has not made any specific borrowings for construction of a qualifying asset, the Company has capitalised certain borrowing costs on account of general borrowings at an average rate of borrowings for the Company in terms of Ind AS 23 'Borrowing Costs'.

**14.5 Disclosure in respect of Intangible Assets as required under Ind-AS 38 "Intangible Assets"**

**Amortisation Rate** 20% (100% in case the total cost of the asset is ₹ 5,000 or less)

## 15. Other non-financial assets

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **(A) Capital Advances** | **35.72** | 45.96 | 40.23 |
| **(B) Other Advances** | **28.86** | 20.46 | 0.68 |
| **(C) Balances with Govt. Authorities** | **48.00** | 6.55 | 1.80 |
| **(D) Prepaid Expenses** | **7.51** | - | 0.28 |
| **(E) Deferred Employee Cost** | **12.20** | 13.60 | 14.89 |
| **(F) Other Assets** | **0.01** | 0.06 | 0.10 |
| **Total (A to F)** | **132.30** | **86.63** | **57.98** |

# NOTES TO ACCOUNTS

## 16. Debt Securities

The Company has categorised all debt securities at amortised cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

| Particulars | | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|---|
| | | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **(A)** | **Secured Long-Term Debt Securities** | | | | | | |
| (i) | Institutional Bonds | **11,019.40** | **11,599.27** | 22,138.60 | 23,099.72 | 27,591.90 | 28,818.34 |
| (ii) | 54EC Capital Gain Tax Exemption Bonds | **23,157.88** | **24,010.13** | 22,235.89 | 23,051.75 | 19,477.40 | 20,196.18 |
| (iii) | Tax Free Bonds | **12,648.41** | **13,082.66** | 12,648.41 | 13,078.66 | 12,648.41 | 13,075.50 |
| (iv) | Bond Application Money | **722.04** | **720.48** | 1,469.23 | 1,469.23 | - | - |
| | **Sub-total (A)** | **47,547.73** | **49,412.54** | **58,492.13** | **60,699.36** | **59,717.71** | **62,090.02** |
| **(B)** | **Unsecured Long-Term Debt Securities** | | | | | | |
| (i) | Institutional Bonds | **118,253.90** | **122,201.55** | 103,069.70 | 106,530.16 | 82,284.40 | 85,437.09 |
| (ii) | Infrastructure Bonds | **91.43** | **98.75** | 110.47 | 126.07 | 111.64 | 124.13 |
| (iii) | Zero Coupon Bonds | **1,259.57** | **1,258.56** | 1,162.59 | 1,161.55 | 1,073.09 | 1,072.01 |
| (iv) | Foreign Currency Bonds | **12,796.69** | **12,172.07** | 7,480.06 | 7,472.55 | - | - |
| | **Sub-total (B)** | **132,401.59** | **135,730.93** | **111,822.82** | **115,290.33** | **83,469.13** | **86,633.23** |
| **(C)** | **Unsecured Short-Term Debt Securities** | | | | | | |
| (i) | Commercial Paper | **7,975.00** | **7,696.32** | 3,250.00 | 3,150.44 | - | - |
| | **Sub-total (C)** | **7,975.00** | **7,696.32** | **3,250.00** | **3,150.44** | **-** | **-** |
| | **Total - Debt Securities (A+B+C)** | **187,924.32** | **192,839.79** | **173,564.95** | **179,140.13** | **143,186.84** | **148,723.25** |
| | **Debt Securities issued in/ outside India** | | | | | | |
| (i) | Debt Securities in India | **175,127.63** | **180,667.72** | 166,084.89 | 171,667.58 | 143,186.84 | 148,723.25 |
| (ii) | Debt Securities outside India | **12,796.69** | **12,172.07** | 7,480.06 | 7,472.55 | - | - |
| | **Total - Debt Securities** | **187,924.32** | **192,839.79** | **173,564.95** | **179,140.13** | **143,186.84** | **148,723.25** |

## 16.1 Details of Secured Long-Term Debt Securities - Refer Note 17.8 for details of the security

**(i) Institutional Bonds**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **123-IIIB Series -** 9.34% Redeemable at par on 23.08.2024 | **1,955.00** | **2,062.61** | 1,955.00 | 2,063.48 | 1,955.00 | 2,063.36 |
| **123-I Series -** 9.40% Redeemable at par on 17.07.2021 | **1,515.00** | **1,615.29** | 1,515.00 | 1,615.16 | 1,515.00 | 1,614.64 |
| **92-II Series -** 8.65% Redeemable at par on 22.01.2020 | **945.30** | **960.65** | 945.30 | 960.53 | 945.30 | 960.42 |

## NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **91-II Series -** 8.80% Redeemable at par on 18.11.2019 | **995.90** | **1,028.23** | 995.90 | 1,028.09 | 995.90 | 1,027.98 |
| **90-C-II Series -** 8.80% Redeemable at par on 07.10.2019 | **1,040.00** | **1,084.29** | 1,040.00 | 1,084.13 | 1,040.00 | 1,083.98 |
| **90-B-II Series -** 8.72% Redeemable at par on 04.09.2019 | **868.20** | **911.48** | 868.20 | 911.34 | 868.20 | 911.21 |
| **90th Series -** 8.80% Redeemable at par on 03.08.2019 | **2,000.00** | **2,116.21** | 2,000.00 | 2,116.20 | 2,000.00 | 2,116.20 |
| **122nd Series -** 9.02% Redeemable at par on 18.06.2019 | **1,700.00** | **1,820.51** | 1,700.00 | 1,819.82 | 1,700.00 | 1,820.00 |
| **119th Series -** 9.63% Redeemed at par on 05.02.2019 | **-** | **-** | 2,090.00 | 2,121.40 | 2,090.00 | 2,119.20 |
| **88th Series -** 8.65% Redeemed at par on 15.01.2019 | **-** | **-** | 1,495.00 | 1,521.82 | 1,495.00 | 1,521.69 |
| **118th Series -** 9.61% Redeemed at par on 03.01.2019 | **-** | **-** | 1,655.00 | 1,693.23 | 1,655.00 | 1,692.88 |
| **117th Series -** 9.38% Redeemed at par on 06.11.2018 | **-** | **-** | 2,878.00 | 2,985.72 | 2,878.00 | 2,985.32 |
| **87-A-III Series -** 11.15% Redeemed at par on 24.10.2018 | **-** | **-** | 61.80 | 64.77 | 61.80 | 64.73 |
| **116-II Series -** 9.24% Redeemed at par on 17.10.2018 | **-** | **-** | 850.00 | 885.63 | 850.00 | 885.48 |
| **87-II Series -** 10.85% Redeemed at par on 01.10.2018 | **-** | **-** | 657.40 | 693.12 | 657.40 | 693.04 |
| **86-B-III Series -** 10.85% Redeemed at par on 14.08.2018 | **-** | **-** | 432.00 | 460.50 | 432.00 | 461.78 |
| **86-A Series -** 10.70% Redeemed at par on 30.07.2018 | **-** | **-** | 500.00 | 536.06 | 500.00 | 536.05 |
| **85th Series -** 9.68% Redeemed at par on 13.06.2018 | **-** | **-** | 500.00 | 538.72 | 500.00 | 538.87 |
| **83rd Series -** 9.07% Redeemed at par on 28.02.2018 | **-** | **-** | - | - | 685.20 | 711.02 |
| **82nd Series -** 9.85% Redeemed at par on 28.09.2017 | **-** | **-** | - | - | 883.10 | 933.81 |
| **124-I Series -** 9.06% Redeemed at par on 22.09.2017 | **-** | **-** | - | - | 2,610.00 | 2,730.98 |
| **123-IIIA Series -** 9.25% Redeemed at par on 25.08.2017 | **-** | **-** | - | - | 1,275.00 | 1,345.70 |
| **Total - Institutional Bonds** | **11,019.40** | **11,599.27** | **22,138.60** | **23,099.72** | **27,591.90** | **28,818.34** |

## NOTES TO ACCOUNTS

**(ii) 54EC Capital Gain Tax Exemption Bonds**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **Series XII (2018-19) -** 5.75% Redeemable at par during financial year 2023-24 | **5,929.73** | **6,083.83** | - | - | - | - |
| **Series XI (2017-18) -** 5.25% Redeemable at par during financial year 2020-21 | **9,565.23** | **9,934.60** | 8,096.27 | 8,298.32 | - | - |
| **Series X (2016-17) -** 5.25%- 6.00% Redeemable at par during financial year 2019-20 | **7,662.92** | **7,991.70** | 7,662.92 | 7,987.12 | 7,662.92 | 7,854.44 |
| **Series X (2015-16) -** 6.00% Redeemed at par during financial year 2018-19 | **-** | **-** | 6,476.70 | 6,766.31 | 6,476.70 | 6,764.10 |
| **Series IX (2014-15) -** 6.00% Redeemed at par during financial year 2017-18 | **-** | **-** | - | - | 5,337.78 | 5,577.64 |
| **Total - 54EC Capital Gain Tax Exemption Bonds** | **23,157.88** | **24,010.13** | **22,235.89** | **23,051.75** | **19,477.40** | **20,196.18** |

**(iii) Tax Free Bonds**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **Series 2015-16 Tranche 1** | **700.00** | **713.65** | 700.00 | 713.50 | 700.00 | 713.40 |
| Redeemable at par. Bonds amounting to ₹ 105.93 Crores are redeemable on 05.11.2025, ₹ 172.90 Crores are redeemable on 05.11.2030 and ₹ 421.17 Crores are redeemable on 05.11.2035 with interest rates varying from 6.89% to 7.43% payable annually | | | | | | |
| **Series 2015-16 Series 5A** | **300.00** | **306.92** | 300.00 | 306.89 | 300.00 | 306.87 |
| 7.17% Redeemable at par on 23.07.2025 | | | | | | |
| **Series 2013-14 Tranche 2** | **1,059.40** | **1,084.83** | 1,059.40 | 1,084.41 | 1,059.40 | 1,084.06 |
| Redeemable at par. Bonds amounting to ₹ 419.32 Crores are redeemable on 22.03.2024, ₹ 530.42 Crores are redeemable on 23.03.2029 and ₹ 109.66 Crores are redeemable on 24.03.2034 with interest rates varying from 8.19% to 8.88% payable annually | | | | | | |
| **Series 2013-14 Series 4A & 4B** | **150.00** | **155.64** | 150.00 | 155.61 | 150.00 | 155.59 |
| Redeemable at par. Bonds amounting to ₹ 105.00 Crores are redeemable on 11.10.2023 and ₹ 45.00 Crores are redeemable on 11.10.2028 with interest rates varying from 8.18% to 8.54% payable annually | | | | | | |

## NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **Series 2013-14 Tranche 1** | **3,440.60** | **3,523.11** | 3,440.60 | 3,521.95 | 3,440.60 | 3,521.01 |
| Redeemable at par. Bonds amounting to ₹ 575.06 Crores are redeemable on 25.09.2023, ₹ 2,810.26 Crores are redeemable on 25.09.2028 and ₹ 55.28 Crores are redeemable on 26.09.2033 with interest rates varying from 8.01% to 8.71% payable annually | | | | | | |
| **Series 2013-14 Series 3A & 3B** | **1,350.00** | **1,414.77** | 1,350.00 | 1,414.61 | 1,350.00 | 1,414.47 |
| Redeemable at par. Bonds amounting to ₹ 209.00 Crores are redeemable on 29.08.2023 and ₹ 1,141.00 Crores are redeemable on 29.08.2028 with interest rates varying from 8.01% to 8.46% payable annually | | | | | | |
| **Series 2012-13 Tranche 2** | **131.06** | **133.84** | 131.06 | 133.79 | 131.06 | 133.75 |
| Redeemable at par. Bonds amounting to ₹ 81.35 Crores are redeemable on 27.03.2023 and bonds amounting to ₹ 49.71 Crores are redeemable on 27.03.2028 with interest rates varying from 6.88% to 7.54% payable annually | | | | | | |
| **Series 2012-13 Tranche 1** | **2,017.35** | **2,062.29** | 2,017.35 | 2,061.43 | 2,017.35 | 2,060.74 |
| Redeemable at par. Bonds amounting to ₹ 1,165.31 Crores are redeemable on 19.12.2022 and bonds amounting to ₹ 852.04 Crores are redeemable on 20.12.2027 with interest rates varying from 7.22% to 7.88% payable annually | | | | | | |
| **Series 2012-13 Series 2A & 2B** | **500.00** | **512.92** | 500.00 | 512.90 | 500.00 | 512.88 |
| Redeemable at par. Bonds amounting to ₹ 255.00 Crores are redeemable on 21.11.2022 and bonds amounting to ₹ 245.00 Crores are redeemable on 22.11.2027 with interest rates of 7.21% and 7.38% respectively payable annually | | | | | | |
| **Series 2011-12** | **3,000.00** | **3,174.69** | 3,000.00 | 3,173.57 | 3,000.00 | 3,172.73 |
| Redeemable at par. Bonds amounting to ₹ 839.67 Crores are redeemable on 28.03.2022 and bonds amounting to ₹ 2,160.33 Crores are redeemable on 29.03.2027 with interest rates varying from 7.93% to 8.32% payable annually | | | | | | |
| **Total - Tax Free Bonds** | **12,648.41** | **13,082.66** | **12,648.41** | **13,078.66** | **12,648.41** | **13,075.50** |

## NOTES TO ACCOUNTS

**(iv) Bond Application Money**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **54EC Capital Gain Tax Exemption Bonds** | **722.04** | **720.48** | 1,469.23 | 1,469.23 | - | - |
| 5.75% Redeemable at par after 5 years from the deemed date of allotment | | | | | | |
| **Total - Bond Application Money** | **722.04** | **720.48** | **1,469.23** | **1,469.23** | **-** | **-** |

### 16.2 Details of Unsecured Long-Term Debt Securities

**(i) Institutional Bonds**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **169th Series -** 8.37% Redeemable at par on 07.12.2028 | **2,554.00** | **2,620.27** | - | - | - | - |
| **168th Series -** 8.56% Redeemable at par on 29.11.2028 | **2,552.40** | **2,624.99** | - | - | - | - |
| **163rd Series -** 8.63% Redeemable at par on 25.08.2028 | **2,500.00** | **2,627.34** | - | - | - | - |
| **162nd Series -** 8.55% Redeemable at par on 09.08.2028 | **2,500.00** | **2,636.73** | - | - | - | - |
| **156th Series -** 7.70% Redeemable at par on 10.12.2027 | **3,533.00** | **3,614.04** | 3,533.00 | 3,613.97 | - | - |
| **147th Series -** 7.95% Redeemable at par on 12.03.2027 | **2,745.00** | **2,745.25** | 2,745.00 | 2,745.17 | 2,745.00 | 2,754.66 |
| **142nd Series -** 7.54% Redeemable at par on 30.12.2026 | **3,000.00** | **3,055.73** | 3,000.00 | 3,055.05 | 3,000.00 | 3,056.23 |
| **140th Series -** 7.52% Redeemable at par on 07.11.2026 | **2,100.00** | **2,151.90** | 2,100.00 | 2,151.81 | 2,100.00 | 2,161.69 |
| **136th Series -** 8.11% Redeemable at par on 07.10.2025 | **2,585.00** | **2,670.69** | 2,585.00 | 2,670.51 | 2,585.00 | 2,670.34 |
| **95-II Series -** 8.75% Redeemable at par on 14.07.2025 | **1,800.00** | **1,913.49** | 1,800.00 | 1,913.51 | 1,800.00 | 1,911.93 |
| **94th Series -** 8.75% Redeemable at par on 09.06.2025 | **1,250.00** | **1,339.00** | 1,250.00 | 1,338.98 | 1,250.00 | 1,343.87 |
| **133rd Series -** 8.30% Redeemable at par on 10.04.2025 | **2,396.00** | **2,452.88** | 2,396.00 | 2,452.71 | 2,396.00 | 2,452.55 |
| **131st Series -** 8.35% Redeemable at par on 21.02.2025 | **2,285.00** | **2,303.12** | 2,285.00 | 2,304.15 | 2,285.00 | 2,304.13 |
| **130th Series -** 8.27% Redeemable at par on 06.02.2025 | **2,325.00** | **2,492.75** | 2,325.00 | 2,492.58 | 2,325.00 | 2,491.89 |
| **129th Series -** 8.23% Redeemable at par on 23.01.2025 | **1,925.00** | **2,063.19** | 1,925.00 | 2,063.04 | 1,925.00 | 2,062.47 |

## NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **128th Series -** 8.57% Redeemable at par on 21.12.2024 | **2,250.00** | **2,418.29** | 2,250.00 | 2,418.12 | 2,250.00 | 2,417.43 |
| **114th Series -** 8.82% Redeemable at par on 12.04.2023 | **4,300.00** | **4,666.20** | 4,300.00 | 4,665.88 | 4,300.00 | 4,665.58 |
| **159th Series -** 7.99% Redeemable at par on 23.02.2023 | **950.00** | **957.07** | 950.00 | 956.94 | - | - |
| **155th Series -** 7.45% Redeemable at par on 30.11.2022 | **1,912.00** | **1,958.62** | 1,912.00 | 1,958.39 | - | - |
| **111-II Series -** 9.02% Redeemable at par on 19.11.2022 | **2,211.20** | **2,283.10** | 2,211.20 | 2,282.93 | 2,211.20 | 2,282.77 |
| **152nd Series -** 7.09% Redeemable at par on 17.10.2022 | **1,225.00** | **1,263.82** | 1,225.00 | 1,263.65 | - | - |
| **150th Series -** 7.03% Redeemable at par on 07.09.2022 | **2,670.00** | **2,774.70** | 2,670.00 | 2,774.39 | - | - |
| **107th Series -** 9.35% Redeemable at par on 15.06.2022 | **2,378.20** | **2,554.12** | 2,378.20 | 2,553.93 | 2,378.20 | 2,553.76 |
| **167th Series -** 8.45% Redeemable at par on 22.03.2022 | **2,571.80** | **2,576.88** | - | - | - | - |
| **173th Series -** 8.35% Redeemable at par on 11.03.2022 | **2,500.00** | **2,509.41** | - | - | - | - |
| **132nd Series -** 8.27% Redeemable at par on 09.03.2022 | **700.00** | **750.61** | 700.00 | 750.52 | 700.00 | 750.28 |
| **145th Series -** 7.46% Redeemable at par on 28.02.2022 | **625.00** | **628.75** | 625.00 | 628.65 | 625.00 | 628.55 |
| **165th Series -** 8.83% Redeemable at par on 21.01.2022 | **2,171.00** | **2,206.47** | - | - | - | - |
| **141st Series -** 7.14% Redeemable at par on 09.12.2021 | **1,020.00** | **1,037.69** | 1,020.00 | 1,037.34 | 1,020.00 | 1,041.79 |
| **127th Series -** 8.44% Redeemable at par on 04.12.2021 | **1,550.00** | **1,664.56** | 1,550.00 | 1,664.41 | 1,550.00 | 1,663.91 |
| **105th Series -** 9.75% Redeemable at par on 11.11.2021 | **3,922.20** | **4,069.16** | 3,922.20 | 4,068.06 | 3,922.20 | 4,067.65 |
| **139th Series -** 7.24% Redeemable at par on 21.10.2021 | **2,500.00** | **2,574.49** | 2,500.00 | 2,574.18 | 2,500.00 | 2,578.86 |
| **101-III Series -** 9.48% Redeemable at par on 10.08.2021 | **3,171.80** | **3,363.70** | 3,171.80 | 3,363.38 | 3,171.80 | 3,363.10 |
| **100th Series -** 9.63% Redeemable at par on 15.07.2021 | **1,500.00** | **1,602.90** | 1,500.00 | 1,602.90 | 1,500.00 | 1,602.90 |
| **174th Series -** 8.15% Redeemable at par on 18.06.2021 | **2,720.00** | **2,727.18** | - | - | - | - |
| **161B Series -** 7.73% Redeemable at par on 15.06.2021 | **800.00** | **848.86** | 800.00 | 802.50 | - | - |

## NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **154th Series -** 7.18% Redeemable at par on 21.05.2021 | **600.00** | **636.89** | 600.00 | 615.06 | - | - |
| **157th Series -** 7.60% Redeemable at par on 17.04.2021 | **1,055.00** | **1,131.27** | 1,055.00 | 1,070.69 | - | - |
| **158th Series -** 7.70% Redeemable at par on 15.03.2021 | **2,465.00** | **2,473.14** | 2,465.00 | 2,472.82 | - | - |
| **98th Series -** 9.18% Redeemable at par on 15.03.2021 | **3,000.00** | **3,012.83** | 3,000.00 | 3,012.83 | 3,000.00 | 3,012.83 |
| **153rd Series -** 6.99% Redeemable at par on 31.12.2020 | **2,850.00** | **2,898.98** | 2,850.00 | 2,898.63 | - | - |
| **97th Series -** 8.80% Redeemable at par on 30.11.2020 | **2,120.50** | **2,183.11** | 2,120.50 | 2,182.96 | 2,120.50 | 2,182.83 |
| **96th Series -** 8.80% Redeemable at par on 26.10.2020 | **1,150.00** | **1,193.81** | 1,150.00 | 1,193.78 | 1,150.00 | 1,193.79 |
| **149th Series -** 6.87% Redeemable at par on 24.09.2020 | **2,485.00** | **2,572.86** | 2,485.00 | 2,572.53 | - | - |
| **135th Series -** 8.36% Redeemable at par on 22.09.2020 | **2,750.00** | **2,817.11** | 2,750.00 | 2,816.94 | 2,750.00 | 2,816.78 |
| **144th Series -** 7.13% Redeemable at par on 21.09.2020 | **835.00** | **840.00** | 835.00 | 839.87 | 835.00 | 841.05 |
| **172nd Series -** 8.57% Redeemable at par on 20.08.2020 | **1,790.00** | **1,806.05** | - | - | - | - |
| **134th Series -** 8.37% Redeemable at par on 14.08.2020 | **2,675.00** | **2,740.10** | 2,675.00 | 2,739.75 | 2,675.00 | 2,739.43 |
| **143rd Series -** 6.83% Redeemable at par on 29.06.2020 | **1,275.00** | **1,289.08** | 1,275.00 | 1,288.90 | 1,275.00 | 1,288.73 |
| **148th Series -** 7.42% Redeemable at par on 17.06.2020 | **1,200.00** | **1,203.42** | 1,200.00 | 1,203.24 | 1,200.00 | 1,203.08 |
| **161A Series -** 7.59% Redeemable at par on 13.03.2020 | **3,000.00** | **3,010.44** | 3,000.00 | 3,010.27 | - | - |
| **113th Series -** 8.87% Redeemable at par on 09.03.2020 | **1,542.00** | **1,550.86** | 1,542.00 | 1,550.72 | 1,542.00 | 1,550.60 |
| **111-I Series -** 9.02% Redeemable at par on 19.11.2019 | **452.80** | **467.65** | 452.80 | 467.61 | 452.80 | 467.57 |
| **126th Series -** 8.56% Redeemable at par on 13.11.2019 | **1,700.00** | **1,755.25** | 1,700.00 | 1,754.99 | 1,700.00 | 1,753.95 |
| **125th Series -** 9.04% Redeemable at par on 11.10.2019 | **3,000.00** | **3,124.59** | 3,000.00 | 3,125.66 | 3,000.00 | 3,125.27 |
| **160th Series -** 7.77% Redeemable at par on 16.09.2019 | **1,450.00** | **1,510.68** | 1,450.00 | 1,459.49 | - | - |
| **108-II Series -** 9.39% Redeemable at par on 20.07.2019 | **960.00** | **1,022.94** | 960.00 | 1,022.83 | 960.00 | 1,022.73 |

## NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **95-I Series -** 8.70% Redeemable at par on 12.07.2019 | **200.00** | **212.54** | 200.00 | 212.54 | 200.00 | 210.11 |
| **151st Series -** 6.75% Redeemed at par on 26.03.2019 | **-** | **-** | 1,150.00 | 1,151.02 | - | - |
| **137th Series -** 8.05% Redeemed at par on 07.12.2018 | **-** | **-** | 2,225.00 | 2,268.92 | 2,225.00 | 2,269.08 |
| **146th Series -** 6.88% Redeemed at par on 03.09.2018 | **-** | **-** | 3,300.00 | 3,430.46 | 3,300.00 | 3,317.51 |
| **112th Series -** 8.70% Redeemed at par on 01.02.2018 | **-** | **-** | - | - | 1,500.00 | 1,520.94 |
| **109th Series -** 9.25% Redeemed at par on 28.08.2017 | **-** | **-** | - | - | 1,734.70 | 1,830.00 |
| **108-I Series -** 9.40% Redeemed at par on 20.07.2017 | **-** | **-** | - | - | 2,125.00 | 2,264.47 |
| **Total - Institutional Bonds** | **118,253.90** | **122,201.55** | **103,069.70** | **106,530.16** | **82,284.40** | **85,437.09** |

**(ii) Infrastructure Bonds**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **Series-II (2011-12) -** Redeemable at par | **11.07** | **18.37** | 29.50 | 45.09 | 29.50 | 41.97 |
| **Series-I (2010-11) -** Redeemable at par | **80.36** | **80.38** | 80.97 | 80.98 | 82.14 | 82.16 |
| **Total - Infrastructure Bonds** | **91.43** | **98.75** | **110.47** | **126.07** | **111.64** | **124.13** |

Details of Infrastructure Bonds issued are as under :

**Series II (2011-12) allotted on 15.02.2012**

(₹ in Crores)

| Rate of Interest | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 | Redemption Details |
|---|---|---|---|---|
| 9.15% Cumulative | **-** | 13.44 | 13.44 | Redeemable on the date falling 15 years from the date of allotment with buyback option by bondholders after 7 years |
| 9.15% Annual | **-** | 5.00 | 5.00 | |
| 8.95% Cumulative | **5.73** | 5.72 | 5.72 | Redeemable on the date falling 10 years from the date of allotment |
| 8.95% Annual | **1.38** | 1.38 | 1.38 | |
| 9.15% Cumulative | **2.83** | 2.83 | 2.83 | Redeemable on the date falling 15 years from the date of allotment |
| 9.15% Annual | **1.13** | 1.13 | 1.13 | |
| **Total** | **11.07** | **29.50** | **29.50** | |

Amounts have been shown at face value

## NOTES TO ACCOUNTS

**Series I (2010-11) allotted on 31.03.2011**

(₹ in Crores)

| Rate of Interest | As at 31.03.2019 | As at 31.03.2018 | As at 31.03.2017 | Redemption Details |
|---|---|---|---|---|
| 8.00% | **16.92** | 17.07 | 17.40 | Redeemable on the date falling 10 years from the date of allotment with buyback option by bondholders after 5/6/7/8/9 years |
| 8.20% | **58.04** | 58.50 | 59.34 | |
| 8.10% | **1.61** | 1.61 | 1.61 | Redeemable on the date falling 10 years from the date of allotment |
| 8.20% | **3.79** | 3.79 | 3.79 | |
| **Total** | **80.36** | **80.97** | **82.14** | |

Amounts have been shown at face value

**(iii) Zero Coupon Bonds**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value * | Amortised Cost | Face Value * | Amortised Cost | Face Value * | Amortised Cost |
| **ZCB - Series II** | **230.11** | **229.95** | 211.59 | 211.43 | 194.57 | 194.40 |
| (Net of unamortised discount, 89,510 bonds with face value of ₹ 30,000 each redeemable at par on 03.02.2021) | | | | | | |
| **ZCB - Series I** | **1,029.46** | **1,028.61** | 951.00 | 950.12 | 878.52 | 877.61 |
| (Net of unamortised discount, 3,92,700 bonds with face value of ₹ 30,000 each redeemable at par on 15.12.2020) | | | | | | |
| **Total - Zero Coupon Bonds** | **1,259.57** | **1,258.56** | **1,162.59** | **1,161.55** | **1,073.09** | **1,072.01** |

* represents the face value net of unamortised discount on issue of Zero Coupon Bonds

**(iv) Foreign Currency Bonds**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **5.250% US $700 Mn Bonds - Redeemable at par on 13.11.2023** | **4,841.99** | **4,882.85** | - | - | - | - |
| 4.625% US $300 Mn Bonds - Redeemable at par on 22.03.2028 | **2,075.14** | **1,848.33** | 1,951.32 | 1,921.19 | - | - |
| 3.875% US $450 Mn Green Bonds - Redeemable at par on 07.07.2027 | **3,112.71** | **2,693.94** | 2,926.98 | 2,930.28 | - | - |
| 3.068% US $400 Mn Bonds - Redeemable at par on 18.12.2020 | **2,766.85** | **2,746.95** | 2,601.76 | 2,621.08 | - | - |
| **Total - Foreign Currency Bonds** | **12,796.69** | **12,172.07** | **7,480.06** | **7,472.55** | **-** | **-** |

# NOTES TO ACCOUNTS

## 16.3 Details of Unsecured Short-Term Debt Securities

### (i) Commercial Paper

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| Commercial Paper | **7,975.00** | **7,696.32** | 3,250.00 | 3,150.44 | - | - |

**Details of Commercial Paper outstanding:**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **51st Series -** 7.43% Repaid on 04.09.2018 | **-** | **-** | 3,250.00 | 3,150.44 | - | - |
| **57th Series -** 8.04% Repayable on 30.04.2019 | **2,750.00** | **2,732.99** | - | - | - | - |
| **58th Series -** 7.60% Repayable on 27.09.2019 | **1,875.00** | **1,808.27** | | | - | - |
| **59th Series -** 7.72% Repayable on 30.12.2019 | **2,350.00** | **2,222.86** | | | - | - |
| **60th Series -** 7.90% Repayable on 04.03.2020 | **1,000.00** | **932.20** | - | - | - | - |
| **Total** | **7,975.00** | **7,696.32** | **3,250.00** | **3,150.44** | **-** | **-** |

## 17. Borrowings (Other than Debt Securities)

The Company has categorised all borrowings (other than debt securities) at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

| Particulars | | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|---|
| | | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **(A)** | **Secured Long-Term Borrowings** | | | | | | |
| (i) | Term Loans from Others - Financial Institutions | **200.00** | **207.33** | 400.00 | 414.82 | 750.00 | 776.66 |
| | **Sub-total (A)** | **200.00** | **207.33** | **400.00** | **414.82** | **750.00** | **776.66** |
| **(B)** | **Unsecured Long-Term Borrowings** | | | | | | |
| (i) | Finance Lease Obligations | **0.11** | **0.11** | 0.11 | 0.11 | 0.13 | 0.13 |
| (ii) | Term Loans from Govt. of India | **5,000.00** | **5,121.84** | - | - | - | - |
| (iii) | Term Loans from Banks | **18,550.00** | **18,555.08** | - | - | - | - |
| (iv) | Term Loans from Financial Institutions | **1,000.00** | **1,000.00** | - | - | - | - |
| (v) | Foreign Currency Borrowings | **17,637.62** | **17,450.46** | 18,515.81 | 18,404.43 | 21,080.55 | 20,923.38 |
| (vi) | FCNR (B) Loans | **933.81** | **936.96** | 1,534.18 | 1,534.57 | - | - |
| | **Sub-total (B)** | **43,121.54** | **43,064.45** | **20,050.10** | **19,939.11** | **21,080.68** | **20,923.51** |

## NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|---|
| | | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **(C)** | **Unsecured Short-Term Borrowings** | | | | | | |
| (i) | FCNR (B) Loans | **3,389.39** | **3,390.76** | 2,276.54 | 2,277.49 | - | - |
| | **Sub-total (C)** | **3,389.39** | **3,390.76** | **2,276.54** | **2,277.49** | **-** | **-** |
| | **Total - Borrowings (other than Debt Securities) (A to C)** | **46,710.93** | **46,662.54** | **22,726.64** | **22,631.42** | **21,830.68** | **21,700.17** |
| | **Borrowings (other than Debt Securities) in/ outside India** | | | | | | |
| (i) | Borrowings in India | **29,073.31** | **29,212.08** | 4,210.83 | 4,226.99 | 750.13 | 776.79 |
| (ii) | Borrowings outside India | **17,637.62** | **17,450.46** | 18,515.81 | 18,404.43 | 21,080.55 | 20,923.38 |
| | **Total - Borrowings (other than Debt Securities)** | **46,710.93** | **46,662.54** | **22,726.64** | **22,631.42** | **21,830.68** | **21,700.17** |

### 17.1 Details of Secured Long-term Borrowings - Refer Note 17.8 for details of the security

**(i) Secured Term Loans from Others - Financial Institutions**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **- Life Insurance Corporation of India (LIC)** | **200.00** | **207.33** | 400.00 | 414.82 | 750.00 | 776.66 |
| Loan repayable in equal annual installments of ₹ 200 crores, next instalment due on 01.10.2019 | | | | | | |
| **Total - Term Loans from Others - Financial Institutions** | **200.00** | **207.33** | **400.00** | **414.82** | **750.00** | **776.66** |

### 17.2 Details of Unsecured Long-term Borrowings

**(i) Unsecured Term Loans from Govt. of India**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **- Loan from National Small Savings Fund (NSSF)** | **5,000.00** | **5,121.84** | - | - | - | - |
| Loan repayable on 13.12.2028 | | | | | | |
| **Total - Term Loans from Govt.** | **5,000.00** | **5,121.84** | **-** | **-** | **-** | **-** |

## NOTES TO ACCOUNTS

**(ii) Unsecued Term Loans from Banks**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **- Canara Bank** | **500.00** | **500.12** | - | - | - | - |
| Loan repayable on 05.03.2024 | | | | | | |
| **- Corporation Bank** | **1,000.00** | **1,000.00** | - | - | - | - |
| Loan repayable in 6 semi annual instalments, first instalment due on 06.09.2021. | | | | | | |
| **- HDFC Bank** | **2,000.00** | **2,000.46** | - | - | - | - |
| Rs. 500 Crore repayable on 29.04.2020, Rs. 300 Crore repayable on 29.09.2023, Rs. 350 Crore repayable on 11.10.2023, Rs. 350 Crore repayable on 06.11.2023, Rs. 500 Crore repayable on 15.01.2024 | | | | | | |
| **- United Bank of India** | **1,000.00** | **1,004.50** | - | - | - | - |
| Loan repayable in 4 semi annual instalments, first instalment due on 13.09.2022 | | | | | | |
| **- Bank of India** | **2,000.00** | **2,000.00** | - | - | - | - |
| Loan repayable in 8 quarterly instalments, first instalment due on 05.05.2022 | | | | | | |
| **- Punjab National Bank** | **3,500.00** | **3,500.00** | - | - | - | - |
| Rs. 2,000 Crore repayable in 3 annual instalments and first instalment due on 14.09.2021, Rs. 1,500 Crore repayable in 3 annual instalments and first instalment due on 20.02.2022 | | | | | | |
| **- State Bank of India** | **7,300.00** | **7,300.00** | - | - | - | - |
| Rs. 5,000 Crore repayable in 3 annual instalments and first instalment due on 15.10.2021, Rs. 2,300 Crore repayable in 5 annual instalments and first instalment due on 05.09.2020 | | | | | | |
| **- Oriental Bank of Commerce** | **750.00** | **750.00** | - | - | - | - |
| Loan repayable in 8 semi-annual instalments, first instalment due on 05.09.2021 | | | | | | |
| **- Union Bank of India** | **500.00** | **500.00** | - | - | - | - |
| Loan repayable in 6 semi-annual instalments, first instalment due on 31.07.2021 | | | | | | |
| **Total - Unsecured Term Loans from Banks** | **18,550.00** | **18,555.08** | **-** | **-** | **-** | **-** |

## NOTES TO ACCOUNTS

**(iii) Unsecured Term Loans from Others - Financial Institutions**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **- Indian Infrastructure Finance Company Ltd. (IIFCL)** | **1,000.00** | **1,000.00** | - | - | - | - |
| Repayable on 04.06.2022 | | | | | | |
| **Total - Term Loans from Others - Financial Institutions** | **1,000.00** | **1,000.00** | **-** | **-** | **-** | **-** |

**(iv) Foreign Currency Borrowings**

(₹ in Crores)

| Particulars | | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|---|
| | | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **(1)** | **ODA Loans - Guaranteed by Govt. of India** | | | | | | |
| | **JICA Loan -** 0.75% JICA-I loan repayable in half-yearly instalments till 20.03.2021, next instalment falling due on 20.09.2019 and 0.65% JICA-II loan repayable in half-yearly instalments till 20.03.2023, next instalment falling due on 20.09.2019 | **131.40** | **131.43** | 252.32 | 252.62 | 407.49 | 407.93 |
| | **3.73% KfW Loan -** Repaid in half-yearly instalments of €3.68 Mn, last instalment paid on 30.06.2018 | **-** | **-** | 59.41 | 59.96 | 102.05 | 102.91 |
| | **2.89% KfW-II Loan -** Repayable in equal half-yearly instalments of €3.88 Mn, next instalment falling due on 30.06.2019 | **120.87** | **121.66** | 188.12 | 189.24 | 215.44 | 216.58 |
| | **1.86% KfW-III Loan -** Repayable in equal half-yearly instalments of €5.26 Mn, next instalment falling due on 30.06.2019 | **449.87** | **449.13** | 551.63 | 549.71 | 546.70 | 543.78 |
| | **Sub-Total (1)** | **702.14** | **702.22** | **1,051.48** | **1,051.53** | **1,271.68** | **1,271.20** |
| **(2)** | **Bilateral/ Syndicated Loans** | | | | | | |
| | **¥19.029 Bn** - Repaid on 10.04.2017 | **-** | **-** | - | - | 1,102.92 | 1,102.93 |
| | **US $285 Mn -** Repaid on 02.12.2018 | **-** | **-** | 1,853.76 | 1,865.63 | 1,847.90 | 1,847.11 |
| | **US $250 Mn -** $57.5 Mn repaid on 26.11.2017 and $ 192.5 Mn repayable on 29.05.2019 | **1,331.55** | **1,346.66** | 1,252.10 | 1,253.95 | 1,620.97 | 1,621.87 |
| | **US $400 Mn -** Repaid on 27.12.2017 | **-** | **-** | - | - | 2,593.54 | 2,591.16 |
| | **US $400 Mn -** Repaid on 26.03.2018 | **-** | **-** | - | - | 2,593.54 | 2,577.57 |
| | **US $300 Mn -** Repayable on 29.07.2020 | **2,075.14** | **2,076.19** | 1,951.32 | 1,941.05 | 1,945.16 | 1,924.40 |

## NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **US $250 Mn -** $150 Mn & $100 Mn repaid on 18.09.2018 and 19.11.2018 respectively | **-** | **-** | 1,626.10 | 1,623.66 | 1,620.97 | 1,610.80 |
| **US $300 Mn -** Repayable on 01.12.2020 | **2,075.14** | **2,067.94** | 1,951.32 | 1,935.58 | 1,945.16 | 1,920.94 |
| **US $250 Mn -** Repaid on 05.02.2019 | **-** | **-** | 1,626.10 | 1,622.35 | 1,620.97 | 1,608.53 |
| **US $120 Mn -** Repaid on 21.03.2019 | **-** | **-** | 780.53 | 777.67 | 778.06 | 771.32 |
| **US $100 Mn -** Repayable on 05.10.2021 | **691.71** | **678.55** | 650.44 | 641.64 | 648.39 | 634.81 |
| **US $230 Mn -** Repayable on 19.01.2022 | **1,590.94** | **1,551.91** | 1,496.01 | 1,456.23 | 1,491.29 | 1,440.74 |
| **US $200 Mn -** Repayable on 28.07.2022 | **1,383.43** | **1,365.67** | 1,300.88 | 1,275.14 | - | - |
| **US $57.50 Mn -** Repayable on 29.05.2019 | **397.73** | **396.82** | 374.00 | 374.48 | - | - |
| **US $240 Mn -** Repayable on 26.03.2021 | **1,660.11** | **1,631.60** | 1,561.06 | 1,551.38 | - | - |
| **US $160 Mn -** Repayable on 26.03.2021 | **1,106.74** | **1,087.77** | 1,040.71 | 1,034.14 | - | - |
| **US $250 Mn -** Repayable on 08.08.2023 | **1,729.28** | **1,721.63** | - | - | - | - |
| **¥ 10,327.12 Mn -** Repayable on 31.08.2023 | **645.65** | **624.64** | - | - | - | - |
| **US $250 Mn -** Repayable on 27.03.2024 | **1,729.28** | **1,696.87** | - | - | - | - |
| **US $75 Mn -** Repayable on 29.03.2024 | **518.78** | **501.99** | - | - | - | - |
| **Sub-Total (2)** | **16,935.48** | **16,748.24** | 17,464.33 | 17,352.90 | 19,808.87 | 19,652.18 |
| **Total - Foreign Currency Borrowings (1+2)** | **17,637.62** | **17,450.46** | **18,515.81** | **18,404.43** | **21,080.55** | **20,923.38** |

**(v) FCNR (B) Loans**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **US $235.87 Mn -** Repaid on 12.02.2019 | **-** | **-** | 1,534.18 | 1,534.57 | - | - |
| **US $135 Mn -** $60 Mn repayable on 04.09.2021 and $75 Mn repayable on 22.10.2021 | **933.81** | **936.96** | - | - | - | - |
| **Total - FNCR (B) Loans** | **933.81** | **936.96** | **1,534.18** | **1,534.57** | **-** | **-** |

# NOTES TO ACCOUNTS

## 17.3 Unsecured Short-Term Borrowings

### (i) FCNR (B) Loans

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| US$100 Mn - Repaid on 21.09.2018 | - | - | 650.44 | 650.72 | - | - |
| US$100 Mn - Repaid on 07.12.2018 | - | - | 650.44 | 650.71 | - | - |
| US$150 Mn - Repaid on 28.03.2019 | - | - | 975.66 | 976.06 | - | - |
| US$150 Mn - Repayable on 31.08.2019 | **1,037.57** | **1,037.97** | - | - | - | - |
| US$100 Mn - Repayable on 09.12.2019 | **691.71** | **691.99** | - | - | - | - |
| US$100 Mn - Repayable on 19.12.2019 | **691.71** | **692.00** | - | - | - | - |
| US$140 Mn - Repayable on 11.01.2020 | **968.40** | **968.80** | - | - | - | - |
| **Total - FNCR (B) Loans** | **3,389.39** | **3,390.76** | **2,276.54** | **2,277.49** | **-** | **-** |

**17.4** There has been no default as on the Balance Sheet date in repayment of borrowings and interest.

**17.5** Term Loans from Govt./ banks/ financial institutions as mentioned in Note No. 17.1 (i) and 17.2 (i) to (iii) have been raised at interest rates ranging from 8.15% to 9.20% payable on monthly/quarterly/semi annual rests.

**17.6** Foreign Currency Borrowings in Note No. 17.2 (iv) (2) have been raised at interest rates ranging from a spread of 65 bps to 150 bps over 6 Months' USD/JPY LIBOR (London Inter Bank Offered Rate)

**17.7** Subsequent to the announcement of the strategic sale of Government of India's existing 52.63% of total paid up equity shareholding in REC Limited to Power Finance Corporation Ltd. (PFC), the Company had undertaken a consent solicitation exercise during the financial year ended 31st March 2019 for the modification in the 'Change of Control' covenant of certain External Commercial Borrowings (ECBs). In terms of the approval of the Reserve Bank of India and in compliance with the extant ECB framework, the Company has paid Consent Fees to the international bondholders/ lenders consenting to such modification, falling within the prescribed annual all-in-cost ceiling considering the remaining maturities of the related borrowings. The Company has accordingly amortised the Consent Fees as per Effective Interest Rate (EIR) method under Ind-AS 109 over the remaining maturities of the ECBs.

## 17.8 Security Details of Secured Debt Securities and Borrowings

For all the secured bonds issued by the Company and outstanding as at 31st March 2019, 100% security cover has been maintained by way of mortgage on certain immovable properties and/or charge on the receivables of the Company.

The Bond Series 90, 90 B-II, 90 C-II, 91-II and 92-II of Institutional Bonds are secured by a charge on (a) mortgage of Flat no. 640, Asiad Games Village, New Delhi and (b) pari passu charge on the receivables of our Company, both present and future, save and except receivables hypothecated to Vistra ITCL (India) Ltd. (formerly known as IL&FS Trust Company Ltd.) on the basis of joint hypothecation agreement dated 24th September, 2010 in favour of IDBI Trusteeship Services Ltd.

The Bond Series 122 of Institutional Bonds is secured by a charge on first pari passu charge on the book debts of the issuer both present & future which are charged to other lenders/ trustees and as may be agreed between the issuer and the trustee, pursuant to the terms of the Debenture /Bond Trust cum Hypothecation Deed with a minimum security cover of one time of the aggregate face value amount of the bonds outstanding at all times in favor of IDBI Trusteeship Services Ltd.

The Bond Series 123-I and 123-IIIB of Institutional Bonds are secured by way of first pari passu charge on the specified immovable property and the book debts of the Issuer which are charged to other lender / trustee and as may be agreed between the Issuer and the Trustee, pursuant to the terms of the Bond Trust Deed with a minimum security cover of one time of the aggregate face value of amount of bonds outstanding at all times and amount of interest due thereon in favor of IDBI Trusteeship Services Ltd.

Tax Free Bonds issued during FY 2011-12 are secured by first pari passu charge on premises at Shop No. 12, Ground Floor, Block No. 35, Church Road, Mylapore, Chennai and hypothecation of receivables of ₹ 4,998.66 Crores of MSEDCL in favour

## NOTES TO ACCOUNTS

of Vistra ITCL (India) Ltd. (formerly known as IL&FS Trust Company Ltd.).

Tax Free Bonds issued during FY 2013-14 are secured by first pari passu charge on the book debts (other than those that are exclusively charged/earmarked to lenders / other Trustees) of the Company in favour of SBICap Trustee Company Ltd.

The Bond Series X, XI and XII of 54EC Capital Gain Tax Exemption Bonds and Tax Free Bonds issued during FY 2012-13 & 2015-16 are secured by first pari passu charge on (a) mortgage of premises at Sub Plot No. 8, TPS No 2, FP No. 584P, situated at Village Subhanpura, Distt Vadodara and (b) hypothecation of receivables (other than those that are exclusively charged/ earmarked to lenders / other Trustees) in favour of SBICap Trustee Company Ltd.

The term loan from Life Insurance Corporation of India is secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to Vistra ITCL (India) Ltd. (formerly known as IL&FS Trust Company Ltd.) on the basis of joint hypothecation agreement dated 24th September, 2010 in favour of IDBI Trusteeship Services Ltd.

Refer Note No. 8 and 14.2 for the carrying value of receivables and Property, Plant and Equipment (PPE) pledged as security.

### 18. Subordinated Liabilities

The Company has categorised all debt securities at amortised cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| (i) **175th Series - Subordinate Tier-II Bonds -** 8.97% Redeemable at par on 28.03.2029 | **2,151.20** | **2,151.24** | - | - | - | - |
| (ii) **115th Series - Subordinate Tier-II Bonds -** 8.06% Redeemable at par on 31.05.2023 | **2,500.00** | **2,667.52** | 2,500.00 | 2,667.36 | 2,500.00 | 2,667.21 |
| **Total - Subordinated Liabilities** | **4,651.20** | **4,818.76** | **2,500.00** | **2,667.36** | **2,500.00** | **2,667.21** |
| **Subordinated Liabilities in/ outside India** | | | | | | |
| (i) Borrowings in India | **4,651.20** | **4,818.76** | 2,500.00 | 2,667.36 | 2,500.00 | 2,667.21 |
| (ii) Borrowings outside India | | | | | | |
| **Total - Subordinated Liabilities** | **4,651.20** | **4,818.76** | **2,500.00** | **2,667.36** | **2,500.00** | **2,667.21** |

### 18.1 Ratings assigned by credit rating agencies and migration of ratings during the year

**Domestic Credit Ratings**

| Particulars | Long Term Rating | Short Term Rating |
|---|---|---|
| CRISIL | CRISIL AAA | CRISIL A1+ |
| ICRA | ICRA AAA | ICRA A1+ |
| CARE | CARE AAA | CARE A1+ |
| India Ratings and Research | IND AAA | IND A1+ |

**International Credit Ratings**

| Particulars | Rating | Outlook |
|---|---|---|
| Fitch Ratings | BBB- | Stable |
| Moody's | Baa3 | Stable |

There has been no migration of ratings during the year.

## NOTES TO ACCOUNTS

**18.2** Reconciliation between carrying values and the actual amounts outstanding in respect of Borrowings:

(₹ in Crores)

| Particulars | Debt Securities | Other Borrowings | Subordinated Liabilities | Total |
|---|---|---|---|---|
| **As at 31st March 2019** | | | | |
| **Total Amount as per Ind-AS** | **192,839.79** | **46,662.54** | **4,818.76** | **244,321.09** |
| Less: Interest accrued on Borrowings classified under the same head as per Ind-AS | **(6,061.84)** | **(207.10)** | **(169.96)** | **(6,438.90)** |
| Add: Ind-AS Adjustments in respect of transaction costs at Effective Interest Rate (EIR) | **1,146.37** | **255.49** | **2.40** | **1,404.26** |
| **Total Borrowings Outstanding** | **187,924.32** | **46,710.93** | **4,651.20** | **239,286.45** |
| **As at 31st March 2018** | | | | |
| **Total Amount as per Ind-AS** | 179,140.13 | 22,631.42 | 2,667.36 | 204,438.91 |
| Less: Interest accrued on Borrowings classified under the same head as per Ind-AS | (5,836.08) | (84.64) | (168.38) | (6,089.10) |
| Add: Ind-AS Adjustments in respect of transaction costs at Effective Interest Rate (EIR) | 260.90 | 179.86 | 1.02 | 441.78 |
| **Total Borrowings Outstanding** | **173,564.95** | **22,726.64** | **2,500.00** | **198,791.59** |
| **As at 1st April 2017** | | | | |
| **Total Amount as per Ind-AS** | 148,723.25 | 21,700.17 | 2,667.21 | 173,090.63 |
| Less: Interest accrued on Borrowings classified under the same head as per Ind-AS | (5,635.15) | (101.81) | (168.38) | (5,905.34) |
| Add: Ind-AS Adjustments in respect of transaction costs at Effective Interest Rate (EIR) | 98.74 | 232.32 | 1.17 | 332.23 |
| **Total Borrowings Outstanding** | **143,186.84** | **21,830.68** | **2,500.00** | **167,517.52** |

### 19. Other Financial Liabilities

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **(A) Unpaid Dividends** | **4.15** | 3.49 | 2.75 |
| **(B) Bond Application Money refundable and interest accrued thereon** | **0.05** | - | - |
| **(C) Unpaid Principal & Interest on Bonds** | | | |
| - Matured Bonds & Interest Accrued thereon | **39.52** | 47.03 | 51.54 |
| - Interest on Bonds | **15.91** | 14.27 | 15.19 |
| **Sub-total (C)** | **55.43** | **61.30** | **66.73** |
| **(D) Funds Received from Govt. of India for Disbursement as Subsidy/ Grant (cumulative)** | **77,352.65** | 56,780.96 | 46,154.67 |
| Add: Interest on Subsidy/ Grant (net of refund) | **17.23** | 11.13 | 2.18 |
| Less: Disbursed to Beneficiaries (cumulative) | **(76,843.10)** | (56,694.92) | (46,131.01) |
| Undisbursed Funds to be disbursed as Subsidy/ Grant | **526.78** | **97.17** | **25.84** |

## NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| **(E)** | **Payables towards Bonds Fully serviced by Govt. of India** | **17,996.06** | 4,007.17 | - |
| **(F)** | Payable towards funded staff benefits | **31.78** | 2.84 | 13.63 |
| **(G)** | Other Liabilities | **137.50** | 127.43 | 136.01 |
| | **Total (A to G)** | **18,751.75** | **4,299.40** | **244.96** |

### 19.1 Subsidy Under Accelerated Generation & Supply Programme (AG&SP):

The Company is maintaining an Interest Subsidy Fund Account and was given AG&SP subsidy (for disbursement to the eligible borrowers) by Govt. of India at net present value calculated at indicative rates and year 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 07.03.2003 irrespective of the actual repayment schedule, moratorium year and duration of repayment of the eligible schemes. The impact of difference between the indicative rate and year considered at the time of drawl and the actual can be ascertained only after the end of the respective schemes.

Net amount of ₹ 0.63 Crores as at 31st March 2019 (₹ 0.53 Crores as at 31st March 2018, ₹ 0.86 Crores as at 1st April 2017) represents the balance amount of interest subsidy fund, which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following :-

(₹ in Crores)

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| Opening Balance of Interest Subsidy Fund | **0.53** | 0.86 |
| Add: Interest earned during the year | **0.11** | 0.02 |
| Less: Interest subsidy passed on to the borrower | **0.01** | 0.35 |
| Closing Balance of Interest Subsidy Fund | **0.63** | 0.53 |

**19.2** Government of India has appointed REC Ltd. as a nodal agency for implementation of Deen Dayal Upadhyaya Gram Jyoti Yojna (DDUGJY). The funds received for disbursement to various agencies under the scheme are kept in a separate bank account. The undisbursed funds for the scheme (including the funds received under erstwhile RGGVY Scheme) including interest earned thereto are classified under "Undisbursed Subsidy/ grant" under the head "Other Financial Liabilities".

During the year, interest earned of ₹ 25.03 Crores (Previous year ₹ 18.15 Crores) has been taken to DDUGJY Subsidy account. Further, during the year, an amount of ₹ 23.51 crores (Previous year ₹ 10.33 crores) has been refunded back to MoP out of the total interest on subsidy.

**19.3** The movement in Interest on Subsidy/ Grant is explained as under:

(₹ in Crores)

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| Opening Balance | **11.13** | 2.18 |
| Add: Interest earned during the year | **70.21** | 20.49 |
| Less: Amount refunded to Govt. during the year | **64.10** | 11.32 |
| Less: Disbursement out of Interest earned on account of AG&SP Grant | **0.01** | 0.22 |
| Closing Balance | **17.23** | 11.13 |

**19.4** For meeting GOI's funding requirement of DDUGJY Scheme, during the year, the Company has raised an aggregate amount of ₹ 13,827 crores (Previous year ₹ 4,000 crores) through unsecured, redeemable, non-convertible, taxable bonds in the nature of debentures of face value of ₹ 10 lacs at par on private placement basis. As per Ministry of Power (MoP) letter dated 16th July 2018 and 19th July 2018, the repayment of principal and interest of the above bonds shall be made by GoI by making suitable budget provisions in the demand of Ministry of Power. Accordingly, the amount of such bonds along-with interest is also appearing as recoverable by the Company from Govt. of India.

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Details of the GoI Fully Serviced Bonds raised are as follows:

(₹ in Crores)

| Particulars | Coupon Rate | Interest Frequency | Redemption Date | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|---|---|
| **GoI-I Series** | 8.09% | Semi-annual | 21/03/2028 | **1,837.00** | 1,837.00 | - |
| **GoI-II Series** | 8.01% | Semi-annual | 24/03/2028 | **1,410.00** | 1,410.00 | - |
| **GoI-III Series** | 8.06% | Semi-annual | 27/03/2028 | **753.00** | 753.00 | - |
| **GoI-IV Series** | 8.70% | Semi-annual | 28/09/2028 | **3,000.00** | - | - |
| **GoI-V Series** | 8.54% | Semi-annual | 15/11/2028 | **3,600.00** | - | - |
| **GoI-VI Series** | 8.80% | Semi-annual | 22/01/2029 | **2,027.00** | - | - |
| **GoI-VII Series** | 8.60% | Semi-annual | 08/03/2029 | **1,200.00** | - | - |
| **GoI-VIII Series** | 8.30% | Semi-annual | 25/03/2029 | **4,000.00** | - | - |
| **Total** | | | | **17,827.00** | **4,000.00** | **-** |

### 20. Provisions

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| | **Provisions for** | | | |
| **(A)** | **Employee Benefits** | | | |
| | Earned Leave Liability | **11.51** | 10.01 | 31.13 |
| | Post Retirement Medical Benefits | **-** | 105.19 | 97.15 |
| | Medical Leave Liability | **21.67** | 19.77 | 19.27 |
| | Settlement Allowance | **1.42** | 1.24 | 1.27 |
| | Economic Rehabilitation Scheme | **3.69** | 3.34 | 3.45 |
| | Long Service Award | **1.24** | 2.57 | 2.83 |
| | Incentive | **46.99** | 19.19 | 20.34 |
| | Pay Revision | **13.06** | 58.90 | 14.59 |
| | Sub-total (A) | **99.58** | 220.21 | 190.03 |
| **(B)** | **Others** | | | |
| | Expected Credit Loss on Letters of Comfort | **-** | 0.16 | 23.97 |
| | Sub-total (B) | **-** | **0.16** | **23.97** |
| | **Total (A+B)** | **99.58** | **220.37** | **214.00** |

### 21. Other Non-financial Liabilities

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| **(A)** | Income Received in Advance | **-** | - | 0.08 |
| **(B)** | Sundry Liabilities Account (Interest Capitalisation) | **21.99** | 45.99 | - |
| **(C)** | Unamortised Fee on Undisbursed Loans | **25.76** | 10.10 | 6.50 |
| **(D)** | Advance received from Govt. towards Govt. Schemes | **5.17** | - | - |
| **(E)** | Statutory Dues | **29.62** | 33.52 | 26.26 |
| | **Total (A to E)** | **82.54** | **89.61** | **32.84** |

# NOTES TO ACCOUNTS

## 22. Equity Share Capital

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | No. of Shares | Amount | No. of Shares | Amount | No. of Shares | Amount |
| **Authorised :** | | | | | | |
| Equity shares of ₹ 10 each | **5,000,000,000** | **5,000.00** | 5,000,000,000 | 5,000.00 | 5,000,000,000 | 5,000.00 |
| **Issued, Subscribed and Paid up :** | | | | | | |
| Fully paid up Equity shares of ₹ 10 each | **1,974,918,000** | **1,974.92** | 1,974,918,000 | 1,974.92 | 1,974,918,000 | 1,974.92 |
| **Total** | **1,974,918,000** | **1,974.92** | **1,974,918,000** | **1,974.92** | **1,974,918,000** | **1,974.92** |

### 22.1 Reconciliation of the number of shares outstanding at the beginning and at the end of the year

(₹ in Crores)

| Particulars | FY 2018-19 | | FY 2017-18 | |
|---|---|---|---|---|
| | No. of Shares | Amount | No. of Shares | Amount |
| Share Capital at the beginning of the year | **1,974,918,000** | **1,974.92** | 1,974,918,000 | 1,974.92 |
| Add: Bonus shares issued & allotted during the year | **-** | **-** | - | - |
| **Share Capital at the end of the year** | **1,974,918,000** | **1,974.92** | **1,974,918,000** | **1,974.92** |

### 22.2 Allotment of Bonus Shares during the year and during preceding five years

During the current year and preceding five years, no bonus shares were issued by the Company except in the FY 2016-17, when the Company had allotted 98,74,59,000 Equity Shares as fully paid up by way of bonus shares.

**22.3** The Company has neither issued any equity shares pursuant to contract without payment being received in cash nor has there been any buy-back of shares in the current year and five years immediately preceding the balance sheet date.

### 22.4 Rights, Preferences and Restrictions attached to Equity shares

The holders of the equity shares of the Company are entitled to receive dividends as and when declared by the Company and enjoy proportionate voting rights in case any resolution is put to vote. Further, the shareholders have all such rights, as may be available to a shareholder of a listed public company, under the Companies Act, 2013 and rules made thereunder, Companies Act, 1956 (to the extent applicable), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Memorandum of Association and Articles of Association of the Company.

**22.5** Shareholders holding more than 5% of fully paid-up equity shares as at Balance Sheet date:

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | No. of Shares | Percentage | No. of Shares | Percentage | No. of Shares | Percentage |
| The President of India | **-** | **0.00%** | 1,151,678,783 | 58.32% | 1,162,504,472 | 58.86% |
| Power Finance Corporation Ltd. | **1,039,495,247** | **52.63%** | 95,904 | 0.00% | 95,904 | 0.00% |
| HDFC Trustee Company Ltd. A/c HDFC Hybrid Debt Fund | **114,683,937** | **5.81%** | 46,084,438 | 2.33% | 34,722,538 | 1.76% |
| Life Insurance Corporation of India | **54,913,706** | **2.78%** | 55,151,984 | 2.79% | 126,322,504 | 6.40% |

## NOTES TO ACCOUNTS

During the financial year 2018-19, the President of India acting through Ministry of Power, Government of India divested/sold the shareholding in the Company as below:

| Particulars | Period | No. of Shares | Percentage |
|---|---|---|---|
| Holding of the President of India as on 01-04-2018 | | 1,151,678,783 | 58.32% |
| Disinvestment through Bharat 22 ETF | June 2018 | (6,473,244) | -0.33% |
| Disinvestment through CPSE ETF Further Fund Offer 3 (FFO 3) | December 2018 | (101,470,139) | -5.14% |
| Disinvestment through Bharat 22 ETF Additional Offering Period (AOP) | February 2019 | (4,336,057) | -0.22% |
| Sale of Stake to Power Finance Corporation Ltd. | March 2019 | (1,039,399,343) | -52.63% |
| Holding of the President of India as on 31-03-2019 | | - | 0.00% |

### 22.6 Details of equity shares held by the Holding Company, including the subsidiaries and associates

(₹ in Crores)

| Name of the Company | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | No. of Shares | Percentage | No. of Shares | Percentage | No. of Shares | Percentage |
| Power Finance Corporation Ltd. | **1,039,495,247** | **52.63%** | 95,904 | 0.00% | 95,904 | 0.00% |

### 23. Other Equity

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| **(A)** | **Other Reserves** | | | |
| **(i)** | Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961 | **15,136.78** | 13,813.19 | 12,230.70 |
| **(ii)** | Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961 | **3,034.72** | 2,761.10 | 2,425.30 |
| **(iii)** | Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934 | **1,153.00** | - | - |
| **(iv)** | Debenture Redemption Reserve | **1,318.13** | 1,121.54 | 924.95 |
| **(v)** | Securities Premium | **2,236.54** | 2,236.54 | 2,236.54 |
| **(vi)** | Foreign Currency Monetary Item Translation Difference Account | **(764.82)** | (86.29) | 203.78 |
| **(vii)** | General Reserve | **5,177.40** | 5,177.40 | 4,677.40 |
| **(B)** | **Retained Earnings** | **4,899.39** | 5,114.51 | 5,696.31 |
| **(C)** | **Other Comprehensive Income (OCI)** | | | |
| | - Equity Instruments through Other Comprehensive Income | **136.88** | 190.24 | 181.86 |
| | **Total - Other Equity** | **32,328.02** | **30,328.23** | **28,576.84** |

Additions and deductions to the components of 'Other Equity' has been disclosed in 'Statement of Changes in Equity'.

### 23.1 Draw down from Reserves

No amount has been drawn from the reserves during the financial year 2018-19 and financial year 2017-18.

### 23.2 Securities Premium

Securities Premium represents the premium received by the Company on issue of shares and debt securities. It is utilised in accordance with the provisions of the Companies Act, 2013.

### 23.3 Debenture Redemption Reserve (DRR)

In accordance with provisions of Section 71(4) of the Companies Act, 2013 as further clarified by the Companies (Share Capital and Debentures) Rules, 2014 issued by Ministry of Corporate Affairs, Govt. of India, the company creates Debenture Redemption Reserve (DRR) upto 25% of the value of debentures issued through public issue as per present SEBI (Issue and Listing of Debt Securities) Regulations, 2008 during the maturity period of such debentures, and no DRR is required in

## NOTES TO ACCOUNTS

the case of privately placed debentures. The amounts credited to the DRR may not be utilised except to redeem debentures. On redemption of debentures, the amount may be transferred from DRR to retained earnings.

### 23.4 Foreign Currency Monetary Item Translation Difference Account

The company had opted towards an irrevocable option for amortising the foreign exchange fluctuation loss/gain on the long term foreign currency monetary items over the balance period of such items in accordance with Para 46A of the erstwhile applicable Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates'. Ind AS 101 allows an entity to continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP. The balance in this account represents the unamortised gain/ (loss) which will be amortised over the balance period of the eligible long term foreign currency monetary liabilities.

### 23.5 Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961

Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961 is maintained by the Company in order to enable the Company to avail tax benefits. As per section 36(1)(viii) of the Income Tax Act, 1961, the company is eligible for deduction not exceeding 20% of profit derived from long term finance activity, provided such amount is transferred and maintained in special reserve account.

### 23.6 Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961

Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961 is maintained by the Company in order to enable the Company to avail tax benefits. As per Section 36(1)(viia) of the Income Tax Act, 1961, the Company is eligible to avail deduction in respect of any provision/ reserve made for bad and doubtful debts, not exceeding five per cent of the total income as per Income Tax Act. The reserve so maintained shall be primarily utilised for adjustment of actual bad debts or part thereof.

### 23.7 Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934

Till the financial year 2017-18, the Company, being a Govt. NBFC, was exempt from creation and maintainence of Reserve Fund as specified u/s 45-IC of Reserve Bank of India Act, 1934. However, the said exemption has been withdrawn by the Reserve Bank of India (RBI) vide Notification No. DNBR (PD) CC.No.092/03.10.001/2017-18 dated 31st May 2018. Accordingly, the Company is now creating the Reserve Fund as required u/s 45IC of RBI Act, 1934, wherein at least 20% of net profit every year will be transferred before the declaration of dividend. No appropriation is allowed to be made from the reserve fund except for the purpose as may be specified by the Bank from time to time and further, any such appropriation is also required to be reported to the Bank within 21 days from the date of such withdrawal.

### 23.8 General Reserve

In view of the erstwhile provisions of the Companies Act, 1956, the Company had transferred certain percentage of the profits to General Reserve before declaration of dividend. However, Companies Act, 2013 does not mandate transfer of profits to General Reserve before declaration of dividend.

### 23.9 Other Comprehensive Income (OCI)

The Company has elected to recognise changes in the fair value of certain investments in equity securities through other comprehensive income. These changes are accumulated within the OCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the related equity securities are derecognised.

### 23.10 Dividend declared/ proposed by the Company for Equity Shares of ₹ 10/- each

| Particulars | Year ended 31.03.2019 | | Year ended 31.03.2018 | |
|---|---|---|---|---|
| | Dividend per Equity Share | Dividend Amount | Dividend per Equity Share | Dividend Amount |
| | (₹) | (₹ in Crores) | (₹) | (₹ in Crores) |
| Interim Dividend | **11.00** | **2,172.41** | 7.40 | 1,461.44 |
| Final Proposed Dividend | **-** | **-** | 1.75 | 345.61 |
| **Total Dividend for the year** | **11.00** | **2,172.41** | **9.15** | **1,807.05** |

## NOTES TO ACCOUNTS

As per the requirements of Ind-AS 10 'Events after the Reporting Period', the Company is not required to provide for the dividend proposed by the Board of Directors after the end of the financial year. Such appropriation is made after the approval in the Annual General Meeting (AGM) in case of final dividend. The total payout on account of final proposed dividend including the impact of dividend distribution tax is as under:

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| Final Proposed Dividend | - | 345.61 |
| Dividend Distribution Tax on Final Proposed Dividend | - | 71.04 |
| **Total Payout on account of Final Proposed Dividend** | **-** | **416.65** |

### 24. Interest Income

(₹ in Crores)

| Particulars | | Year ended 31.03.2019 | | | Year ended 31.03.2018 | | |
|---|---|---|---|---|---|---|---|
| | | On Financial Assets measured at Fair Value through OCI | On Financial Assets measured at Amortised Cost | On Financial Assets measured at Fair Value through Profit or Loss | On Financial Assets measured at Fair Value through OCI | On Financial Assets measured at Amortised Cost | On Financial Assets measured at Fair Value through Profit or Loss |
| **(A)** | **Interest on Loan Assets** | | | | | | |
| **(i)** | Long term financing | - | **24,405.17** | - | - | 21,386.39 | - |
| | Less: Rebate for timely payments/ completion etc | | **(6.11)** | | | (16.43) | |
| | Long term financing (net) | - | **24,399.06** | - | - | 21,369.96 | - |
| **(ii)** | Short term financing | - | **328.84** | - | | 426.61 | |
| | **Sub-total (A)** | - | **24,727.90** | - | - | **21,796.57** | - |
| **(B)** | **Interest Income from Investments** | | | | | | |
| **(i)** | Interest from CP/ ICD | - | **0.67** | - | | 0.98 | |
| **(ii)** | Interest from Govt. Securities | - | **9.43** | - | | 16.98 | |
| **(iii)** | Interest from Long Term Investments | - | **15.63** | **168.25** | | 29.41 | 168.25 |
| | **Sub-total (B)** | - | **25.73** | **168.25** | - | **47.37** | **168.25** |
| **(C)** | **Interest on Deposits with Banks** | | | | | | |
| **(i)** | Interest from Deposits | - | **42.40** | - | | 68.66 | |
| | **Sub-total (C)** | - | **42.40** | - | - | **68.66** | - |
| **(D)** | **Other Interest Income** | | | | | | |
| **(i)** | Interest from Income Tax Refund | - | - | - | | 0.62 | |
| **(ii)** | Interest from Staff Advances | - | **3.89** | - | | 4.33 | |
| **(iii)** | Interest from Subsidiary Companies | - | - | - | | 0.03 | |
| **(iv)** | Interest on Mobilisation Advance | - | **2.80** | - | | 3.68 | |
| **(v)** | Unwinding of Discount of Security Deposits | | **0.05** | | | 0.04 | |
| | **Sub-total (D)** | - | **6.74** | - | - | **8.70** | - |
| | **Total (A to D)** | - | **24,802.77** | **168.25** | - | **21,921.30** | **168.25** |

# NOTES TO ACCOUNTS

## 25. Dividend Income

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| - Dividend from Subsidiary Companies | **90.84** | 25.91 |
| - Dividend on Mutual Funds | **-** | - |
| - Dividend from Other Investments | **22.77** | 39.77 |
| **Total - Dividend Income** | **113.61** | **65.68** |

## 25.1 Details of dividend recognised on equity investments designated at FVOCI :

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| Dividend on: | | |
| - Investments held at the end of the year | **22.53** | 39.77 |
| - Investments derecognized during the year | **0.24** | - |
| **Total** | **22.77** | **39.77** |

## 26. Fees and Commission Income

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| Fees based Income | **2.78** | 5.19 |
| Prepayment Premium | **139.29** | 106.41 |
| Fee for Implementation of Govt. Schemes | **83.02** | 187.79 |
| **Total - Fees and Commission Income** | **225.09** | **299.39** |

## 27. Other Income

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| - Provision Written Back | **10.37** | - |
| - Fees from Training Courses | **8.69** | 6.85 |
| - Miscellaneous Income | **12.38** | 5.88 |
| **Total** | **31.44** | **12.73** |

# NOTES TO ACCOUNTS

## 28. Finance Costs

Finance Costs have been incurred on financial liabilities measured at amortised cost.

(₹ in Crores)

| Particulars | | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|---|
| **(i)** | **Interest on Debt Securities** | | |
| | - Domestic Debt Securities | **12,971.21** | 11,901.20 |
| | - Foreign Currency Debt Securities | **441.83** | 124.01 |
| | - Commercial Paper | **402.84** | 135.60 |
| | **Sub-Total (i)** | **13,815.88** | **12,160.81** |
| | | | |
| **(ii)** | **Interest on Borrowings** | | |
| | - Loans from Govt. of India | **121.84** | - |
| | - Loans from Banks/ Financial Institutions | **594.29** | 87.33 |
| | - External Commercial Borrowings | **914.19** | 888.11 |
| | **Sub-Total (ii)** | **1,630.32** | **975.44** |
| | | | |
| **(iii)** | **Interest on Subordinated Liabilities** | | |
| | - Subordinate Bonds | **203.25** | 201.65 |
| | **Sub-Total (iii)** | **203.25** | **201.65** |
| | | | |
| **(iv)** | **Other Interest Expense** | | |
| | - Interest on Advance Income Tax | **3.46** | 5.53 |
| | **Sub-Total (iv)** | **3.46** | **5.53** |
| | **Total - Finance Costs** | **15,652.91** | **13,343.43** |
| | Less: Finance Costs Capitalised | **(11.37)** | (6.32) |
| | **Total - Finance Costs (Net)** | **15,641.54** | **13,337.11** |

## 29. Net translation/ transaction exchange loss/ (gain)

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| Net translation/ transaction exchange loss/ (gain) | **521.19** | 19.37 |
| **Total** | **521.19** | **19.37** |

The figures above include amortisation of net translation/ transaction exchange loss/ (gain) on Long Term Foreign Currency Monetary Items recognised in the financial statements before 1st April 2018 amounting to ₹ 726.35 crores (Previous year ₹ 21.67 crores).

## NOTES TO ACCOUNTS

**29.1** The foreign currency monetary items are translated at FBIL (Financial Benchmark India Private Ltd) reference rates prevailing at the end of each reporting period or where the FBIL reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg. The respective rates as on the reporting date are as below:

| Exchange Rates | USD/INR | JPY/INR | Euro/INR |
|---|---|---|---|
| **As at 31st March 2019** | **69.1713** | **0.6252** | **77.7024** |
| As at 31st March 2018 | 65.0441 | 0.6154 | 80.6222 |
| As at 1st April 2017 | 64.8386 | 0.5796 | 69.2476 |

* Prior to introduction of FBIL reference rates, RBI reference rates were being used by the Company. RBI has handed over the responsibility of computing and disseminating reference rate for USD/INR and exchange rate of other major currencies to FBIL with effect from July 10, 2018.

### 30. Fees and commission expense

(₹ in Crores)

| Particulars | | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|---|
| **(i)** | Guarantee Fee | **11.06** | 13.81 |
| **(ii)** | Listing and Trusteeship Fee | **1.67** | 1.54 |
| **(iii)** | Agency Fees | **0.78** | 1.65 |
| **(iv)** | Credit Rating Expenses | **2.85** | 5.95 |
| **(v)** | Other Finance Charges | **18.02** | 1.63 |
| | **Total (i to iv)** | **34.38** | **24.58** |

### 31. Net Gain/ (loss) on Fair Value Changes

(₹ in Crores)

| Particulars | | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|---|
| **(A)** | **Net gain/ (loss) on financial instruments at Fair Value through profit or loss** | | |
| | | | |
| **(i)** | **On trading Portfolio** | **-** | - |
| **(ii)** | **On financial instruments designated at fair value through profit or loss** | | |
| | - Changes in fair value of Derivatives | **(351.52)** | (586.76) |
| | - Changes in fair value of Short-term investment of surplus funds in Mutual Funds | **3.00** | 13.39 |
| | **Sub-total (ii)** | **(348.52)** | (573.37) |
| | **Total (A)** | **(348.52)** | **(573.37)** |
| | **Breakup of Fair Value Changes** | | |
| | - Realised | **(619.05)** | (817.51) |
| | - Unrealised | **270.53** | 244.14 |
| | **Total Net Gain/ (loss) on Fair Value Changes** | **(348.52)** | **(573.37)** |

*Fair value changes in this schedule are other than those arising on account of accrued interest income/ expense.

# NOTES TO ACCOUNTS

## 32. Impairment on financial instruments

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | | Year ended 31.03.2018 | |
|---|---|---|---|---|
| | On financial instruments measured at FVOCI | On financial instruments measured at Amortised Cost | On financial instruments measured at FVOCI | On financial instruments measured at Amortised Cost |
| (i) - Loans | - | 222.32 | - | 2,290.43 |
| (ii) - Others | - | 18.01 | - | 6.69 |
| Total (i+ii+iii) | - | 240.33 | - | 2,297.12 |

## 33. Employee Benefits Expense

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| - Salaries and Allowances | 111.39 | 128.65 |
| - Contribution to Provident Fund and Other Funds | 14.65 | 13.96 |
| - Gratuity | 2.89 | 1.63 |
| - Expenses towards Post Retirement Medical Facility | 8.81 | 9.24 |
| - Rent towards Residential Accomodation for Employees | 0.69 | 1.64 |
| - Staff Welfare Expenses | 19.10 | 17.30 |
| Total | 157.53 | 172.42 |

**33.1** Rent for Residential Accommodation of Employees is on account of rent (net of recoveries) on lease arrangements for premises which are taken for residential use of employees, which are usually renewable on mutually agreed terms and are cancellable.

### 33.2 Pay Revision of Employees of the Company

The pay revision of the employees of the Company had become due w.e.f. 1st January 2017. The Company has implemented the revision in pay scales of Board and below Board Level Executives during the financial year 2018-19 in line with the recommendations of 3rd Pay Revision Committee constituted by the Department of Public Enterprises (DPE), Govt. of India. Further, the pay revision of non-executive employees has also been approved by the Board of Directors in March 2019 and the arrears in this respect will be paid out during the financial year 2019-20.

## 34. Depreciation and amortization

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| - Depreciation on Property, Plant & Equipment | 5.66 | 5.02 |
| - Amortization on Intangible Assets | 1.51 | 0.63 |
| Total | 7.17 | 5.65 |

# NOTES TO ACCOUNTS

## 35. Corporate Social Responsibility Expenses

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| - Direct Expenditure | **98.83** | 46.67 |
| - Overheads | **4.56** | 2.78 |
| **Total** | **103.39** | **49.45** |

## 35.1 Disclosure in respect of CSR Expenses:

(a) Details of Gross Amount required to be spent by the Company during the year:

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| Amount required to be spent on CSR activities as per Section 135 (5) of Companies Act, 2013 | **157.29** | 161.95 |
| Carry forward from previous year | **189.27** | 76.77 |
| **Gross amount required to be spent** | **346.56** | 238.72 |
| Amount spent during the year | **103.39** | 49.45 |
| **Unspent Amount** | **243.17** | 189.27 |

**(b) Amount spent during the year**

(₹ in Crores)

| Particulars | | Year ended 31.03.2019 | | | Year ended 31.03.2018 | | |
|---|---|---|---|---|---|---|---|
| | | In Cash | Yet to be paid | Total | In Cash | Yet to be paid | Total |
| **(i)** | **Construction/ acquisition of any asset** | **-** | **-** | **-** | - | - | - |
| **(ii)** | **On purpose other than (i) above** | | | | | | |
| | Sanitation / Waste Management / Drinking water | | | **-** | | | - |
| | Education/ Vocational/ Skill Development | | | **-** | | | - |
| | Environmental Sustainability (Solar Applications/ Afforestation/ Energy efficient LED lighting) | **98.83** | | **98.83** | 45.86 | 0.81 | 46.67 |
| | Administrative overheads including training, impact assessment etc. | **4.56** | **-** | **4.56** | 2.78 | - | 2.78 |
| | **Total (ii)** | **103.39** | **-** | **103.39** | **48.64** | **0.81** | **49.45** |

# NOTES TO ACCOUNTS

## 36. Other Expenses

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| - Travelling and Conveyance | **14.99** | 12.59 |
| - Publicity & Promotion Expenses | **81.72** | 8.56 |
| - Repairs and Maintenance | **6.91** | 8.96 |
| - Rent, taxes and energy costs | **13.91** | 10.67 |
| - Insurance Charges | **0.05** | 0.16 |
| - Communication costs | **2.51** | 2.44 |
| - Printing & stationery | **3.72** | 3.26 |
| - Director's sitting fees | **0.24** | 0.18 |
| - Auditors' fees and expenses | **1.58** | 1.24 |
| - Legal & Professional Charges | **11.47** | 6.75 |
| - Donations & Charity | **2.00** | - |
| - Net Loss on Disposal of Property, Plant & Equipment | **0.86** | 0.56 |
| - Monitoring Expenses | **19.29** | 28.25 |
| - Miscellaneous Expenses | **27.36** | 20.51 |
| **Total** | **186.61** | **104.13** |

## 36.1 Disclosure in respect of Auditors' fees and expenses

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| Fees paid to statutory auditors : | | |
| - as auditor | **0.44** | 0.40 |
| - for taxation matters * | **0.28** | 0.11 |
| - for company law matters (includes limited review fees) | **0.45** | 0.26 |
| - for other services | | |
| (i) Certification of MTN Offer Document/ Comfort Letter | **0.20** | 0.30 |
| (ii) Other Certifications | **0.08** | 0.05 |
| - for reimbursement of expenses | **0.03** | 0.02 |
| **Sub-total** | **1.48** | **1.14** |
| Non-recoverable tax credit in respect of fees paid to auditors | **0.10** | 0.10 |
| **Total - Auditor's fees and expenses** | **1.58** | **1.24** |

* includes ₹ 0.09 crores (Previous year ₹ 0.02 crores) of Tax Audit fees pertaining to earlier years.

## 37. Tax Expense

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| - Current tax expense | **1,805.65** | 2,170.40 |
| - Current tax expense/ (benefit) pertaining to earlier years | **(14.01)** | 10.19 |
| **Sub-total - Current Tax** | **1,791.64** | **2,180.59** |
| - Deferred tax expense/ (credit) | **545.14** | (716.33) |
| **Total** | **2,336.78** | **1,464.26** |

# NOTES TO ACCOUNTS

## 37.1 Reconciliation of Effective Tax Rate

The reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in statement of profit and loss is as follows:

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| **Profit before Tax** | **8,100.50** | 5,884.15 |
| **Statutory income tax rate** | **34.944%** | **34.608%** |
| **Expected income tax expense** | **2,830.64** | 2,036.39 |
| **Tax effect of income tax adjustments:** | | |
| Benefit of deduction u/s 36(1)(viii) of Income Tax Act 1961 | **(462.51)** | (542.45) |
| Non-allowability of CSR expenses | **19.08** | 10.15 |
| Other non-deductible tax expenses | **0.43** | 2.14 |
| Interest on Advance Income tax disallowed | **1.20** | 1.91 |
| Exempt income | **(38.05)** | (20.79) |
| Income Tax Earlier Years | **(14.01)** | 10.19 |
| Impact of different tax rates | **-** | (33.28) |
| **Tax expense** | **2,336.78** | **1,464.26** |

**37.2** Applicable tax rate has increased from 34.608% to 34.944% in the current financial year due to increase in Education Cess rate from 3% to 4%.

## 38. Earnings per Share

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| **Numerator** | | |
| Profit for the period from continuing operations as per Statement of Profit and Loss (₹ in Crores) | **5,763.72** | **4,419.89** |
| Profit for the period from continuing and discontinued operations as per Statement of Profit and Loss (₹ in Crores) | **5,763.72** | 4,419.89 |
| **Denominator** | | |
| Weighted average Number of equity shares | **1,974,918,000** | 1,974,918,000 |
| | | |
| Basic & Diluted Earnings per Share (in ₹ for an equity share of ₹ 10 each) (for continuing operations) | **29.18** | 22.38 |
| | | |
| Basic & Diluted Earnings per Share (in ₹ for an equity share of ₹ 10 each) (for continuing and discontinued operations) | | |
| | **29.18** | 22.38 |

# NOTES TO ACCOUNTS

## 39. Contingent Liabilities and Commitments :

**39.1** Contingent Liabilities not provided for in respect of:

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **(A) Claims against the Company not acknowledged as debts** | **0.08** | 0.08 | 2.37 |
| **(B) Taxation Demands** | | | |
| - Demands raised by the Income Tax Department | **86.01** | 57.16 | 42.77 |
| - Demands against appeals filed by the Income Tax Department against the relief allowed to the Company | **30.42** | 37.07 | 40.18 |
| - Demands raised in respect of Service Tax | **0.36** | 0.36 | 0.36 |
| **(C) Others** | | | |
| - Letters of Comfort | **-** | 13.51 | 173.36 |

The amount referred to in 'A' above are in respect of cases pending in various courts including arbitration cases and is dependent upon the outcome of settlement of court/arbitration cases.

The amount referred to in 'B' above are against various demands raised by the Income Tax Department/ Service Tax Department including the cases pending in Delhi High Court/ Supreme Court. The company is contesting these tax demands and the management believes that its position will likely be upheld in the appellate process. Further, the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations.

**39.2 Commitments not provided for in respect of:**

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **- Contracts remaining to be executed on capital account** | | | |
| - Towards Property, Plant & Equipment | **362.23** | 403.75 | 272.33 |
| - Towards Intangible Assets | **2.82** | 1.93 | 2.60 |
| **- Other Commitments** | | | |
| - CSR Commitments | **299.16** | 260.12 | 143.98 |

## 40. Details of Registration/ License/ authorisation obtained from financial sector regulators:

| Particulars | | Regulator Name | Registration Details |
|---|---|---|---|
| (i) | Corporate Identification Number | Ministry of Corporate Affairs | L40101DL1969GOI005095 |
| (ii) | Registration Number | Reserve Bank of India | 14.000011 |
| (iii) | Legal Entity Identifier (LEI) Code | Global Legal Entity Identifier Foundation (GLEIF) | 335800B4YRYWAMIJZ374 |

## 41. Implementation of Govt. Schemes

### 41.1 Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA)

Government of India has launched a scheme "Pradhan Mantri Sahaj Bijli Har Ghar Yojana" - Saubhagya to achieve universal household electrification in the country. The scheme envisages to provide last mile connectivity and electricity connections to all remaining un-electrified households in rural areas and poor households in urban areas by 31st March, 2019. The capital outlay of Saubhagya Scheme is Rs 16,320 Crore including Gross Budgetary Support of Rs 12,320 Crore during the entire implementation period. Ministry of Power designated REC as the Nodal agency for operationalization of Saubhagya Scheme.

## NOTES TO ACCOUNTS

With the active support and cooperation of States/Power Utilities and other stakeholders, cumulatively 2.62 Crore Households Were electrified since launch of Saubhagya scheme upto 31st March, 2019. During FY 2018-19, 2.22 Crore households were electrified. Accordingly, All States (except Chhattisgarh with 18,734 un-electrified Households) have declared achievement of saturation of household electrification.

### 41.2 Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)

Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) is the flagship scheme of Government of India covering all aspects of rural power distribution. Under the scheme 60% of the project cost (85% for special States) is provided as grant by Government of India and additional grant upto 15% (5% for special States) on achievement of prescribed milestones. DDUGJY facilitates towards achievement of '24x7 Power for All' in the country through the following project components:

(i) Separation of agriculture and non-agriculture feeders facilitating adequate power supply to agriculture & continuous power supply to non-agricultural consumers in the rural areas;

(ii) Strengthening and augmentation of sub-transmission & distribution infrastructure in rural areas, including metering of distribution transformers/ feeders/ consumers;

(iii) Micro-grid and Off-grid distribution network;

(iv) Rural Electrification component under the RGGVY 12th and 13th plans, subsumed to DDUGJY.

The components at (i) and (ii) of the above scheme will have an estimated outlay of Rs. 43,033 Crore including budgetary support of Rs. 33,453 Crore from Government of India during the entire implementation period. The scheme of RGGVY as approved by CCEA for continuation in 12th and 13th plan have been subsumed in this scheme as a separate Rural Electrification (RE) component. During FY 2018-19, grant of Rs. 20,593 Crore has been received from Ministry of Power for utilization of implementing Government programmes (DDUGJY & Saubhagya) by the State Power Utilities/ Discoms across the Country.

### 41.3 National Electricity Fund (NEF)

The National Electricity Fund (NEF), an interest subsidy scheme, has become operational since FY 2012-13. The scheme has been introduced by the Government of India to promote capital investment in the distribution sector. The scheme provides interest subsidy linked with reform measures, on the loans taken by public and private distribution power utilities for various capital works in the Distribution sector. NEF would provide interest subsidy aggregating up to ₹ 8,466 Crore (including interest subsidy to the borrowers, Service Charges to the Nodal Agency, payments to Independent Evaluators and other incidental expenses) spread over 14 years for loan disbursement against projects approved during 2012-13 and 2013-14. REC has been nominated as the Nodal Agency for operationalization of NEF scheme across the country.

### 42. Capital management

The Company manages its capital to ensure that it will continue as going concern while maximizing the return to stakeholders. The capital structure of the Company consists of the equity and the long-term borrowings made by the Company.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Company manages the capital structure and raises funds through the suitable instruments, in light of the dynamic business environment and liquidity position within the sector. Further, with regard to capital restructuring, the Company is also guided, inter alia, by guidelines on "Capital Restructuring of Central Public Sector Enterprises" issued by Department of Investment and Public Asset Management (DIPAM), Ministry of Finance, Department of Public Enterprises in respect of issue of bonus shares, dividend distribution, buy back of equity shares etc. The Company has complied with all externally imposed capital requirements.

The debt-equity ratio of the Company is as below:

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Total debt | **239,286.45** | 198,791.59 | 167,517.52 |
| Net Worth | **34,302.94** | 32,303.15 | 30,551.76 |
| **Debt-equity ratio** | **6.98** | 6.15 | 5.48 |

Total debt represents principal outstanding.

# NOTES TO ACCOUNTS

**Dividend Distribution Policy**

BoD monitors the dividend pay-out to the shareholders of the Company. Dividend distribution policy of the Company focuses on various factors including but not limited to the present & future capital requirements, profits earned during the financial year, Capital to Risk-weighted Assets Ratio (CRAR), cost of raising funds from alternate sources, cash flow position and applicable taxes including tax on dividend, subject to the guidelines as applicable from time to time, cash flow position and net worth of the Company, subject to the guidelines as applicable from time to time.

As per the extant guidelines issued by DIPAM, Govt. of India, Company is required to pay a minimum annual dividend of 30% of PAT or 5% of the net-worth, whichever is higher. Though the Company endeavors to declare the dividend as per these guidelines, the Company may propose lower dividend after analysis of various financial parameters, cash flow position and funds required for future growth.

The Company has also adopted various policies for the management of the Company which inter-alia include Comprehensive Risk Management Policy, Whistle Blower Policy, Code for Prevention of Insider Trading in REC Equity Shares/Securities, Policy for prevention of Fraud, The Code of Business Conduct and Ethics for Board Members and Senior Management, Fair Practices Code, etc.

## 43. Capital to Risk-weighted Assets Ratio

The Company is complying with the Capital Adequacy requirements as prescribed by the Reserve Bank of India. Being an NBFC and Infrastructure Finance Company (NBFC-IFC), REC is required to maintain a Capital to Risk Weighted Assets Ratio (CRAR) of 15% (with a minimum Tier I Capital of 10%).

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| (i) | CRAR (%) | **17.77%** | 17.00% | 18.97% |
| (ii) | CRAR - Tier I Capital (%) | **14.44%** | 14.40% | 16.16% |
| (iii) | CRAR - Tier II Capital (%) | **3.33%** | 2.60% | 2.81% |

Details of Tier II capital and perpetual debt instruments raised during the financial year are as under:

(₹ in Crores)

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| Amount of subordinated debt raised as Tier-II capital | **2,151.20** | - |
| Amount raised by issue of Perpetual Debt Instruments | **-** | - |

## 44. Financial Risk Management

The Company's board of directors has overall responsibility for the establishment and oversight of the Company risk management framework. The Company has formulated a comprehensive Risk Management Policy, which covers, inter-alia, Credit Risk, Operational Risk and Market Risk of the organization. The Company's risk management policies are guided by well-defined policies appropriate for various risk categories, independent risk oversight and periodic monitoring. A Risk Management Committee (RMC) has also been constituted under the chairmanship of an Independent Director, whose main function is to identify and monitor various risks of the organization and to suggest actions for mitigation of the same.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

| Risk | Exposure arising from | Measurement | Management |
|---|---|---|---|
| Credit risk | Cash and cash equivalents, loans, financial assets measured at amortised cost, investment in debt securities | Ageing analysis | Bank deposits, liquid funds, diversification of asset base, credit limits and collateral. |
| Liquidity risk | Borrowings, debt securities, subordinated liabilities, and other financial liabilities | Rolling cash flow forecasts | Availability of committed credit lines and borrowing facilities |

## NOTES TO ACCOUNTS

| Risk | Exposure arising from | Measurement | Management |
|---|---|---|---|
| Market risk - Currency risk | Recognised financial assets and liabilities not denominated in Indian Rupee (INR) | Cash flow forecasting | Derivative contracts/ hedging, if required |
| Market risk - interest rate risk | Borrowings, debt securities and subordinated liabilities at variable interest rates | Sensitivity analysis | Derivative contracts |
| Market risk - equity price risk | Investments in quoted equity securities | Sensitivity analysis | Diversification of portfolio, with focus on strategic investments |

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

### 44.1 Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's exposure to credit risk is influenced mainly by cash and cash equivalents, other bank balances, investments, loan assets, trade receivables and other financial assets. The Company continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls.

### 44.1.1 Financial assets that expose the entity to credit risk

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| (i) | **Low credit risk on financial reporting date** | | | |
| | Cash and cash equivalents | **342.94** | 212.00 | 4,465.95 |
| | Bank balances other than above | **1,253.31** | 1,570.07 | 28.44 |
| | Loans * | **256,448.62** | 207,067.88 | 184,379.61 |
| | Investments ** | **1,604.03** | 1,959.57 | 2,053.89 |
| | Other financial assets | **18,369.17** | 4,237.16 | 59.75 |
| (ii) | **Moderate credit risk** | | | |
| | Loans * | **4,412.62** | 15,266.53 | 12,850 |
| (iii) | **High credit risk** | | | |
| | Loans * | **20,348.44** | 17,128.42 | 4,872.69 |

* Represents the principal outstanding (along with undisbursed amount towards Letters of Comfort) without deduction for expected credit losses

** This does not include investments in quoted equity instruments and venture capital funds as they are carried at FVOCI and investments in subsidiares and joint ventures as they are carried at cost in line with the exemption given under Ind AS 27.

**Cash and cash equivalents and bank deposits**

Credit risk related to cash and cash equivalents and bank deposits is managed by parking funds in investment grade rated instruments and highly rated banks and also diversifying the deposit base by investing in different instruments/ banks across the country.

**Loans**

Credit risk related to borrowers are mitigated through adequate security arrangements for the loans by way of hypothecation of future project loan assets, receivables, inventories or any other assets, Govt. Guarantees, Corporate guarantees etc. and additionally Collaterals wherever required. The Company closely monitors the credit-worthiness of the promoters through well-defined entity appraisal guidelines that are configured from systematic institutional and project appraisal process analysis to assess the credit risk and define credit limits of borrower, thereby, limiting the credit risk to pre-calculated amounts. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures in form of pre-disbursement conditions.

# NOTES TO ACCOUNTS

**Other financial assets measured at amortized cost**

Other financial assets measured at amortized cost includes loans and advances to employees and subsidiaries, security deposits and other amounts recoverable, including from Govt. of India. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously.

### 44.1.2 Expected Credit Losses (ECL) for financial assets other than loans

Company provides for expected credit losses on financial assets other than loans by assessing individual financial instruments for expectation of any credit losses:

- **For cash and cash equivalents and other bank balances -** Since the Company deals with only high-rated banks and financial institutions for banking operations and the liquid funds category in the debt funds with consistent track record for short term investment of surplus funds, credit risk in respect of cash and cash equivalents, other bank balances and bank deposits is evaluated as very low.
- **For investments -** Considering that the investments are in debt securities of the State Govt./ minimum investment grade rated Government Companies and Public Sector Banks, credit risk is considered low.
- **For other financial assets -** Credit risk is evaluated based on Company's knowledge of the credit worthiness of those parties and loss allowance is measured for 12 month expected credit losses upon initial recognition and provide for lifetime expected credit losses upon significant increase in credit risk.

Details of expected credit loss for financial assets other than loans is disclosed as follows:

(₹ in Crores)

| Particulars | Gross Carrying Amount | ECL | Net Carrying Amount |
|---|---|---|---|
| **As at 31st March 2019** | | | |
| Cash and cash equivalents | 342.94 | - | 342.94 |
| Bank balances other than above | 1,253.31 | - | 1,253.31 |
| Investments | 1,604.03 | - | 1,604.03 |
| Other financial assets * | 18,369.17 | 26.69 | 18,342.48 |
| **As at 31st March 2018** | | | |
| Cash and cash equivalents | 212.00 | - | 212.00 |
| Bank balances other than above | 1,570.07 | - | 1,570.07 |
| Investments | 1,959.57 | - | 1,959.57 |
| Other financial assets * | 4,237.16 | 12.27 | 4,224.89 |
| **As at 1st April 2017** | | | |
| Cash and cash equivalents | 4,465.95 | - | 4,465.95 |
| Bank balances other than above | 28.44 | - | 28.44 |
| Investments | 2,053.89 | - | 2,053.89 |
| Other financial assets * | 59.75 | 5.59 | 54.16 |

* The impairment allowance has been provided in full on 'Other financial assets' considered as credit-impaired.

### 44.1.3 Expected Credit Loss for loans

For risk management reporting purposes, the Company considers and consolidates following elements of credit risk:

**(i) Credit default risk:** The risk of loss arising from a debtor being unlikely to pay its loan obligations in full or the debtor is more than 90 days past due on any material credit obligation; default risk may impact all credit-sensitive transactions, including loans and securities.

## NOTES TO ACCOUNTS

**(ii) Concentration risk:** The risk associated with any single exposure or group of exposures with the potential to produce large enough losses to threaten Company's core operations.

**Credit Risk Management**

Credit risk is the single largest risk of the Company's business, and therefore the Company has developed several processes and controls to manage it. The credit risk are managed at different levels including at appraisal, disbursements and post disbursement monitoring. To mitigate this risk, the company follows systematic institutional and project appraisal process to assess the credit risk. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures. Further, on regular basis the projects risk are reviewed and categorised as High/Moderate/Low on the basis of different risk parameters and exposure of the project as per Project Risk Categorization Frameworks. The process for Credit Risk Management are as under :

**(i)** The Company has "Integrated Rating Guidelines" and "Comprehensive Risk Management Policy" covering credit assessment, risk grading, collateral requirements, reporting, monitoring of end utilisation of funds etc.. Further, independent Lender legal counsels are appointed to ensure effective documentation and mitigation of legal risk.

**(ii)** For all existing private sector projects, where the Company is Lead Financial Institution, the Company engages lender's engineers, financial advisors and insurance advisors, which are independent agencies who act on behalf of various lenders and consortium members. The Lenders' Engineers conducts periodic site visits and submits reports on progress status of the project, after discussion with borrower and inspection/ review of relevant documents. Lender's financial advisors submit the statements of fund flow and utilization of funds in the project periodically. In cases where the Company is not the lead FI, the tasks related to LE and LFA services are being coordinated with the lead lender.

A separate Project Management Agency (PMA) is being appointed for each of new project being financed by REC , which shall be stationed at project site to closely monitor various project execution activities including review of invoices, fund utilization and insurance for the project. PMA shall verify the bills of original equipment manufacturer/ supplier, composite works contractor and give its recommendation for disbursement.

**(iii)** The Company has an authorisation structure for the approval and renewal of credit facilities. Authorisation limits have been established commensurating with the size of business proposal at CMD/Executive Committee/Loan Committee/ Board of Directors based on the recommendation of Screening Committee, as appropriate.

**(iv)** The Company has developed risk grading structure to categorise its exposures according to the degree of risk of default by charging appropriate interest rates and security package.

**(v)** Regular reports on the credit quality of loan portfolios are provided to Risk Management Committee and Board, which may require appropriate corrective action to be taken.

**(vi)** External agencies are appointed from time to time to review the guidelines, policy and existing practices being followed by business units along with providing the specialist skills to promote best practice throughout the Company for management of credit risk.

**(vii)** Individual and Group Credit Exposures are assessed against designated limits, before facilities are committed to borrowers by the business unit concerned. Sanction of additional facilities are also subject to the same review process.

**(viii)** The Company continuously monitors delays and/ or default of borrowers & other counterparties and their recoverability. On occurrence of default in the borrower's account, the Company initiates necessary steps to cure the default which may involve action(s) including, but not limited to, Special Mention Account (SMA) reporting to RBI, credit information reporting to Central Repository of Information on Large Credits (CRILC), etc. regularization of the account by recovering all over dues, invocation of guarantees/ securities to recover the dues, conversion of loan into equity as per loan agreement, restructuring of loan account, formulating resolution plan with the borrower, change in ownership, Corporate Insolvency Resolution Process (CIRP), sale of the exposures to other entities/ investors and other recovery mechanisms.

**(B) Credit risk Measurement**

REC has appointed an independent agency, IRR Advisory Services Pvt. Ltd. for developing the methodology, evaluation and calculation of ECL as per Ind AS 109. A comprehensive model for measurement of Credit risk has been developed based on key financial and operational parameters to assess improvement/ deterioration in credit quality. The credit risk model also provides a rating and the expected loss in case of default. The Company has considered following parameters in the model:

## NOTES TO ACCOUNTS

**Quantitative factors**

Debt/ EBITDA (20% weightage)

Return on Capital Employed (30% weightage)

Interest Coverage (20% weightage)

Cash Interest Coverage (30% weightage)

**Qualitative Factors**

**(i)** Quarter wise Operational Parameters like PPA, PLF, ACS – ARR Gap, and LAF

**(ii)** Actual Default dates, loan restructuring details

**(iii)** Cost run over and time delay in commissioning of the project for under construction projects

**(iv)** Parent support

**(v)** Turnover caps

**(vi)** Conduct of account

**(C) Measurement of Expected Credit Loss (ECL)**

Ind AS 109 outlines a "three stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit impaired on initial recognition and whose credit risk has not increased significantly since initial recognition is classified as "Stage 1".

- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit impaired.

- If a financial instrument is credit impaired, it is moved to "Stage 3".

- Financial instrument in Stage 1 have their ECL measured at an amount equal to expected credit loss that results from default events possible within the next 12 months. Instruments in Stage 2 or Stage 3 criteria have their ECL measured on lifetime basis.

**(D) Significant Increase in Credit Risk (SICR)**

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria are met.

**Quantitative criteria**

The company has assumed that a 2 notch downgrade in credit rating since inception to be considered as significant increase in credit risk.

**Qualitative criteria**

In case of significant delay in commissioning in under construction projects, it is assumed that there is significant increase in risk and loan is moved to stage 2.

**Backstop**

A backstop is applied by the Company on any financial instrument if the payment is greater than or equal to Rs. 1 crore and the borrower is more than 30 days past due on its contractual payments. However, based on historical data, it has been noticed that such overdue amounts for more than 30 days do not signify significant increase in credit risk for state utilities. Therefore, the Company has applied this criteria only for private entities.

**(E) Low credit risk exemption**

Ind-AS provides an optional simplification to assume that the credit risk on a financial asset has not increased significantly since initial recognition (and thus remain in stage 1) if the financial asset is considered to have a low credit risk at the reporting date.

Credit risk is considered to be 'low' when the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

## NOTES TO ACCOUNTS

The Company considers loan assets having External credit rating between AAA to A, to have low credit risk. Further, the Company has taken low credit risk exemption for all state utilities as the Company considers that loans to state sector have a low credit risk in comparison to lending to private sector mainly due to low default/ loss history in state sector and availability of government guarantee in certain loans. Further, presence of Government interest in these projects lowers the risk of non-recoverability of dues.

**(F) Definition of default and credit-impaired assets**

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when the loan account is more than 90 days past due on its contractual payments.

**(G) Measuring ECL - explanation of inputs, assumptions and estimation techniques**

Expected credit losses are the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), defined as follows:

- PD represents the likelihood of the borrower defaulting on its obligation either over next 12 months or over the remaining lifetime of the instrument.

- EAD is based on the amounts that the Company expects to be owed at the time of default over the next 12 months or remaining lifetime of the instrument.

- LGD represents the Company's expectation of loss given that a default occurs. LGD is expressed in percentage and remains unaffected from the fact that whether the financial instrument is a Stage 1 asset, or Stage 2 or even Stage 3. However, it varies by type of borrower, availability of collateral or other credit support.

**Determination of Probability of Default (PD)**

The Company has analysed the transition matrix of various rating agencies (CRISIL, Care and India Ratings) and has taken average of transition matrix of these rating agencies to arrive at the annual average transition matrix. This average annual transition matrix was extrapolated to arrive at the lifetime probability of default of various rating grades by loan tenure / maturity profile i.e. lifetime PD.

**Loss Given Default (LGD) computation model**

Based on the historical trend, research and industry benchmarking the Company has constructed a LGD model. Factors reviewed in the LGD model include Project cost per unit, current PLF, parent / state support, PPA status, FSA, fuel cost pass-through status, years of existing default etc. Based on internal research, for Thermal plants company has benchmarked project cost and PLF level to estimate viable scenario for operating profitably and recoverability is calculated accordingly. Similarly company assumes that although Renewable companies and Transmission companies face collection issues from distribution companies leading to longer working capital cycle but they are sustainable on long term basis. For State Utilities, the Company has factored in the state support and assumed that the State governments would step in to repay debt obligations of the state utilities as witnessed in the past during the Uday scheme, thus state credit rating and corresponding PD is considered to compute LGD.

Further, where REC and PFC (Group Companies) are in Consortium for Stage-III Loan accounts, LGD is taken on the following basis:

(a) In cases where either REC or PFC is lead lender, LGD % calculated by the lead lender is adopted

(b) In cases where neither REC nor PFC is lead lender, higher of the LGD% worked out by REC and PFC is adopted.

**(H) Key assumptions used in measurement of ECL**

**(i)** The Company considers the date of initial recognition as the base date from which significant increase in credit risk is determined.

**(ii)** Cost Overrun and time delay in commissioning is considered for computing credit rating for under construction projects.

**(iii)** Turnover Cap and Parent support is considered for assigning final ratings.

**(iv)** Since the Company has a right to cancel any sanctioned but undrawn limits to any of its borrowers, EAD is assumed to be outstanding balance as on the reporting date.

## NOTES TO ACCOUNTS

**(I) Forward looking information incorporated in ECL models**

The assessment of significant increase in risk and the calculation of ECL both incorporate forward-looking information. Further, the Credit Rating Models also consider the forward looking information in the determination of the credit rating to be assigned to the borrower, by taking into consideration various financial ratios and extension of the project completion. As such, the Base Case Scenario reflects the most appropriate basis for the computation of ECL for the Company. After analysis of the forward looking information and the economic situation, no upturn/downturn scenario seems to be applicable or requiring any consideration in inputs used for ECL computation.

**(J) Credit Risk Exposure**

Credit Risk Exposure in respect of the borrowers with different credit ratings is as under

**As at 31st March 2019** (₹ in Crores)

| External rating range | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| AAA | - | - | - | - |
| AA | 3,239.02 | - | - | 3,239.02 |
| A | 56,158.84 | - | - | 56,158.84 |
| BBB | 40,834.51 | - | - | 40,834.51 |
| BB | 57,967.67 | 519.32 | - | 58,486.99 |
| B | 47,683.74 | 1,030.31 | - | 48,714.05 |
| C | 46,119.65 | 2,862.99 | - | 48,982.64 |
| D | - | - | 20,348.44 | 20,348.44 |
| Government Loan | 4,445.19 | - | - | 4,445.19 |
| **Gross carrying amount** | 256,448.62 | 4,412.62 | 20,348.44 | 281,209.68 |
| Loss allowance | 525.26 | 1,273.72 | 9,698.95 | 11,497.93 |
| **Carrying amount** | 255,923.36 | 3,138.90 | 10,649.49 | 269,711.75 |

**As at 31st March 2018** (₹ in Crores)

| External rating range | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| AAA | - | - | - | - |
| AA | 3,198.11 | - | - | 3,198.11 |
| A | 51,693.57 | - | - | 51,693.57 |
| BBB | 17,974.14 | - | - | 17,974.14 |
| BB | 53,056.43 | 10,594.28 | - | 63,650.71 |
| B | 30,981.40 | - | - | 30,981.40 |
| C | 46,596.39 | 4,672.25 | - | 51,268.64 |
| D | - | - | 17,128.42 | 17,128.42 |
| Government Loan | 3,567.83 | - | - | 3,567.83 |
| **Gross carrying amount** | 207,067.88 | 15,266.53 | 17,128.42 | 239,462.83 |
| Loss allowance | 1,090.78 | 1,694.30 | 8,490.53 | 11,275.61 |
| **Carrying amount** | 205,977.10 | 13,572.23 | 8,637.89 | 228,187.22 |

## NOTES TO ACCOUNTS

**As at 1st April 2017** (₹ in Crores)

| External rating range | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| AAA | - | - | - | - |
| AA | 3,371.83 | - | - | 3,371.83 |
| A | 32,324.46 | - | - | 32,324.46 |
| BBB | 21,635.16 | - | - | 21,635.16 |
| BB | 51,057.87 | - | - | 51,057.87 |
| B | 34,743.10 | - | - | 34,743.10 |
| C | 37,949.19 | 12,849.73 | - | 50,798.92 |
| D | - | - | 4,872.69 | 4,872.69 |
| Government Loan | 3,298.00 | - | - | 3,298.00 |
| **Gross carrying amount** | **184,379.61** | **12,849.73** | **4,872.69** | **202,102.03** |
| Loss allowance | 1,324.86 | 5,011.36 | 2,648.95 | 8,985.17 |
| **Carrying amount** | **183,054.75** | **7,838.37** | **2,223.74** | **193,116.86** |

**(K) Collateral and other credit enhancements**

The Company employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds disbursed. The Company has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgage of Immovable properties

- Hypothecation of Moveable property

- Assignment of project contract documents

- Pledge of instruments through which promoters' contribution is infused in the project

- Pledge of Promoter Shareholding

- Corporate and personal Guarantee of Promoters

**(L) Loss allowance**

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period

- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models

- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period

The following tables explain the changes in the loan assets (including undisbursed Letters of Comfort) and the corresponding ECL allowance between the beginning and the end of the reporting period:

(₹ in Crores)

| FY 2018-19 | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Gross Amount | 12 months ECL | Gross Amount | Lifetime ECL | Gross Amount | Lifetime ECL | Gross Amount | ECL |
| **Opening Balance** | **207,067.88** | **1,090.78** | **15,266.52** | **1,694.30** | **17,128.43** | **8,490.53** | **239,462.83** | **11,275.61** |
| Transfer to 12 months ECL | **10,594.28** | **21.95** | **(10,594.28)** | **(21.95)** | **-** | **-** | **-** | **-** |
| Transfer to life time ECL not credit impaired | **(549.56)** | **(4.38)** | **1,775.34** | **372.11** | **(1,225.78)** | **(367.73)** | **-** | **-** |
| Transfer to Lifetime ECL credit impaired | **(2,763.00)** | **(625.75)** | **(1,865.40)** | **(527.07)** | **4,628.40** | **1,152.82** | **-** | **-** |
| Additional provision due to changes in PD/ LGD | **-** | **(16.82)** | **-** | **(266.20)** | **-** | **423.75** | **-** | **140.73** |
| New Financial assets originated or purchased (including further disbursements in existing assets) | **56,669.38** | **78.30** | **63.82** | **22.54** | **-** | **-** | **56,733.20** | **100.84** |
| Financial Assets that have been derecognised (including recoveries in existing assets) | **(14,570.35)** | **(18.83)** | **(233.39)** | **-** | **(182.61)** | **(0.42)** | **(14,986.35)** | **(19.25)** |
| **Closing Balance** | **256,448.63** | **525.25** | **4,412.61** | **1,273.73** | **20,348.44** | **9,698.95** | **281,209.68** | **11,497.93** |

(₹ in Crores)

| FY 2017-18 | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Gross Amount | 12 months ECL | Gross Amount | Lifetime ECL | Gross Amount | Lifetime ECL | Gross Amount | ECL |
| **Opening Balance** | **184,379.60** | **1,324.86** | **12,849.73** | **5,011.36** | **4,872.69** | **2,648.95** | **202,102.02** | **8,985.17** |
| Transfer to 12 months ECL | 217.78 | 43.56 | - | - | (217.78) | (43.56) | - | - |
| Transfer to life time ECL not credit impaired | (11,127.58) | (70.64) | 11,127.58 | 70.64 | - | - | - | - |
| Transfer to Lifetime ECL credit impaired | (3,473.14) | (446.62) | (8,504.68) | (3,455.79) | 11,977.82 | 3,902.41 | - | - |
| Additional provision due to changes in PD/ LGD | - | 112.07 | - | 16.23 | - | 1,982.73 | - | 2,111.03 |
| New Financial assets originated or purchased | 43,799.44 | 150.11 | 289.57 | 52.15 | 593.02 | - | 44,682.03 | 202.26 |
| Financial Assets that have been derecognised | (6,728.22) | (22.56) | (495.68) | (0.29) | (97.32) | - | (7,321.22) | (22.85) |
| **Closing Balance** | **207,067.88** | **1,090.78** | **15,266.52** | **1,694.30** | **17,128.43** | **8,490.53** | **239,462.83** | **11,275.61** |

## NOTES TO ACCOUNTS

**(M) Details of Stage wise Exposure and Impairment Loss Allowance:**

(₹ in Crores)

| Particulars | Stage I | Stage II | Stage III | Total |
|---|---|---|---|---|
| **As on 1st April 2017** | | | | |
| Total Exposure | 184,379.61 | 12,849.73 | 4,872.69 | 202,102.03 |
| Impairment Allowance | 1,324.86 | 5,011.36 | 2,648.95 | 8,985.17 |
| ECL % | 0.72% | 39.00% | 54.36% | 4.45% |
| **As on 31st March 2018** | | | | |
| Total Exposure | 207,067.88 | 15,266.53 | 17,128.42 | 239,462.83 |
| Impairment Allowance | 1,090.78 | 1,694.30 | 8,490.53 | 11,275.61 |
| ECL % | 0.53% | 11.10% | 49.57% | 4.71% |
| **As on 31st March 2019** | | | | |
| Total Exposure | **256,448.62** | **4,412.62** | **20,348.44** | **281,209.68** |
| Impairment Allowance | **525.26** | **1,273.72** | **9,698.95** | **11,497.93** |
| ECL % | **0.20%** | **28.87%** | **47.66%** | **4.09%** |

**(N) Concentration of credit risk**

The Company monitors concentration of credit risk (loan assets including undisbursed Letters of Comfort) by type of industry in which the borrower operates, further bifurcated into type of borrower, whether state or private.

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Gross Amount | ECL | Gross Amount | ECL | Gross Amount | ECL |
| Concentration by industry | | | | | | |
| Generation | **131,019.56** | **10,730.93** | 112,763.35 | 10,357.10 | 99,789.89 | 8,222.57 |
| Renewables | **4,463.99** | **74.13** | 3,276.99 | 63.17 | 2,119.13 | 53.64 |
| Transcos | **51,995.18** | **429.47** | 43,432.91 | 624.88 | 40,228.28 | 505.43 |
| Discoms | **89,285.76** | **262.07** | 76,421.75 | 229.39 | 56,666.73 | 202.27 |
| Government Loans | **4,445.19** | **1.33** | 3,567.83 | 1.07 | 3,298.00 | 1.26 |
| **Total** | **281,209.68** | **11,497.93** | 239,462.83 | 11,275.61 | 202,102.03 | 8,985.17 |
| | | | | | | |
| Concentration by ownership | | | | | | |
| State | **247,719.13** | **445.42** | 206,410.51 | 403.70 | 168,810.92 | 317.77 |
| Private | **33,490.55** | **11,052.51** | 33,052.32 | 10,871.90 | 33,291.10 | 8,667.40 |
| **Total** | **281,209.68** | **11,497.93** | **239,462.83** | **11,275.61** | **202,102.03** | **8,985.17** |

**(O) Sector-wise Credit-impaired Assets - Percentage of Stage-III Assets to Total Advances in that sector**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| Power Sector | | **7.24%** | | 7.15% | | 2.41% |

## NOTES TO ACCOUNTS

**(P) Movement of Credit-impaired Assets**

(₹ in Crores)

| Particulars | | FY 2018-19 | FY 2017-18 |
|---|---|---|---|
| **(i)** | **Gross Credit-impaired Assets to Gross Advances (%)** | **7.24%** | 7.15% |
| **(ii)** | **Net Credit-impaired Assets to Net Advances (%)** | **3.95%** | 3.79% |
| **(iii)** | **Movement of Credit-impaired Assets (Gross)** | | |
| (a) | Opening balance | **17,128.43** | 4,872.69 |
| (b) | Additions during the year | **4,628.40** | 12,570.84 |
| (c) | Reductions during the year | **(1408.39)** | (315.10) |
| (d) | Closing balance | **20,348.44** | **17,128.43** |
| **(iv)** | **Movement of Credit-impaired Assets (Net)** | | |
| (a) | Opening balance | **8,637.90** | 2,223.74 |
| (b) | Additions during the year | **3,051.83** | 6,685.70 |
| (c) | Reductions during the year | **(1040.24)** | (271.54) |
| (d) | Closing balance | **10,649.49** | **8,637.90** |
| **(v)** | **Movement of provisions for Credit-impaired Assets** | | |
| (a) | Opening balance | **8,490.53** | 2,648.95 |
| (b) | Provisions made during the year | **1,576.57** | 5,885.14 |
| (c) | Write-off / write-back of excess provisions | **(368.15)** | (43.56) |
| (d) | Closing balance | **9,698.95** | **8,490.53** |

**(Q) Write off policy**

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasure of enforcement activity or where the Company's recovery method is foreclosing on collateral and the value of collateral is such that there is no reasonable expectation of recovery in full.

### 44.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due.

The Company manages its liquidity risk through a mix of strategies, including forward-looking resource mobilization based on projected disbursements and maturing obligations. The Company has put in place an effective Asset Liability Management System and has also constituted an Asset Liability Management Committee ("ALCO") which monitors the liquidity risk with the help of liquidity gap analysis.

The Company maintains adequate bank balances, short term investments that are readily convertible into cash and adequate borrowing and overdraft facilities by continuously monitoring the forecast and actual cash flows.

### 44.2.1 Maturity Pattern of Future Undiscounted Cash Flows

The cash flows towards items of financial liabilities (representing future undiscounted cash flows towards principal and interest) is as under:

(₹ in Crores)

| As at 31st March 2019 | Up to 30/31 days | Over 1 month & up to 2 Months | Over 2 months & up to 3 Months | Over 3 months & up to 6 Months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Non-Derivative Financial Liabilities :** | | | | | | | | | |
| **Rupee Borrowings** | | | | | | | | | |
| Debt Securities | | | | | | | | | |
| - Principal | 3,256.39 | 525.21 | 2,294.33 | 9,272.90 | 20,218.27 | 65,194.54 | 25,107.93 | 49,258.06 | 175,127.63 |
| - Interest | 484.75 | 912.75 | 1,840.88 | 2,754.00 | 6,879.70 | 19,633.29 | 11,001.43 | 13,288.00 | 56,794.80 |
| Other Borrowings | | | | | | | | | |
| - Principal | - | 350.00 | 500.00 | 850.00 | 200.01 | 4,257.52 | 13,405.02 | 5,187.59 | 24,750.14 |
| - Interest | 133.77 | 129.71 | 355.81 | 388.00 | 975.00 | 3,673.00 | 2,176.00 | 2,055.00 | 9,886.29 |
| Subordinated Liabilities | | | | | | | | | |
| - Principal | - | - | - | - | - | - | 2,500.00 | 2,151.20 | 4,651.20 |
| - Interest | - | 201.50 | - | - | 189.26 | 782.00 | 782.00 | 945.00 | 2,899.76 |
| **Foreign Currency Borrowings** | | | | | | | | | |
| Debt Securities | | | | | | | | | |
| - Principal | - | - | - | - | - | 2,766.85 | 4,841.99 | 5,187.85 | 12,796.69 |
| - Interest | - | 126.06 | 42.33 | 108.00 | 279.00 | 1,052.00 | 1,281.00 | 807.00 | 3,695.39 |
| Other Borrowings | | | | | | | | | |
| - Principal | - | 1,729.28 | 71.11 | 1,058.63 | 2,444.00 | 10,423.28 | 6,234.49 | - | 21,960.79 |
| - Interest | 43.40 | 54.77 | 42.07 | 229.00 | 290.00 | 734.00 | 278.00 | - | 1,671.24 |
| | | | | | | | | | |
| **Derivative Liabilities :** | | | | | | | | | |
| Interest rate swaps | - | - | - | 0.59 | 6.26 | 10.19 | 110.01 | 3.11 | 130.16 |
| Currency swaps | - | - | - | - | - | 0.40 | - | - | 0.40 |
| Forward Contracts | 10.27 | - | - | - | - | - | - | - | 10.27 |
| Others - | | | | | | | | | |
| Seagull Option | - | - | - | 0.37 | 18.20 | - | - | - | 18.57 |

(₹ in Crores)

| As at 31st March 2018 | Up to 30/31 days | Over 1 month & up to 2 Months | Over 2 months & up to 3 Months | Over 3 months & up to 6 Months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Non-Derivative Financial Liabilities :** | | | | | | | | | |
| **Rupee Borrowings** | | | | | | | | | |
| Debt Securities | | | | | | | | | |
| - Principal | 312.36 | 427.89 | 940.89 | 9,610.60 | 16,323.17 | 61,056.11 | 32,653.85 | 44,760.03 | **166,084.90** |
| - Interest | 415.74 | 777.17 | 1,636.05 | 2,475.00 | 7,220.00 | 19,907.58 | 11,268.40 | 12,649.00 | **56,348.94** |
| Other Borrowings | | | | | | | | | |
| - Principal | - | - | - | - | 200.00 | 200.00 | - | - | **400.00** |
| - Interest | - | - | - | - | 29.00 | 15.00 | - | - | **44.00** |
| Subordinated Liabilities | | | | | | | | | |
| - Principal | - | - | - | - | - | - | - | 2,500.00 | **2,500.00** |
| - Interest | - | 201.50 | - | - | - | 403.00 | 403.00 | 201.00 | **1,208.50** |
| **Foreign Currency Borrowings** | | | | | | | | | |
| Debt Securities | | | | | | | | | |
| - Principal | - | - | - | - | - | 2,601.76 | - | 4,878.30 | **7,480.06** |
| - Interest | - | - | 39.80 | 102.00 | 142.00 | 568.00 | 407.00 | 962.00 | **2,220.80** |
| Other Borrowings | | | | | | | | | |
| - Principal | - | - | 103.49 | 1,698.16 | 8,225.52 | 8,508.57 | 3,663.49 | 127.44 | **22,326.67** |
| - Interest | 33.87 | 42.91 | 63.03 | 151.00 | 270.00 | 541.00 | 101.00 | 2.00 | **1,204.81** |
| **Derivative Liabilities :** | | | | | | | | | |
| Interest rate swaps | - | - | - | 2.18 | 9.70 | 0.11 | - | 73.08 | **85.07** |
| Currency swaps | - | - | - | 5.35 | 3.08 | 63.07 | - | - | **71.50** |
| Others - | | | | | | | | | |
| Call Spread | - | - | - | 1.37 | 37.98 | 43.05 | 78.77 | - | **161.17** |

(₹ in Crores)

| As at 1st April 2017 | Up to 30/31 days | Over 1 month & up to 2 Months | Over 2 months & up to 3 Months | Over 3 months & up to 6 Months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Non-Derivative Financial Liabilities :** | | | | | | | | | |
| **Rupee Borrowings** | | | | | | | | | |
| Debt Securities | | | | | | | | | |
| - Principal | 402.64 | 365.98 | 326.16 | 9,853.96 | 5,278.77 | 46,206.46 | 33,434.77 | 47,318.10 | **143,186.84** |
| - Interest | 399.38 | 752.39 | 1,383.18 | 2,760.00 | 6,197.00 | 19,114.43 | 12,396.19 | 15,291.00 | **58,293.57** |
| Other Borrowings | | | | | | | | | |
| - Principal | - | - | - | - | 350.00 | 400.00 | - | - | **750.00** |
| - Interest | - | - | - | - | 53.46 | 45.00 | - | - | **98.46** |
| Subordinated Liabilities | | | | | | | | | |
| - Principal | - | - | - | - | - | - | - | 2,500.00 | **2,500.00** |
| - Interest | - | 201.50 | - | - | - | 403.00 | 403.00 | 403.00 | **1,410.50** |
| **Foreign Currency Borrowings** | | | | | | | | | |
| Other Borrowings | | | | | | | | | |
| - Principal | 1,102.92 | - | 88.89 | 101.98 | 156.76 | 13,135.37 | 6,290.56 | 204.19 | **21,080.67** |
| - Interest | 13.21 | 33.35 | 45.40 | 136.00 | 196.00 | 579.00 | 129.00 | 5.00 | **1,136.96** |
| **Derivative Liabilities :** | | | | | | | | | |
| Interest rate swaps | - | - | - | - | - | 0.82 | - | 64.40 | **65.22** |
| Currency swaps | 79.25 | - | 2.11 | 4.51 | - | 29.66 | 42.22 | 5.45 | **163.20** |
| Others - | | | | | | | | | |
| Call Spread | - | - | - | - | - | 55.46 | 70.59 | - | **126.05** |
| Seagull Option | - | - | - | - | - | - | - | - | **-** |

Bonds with put & call option have been shown considering the earliest exercise date. The liquidity analysis for derivative financial liabilities is based on fair values of the derivative contracts and the maturity buckets have been derived on the basis of the remaining tenor of the respective derivative instrument.

Significant cashflows required for financial liabilities shall be funded through the undiscounted cash flows (principal and interest) from loans as below:

(₹ in Crores)

| Particulars | Up to 30/31 days | Over 1 month & up to 2 Months | Over 2 months & up to 3 Months | Over 3 months & up to 6 Months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **As at 31st March 2019** | | | | | | | | | |
| Principal | **1,654.88** | **1,316.82** | **3,073.31** | **7,365.12** | **13,781.11** | **55,904.77** | **50,995.33** | **135,620.42** | **269,711.76** |
| Interest | **866.67** | **684.94** | **5,324.18** | **6,853.48** | **12,557.11** | **43,097.02** | **31,940.32** | **53,720.12** | **155,043.84** |
| **As at 31st March 2018** | | | | | | | | | |
| Principal | 1,230.83 | 1,492.35 | 3,293.35 | 8,191.72 | 12,150.11 | 48,496.92 | 41,862.39 | 111,456.20 | **228,173.87** |
| Interest | 531.59 | 532.53 | 4,795.14 | 6,201.87 | 10,813.02 | 37,162.38 | 27,418.33 | 53,753.31 | **141,208.17** |
| **As at 1st April 2017** | | | | | | | | | |
| Principal | 1,001.24 | 893.61 | 2,277.07 | 5,717.85 | 9,745.28 | 38,401.16 | 35,944.37 | 98,986.89 | **192,967.47** |
| Interest | 329.97 | 372.01 | 4,903.23 | 6,344.17 | 10,568.49 | 37,093.49 | 28,347.84 | 48,660.08 | 136,619.28 |

The principal cash flows relating to Stage III assets, net of Expected Credit Loss have been considered in over 5 years bucket irrespective of the maturity date.

### 44.2.2 Maturity Pattern of Significant Financial Assets & Liabilities, as prescribed by RBI

(₹ in Crores)

| As at 31st March 2019 | Up to 30/31 days | Over 1 month & up to 2 Months | Over 2 months & up to 3 Months | Over 3 months & up to 6 Months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Loan Assets** | **1,850.88** | **1,316.82** | **3,401.32** | **7,627.17** | **13,781.11** | **55,904.77** | **50,995.33** | **135,573.52** | **270,450.92** |
| **Investments** | **56.25** | **-** | **-** | **-** | **47.78** | **1,500.00** | **-** | **793.59** | **2,397.62** |
| **Rupee Borrowings** | | | | | | | | | |
| Debt Securities | **3,781.97** | **621.87** | **3,645.36** | **11,092.27** | **22,326.89** | **65,199.36** | **25,107.93** | **48,892.09** | **180,667.74** |
| Other Borrowings | **126.93** | **350.00** | **500.00** | **850.00** | **207.34** | **4,257.52** | **13,405.02** | **5,187.59** | **24,884.40** |
| Subordinated Liabilities | **-** | **168.38** | **-** | **-** | **1.59** | **-** | **2,499.15** | **2,149.65** | **4,818.77** |
| **Foreign Currency Borrowings** | | | | | | | | | |
| Debt Securities | **-** | **98.15** | **24.29** | **30.88** | **-** | **2,722.66** | **4,784.70** | **4,511.39** | **12,172.07** |
| Other Borrowings | **27.10** | **1,750.21** | **74.77** | **1,079.80** | **2,444.00** | **10,167.79** | **6,234.49** | **-** | **21,778.16** |
| **Foreign Currency Assets** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Foreign Currency Liabilities (other than Borrowings)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

(₹ in Crores)

| As at 31st March 2018 | Up to 30/31 days | Over 1 month & up to 2 Months | Over 2 months & up to 3 Months | Over 3 months & up to 6 Months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Loan Assets** | **1,252.83** | **1,492.35** | **3,574.58** | **8,654.08** | **12,150.11** | **48,496.92** | **41,862.39** | **111,394.99** | **228,878.25** |
| **Investments** | 13.62 | - | - | - | 351.63 | 1,594.32 | - | 865.23 | 2,824.80 |
| **Rupee Borrowings** | | | | | | | | | |
| Debt Securities | 754.75 | 427.89 | 2,221.69 | 11,302.89 | 18,685.43 | 61,056.11 | 32,657.81 | 44,561.01 | **171,667.58** |
| Other Borrowings | - | - | - | - | 214.82 | 200.00 | - | - | 414.82 |
| Subordinated Liabilities | - | 168.38 | - | - | - | - | - | 2,498.98 | **2,667.36** |
| **Foreign Currency Borrowings** | | | | | | | | | |
| Debt Securities | - | - | - | - | 52.35 | 2,601.76 | - | 4,818.44 | 7,472.55 |
| Other Borrowings | - | - | 103.49 | 1,710.42 | 8,283.07 | 8,508.59 | 3,483.65 | 127.40 | **22,216.62** |
| **Foreign Currency Assets** | - | - | - | - | - | - | - | - | **-** |
| **Foreign Currency Liabilities (other than Borrowings)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

(₹ in Crores)

| As at 1st April 2017 | Up to 30/31 days | Over 1 month & up to 2 Months | Over 2 months & up to 3 Months | Over 3 months & up to 6 Months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Loan Assets** | **1,020.74** | **893.61** | **2,545.88** | **6,499.11** | **9,745.28** | **38,401.16** | **35,944.37** | **98,884.37** | **193,934.52** |
| **Investments** | 13.62 | - | - | - | 47.78 | 492.49 | 1,500.00 | 854.67 | 2,908.56 |
| **Rupee Borrowings** | | | | | | | | | |
| Debt Securities | 828.77 | 365.98 | 1,508.30 | 11,689.95 | 7,464.92 | 46,209.63 | 33,434.77 | 47,220.94 | **148,723.26** |
| Other Borrowings | - | - | - | - | - | - | - | - | - |
| Subordinated Liabilities | - | 168.38 | - | - | - | - | - | 2,498.83 | **2,667.21** |
| **Foreign Currency Borrowings** | | | | | | | | | |
| Debt Securities | - | - | - | - | - | - | - | - | - |
| Other Borrowings | 1,103.12 | - | 88.89 | 127.35 | 583.03 | 13,535.37 | 6,058.25 | 204.18 | **21,700.19** |
| **Foreign Currency Assets** | - | - | - | - | - | - | - | - | **-** |
| **Foreign Currency Liabilities (other than Borrowings)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

### 44.2.3 Financing arrangements

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **Expiring within one year (cash credit and other facilities)** | | | |
| - Floating rate | **11,440.00** | 10,340.00 | 5,710.00 |
| | | | |
| **Expiring beyond one year (loans/ borrowings)** | | | |
| - Floating rate | **1,577.11** | - | - |

### 44.3 Market Risk - Currency Risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollar, EURO and JPY. Foreign exchange risk arises from recognised liabilities denominated in a currency, other than the functional currency of the Company. To mitigate the Company's exposure to foreign currency risk, non-INR cash flows are monitored and derivative contracts are entered into in accordance with the Company's risk management policies.

The Company has a board-approved Risk Management Policy which inter-alia aims to manage risks associated with foreign currency borrowings. Parameters like hedge ratio, un-hedged exposure, mark-to market position, exposure limit with banks etc. are monitored as a part of foreign exchange risk and interest rate risk management. This policy provides the guiding parameters within which the Company can take decisions for managing the Currency Risk and interest risk that it is exposed to on account of foreign currency loan, including debt securities. The purpose of the policy is to provide a framework to the Company for management of its foreign currency risk and interest rate risk.

An Asset Liability Management Committee (ALCO) is currently functioning under the chairmanship of CMD, Director (Finance), Director (Technical), Executive Directors and General Managers from Finance and Operating Divisions as its members. ALCO monitors Foreign currency risk with exchange rate and interest rate managed through various derivative instruments. 'The Company enters into various derivative transactions to cover exchange rate through various instruments like foreign currency forwards contracts, currency options, principal only swaps and forward rate agreements. These derivative transactions are done for hedging purpose and not for trading or speculative purpose.

In respect of foreign currency debt securities and borrowings, the company has also executed cross currency swaps (principal and/or interest) to hedge the Foreign Currency Exposure. The outstanding position of Foreign Currency Exposure as at 31st March 2019 is as under:

(Foreign Currency amounts in Millions, INR equivalent in ₹ Crores)

| Currency | As at 31.03.2019 | | | As at 31.03.2018 | | | As at 01.04.2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total Exposure | Hedged through Derivatives | Unhedged Exposure | Total Exposure | Hedged through Derivatives | Unhedged Exposure | Total Exposure | Hedged through Derivatives | Unhedged Exposure |
| **USD $** | **4,830.00** | **3,370.00** | **1,460.00** | 4,420.87 | 2,680.00 | 1,740.87 | 2,885.00 | 2,530.00 | 355.00 |
| INR Equivalent | **33,409.74** | **23,310.73** | **10,099.01** | 28,755.15 | 17,431.82 | 11,323.33 | 18,705.94 | 16,404.17 | 2,301.77 |
| **JPY ¥** | **12,428.85** | **10,920.22** | **1,508.63** | 4,100.17 | 2,214.38 | 1,885.79 | 26,059.52 | 23,985.15 | 2,074.37 |
| INR Equivalent | **777.05** | **682.73** | **94.32** | 252.32 | 136.27 | 116.05 | 1,510.41 | 1,390.18 | 120.23 |
| **EURO €** | **73.45** | **48.00** | **25.45** | 99.13 | 73.68 | 25.45 | 124.80 | 99.35 | 25.45 |
| INR Equivalent | **570.74** | **373.00** | **197.74** | 799.21 | 594.02 | 205.19 | 864.21 | 687.97 | 176.24 |
| **Total** | **34,757.53** | **24,366.46** | **10,391.07** | **29,806.68** | **18,162.11** | **11,644.57** | **21,080.56** | **18,482.32** | **2,598.24** |

### 44.3.1 Sensitivity Analysis

The table below represents the impact on P&L including FCMITDA (+ Gain / (Loss) for 5% change in foreign currency exchange rate against INR on the unhedged exposures:

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Favorable | Adverse | Favorable | Adverse | Favorable | Adverse |
| USD/INR | **328.50** | **(328.50)** | 368.33 | (368.33) | 75.26 | (75.26) |
| JPY/INR | **4.72** | **(4.72)** | 5.80 | (5.80) | 6.01 | (6.01) |
| EUR/INR | **1.27** | **(1.27)** | 10.26 | (10.26) | 8.81 | (8.81) |

* Holding all other variables constant

### 44.4 Market Risk - Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Company manages interest rate risk by entering into various derivative contracts like use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The table below shows the overall exposure of the Company to interest rate risk on the floating rate liabilities, along with the bifurcation under hedged/ un-hedged category as at 31st March 2019 is as under:

**(Foreign Currency amounts in Millions, INR equivalent in ₹ Crores)**

| Currency | As at 31.03.2019 | | | As at 31.03.2018 | | | As at 01.04.2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Floating Interest Rate Exposure | Hedged through Derivatives | Unhedged Exposure | Floating Interest Rate Exposure | Hedged through Derivatives | Unhedged Exposure | Floating Interest Rate Exposure | Hedged through Derivatives | Unhedged Exposure |
| **INR Borrowings** | **19,550.00** | **-** | **19,550.00** | - | - | - | - | - | - |
| **USD $** | **2,980.00** | **2,005.00** | **975.00** | 3,270.87 | 2,335.00 | 935.87 | 2,885.00 | 2,085.00 | 800.00 |
| INR Equivalent | **20,613.05** | **13,868.85** | **6,744.20** | 21,275.07 | 15,187.80 | 6,087.27 | 18,765.22 | 13,561.69 | 5,203.53 |
| **JPY ¥** | **10,327.12** | **10,327.12** | **-** | - | - | - | 19,029.00 | - | 19,029.00 |
| INR Equivalent | **645.65** | **645.65** | **-** | - | - | - | 1,102.92 | - | 1,102.92 |
| **EURO €** | **-** | **-** | **-** | - | - | - | - | - | - |
| INR Equivalent | **-** | **-** | **-** | **-** | **-** | **-** | | | **-** |
| **Total INR Equivalent** | **40,808.70** | **14,514.50** | **26,294.20** | **21,275.07** | **15,187.80** | **6,087.27** | **19,868.14** | **13,561.69** | **6,306.45** |

The Company's lending portfolio carries interest at semi-fixed rate i.e. fixed rate of interest with 3/10 year reset option with the borrower. The Company reviews its lending rates periodically based on prevailing market conditions, borrowing cost, yield, spread, competitors' rates, sanctions and disbursements etc. In order to manage pre-payment risks, the Company charges pre-payment premium from borrowers in case of pre-payment of loan. The interest rate risk is managed by the analysis of interest rate sensitivity gap statements and by evaluating the creation of assets and liabilities with a mix of fixed and floating interest rates.

## NOTES TO ACCOUNTS

The Company is exposed to interest rate risk on following Loan Assets which are at semi-fixed rates:

(₹ in Crores)

| Description | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Rupee Loans | **279,021.68** | 233,801.39 | 198,339.83 |

**Sensitivity Analysis**

The table below represents the impact on P&L (Gain / (Loss) for 50 basis points increase or decrease in interest rate on Company's floating rate assets and liabilities on the unhedged exposures:

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Increase | (Decrease) | Increase | (Decrease) | Increase | (Decrease) |
| Floating Rate Loan Liabilities | **(85.53)** | **85.53** | (19.80) | 19.80 | (20.62) | 20.62 |
| Floating/ semi-fixed Rate Loan Assets | **907.60** | **(907.60)** | 760.51 | (760.51) | 648.49 | (648.49) |

* Holding all other variables constant

The above sensitivity analysis has been prepared assuming that the amount outstanding at the end of the reporting period remains outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

### 44.5 Market Risk - Price risk

The Company is exposed to equity price risks arising from investments in quoted equity shares and venture capital funds. The Company's equity investments are held for strategic rather than trading purposes.

**Sensitivity Analysis**

The table below represents the impact on OCI Gain / (Loss) for 5% increase or decrease in the respective prices on Company's equity investments, outside the group:

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Increase | (Decrease) | Increase | (Decrease) | Increase | (Decrease) |
| Impact on Other Comprehensive Income (OCI) | **32.35** | **(32.35)** | 35.93 | (35.93) | 35.40 | (35.40) |

### 45. Additional Disclosures in respect of derivatives

### 45.1 Forward Rate Agreements/ Interest Rate Swaps

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| (i) | The notional principal of swap agreements | **45,803.16** | 42,961.27 | 42,220.55 |
| (ii) | Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements | **1,802.58** | 690.38 | 628.07 |
| (iii) | Collateral required by the NBFC upon entering into swaps | **Nil** | Nil | Nil |
| (iv) | Concentration of credit risk arising from the swaps | **Refer Note Below** | Refer Note Below | Refer Note Below |
| (v) | The fair value of the swap book | **1,643.18** | 372.63 | 273.61 |

* includes all the currency derivatives and interest rate derivatives entered by the Company. REC, being NBFC has entered into swap agreements with Category-I, Authorized Dealers Banks only, in accordance with the RBI guidelines. All the swap agreements entered into with banks are well with in the credit risk limit defined in the Board approved Risk Management Policy.

## NOTES TO ACCOUNTS

**45.2** The Company has not entered into any exchange traded Interest Rate (IR) derivatives.

### 45.3 Quantitative Disclosures

(₹ in Crores)

| Particulars | | Currency Derivatives * | | | Interest Rate Derivatives ** | | |
|---|---|---|---|---|---|---|---|
| | | As at 31.03.19 | As at 31.03.18 | As at 01.04.17 | As at 31.03.19 | As at 31.03.18 | As at 01.04.17 |
| (i) | Derivatives (Notional Principal Amount) | | | | | | |
| | For hedging | **24,366.46** | **15,455.07** | **19,130.70** | 21,436.70 | 27,506.20 | 23,089.85 |
| (ii) | Marked to Market Positions | | | | | | |
| a) | Asset (+) | **1,642.11** | **453.61** | **370.75** | 160.47 | 236.77 | 257.32 |
| b) | Liability (-) | **29.24** | **232.67** | **289.24** | 130.16 | 85.08 | 65.22 |
| (iii) | Credit Exposure | **24,366.46** | **15,455.07** | **19,130.70** | 21,436.70 | 27,506.20 | 23,089.85 |
| (iv) | Unhedged Exposures | **10,391.07** | **11,644.57** | **2,598.24** | N.A. | N.A. | N.A. |

* Includes Full Hedge, Principal only Swap and Call Spread.

** Includes Interest Rate Derivatives as a strategy of cost reduction

### 46. Exposure Related Disclosures

RBI, vide its letter dated 17th September 2010 had categorized REC as an Infrastructure Finance Company (IFC) in terms of instructions contained in RBI Circular CC No.168 dated 12th February 2010. As an IFC, the total permissible exposure for lending in the private sector is 25% of owned funds in case of single borrower and 40% in case of a single group of borrowers and exposure for lending and investing taken together can be upto 30% and 50% of owned funds, respectively.

In respect of Central/State Government entities, RBI vide its letter No.DNBR.PD.CO.No.2184/03.10.001/2015-16 dated 16th June 2016 has exempted REC from applicability of RBI's concentration of credit/investment norms till 31st March, 2022. In view of the above, our maximum credit exposure limits to Central and State power Utilities continue to vary from 50% to 250% of owned funds, depending upon entity appraisal.

In respect of Private Sector entities, the Company's credit exposure to single borrowers and group borrowers did not exceed the RBI prudential exposure limits as at 31st March 2019, 31st March 2018 and 1st April 2017.

### 46.1 Exposure to Real Estate Sector

The Company has no exposure to real estate sector as at 31st March 2019 (As at 31st March 2018 Nil, as at 1st April 2017 Nil).

### 46.2 Exposure to Capital Market

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| (i) | Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt; | **787.41** | 858.97 | 848.37 |
| (ii) | Advances against shares/ bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds; | **-** | - | - |
| (iii) | Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security; | **-** | - | - |

## NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| (iv) | Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances; | - | - | - |
| (v) | Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers; | - | - | - |
| (vi) | Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources; | - | - | - |
| (vii) | Bridge loans to companies against expected equity flows/ issues; | - | - | - |
| (viii) | All exposures to Venture Capital Funds (both registered and unregistered) | **6.18** | 6.26 | 6.30 |
| | **Total Exposure to Capital Market** | **793.59** | **865.23** | **854.67** |

### 46.3 Concentration of Advances, Exposures and Credit-impaired Assets

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| (i) | Concentration of Advances | | | |
| | Total Advances to twenty largest borrowers (₹ in Crores) | **1,58,931.60** | 1,36,285.52 | 1,11,916.90 |
| | Percentage of Advances to twenty largest borrowers to Total Advances of the Company | **56.52%** | 56.92% | 55.42% |
| (ii) | Concentration of Exposures | | | |
| | Total Exposure to twenty largest borrowers (₹ in Crores) | **2,54,896.66** | 2,36,006.27 | 1,97,327.07 |
| | Percentage of Exposures to twenty largest borrowers to Total Exposure of the Company on borrowers | **59.46%** | 59.25% | 60.34% |
| (iii) | Concentration of Credit-impaired Assets | | | |
| | Total Outstanding to top four Credit-impaired Assets (₹ in Crores) | **8,502.74** | 8,558.91 | 3,444.72 |
| | Total Exposure to the above four Credit-impaired Assets (₹ in Crores) | **8,502.74** | 8,558.91 | 3,444.72 |

**47.** The Company has not entered into any securitisation/ assignment transactions during the year ended 31st March 2019 (Previous year Nil). Further, no assets have been sold to securitisation/ reconstruction company for asset reconstruction. The Company has also not entered into any transaction of sale and purchase of non-performing financial assets.

### 48. Fair value disclosures

The fair values of financial instruments measured at amortised cost and the carrying cost of financial instruments measured at fair value by category are as follows:

(₹ in Crores)

| Particulars | Note No. | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Derivative financial instruments | 7 | **1,802.58** | 690.38 | 628.07 |
| Investments* measured at | | | | |

## NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | | Note No. | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|---|
| (i) | Fair value through other comprehensive income | 9 | **646.99** | 718.63 | 708.07 |
| (ii) | Fair value through profit and loss | 9 | **1,556.87** | 1,500.62 | 1,500.62 |
| | **Financial assets measured at amortised cost** | | | | |
| | Cash and cash equivalents | 5 | **342.94** | 212.00 | 4,465.95 |
| | Other Bank Balances | 6 | **1,253.31** | 1,570.07 | 28.44 |
| | Loan Assets | 8 | **270,450.92** | 228,878.25 | 193,934.52 |
| | Investments * | 9 | **47.16** | 458.95 | 553.27 |
| | Other financial assets | 10 | **18,342.48** | 4,224.89 | 54.16 |
| | **Total** | | **294,443.25** | **238,253.79** | **201,873.10** |
| | **Financial liabilities measured at fair value** | | | | |
| | Derivative financial instruments | 7 | **159.40** | 317.75 | 354.46 |
| | **Financial liabilities measured at amortised cost** | | | | |
| | Debt securities | 16 | **192,839.79** | 179,140.13 | 148,723.25 |
| | Borrowings (other than debt securities) | 17 | **46,662.54** | 22,631.42 | 21,700.17 |
| | Subordinated liabilities | 18 | **4,818.76** | 2,667.36 | 2,667.21 |
| | Other financial liabilities | 19 | **18,751.75** | 4,299.40 | 244.96 |
| | **Total** | | **263,232.24** | **209,056.06** | **173,690.05** |

* Investment in subsidiaries and joint ventures are measured at cost as per Ind AS 27, 'Separate financial statements' and hence, not presented here.

### 48.1 Fair values hierarchy

The fair value of financial instruments as referred above has been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1 measurements] and lowest priority to unobservable inputs [Level 3 measurements].

The categories used are as follows:

**Level 1:** Quoted prices (unadjusted) for identical instruments in an active market;

**Level 2:** Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs, other than Level 1 inputs; and

**Level 3:** Inputs which are not based on observable market data (unobservable inputs).

The Company's policy is to recognize transfers into and transfer out of fair value hierarchy at the date of event or change in circumstances that caused the transfer.

**Financial assets and liabilities measured at fair value - recurring fair value measurements**

**(₹ in Crores)**

| Particulars | As at 31.03.2019 | | | As at 31.03.2018 | | | As at 01.04.2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Investments at FVOCI** | | | | | | | | | |
| Equity investments | **640.81** | **6.18** | **-** | 712.37 | 6.26 | - | 592.52 | 6.30 | 109.25 |
| **Investments at FVTPL** | | | | | | | | | |
| Perpetual Bonds | **-** | **-** | **1,556.87** | - | - | 1,500.62 | - | - | 1,500.62 |

## NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | As at 31.03.2019 | | | As at 31.03.2018 | | | As at 01.04.2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Assets at FVTPL** | | | | | | | | | |
| Derivative financial instruments | - | 1,802.58 | - | - | 690.38 | - | - | 628.07 | - |
| **Liability at FVTPL** | | | | | | | | | |
| Derivative financial instruments | - | 159.40 | - | - | 317.75 | - | - | 354.46 | - |

**Valuation Techniques for fair value disclosures (Level 1 , Level 2 and Level 3)**

**(A)** **Investment in Quoted Equity Investments - Level 1 -** Investment in listed equity instruments are measured at their readily available quoted price in the market.

**(B)** **Investment in Venture Capital Fund - Level 2 -** Investment in venture capital fund are measured at their fair value as per the Net Asset Value (NAV) Certificate shared by the fund.

**(C)** **Derivative Financial Instruments - Level 2 -** The fair value has been determined by an independent valuer using observable inputs including forward exchange rates, interest rates corresponding to the maturity of the contract, implied volatilities, etc.

**(D)** **Investment in Perpetual Bond Investments - Level 3 -** The Company has made investments in perpetual bonds of Indian Bank, Vijaya Bank and Syndicate Bank which are quoted on NSE/BSE. The Company checks for active market transactions for these bonds. In such investments held by the Company, there is no history of any market activity in these bonds, and therefore, quoted price for such bonds is not available. The Company checks for any significant changes in credit rating of the borrower bank, and if no change is noted, then, coupon rate is considered for computing the fair value using discounted cash flow method.

**(E)** **Investment in Unquoted Equity Investments - Level 3 -** Investment in unquoted equity instruments of Universal Commodity Exchange Ltd. (UCX) and Lanco Teesta Hydro Power Pvt. Ltd. are classified as Level 3 and have been carried at Nil value by the Company due to the company specific reasons. UCX was shut down in 2014, thereby, ceasing to exist as a going concern. Further, the Company had acquired investment in Lanco Teesta Hydro Power Pvt. Ltd., on conversion of its credit-impaired loan. Since the Company has already recognised lifetime Expected Credit Loss on the loan, the equity value is considered to be Nil.

### 48.2 Reconciliation of Financial Instruments fair valued through Level 3 inputs

The following tables show the reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities measured at fair value:

(₹ in Crores)

| Particulars | FVTPL | | FVOCI | | Total | |
|---|---|---|---|---|---|---|
| | Investment in Perpetual Bonds | | Investment in Equity Instruments | | | |
| **FY 2017-18** | | | | | | |
| Opening Balance | | 1,500.62 | | 109.25 | | 1,609.87 |
| Settlement | | (168.25) | | | | (168.25) |
| Transfer from Level 3 | | | | (109.25) | | (109.25) |
| Net interest income, net trading income and other income | | 168.25 | | | | 168.25 |
| Closing Balance | | 1,500.62 | | - | | 1,500.62 |
| Unrealised gains/ (losses) on balances held at the end of the period | | 0.62 | | | | 0.62 |

## NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | FVTPL | | FVOCI | | Total | |
|---|---|---|---|---|---|---|
| | Investment in Perpetual Bonds | | Investment in Equity Instruments | | | |
| **FY 2018-19** | | **-** | | **-** | | |
| Opening Balance | | **1,500.62** | | **-** | | **1,500.62** |
| Settlement | | **(112.00)** | | | | **(112.00)** |
| Net interest income, net trading income and other income | | **168.25** | | | | **168.25** |
| Closing Balance | | **1,556.87** | | **-** | | **1,556.87** |
| Unrealised gains/ (losses) on balances held at the end of the period | | **56.87** | | **-** | | **56.87** |

### 48.3 Fair value of instruments measured at amortised cost

Fair value of instruments measured at amortised cost for which fair value is disclosed is as follows, these fair values are calculated using Level 3 inputs:

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | **342.94** | **342.94** | 212.00 | 212.00 | 4,465.95 | 4,465.95 |
| Bank balances other than above | **1,253.31** | **1,253.31** | 1,570.07 | 1,570.07 | 28.44 | 28.44 |
| Loans | **270,450.92** | **267,598.29** | 228,878.25 | 226,731.59 | 193,934.52 | 193,558.09 |
| Investments | **47.16** | **47.16** | 458.95 | 458.95 | 553.27 | 553.27 |
| Other financial assets | **18,342.48** | **18,344.15** | 4,224.89 | 4,225.71 | 54.16 | 53.71 |
| **Total** | **290,436.81** | **287,585.85** | **235,344.16** | **233,198.32** | **199,036.34** | **198,659.46** |
| **Financial liabilities** | | | | | | |
| Debt securities | **192,839.79** | **194,459.71** | 179,140.13 | 183,576.03 | 148,723.25 | 156,199.56 |
| Borrowings (other than debt securities) | **46,662.54** | **46,595.46** | 22,631.42 | 22,623.10 | 21,700.17 | 21,671.66 |
| Subordinated liabilities | **4,818.76** | **4,748.14** | 2,667.36 | 2,701.11 | 2,667.21 | 2,723.89 |
| Other financial liabilities | **18,751.75** | **18,751.75** | 4,299.40 | 4,299.40 | 244.96 | 244.96 |
| **Total** | **263,072.84** | **264,555.06** | **208,738.31** | **213,199.64** | **173,335.59** | **180,840.07** |

**Valuation methodologies of financial instruments not measured at fair value**

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the Company's financial statements. These fair values were calculated for disclosure purposes only. The below methodologies and assumptions relate only to the instruments in the above tables:

**Financial assets and liabilities**

For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such instruments include: cash and balances, Trade receivables, Contract assets, balances other than cash and cash equivalents, trade payables and contract liability without a specific maturity.

# NOTES TO ACCOUNTS

**Loans and advances to customers**

Fair values of loan assets are calculated using a portfolio-based approach, grouping loans as far as possible into homogenous groups based on similar characteristics. The Company then calculates and extrapolates the fair value to the entire portfolio, using discounted cash flow models that incorporate interest rate estimates considering all significant characteristics of the loans. Where such information is not available, the Company uses historical experience and other information used in its collective impairment models.

**Financial assets at amortised cost**

The fair values of debt securities measured at amortised cost are estimated using a discounted cash flow model based on contractual cash flows using actual or estimated yields and discounting by yields incorporating the counterparties' credit risk.

**Issued debt**

The fair values of the Company fixed interest-bearing debt securities, borrowings and subordinated liabilities are determined by applying discounted cash flows ('DCF') method, using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31st March 2019 was assessed to be insignificant.

All other debt securities, borrowings and subordinated liabilities availed by the Company are variable rate facilities which are subject to changes in underlying Interest rate indices. Further, the credit spread on these facilities are subject to change with changes in Company creditworthiness. The management believes that the current rate of interest on these loans are in close approximation from market rates applicable to the Company. Therefore, the management estimates that the fair value of these borrowings are approximate to their respective carrying values.

**49.** There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March 2019. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent the status of such parties identified on the basis of information available with the Company.

**50. Related Party Disclosures :**

**50.1 List of Related Parties**

**(1) Key Managerial Personnel**

| | |
|---|---|
| Dr. P.V. Ramesh | Chairman & Managing Director (upto 5th March 2019) |
| Sh. Ajeet Kumar Agarwal | Chairman & Managing Director (w.e.f 6th March 2019) and Director (Finance) |
| Sh. Sanjeev Kumar Gupta | Director (Technical) |
| Dr. Arun Kumar Verma | Govt. Nominee Director (Non-executive Director) |
| Sh. Aravamudan Krishna Kumar | Part Time Non-Official Independent Director |
| Smt. Asha Swarup | Part Time Non-Official Independent Director |
| Dr. Bhagvat Kishanrao Karad | Part Time Non-Official Independent Director (w.e.f. 17th July 2018). |
| Prof. T.T. Ram Mohan | Part Time Non-Official Independent Director |
| Sh. J.S. Amitabh | GM & Company Secretary |

**(2) Holding Company**

Power Finance Corporation Ltd. (w.e.f. 28th March 2019)

**(3) Subsidiary Companies**

REC Transmission Projects Company Limited (RECTPCL)

REC Power Distribution Company Limited (RECPDCL)

## NOTES TO ACCOUNTS

**(4) Associate Companies of REC Transmission Projects Company Limited**

Dinchang Transmission Limited

Ghatampur Transmission Limited - Transferred to M/s Adani Transmission Limited (ATL) on 19.06.2018, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Ghatampur Transmission Limited and ATL.

Chandil Transmission Limited

Koderma Transmission Limited

Dumka Transmission Limited

Mandar Transmission Limited

Jawaharpur-Firozabad Transmission Limited - Incorporated on 20.08.2018 and transferred to Power Grid Corporation of India Limited (PGCIL) on 21.12.2018, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Jawaharpur Firozabad Transmission Limited and PGCIL.

Bhind-Guna Transmission Limited - Incorporated on 18.09.2018

Udupi Kasargode Transmission Limited - Iincorporated on 29.11.2018

Jam Khambaliya Transco Limited - Incorporated on 11.03.2019

Khetri Transco Limited - Incorporated on 12.03.2019

Ajmer Phagi Transco Limited - Incorporated on 19.03.2019

Lakadia Banaskantha Transco Limited - Incorporated on 19.03.2019

WRSS XXI (A) Transco Limited - Incorporated on 26.03.2019

**(5) Joint Ventures**

Energy Efficiency Services Limited (EESL)

Creighton Energy Limited (through EESL)

EESL EnergyPro Assets Limited (through EESL)

Edina Acquisition Limited (through EESL)

Anesco Energy Services South Limited (through EESL)

Edina Limited (through EESL)

EPAL Holdings Limited (through EESL)

Edina Australia Pty Limited (through EESL)

Edina Power Services Limited (through EESL)

Stanbeck Limited (through EESL)

Edina UK Limited (through EESL)

Edina Power Limited (through EESL)

Armoura Holdings Limited (through EESL)

Edina Manufacturing Limited (through EESL)

**(6) Post-employment Benefit Plan Trusts**

REC Limited Contributory Provident Fund Trust

REC Gratuity Fund

## NOTES TO ACCOUNTS

REC Employees' Superannuation Trust

REC Retired Employees' Medical Trust

**(7) Society registered for undertaking CSR Initiatives**

REC Foundation

Below mentioned related parties of the Holding Company will also be considered as related parties of REC w.e.f. 28th March 2019.

**(1) Key Managerial Personnel of Holding Company**

| | |
|---|---|
| Shri Rajeev Sharma | Chairman & Managing Director |
| Shri N. B. Gupta | Director (Finance) |
| Shri Chinmoy Gangopadhyay | Director (Projects) |
| Shri Praveen Kumar Singh | Director (Commercial) |
| Shri Sitaram Pareek | Part Time Non-Official Independent Director |
| Smt. Gouri Chaudhury | Part Time Non-Official Independent Director |
| Shri Manohar Balwani | Company Secretary |

**(2) Subsidiary Companies of Holding Company**

PFC Consulting Limited (PFCCL)

Power Equity Capital Advisors (Pvt) Limited (PECAP) (Decision of voluntary winding up of PECAP is under consideration of MoP, GoI.)

**(3) Associate Companies of Holding Company**

Sakhigopal Integrated Power Company Limited

Coastal Maharashtra Mega Power Limited

Ghogarpalli Integrated Power Company Limited

Orissa Integrated Power Limited

Tatiya Andhra Mega Power Limited

Coastal Karnataka Power Limited

Deoghar Mega Power Limited

Coastal Tamil Nadu Power Limited

Cheyyur Infra Limited

Chhattisgarh Surguja Power Limited

Odisha Infrapower Limited

Deoghar Infra Limited

Bihar Mega Power Limited

Bihar Infrapower Limited

Jharkhand Infrapower Limited

Tanda Transmission Company Limited (through PFCCL)

Shongtong Karcham-Wangtoo Transmission Limited (through PFCCL)

## NOTES TO ACCOUNTS

Ballabhgarh-GN Transmission Company Limited (through PFCCL)

Mohindergarh-Bhiwani Transmission Limited (through PFCCL)

Bikaner-Khetri Transmission Limited (through PFCCL)

South-Central East Delhi Power Transmission Limited (through PFCCL)

Bhuj-II Transmission Limited (through PFCCL)

Fatehgarh-II Transco Limited (through PFCCL)

Bijawar-Vidarbha Transmission Limited (through PFCCL)

Vapi II North Lakhimpur Transmission Limited (through PFCCL)

Lakadia-Vadodara Transmission Project Limited (through PFCCL)

**(4) Post-employment Benefit Plan Trusts of Holding Company**

PFC Employees Provident Fund Trust

PFC Employees Gratuity Trust

PFC Defined Contribution Pension Scheme 2007

PFC Ltd. Superannuation Medical Fund

### 50.2 Amount due from/ to the related parties :

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **RECPDCL** | | | |
| Debt Securities | **10.44** | 10.44 | 10.44 |
| Other Financial Assets | **1.37** | 1.23 | 1.07 |
| Other Financial Liabilities | **0.49** | 4.35 | 1.51 |
| **REC TPCL** | | | |
| Debt Securities | **60.00** | 60.00 | 60.00 |
| Other Financial Assets | **0.36** | 0.27 | 0.27 |
| **Post-employment Benefit Plan Trusts** | | | |
| Debt Securities | **3.00** | 3.00 | 3.00 |
| Other financial liabilities | **31.78** | 2.84 | 13.63 |
| Other financial assets | **2.77** | - | - |
| **Post-employment Benefit Plan Trusts of Holding Company** | | | |
| Debt Securities | **1.20** | - | - |
| **Key Managerial Personnel** | | | |
| Debt Securities | **1.00** | 0.25 | 0.25 |
| Staff Loans & Advances | **0.46** | 0.56 | 0.53 |
| **Key Managerial Personnel of Holding Company** | | | |
| Debt Securities | **0.10** | - | - |

# NOTES TO ACCOUNTS

## 50.3 Maximum amount of loans/ advances/ investments outstanding in respect of subsidiaries during the year

(₹ in Crores)

| Particulars | Loans & Advances | | Investments | |
|---|---|---|---|---|
| | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 |
| RECTPCL | **1.16** | 0.32 | **0.05** | 0.05 |
| RECPDCL | **3.08** | 2.50 | **0.05** | 0.05 |

## 50.4 Transactions with the related parties :

(₹ in Crores)

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| **REC PDCL** | | |
| Disbursement from Subsidy/ Grant Received from Govt. of India | **0.62** | 0.06 |
| Apportionment of Employee Benefit and Other Expenses | **8.94** | 5.34 |
| Dividend Income | **22.55** | 12.11 |
| Finance Costs - Interest Paid | **0.84** | 0.84 |
| CSR Expenses | **-** | 0.19 |
| Other Expenses | **10.56** | 16.58 |
| **REC TPCL** | | |
| Disbursement from Subsidy/ Grant Received from Govt. of India | **11.35** | 1.52 |
| Apportionment of Employee Benefit and Other Expenses | **4.39** | 2.72 |
| Dividend Income | **68.29** | 13.80 |
| Finance Costs - Interest Paid | **4.70** | 4.70 |
| Other Expenses | **0.77** | - |
| **Post-employment Benefits Plan Trusts** | | |
| Contributions made by the Company during the year | **99.58** | 13.63 |
| Subscription to GOI Serviced Bonds | **29.30** | - |
| Finance Costs - Interest Paid | **0.27** | 0.27 |
| **Post-employment Benefits Plan Trusts of Holding Company** | | |
| Subscription to the bonds of Company | **1.20** | |
| **Key Managerial Personnel** | | |
| Staff Loans & Advances | **-** | 0.20 |
| Interest Income on Staff Loans | **0.09** | 0.04 |
| Finance Cost | **0.02** | 0.01 |
| Employee Benefits Expense - Managerial Remuneration | **2.65** | 2.07 |
| Directors' Sitting Fee | **0.24** | 0.18 |

## 50.5 Terms and conditions of transactions with related parties

The Company makes transactions with the related parties are being made at arm's length basis. The remuneration and the staff loans to Key Managerial Personnel are in line with the service rules of the Company. Further, the finance costs paid to the related parties are on account of their investments in the debt securities of the Company and the interest rate payable on such debt securities is uniformally applicable to all the bondholders. The Company also makes advances to its subsidiary companies on account of apportionment of establishment and administrative expenses, which are recovered on monthly basis. Even while the outstanding balances of subsidiary companies at the year-end are unsecured, the Company has not

## NOTES TO ACCOUNTS

recorded any impairment of receivables relating to amounts owed by related parties. This assessment is made on the basis of short-term realisation of the advances so given.

### 50.6 Managerial Remuneration

The details of remuneration to Key Managerial Personnel (KMP) during the reporting period is as below:

(₹ in Crores)

| Particulars | | FY 2018-19 | FY 2017-18 |
|---|---|---|---|
| (i) | Short-term employee benefits | **2.44** | 1.93 |
| (ii) | Post employment benefits | **0.21** | 0.14 |
| | **Total** | **2.65** | **2.07** |

As the liabilities for the gratuity and compensated absence are provided on an actuarial basis for the Company as a whole rather than each individual employee, the amounts pertaining specifically to KMP are not known and hence, not included in the above table. Gratuity and compensated absence, are included based on actual payment in respective year based in the above table.

### 50.7 Disclosure in respect of entities under the control of the same government (Government related entities)

#### List of Government related entities

The Company had transactions with the following government related entities during the year:

Bhartiya Rail Bijlee Company Ltd

Bhilai Electric Supply Company Ltd.

Bihar Grid Company Ltd

Damodar Valley Corporation

Nabinagar Power Generating Co. Pvt. Ltd.

Neyveli Uttar Pradesh Power Ltd

NTPC Tamil Nadu Energy Company Ltd.

Patratu Vidut Utpadan Nigam Ltd.

THDC India Ltd.

Singareni Collieries Company Limited

Aggregate transactions with such government related entities are as under:

(₹ in Crores)

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| Disbursement of Loans | **3,583.67** | 4,193.05 |
| Interest income recognised | **1,935.27** | 1,877.35 |

Aggregate balance outstanding from such government related entities are as under:

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Loan Assets | **21,034.76** | 19,879.42 | 16,727.92 |
| Interest Accrued | **15.88** | 12.60 | 11.60 |

Refer Note No. 10, 19 and 22 in respect of material transactions with the Central Govt.

# NOTES TO ACCOUNTS

## 51. Disclosures for Employee Benefits as required under Ind AS 19 'Employee Benefits':

### 51.1 Defined Contribution Plans

**A. Provident Fund**

Company pays fixed contribution of Provident Fund at pre-determined rates to a separate trust registered under The Provident Fund Act, 1925 which invests the funds in permitted securities. The trust fixes the rate of interest on contribution to the members of the fund based upon the returns earned on investments during the year. Since the Act does not prescribe the minimum interest to be paid to the members of the fund, it is considered as Defined Contribution Plan as per the provisions of Ind AS 19.

**B. Defined Contribution Superannuation Scheme**

The Company pays fixed contribution towards superannuation scheme at pre-determined rates to NPS Trust/ separate trust which invests the funds in the permitted securities. The balance with the NPS Trust/ separate trust includes the monthly contributions in the members' account along with the accumulated returns. When the pension becomes payable to the member, the amount standing to the credit of the member is appropriated towards the member's accumulation and annuities, as opted for by the member is allotted.

The Company has recognised an expense of ₹ 14.59 Crores (Previous year ₹ 13.88 Crores) towards defined contribution plans.

### 51.2 Defined Benefit Plans - Post-Employment Benefits

**A. Gratuity**

The Company has a defined gratuity scheme which is managed by a separate trust. Every employee who has rendered continuous service of five years or more is entitled to gratuity at 15 days salary for each completed year of service subject to a maximum of ₹ 0.20 crores on superannuation, resignation, termination, disablement or on death, considering the provisions of the Payment of Gratuity Act, 1972, as amended. The liability of Gratuity is recognized on the basis of actuarial valuation.

**Net Defined Benefit (Asset)/ Liability**

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Present value of Defined benefit obligation | **42.41** | 52.59 | 50.61 |
| Fair Value of Plan Assets | **44.15** | 48.66 | 35.69 |
| Net Defined Benefit (Asset)/ Liability | **(1.74)** | 3.93 | 14.92 |

**Movement in net defined benefit (asset)/ liability**

(₹ in Crores)

| Particulars | Defined Benefit Obligation | | Fair Value of Plan Assets | | Net Defined Benefit (Asset)/ Liability | |
|---|---|---|---|---|---|---|
| | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 |
| **Opening Balance** | **52.59** | 50.61 | **48.66** | 35.69 | **3.93** | 14.92 |
| **Included in profit or loss** | | | | | | |
| Current service Cost | **2.59** | 2.11 | **-** | - | **2.59** | 2.11 |
| Past service cost | **-** | - | **-** | - | **-** | - |
| Interest cost / income | **4.00** | 3.80 | **3.71** | 2.67 | **0.29** | 1.13 |
| **Total amount recognised in profit or loss** | **6.59** | 5.91 | **3.71** | 2.67 | **2.88** | 3.24 |

## NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | Defined Benefit Obligation | | Fair Value of Plan Assets | | Net Defined Benefit (Asset)/ Liability | |
|---|---|---|---|---|---|---|
| | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 |
| **Included in OCI** | | | | | | |
| Re-measurement loss (gain) | | | | | | |
| - Actuarial loss (gain) arising from changes in financial assumptions | **(0.31)** | 0.27 | **-** | - | **(0.31)** | 0.27 |
| - Actuarial loss (gain) arising from changes in demographic assumptions | **(1.44)** | - | **-** | - | **(1.44)** | - |
| - Actuarial loss (gain) arising from Experience adjustments | **(3.69)** | (0.39) | **-** | - | **(3.69)** | (0.39) |
| Return on plan assets excluding interest income | **-** | - | **0.22** | 0.27 | **(0.22)** | (0.27) |
| **Total amount recognised in OCI** | **(5.44)** | (0.12) | **0.22** | 0.27 | **(5.66)** | (0.39) |
| Contribution by participants | | | **2.84** | 13.63 | **(2.84)** | (13.63) |
| Contribution by employers | | | **0.05** | 0.21 | **(0.05)** | (0.21) |
| Benefits paid | **(11.33)** | **(3.81)** | **(11.33)** | **(3.81)** | **-** | **-** |
| **Closing Balance** | **42.41** | **52.59** | **44.15** | **48.66** | **(1.74)** | **3.93** |

**B. Post Retirement Medical Facility (PRMF)**

The Company has Post Retirement Medical Facility under which the entitled retired employees and their dependent family members are covered as per Company Rules. The scheme is funded by the Company and is managed by separate trust from the financial year 2018-19. The liability towards the same is recognized on the basis of actuarial valuation.

**Net Defined Benefit (Asset)/ Liability**

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Present value of Defined benefit obligation | **129.77** | 105.19 | 97.15 |
| Fair Value of Plan Assets | **97.99** | - | - |
| Net Defined Benefit (Asset)/ Liability | **31.78** | 105.19 | 97.15 |

**Movement in net defined benefit (asset)/ liability**

(₹ in Crores)

| Particulars | Defined Benefit Obligation | | Fair Value of Plan Assets | | Net Defined Benefit (Asset)/ Liability | |
|---|---|---|---|---|---|---|
| | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 |
| **Opening Balance** | **105.19** | 97.15 | **-** | - | **105.19** | 97.15 |
| **Included in profit or loss** | **-** | - | **-** | - | **-** | - |
| Current service Cost | **2.06** | 1.96 | **-** | - | **2.06** | 1.96 |
| Past service cost | **-** | - | **-** | - | **-** | - |
| Interest cost / income | **7.99** | 7.28 | **1.25** | - | **6.74** | 7.28 |
| **Total amount recognised in profit or loss** | **10.05** | 9.24 | **1.25** | - | **8.80** | 9.24 |

## NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | Defined Benefit Obligation | | Fair Value of Plan Assets | | Net Defined Benefit (Asset)/ Liability | |
|---|---|---|---|---|---|---|
| | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 |
| **Included in OCI** | | | | | | |
| Re-measurement loss (gain) | | | | | | |
| - Actuarial loss (gain) arising from changes in financial assumptions | **(6.34)** | 4.39 | **-** | - | **(6.34)** | 4.39 |
| - Actuarial loss (gain) arising from changes in demographic assumptions | **1.20** | - | | | **1.20** | - |
| -Actuarial loss (gain) arising from Experience adjustments | **29.44** | 2.07 | **-** | - | **29.44** | 2.07 |
| Return on plan assets excluding interest income | **-** | - | **-** | - | **-** | - |
| **Total amount recognised in OCI** | **24.30** | 6.46 | **-** | - | **24.30** | 6.46 |
| Contribution by participants | **-** | - | **96.74** | - | **(96.74)** | - |
| Contribution by employers | **-** | - | **-** | - | **-** | - |
| Benefits paid | **(9.77)** | **(7.66)** | **-** | **-** | **(9.77)** | **(7.66)** |
| **Closing Balance** | **129.77** | **105.19** | **97.99** | **-** | **31.78** | **105.19** |

### C. Economic Rehabilitation Scheme (ERS)

The Company has an Economic Rehabilitation Scheme (ERS) to support the family financially in case of permanent disability/ death of an employee during the service tenure. This scheme is unfunded and the liability is determined based on actuarial valuation.

**Net Defined Benefit (Asset)/ Liability for ERS**

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **Present value of Defined benefit obligation** | | | |
| - ERS | **3.69** | 3.34 | 3.45 |

**Movement in net defined benefit (asset)/ liability for ERS**

(₹ in Crores)

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| **Opening Balance** | **3.34** | 3.45 |
| **Included in profit or loss** | | |
| Current service Cost | **0.18** | 0.16 |
| Interest cost / income | **0.25** | 0.27 |
| **Total amount recognised in profit or loss** | **0.43** | 0.43 |
| **Included in OCI** | | |
| Re-measurement loss (gain) | | |
| - Actuarial loss (gain) arising from changes in financial assumptions | **(0.02)** | (0.02) |
| -Actuarial loss (gain) arising from Experience adjustments | **0.75** | 0.30 |
| **Total amount recognised in OCI** | **0.73** | 0.28 |
| Benefits paid | **(0.81)** | (0.82) |
| **Closing Balance** | **3.69** | **3.34** |

# NOTES TO ACCOUNTS

## 51.2.1 Risk exposure

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

**(i) Asset volatility**

Most of the plan asset investments are in government securities, other fixed income securities with high rating grades and mutual funds. The fair value of these assets is subject to volatility due to change in interest rates and other market and macro-economic factors.

**(ii) Changes in discount rate**

The present value of defined benefit plan liabilities is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period. A decrease in discount rate will increase present values of defined benefit obligations, although this will be partially offset by an increase in the value of the plans' investments.

**(iii) Longevity risk**

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

**(iv) Salary risk**

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

## 51.2.2 Plan Assets

The fair value of plan assets at the end of reporting period for each category, are as follows:

(₹ in Crores)

| Particulars | Gratuity | | | PRMF | | |
|---|---|---|---|---|---|---|
| | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
| **Cash & Cash Equivalents** | **0.61** | 0.39 | 0.78 | **0.65** | | |
| **Unquoted Plan Assets** | | | | | | |
| Corporate Bonds/ Debentures | | | | **97.34** | | |
| Others - Insurer managed funds & T-bills | **43.54** | 48.27 | 34.91 | | | |
| **Sub-total - Unquoted Plan Assets** | **43.54** | 48.27 | 34.91 | **97.34** | - | - |
| **Total** | **44.15** | 48.66 | 35.69 | **97.99** | - | - |

Actual return on plan assets is ₹ 5.16 crores (previous year ₹ 2.94 crores).

# NOTES TO ACCOUNTS

## 51.2.3 Significant Actuarial Assumptions

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at March 31, 2019 by M/s Transvalue Consultants. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. The principal assumptions used for actuarial valuations are:-

(₹ in Crores)

| Particulars | Gratuity | | PRMF | | ERS | |
|---|---|---|---|---|---|---|
| | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 |
| Method Used | **PUCM** | PUCM | **PUCM** | PUCM | **PUCM** | PUCM |
| Discount Rate & Expected Return on Plan Assets, if funded | **7.71%** | 7.60% | **7.71%** | 7.60% | **7.71%** | 7.60% |
| Future Salary Increase / medical inflation | **6.00%** | **6.50%** | **6.00%** | **6.50%** | **6.00%** | **6.50%** |
| Expected average remaining working lives of employees (years) | **13.12** | **12.82** | **13.12** | **12.82** | **13.12** | **12.82** |

- The Principle assumptions are the discount rate, salary growth rate and expected average remaining working lives of employees. The discount rate is generally based on the market yields available on govt. bonds at the reporting date with a term that matches 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.

## 51.2.4 Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease | Increase | Decrease |
| **Discount rate (0.50% movement)** | | | | | | |
| - Gratuity | **(0.89)** | **1.10** | (1.12) | 1.19 | (1.16) | 1.23 |
| - PRMS | **(0.77)** | **0.84** | (0.43) | 0.46 | (4.83) | 5.07 |
| - ERS | **(0.13)** | **0.15** | (0.12) | 0.13 | (0.12) | 0.14 |
| **Salary Escalation Rate (0.50% movement)** | | | | | | |
| - Gratuity | **0.15** | **(0.12)** | 0.46 | (0.50) | 0.62 | (0.69) |
| - PRMS | **-** | **-** | - | - | - | - |
| - ERS | **0.14** | **(0.12)** | 0.12 | (0.11) | 0.13 | (0.11) |
| **Medical inflation Rate (0.50% movement)** | | | | | | |
| - PRMS | **6.31** | **(5.92)** | - | - | - | - |
| **Medical Cost (0.50% movement)** | | | | | | |
| - PRMS | **12.98** | **(12.98)** | - | - | - | - |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The Company actively monitors how the duration and expected yield of investments are matching the expected cash outflows arising from employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on overall level of assets. There has been no change in the process used by the Company to manage its risks from prior periods.

# NOTES TO ACCOUNTS

### 51.2.5 Expected maturity analysis of the defined benefit plans in future years

(₹ in Crores)

| Particulars | Gratuity | | | PRMF | | | ERS | | |
|---|---|---|---|---|---|---|---|---|---|
| | As at 31.03.19 | As at 31.03.18 | As at 01.04.17 | As at 31.03.19 | As at 31.03.18 | As at 01.04.17 | As at 31.03.19 | As at 31.03.18 | As at 01.04.17 |
| Less than 1 year | **12.16** | **12.62** | **7.42** | 9.64 | 5.39 | 4.66 | 0.82 | 0.01 | 0.03 |
| From 1 to 5 years | **21.13** | **28.08** | **26.03** | 49.25 | 25.53 | 23.39 | 2.12 | 1.73 | 1.80 |
| Beyond 5 years | **9.12** | **11.89** | **17.16** | 70.88 | 74.27 | 69.10 | 0.75 | 1.60 | 1.62 |
| **Total** | **42.41** | **52.59** | **50.61** | **129.77** | **105.19** | **97.15** | **3.69** | **3.34** | **3.45** |

### 51.2.6 Expected contribution for the next year.

(₹ in Crores)

| Particulars | Gratuity | | PRMF | | ERS | |
|---|---|---|---|---|---|---|
| | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 |
| Expected contribution | **1.72** | 2.89 | **34.74** | 4.98 | **-** | - |

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 12.76 years (as at 31.03.2018 - 12.82 years, as at 1st April 2017 - 13.08 years).

### 51.3 Other Long-term Employee Benefits

### 51.3.1 Earned Leave and Half Pay Leave

The Company provides for earned leave benefit and half-pay leave benefit to the credit of the employees, which accrues on half-yearly basis at 15 days and 10 days respectively. A maximum of 300 days of earned leave can be accumulated at any point of time during the service, while there is no limit for accumulation of half pay leave. Total expenses amounting to ₹ 7.26 crore (Previous year ₹ 8.43 crore) have been made towards these employee benefits and debited to the Statement of Profit and Loss on the basis of actuarial valuation.

### 51.3.2 Other employee benefits

Expenses towards long service award and settlement allowance amounting to ₹ 1.43 crore (Previous year ₹ -0.41 crore) have been debited to the Statement of Profit and Loss on the basis of actuarial valuation.

**51.4** Employee benefits (viz. Gratuity, PRMF, Terminal Benefits, leave encashment and other employee benefits) in respect of Company's employees working in its wholly-owned subsidiaries on deputation / secondment basis, are being allocated based on a fixed percentage of employee cost.

### 52. Status of Documentation Subsequent to Unbundling of SEBs

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. However, transfer agreements in the case of Chhattisgarh State Electricity Board (CSEB) are yet to be executed amongst the Company, new entity and the State Government.

Agreements in case of erstwhile Tamil Nadu State Electricity Board (TNEB) have been executed based on the provisional provisions of the Tamil Nadu Electricity (Re-organisation and Reforms) Transfer Scheme, 2010. However further transfer agreements in this regard shall be executed, once finalized based on the discussion with the Tamilnadu utilities.

**Status of Documentation Subsequent to Reorganisation of the State of Andhra Pradesh**

Subsequent to the reorganisation of erstwhile State of Andhra Pradesh, the state of Telangana has been formed on 2 June 2014. However, the assets and liabilities are yet to be transferred to the respective power utilities through a formal Gazette Notification.

Status of Documentation is as under:

## NOTES TO ACCOUNTS

**(i)** Where ever the loans have been sanctioned to erstwhile APCPDCL, APNPDCL and APGENCO prior to bifurcation and documentation has not been done, these schemes have been re-sanctioned in the name of newly formed utilities and documentation formalities completed and accordingly the charge has been registered with the Ministry of Corporate Affairs (MCA).

**(ii)** Where ever the loans sanctioned in the name of erstwhile APCPDCL, APNPDCL prior to bifurcation and documentation formalities completed and drawls have been made, in these schemes an undertaking has been obtained from the name changed / newly formed utility and disbursements have been made to the newly formed utility by changing the name of the borrower in the name of new / name changed utility.

**(iii)** Where ever the Loan is sanctioned in the name of erstwhile APCPDCL, APNPDCL prior to bifurcation and documentation formalities completed with Government Guarantee and drawls have been made, further documentation for these schemes shall be done on Gazette Notification.

**(iv)** Once the final transfer scheme is notified through Gazette Notification by Govt, duly indicating the transfer of assets and liabilities among the power utilities, action for execution of documentation formalities will be taken up in respect of all the outstanding loans with the new / name changed utilities. Till that time, the demand for payment of interest / principal is being segregated by the Utilities and the respective portions are being paid by Utilities in Telangana and Andhra Pradesh.

**53.** The Company's operations comprise of only one business segment - lending loans to power sector companies engaged in construction of power plants and in generation, supply, distribution and transmission of electricity: in the context of reporting business/ geographical segment as required by Ind AS 108 - Operating Segments. Based on "management approach" as defined in Ind AS 108 Operating Segments, the Chief Operating Decision Maker evaluates the Company's performance based on analysis of various factors of one business segment.

### 53.1 "Information about Revenue from major products and services

(₹ in Crores)

| Particulars | | FY 2018-19 | FY 2017-18 |
|---|---|---|---|
| (A) | Income from Loan Assets | **24,869.97** | 21,908.17 |
| (B) | Fee for Implementation of Govt. Schemes | **83.02** | 187.79 |
| (C) | Income from Management of Short-term Surplus Funds | **46.07** | 83.03 |
| | **Total** | **24,999.06** | **22,178.99** |

**53.2** The Company does not have any reportable geographical segment as the lending operations of the Company are carried out within the country.

**53.3** No single borrower has contributed 10% or more to the Company's revenue during the financial year 2018-19 and 2017-18.

### 54. First time adoption of Ind AS

These financial statements, for the year ended March 31, 2019, are the first financial statements the Company has prepared in accordance with Ind AS. For periods up to and including the year ended March 31, 2018, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP).

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on March 31, 2019, together with the comparative period data as at and for the year ended March 31, 2018, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 April 2017, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 1 April 2017 and the financial statements as at and for the year ended March 31, 2018.

### 54.1 Ind AS optional exemptions

**Deemed cost for property, plant and equipment, investment property and intangible assets**

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the Previous GAAP and use

## NOTES TO ACCOUNTS

that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets and investment property covered by Ind AS 40 Investment Property. Accordingly, the Group has elected to measure all of its property, plant and equipment, intangible assets and investment property at their Previous GAAP carrying value.

**Designation of previously recognised financial instruments**

Ind AS 101 allows an entity to designate investments in equity instruments at FVOCI on the basis of the facts and circumstances at the date of transition to Ind AS. The Company has elected to apply this exemption for its investment in equity investments.

**Amortisation of Exchange Differences on Existing Long Term Foreign Currency Monetary Items**

The Company has availed the exemption to continue the policy as per the previous GAAP with respect to amortization of the exchange differences arising from translation of long-term foreign currency monetary items recognised in the standalone financial statements up to 31.03.2018

### 54.2 Ind AS mandatory exceptions

**(i) Estimates**

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with Previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1 April 2017 are consistent with the estimates as at the same date made in conformity with Previous GAAP. The Company made estimates for impairment of financial assets based on expected credit loss model in accordance with Ind AS at the date of transition as these were not required under Previous GAAP.

**(ii) Classification and measurement of financial assets and liabilities**

The classification and measurement of financial assets will be made considering whether the conditions as per Ind AS 109 are met based on facts and circumstances existing at the date of transition.

Financial assets can be measured using effective interest method by assessing its contractual cash flow characteristics only on the basis of facts and circumstances existing at the date of transition and if it is impracticable to assess the use of effective interest method, fair value of financial asset at the date of transition shall be the new carrying amount of that asset. The measurement exemption applies for financial liabilities as well.

**(iii) Impairment of financial assets**

At the date of transition to Ind AS, determining whether there has been a significant increase in credit risk since the initial recognition of a financial instrument would require undue cost or effort, the Company has recognised a loss allowance at an amount equal to lifetime expected credit losses at each reporting date until that financial instrument is derecognised.

**(iv) De-recognition of financial assets and liabilities**

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions. The Company has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

### 54.3 Reconciliations between Previous GAAP and Ind AS

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from Previous GAAP to Ind AS.

## NOTES TO ACCOUNTS

**Reconciliation of total equity as at March 31, 2018**

(₹ in Crores)

| Description | Notes to First time adoption | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **Total equity (shareholder's funds) as per Previous GAAP** | | 35,490.51 | 33,325.59 |
| **Adjustments:** | | | |
| Measurement of financial assets initially at fair value and subsequently at amortised cost | **Note – 1** | (71.32) | (109.02) |
| Measurement of financial liabilities initially at fair value and subsequently at amortised cost | **Note – 2** | 248.07 | 332.23 |
| Measurement of Investments at fair value | **Note – 3** | 239.71 | 201.82 |
| Recognition of Expected Credit Loss on loan assets | **Note – 4** | (6,405.99) | (5,501.19) |
| Measurement of Derivatives at Mark to market | **Note – 6** | (178.21) | 71.50 |
| Other Miscellaneous Adjustments | | 9.32 | 2.69 |
| Tax impact on accumulated impairment allowance in excess of Reserve for Bad & Doubtful Debts | **Note – 5** | 2,979.61 | 2,272.18 |
| Income tax effect of Ind AS adjustments | **Note – 5** | (8.55) | (44.04) |
| **Total adjustments** | | (3,187.36) | (2,773.83) |
| **Total equity as per Ind AS** | | 32,303.15 | 30,551.76 |

Previous period figures have been reclassified/ regrouped to conform to the current classification.

**Reconciliation of Total Comprehensive Income for the year ended March 31, 2018**

(₹ in Crores)

| Description | Notes to First time adoption | FY 2017-18 |
|---|---|---|
| **Profit after tax as per Previous GAAP** | | 4,647.00 |
| **Adjustments:** | | |
| Measurement of financial assets initially at fair value and subsequently at amortised cost | **Note 1** | 37.70 |
| Measurement of financial liabilities initially at fair value and subsequently at amortised cost | **Note 2** | (84.16) |
| Allowance for Expected Credit Loss | **Note 4** | (875.38) |
| Measurement of Derivatives at Mark to market | **Note 6** | (59.06) |
| Other Miscellaneous Adjustments | **Note 5** | 12.96 |
| **Total adjustments** | | (967.94) |
| Tax impact on accumulated impairment allowance in excess of Reserve for Bad & Doubtful Debts | | 707.43 |
| Income tax effect of other Ind-AS adjustments | **Note 5** | 33.40 |
| **Profit as per Ind AS for the year ended 31st March 2018** | | 4,419.89 |
| Other Comprehensive Income | **Note 3** | 4.24 |
| **Total comprehensive income as per Ind AS for the year ended 31st March 2018** | | 4,424.13 |

Previous year figures have been reclassified/ regrouped to conform to the current classification.

# NOTES TO ACCOUNTS

**Impact of Ind AS adoption on the Statement of cash flows for the year ended 31st March 2018**

(₹ in Crores)

| Particulars | Per Previous GAAP | Ind AS adjustments* | Per Ind AS |
|---|---|---|---|
| Net cash flow from operating activities | (31,283.32) | (1,494.55) | (32,777.87) |
| Net cash flow from investing activities | 294.04 | (6.32) | 287.72 |
| Net cash flow from financing activities | 28,272.46 | (36.26) | 28,236.20 |
| **Net increase in cash and cash equivalents** | **(2,716.82)** | **(1,537.13)** | **(4,253.95)** |
| Cash and cash equivalents as at 1st April 2017 | 4,488.04 | (22.09) | 4,465.95 |
| Cash and cash equivalents as at 31st March 2018 | 1,771.22 | (1,559.22) | 212.00 |

The transition from previous GAAP to Ind AS has not made a material impact on the statement of cash flows, except for the following:

**(1)** Earmarked bank balances are being classified as 'Other Bank Balances' instead of 'Cash & Cash Equivalents'. Accordingly, the bank balances in respect of grants are being adjusted under 'Cash Flow from Operating Activities'. To nullify the impact of the movement in such balances, the net cash flow from receipt and disbursement of grants, hitherto classified under 'Cash Flow From Financing Activities' is now being adjusted as 'Cash Flow from Operating Activities'.

**(2)** The interest accrued on term deposits is classified under the same head as that of the principal term deposit.

**(3)** The cash flow in respect of derivatives, hitherto classified as 'Cash Flow from Financing Activities' is now classified as 'Cash Flow from Operating Activities', considering the presentation under the Schedule III Division III notified for NBFCs wherein the fair value in changes of derivatives form part of 'Revenue from Operations'.

**(4)** Finance Costs, to the extent capitalised towards qualifying assets, are now being classified as 'Cash Flow from Investing Activities'.

**Reconciliation of Assets and Liabilities in the balance sheet prepared as per Previous GAAP as on 31st March 2018 and 1st April 2017**

(₹ in Crores)

| Particulars | | Notes to first time adoption | As on 31st March 2018 | | | As on 1st April 2017 | | |
|---|---|---|---|---|---|---|---|---|
| | | | Previous GAAP* | Adjustments on Transition to Ind-AS | Ind-AS Amount | Previous GAAP* | Adjustments on Transition to Ind-AS | Ind-AS Amount |
| | **ASSETS** | | | | | | | |
| **(1)** | **Financial Assets** | | | | | | | |
| (a) | Cash and cash equivalents | | 212.00 | - | 212.00 | 4,465.95 | - | 4,465.95 |
| (b) | Other Bank Balances | | 1,570.07 | - | 1,570.07 | 28.44 | - | 28.44 |
| (c) | Derivative financial instruments | 6 | 465.25 | 225.13 | 690.38 | 335.89 | 292.18 | 628.07 |
| (d) | Loans | 1 | 235,345.62 | (6,467.37) | 228,878.25 | 199,514.26 | (5,579.74) | 193,934.52 |
| (e) | Investments | 3 | 2,585.09 | 239.71 | 2,824.80 | 2,706.74 | 201.82 | 2,908.56 |
| (f) | Other financial assets | | 4,238.15 | (13.26) | 4,224.89 | 69.15 | (14.99) | 54.16 |
| | **Total - Financial Assets (1)** | | 244,416.18 | (6,015.79) | 238,400.39 | 207,120.43 | (5,100.73) | 202,019.70 |

## NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | | Notes to first time adoption | As on 31st March 2018 | | | As on 1st April 2017 | | |
|---|---|---|---|---|---|---|---|---|
| | | | Previous GAAP* | Adjustments on Transition to Ind-AS | Ind-AS Amount | Previous GAAP* | Adjustments on Transition to Ind-AS | Ind-AS Amount |
| | **ASSETS** | | | | | | | |
| **(2)** | **Non-Financial Assets** | | | | | | | |
| (a) | Current tax assets (net) | | 21.02 | - | 21.02 | 38.97 | - | 38.97 |
| (b) | Deferred tax assets (net) | 5 | (66.95) | 2,971.06 | 2,904.11 | (40.26) | 2,228.14 | 2,187.88 |
| (c) | Investment Property | | 0.01 | - | 0.01 | 0.01 | - | 0.01 |
| (d) | Property, Plant & Equipment | | 123.08 | 0.11 | 123.19 | 120.68 | 0.13 | 120.81 |
| (e) | Capital Work-in-Progress | | 118.19 | 9.04 | 127.23 | 58.69 | 2.72 | 61.41 |
| (f) | Intangible Assets Under Development | | 1.46 | - | 1.46 | 1.46 | - | 1.46 |
| (g) | Other Intangible Assets | | 5.15 | - | 5.15 | 0.43 | - | 0.43 |
| (h) | Other non-financial assets | | 342.78 | (256.15) | 86.63 | 42.99 | 14.99 | 57.98 |
| | **Total - Non-Financial Assets (2)** | | 544.74 | 2,724.06 | 3,268.80 | 222.97 | 2,245.98 | 2,468.95 |
| | **Total ASSETS (1+2)** | | **244,960.92** | **(3,291.73)** | **241,669.19** | **207,343.40** | **(2,854.75)** | **204,488.65** |

(₹ in Crores)

| Particulars | | Notes to first time adoption | As on 31st March 2018 | | | As on 1st April 2017 | | |
|---|---|---|---|---|---|---|---|---|
| | | | Previous GAAP* | Adjustments on Transition to Ind-AS | Ind-AS Amount | Previous GAAP* | Adjustments on Transition to Ind-AS | Ind-AS Amount |
| | **LIABILITIES AND EQUITY** | | | | | | | |
| | **LIABILITIES** | | | | | | | |
| **(1)** | **Financial Liabilities** | | | | | | | |
| **(a)** | Derivative financial instruments | 6 | - | 317.75 | 317.75 | - | 354.46 | 354.46 |
| **(b)** | Debt Securities | 2 | 179,301.47 | (161.34) | 179,140.13 | 148,821.99 | (98.74) | 148,723.25 |
| **(c)** | Borrowings (other than debt securities) | 2 | 22,901.24 | (269.82) | 22,631.42 | 22,066.15 | (365.98) | 21,700.17 |
| **(d)** | Subordinated Liabilities | 2 | 2,668.38 | (1.02) | 2,667.36 | 2,668.38 | (1.17) | 2,667.21 |
| **(e)** | Other financial liabilities | | 4,299.40 | - | 4,299.40 | 244.96 | - | 244.96 |
| | **Total - Financial Liabilities (1)** | | 209,170.49 | (114.43) | 209,056.06 | 173,801.48 | (111.43) | 173,690.05 |
| | | | | | | | | |
| **(2)** | **Non-Financial Liabilities** | | | | | | | |
| **(a)** | **Provisions** | 4 | 220.21 | 0.16 | 220.37 | 190.03 | 23.97 | 214.00 |
| **(b)** | Other non-financial liabilities | | 79.71 | 9.90 | 89.61 | 26.30 | 6.54 | 32.84 |
| | **Total - Non-Financial Liabilities (2)** | | 299.92 | 10.06 | 309.98 | 216.33 | 30.51 | 246.84 |
| | | | | | | | | |
| **(3)** | **EQUITY** | | | | | | | |
| **(a)** | Equity Share Capital | | 1,974.92 | - | 1,974.92 | 1,974.92 | - | 1,974.92 |
| **(b)** | Other equity | | 33,515.59 | (3,187.36) | 30,328.23 | 31,350.67 | (2,773.83) | 28,576.84 |
| | **Total - Equity (3)** | | 35,490.51 | (3,187.36) | 32,303.15 | 33,325.59 | (2,773.83) | 30,551.76 |
| | **Total - LIABILITIES AND EQUITY (1+2+3)** | | **244,960.92** | **(3,291.73)** | **241,669.19** | **207,343.40** | **(2,854.75)** | **204,488.65** |

Previous year figures have been reclassified/ regrouped to conform to the current classification.

## NOTES TO ACCOUNTS

**Reconciliation of the income and expenses presented in the statement of profit and loss prepared as per Indian GAAP and as per Ind AS for FY 2017-18**

| Particulars | | Notes to first time adoption | Previous GAAP | Adjustments on Transition to Ind-AS | Ind-AS Amount |
|---|---|---|---|---|---|
| | **Revenue from Operations** | | | | |
| **(i)** | Interest Income | 1 | 22,039.25 | 50.30 | 22,089.55 |
| **(ii)** | Dividend Income | | 65.68 | - | 65.68 |
| **(iii)** | Fees and Commission Income | 1 | 309.31 | (9.92) | 299.39 |
| **I.** | **Total Revenue from Operations** | | **22,414.24** | **40.38** | **22,454.62** |
| **II.** | Other Income | | 12.73 | - | 12.73 |
| **III.** | **Total Income (I+II)** | | **22,426.97** | **40.38** | **22,467.35** |
| | **Expenses** | | | | |
| **(i)** | Finance Costs | 2 | 13,769.54 | (432.43) | 13,337.11 |
| **(ii)** | Net translation/ transaction exchange loss | 2 | 41.38 | (22.01) | 19.37 |
| **(iii)** | Fees and commission Expense | 2 | 73.10 | (48.52) | 24.58 |
| **(iv)** | Net loss on fair value changes | 6 | (66.49) | 639.86 | 573.37 |
| **(v)** | Impairment on financial instruments | 4 | 1,421.74 | 875.38 | 2,297.12 |
| **(vi)** | Employee Benefits Expense | | 176.45 | (4.03) | 172.42 |
| **(vii)** | Depreciation, amortization and impairment | | 5.61 | 0.04 | 5.65 |
| **(viii)** | Corporate Social Responsibility Expenses | | 49.45 | - | 49.45 |
| **(ix)** | Other Expenses | | 104.10 | 0.03 | 104.13 |
| **IV.** | **Total Expenses** | | **15,574.88** | **1,008.32** | **16,583.20** |
| **V.** | **Profit before Tax** | | **6,852.09** | **(967.94)** | **5,884.15** |
| **VI.** | **Tax Expense** | | | | |
| **(i)** | Current tax | | 2,178.39 | 2.20 | 2,180.59 |
| **(ii)** | Deferred Tax | 5 | 26.70 | (743.03) | (716.33) |
| | **Total Tax Expense** | | **2,205.09** | **(740.83)** | **1,464.26** |
| **VII.** | **Profit for the period from continuing operations** | | **4,647.00** | **(227.11)** | **4,419.89** |
| **VIII.** | **Other comprehensive Income/(Loss)** | | | | |
| **(a)** | **Items that will not be reclassified to profit or loss** | | | | |
| | Re-measurement gains/ (losses) on defined benefit plans | | - | (6.34) | (6.34) |
| | Changes in Fair Value of FVOCI Equity Instruments | 3 | - | 8.48 | 8.48 |
| **(b)** | **Income tax relating to these items** | | | | |
| | Re-measurement gains/ (losses) on defined benefit plans | | - | 2.20 | 2.20 |
| | Changes in Fair Value of FVOCI Equity Instruments | | - | (0.10) | (0.10) |
| **IX.** | **Other comprehensive Income/(Loss) for the period** | | **-** | **4.24** | **4.24** |
| **X.** | **Total comprehensive Income for the period** | | **4,647.00** | **(222.87)** | **4,424.13** |

Previous year figures have been reclassified/ regrouped to conform to the current classification.

# NOTES TO ACCOUNTS

## 54.4 Notes to First time adoption

Explanation of major impact on adoption on Ind AS on the reported standalone financial statements of the Company as on the date of transition is as under:

**(1) Loan assets and interest income**

The Company's loan assets, satisfying the business model test of held to collect contractual cash flows and SPPI (Solely Payment of Principal and Interest) test as on transition date, have been measured at amortized cost using effective interest rate (EIR) method. These loans were measured at cost under previous GAAP.

This adjustment of retrospective application of EIR method, has resulted in the reduction of retained earnings by ₹ 109.02 crore, with a corresponding reduction in value of loan assets as on transition date. Subsequent to the transition date, the impact on profit and loss for the year ended March 31, 2018 is ₹ 37.70 crores.

**(2) Financial liabilities and interest expense**

All financial liabilities except derivatives have been subsequently measured at Amortised Cost using the EIR method. The effect of the adjustments resulted in increase in retained earnings by ₹ 332.10 crore with corresponding reduction in the value of financial liabilities on transition date. Subsequent to the transition date, the impact on profit and loss for the year ended March 31, 2018 is ₹ 84.16 crore. The impact on profit and loss includes ₹ 1.14 crore due to effects of restatement of foreign exchange amounts.

**(3) Investments**

Under Ind AS, the Company has designated equity investments other than investments in subsidiaries/ JVs as measured at Fair Value through Other Comprehensive Income (FVOCI). The resulting fair value changes in these investments have been recognized in OCI reserve as at the date of transition and subsequently in other comprehensive income.

This has resulted in increase in retained earnings by ₹ 201.82 crore with corresponding increase in value of investments in equity instruments as at the date of transition. Subsequent to the transition date, the impact on 'Other Comprehensive Income' for the year ended March 31, 2018 is ₹ 37.89 crore.

**(4) Expected Credit Loss**

Under previous GAAP, the provision on loan assets was maintained as per RBI Master Directions. However, the Company is now creating Expected Credit Loss allowance on the outstanding balance of loans and the undisbursed Letters of Comfort (LOC) as per the requirements of Ind AS 109. The transition to ECL model has resulted in the reduction of retained earnings by ₹ 5,501.19 crore as at the date of transition. Subsequent to the transition date, the impact on profit and loss due to impairment of loan assets for the year ended March 31, 2018 is ₹ 904.79 crore.

**(5) Deferred Taxes**

Under previous GAAP, deferred tax accounting was done using the income statement approach. However, Ind AS requires the accounting of deferred taxes using the balance sheet approach, which includes identification of temporary differences based on the difference in carrying amount of an asset/ liability in the standalone balance sheet and its tax base. These differences have been suitably recognized in the standalone financial statements.

**(6) Derivative Financial Instruments**

Under Indian GAAP, the Company measured interest rate swap derivatives at mark to market and cross currency swap were measured at exchange rate on the reporting date through FCMITD A/c with gain/loss on restatement amortised over the remaining life of the instrument.

According to Ind AS 109, all derivatives are measured at fair value and any gains/losses, except gains/losses on derivatives used for hedge purposes, are recognized in profit or loss.

These adjustments and the consequential impact due to the adoption of Ind AS have resulted in a increase in the retained earnings by ₹ 95.97 crore as on April 1, 2017 and an increase in retained earnings by ₹ 155.02 crore as on March 31, 2018.

## NOTES TO ACCOUNTS

### 55. Amounts expected to be recovered/ settled within 12 months and beyond for each line item under asset and liabilities

(₹ in Crores)

| Name of the Entity | | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|---|
| | | Within 12 months | More than 12 months | Within 12 months | More than 12 months | Within 12 months | More than 12 months |
| | **ASSETS** | | | | | | |
| **(1)** | **Financial Assets** | | | | | | |
| (a) | Cash and cash equivalents | **342.94** | **-** | 212.00 | - | 4,465.95 | - |
| (b) | Other Bank Balances | **1,253.31** | **-** | 1,570.07 | - | 28.44 | - |
| (c) | Derivative financial instruments | **325.46** | **1,477.12** | 128.89 | 561.49 | 13.10 | 614.97 |
| (d) | Loans | **27,977.30** | **242,473.62** | 27,123.95 | 201,754.30 | 20,704.62 | 173,229.90 |
| (e) | Investments | **104.03** | **2,293.59** | 365.25 | 2,412.39 | 61.40 | 2,496.15 |
| (f) | Other financial assets | **515.48** | **17,827.00** | 224.89 | 4,000.00 | 54.16 | - |
| | **Total - Financial Assets (1)** | **30,518.52** | **264,071.33** | **29,625.05** | **208,728.18** | **25,327.67** | **176,341.02** |
| | | | | | | | |
| **(2)** | **Non-Financial Assets** | | | | | | |
| (a) | Current tax assets (net) | **-** | **275.83** | - | 21.02 | - | 38.97 |
| (b) | Deferred tax assets (net) | **-** | **2,358.29** | - | 2,904.11 | - | 2,187.88 |
| (c) | Investment Property | **-** | **0.01** | - | 0.01 | - | 0.01 |
| (d) | Property, Plant & Equipment | **-** | **153.98** | - | 123.19 | - | 120.81 |
| (e) | Capital Work-in-Progress | **-** | **196.94** | - | 127.23 | - | 61.41 |
| (f) | Intangible Assets Under Development | **-** | **1.59** | - | 1.46 | - | 1.46 |
| (g) | Other Intangible Assets | **-** | **8.51** | - | 5.15 | - | 0.43 |
| (h) | Other non-financial assets | **96.58** | **35.72** | 40.67 | 45.96 | 17.75 | 40.23 |
| | **Total - Non-Financial Assets (2)** | **96.58** | **3,030.87** | **40.67** | **3,228.13** | **17.75** | **2,451.20** |
| | **Total ASSETS (1+2)** | **30,615.10** | **267,102.20** | **29,665.72** | **211,956.31** | **25,345.42** | **178,792.22** |
| | **LIABILITIES** | | | | | | |
| **(1)** | **Financial Liabilities** | | | | | | |
| (a) | Derivative financial instruments | **35.69** | **123.71** | 59.67 | 258.08 | 85.86 | 268.60 |
| (b) | Debt Securities | **41,346.94** | **151,492.85** | 33,347.62 | 145,792.51 | 21,878.98 | 126,844.27 |
| (c) | Borrowings (other than debt securities) | **7,202.91** | **39,459.63** | 10,289.52 | 12,341.90 | 1,901.38 | 19,798.79 |
| (d) | Subordinated Liabilities | **169.96** | **4,648.80** | 168.38 | 2,498.98 | 168.38 | 2,498.83 |
| (e) | Other financial liabilities | **924.75** | **17,827.00** | 299.40 | 4,000.00 | 244.96 | - |
| | **Total - Financial Liabilities (1)** | **49,680.25** | **213,551.99** | **44,164.59** | **164,891.47** | **24,279.56** | **149,410.49** |
| **(2)** | **Non-Financial Liabilities** | | | | | | |
| (a) | Provisions | **60.05** | **39.53** | 78.25 | 142.12 | 58.89 | 155.11 |
| (b) | Other non-financial liabilities | **82.54** | **-** | 67.62 | 21.99 | 32.84 | - |
| | **Total - Non-Financial Liabilities (2)** | **142.59** | **39.53** | **145.87** | **164.11** | **91.73** | **155.11** |
| | **Total LIABILITIES (1+2)** | **49,822.84** | **213,591.52** | **44,310.46** | **165,055.58** | **24,371.29** | **149,565.60** |

## NOTES TO ACCOUNTS

Previous year figures have been reclassified/ regrouped to conform to the current classification.

**56.** There are no Off-Balance Sheet SPVs sponsored by the Company, which need to be consolidated as per accounting norms.

**57.** No penalties have been levied on the Company by any regulator during the year ended 31st March 2019 (Previous year Nil).

**58.** No complaints have been received by the Company from the borrowers under the Fair Practices Code during the year ended 31st March 2019 (Previous year Nil).

**59.** Figures in Rupees have been rounded off to the nearest crores with two decimals, unless expressly stated.

The Notes to Accounts 1 to 59 are an integral part of the Standalone Financial Statements.

For and on behalf of the Board

| | | |
|---|---|---|
| **J.S. Amitabh**<br>GM & Company Secretary | **Sanjeev Kumar Gupta**<br>Director (Technical)<br>DIN - 03464342 | **Ajeet Kumar Agarwal**<br>CMD and Director (Finance)<br>DIN - 02231613 |

In terms of our Audit Report of even date

| | | |
|---|---|---|
| | **For G.S. Mathur & Co.**<br>Chartered Accountants<br>Firm Reg. No.: 008744N | **For A.R. & Co.**<br>Chartered Accountants<br>Firm Reg. No.: 002744C |
| Place: New Delhi<br>Date: 24th May 2019 | **S.C. Choudhary**<br>Partner<br>M.No. : 082023 | **Anil Gaur**<br>Partner<br>M.No. : 017546 |

# ANNEXURE TO BE ENCLOSED WITH BALANCE SHEET AS AT 31ST MARCH 2019

**(As prescribed by Reserve Bank of India)**

(Particulars as required in terms of Paragraph 18 of Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, in so far as they are applicable to REC Ltd.)

(₹ in Crores)

| | Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|---|
| | | Amount Outstanding | Amount Overdue | Amount Outstanding | Amount Overdue | Amount Outstanding | Amount Overdue |
| | **LIABILITIES SIDE:** | | | | | | |
| (1) | **Loans and advances availed by the NBFC** | | | | | | |
| | inclusive of interest accrued thereon but not paid: | | | | | | |
| | (a) Debentures/ Bonds : | | | | | | |
| | - Secured | **49,470.47** | **-** | 60,764.33 | - | 62,157.02 | - |
| | - Unsecured | **1,41,361.86** | **-** | 1,18,055.08 | - | 89,333.36 | - |
| | (b) Deferred Credits | **-** | **-** | - | - | - | - |
| | (c) Term Loans | | | | | | |
| | - Secured Loans from Financial Institutions | **207.33** | **-** | 414.82 | - | 776.66 | - |
| | - Unsecured Loans from Govt. of India | **5,121.84** | | - | | - | |
| | - Unsecured Loans from Banks | **18,555.08** | | - | | - | |
| | - Unsecured Loans from Financial Institutions | **1,000.00** | | - | | - | |
| | (d) Commercial Paper | **7,975.00** | **-** | 3,250.00 | - | - | - |
| | (e) Other Loans | | | | | | |
| | - Foreign Currency Borrowings | **17,705.96** | **-** | 18,584.29 | - | 21,155.72 | - |
| | - FCNR (B) Loans | **4,327.72** | **-** | 3,812.07 | - | - | - |
| | - Finance Lease Obligations | **0.11** | | 0.11 | | 0.13 | |

| | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| | **ASSETS SIDE :** | | | |
| (2) | **Break-up of Loans and Advances including bills receivables** | | | |
| | (a) Secured | **2,05,679.19** | 1,88,536.81 | 1,62,535.61 |
| | (b) Unsecured | **64,127.98** | 40,442.23 | 31,478.31 |
| (3) | **INVESTMENTS :** | | | |
| | Long Term Investments: | | | |
| | **Quoted:** | | | |
| | (i) Shares : Equity | **640.81** | 712.37 | 592.52 |
| | (ii) Debentures and Bonds | **1,556.87** | 1,500.62 | 1,500.62 |
| | **Unquoted:** | | | |
| | (i) Shares : Equity | **146.60** | 146.60 | 255.85 |
| | (ii) Debentures and Bonds | **-** | 317.47 | 317.47 |
| | (iii) Units of mutual funds | **6.18** | 6.26 | 6.30 |
| | (iv) Government Securities | **47.16** | 141.48 | 235.80 |

### (4) Borrower Group-wise classification of assets financed in (2) above :

(₹ in Crores)

| Particulars | AMOUNT NET OF PROVISIONS | | |
|---|---|---|---|
| | **Secured** | Unsecured | Total |
| **As at 31st March 2019** | | | |
| 1. Related Parties | | | |
| (a) Subsidiaries | **-** | 1.72 | 1.72 |
| (b) Companies in the same Group | **-** | - | - |
| (c) Other related Parties | **-** | 0.46 | 0.46 |
| **2. Other than Related Parties** | **2,05,679.19** | 64,125.80 | 2,69,804.99 |
| **Total** | **2,05,679.19** | **64,127.98** | **2,69,807.17** |
| As at 31st March 2018 | | | |
| 1. Related Parties | | | |
| (a) Subsidiaries | **-** | 1.49 | 1.49 |
| (b) Companies in the same Group | **-** | - | - |
| (c) Other related Parties | **-** | 0.56 | 0.56 |
| 2. Other than Related Parties | **1,88,536.81** | 40,440.18 | 2,28,976.99 |
| **Total** | **1,88,536.81** | **40,442.23** | **2,28,979.04** |
| As at 1st April 2017 | | | |
| 1. Related Parties | | | |
| (a) Subsidiaries | **-** | 1.35 | 1.35 |
| (b) Companies in the same Group | **-** | - | - |
| (c) Other related Parties | **0.02** | 0.51 | 0.53 |
| 2. Other than Related Parties | **1,62,535.59** | 31,476.45 | 1,94,012.04 |
| **Total** | **1,62,535.61** | **31,478.31** | **1,94,013.92** |

### (5) Investor group-wise classification of investments (current and long term) in shares and securities (both quoted and unquoted) :

(₹ in Crores)

| Category | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | **Market Value / Break up or fair value or NAV** | **Book Value (Net of Provisions)** | Market Value / Break up or fair value or NAV | Book Value (Net of Provisions) | Market Value / Break up or fair value or NAV | Book Value (Net of Provisions) |
| **1. Related Parties** | | | | | | |
| (a) Subsidiaries | **0.10** | **0.10** | 0.10 | 0.10 | 0.10 | 0.10 |
| (b) Companies in the same Group | **-** | **-** | - | - | - | - |
| (c) Other related Parties | **146.50** | **146.50** | 146.50 | 146.50 | 146.50 | 146.50 |
| 2. Other than Related Parties | **2,251.02** | **2,251.02** | 2,678.20 | 2,678.20 | 2,761.96 | 2,761.96 |
| **Total** | **2,397.62** | **2,397.62** | **2,824.80** | **2,824.80** | **2,908.56** | **2,908.56** |

## (6) Other Information

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| (i) Gross Credit-impaired Assets | | | |
| (a) Related Parties | **-** | - | - |
| (b) Other than related Parties | **20,348.44** | 17,128.43 | 4,872.69 |
| (ii) Net Credit-impaired Assets | | | |
| (a) Related Parties | **-** | - | - |
| (b) Other than related Parties | **10,649.49** | 8,637.90 | 2,223.74 |
| (iii) Asset acquired in satisfaction of debts | **-** | - | - |

For and on behalf of the Board

| | | |
|---|---|---|
| **J.S. Amitabh** | **Sanjeev Kumar Gupta** | **Ajeet Kumar Agarwal** |
| GM & Company Secretary | Director (Technical) | CMD and Director (Finance) |
| | DIN - 03464342 | DIN - 02231613 |

In terms of our Audit Report of even date

| | |
|---|---|
| **For G.S. Mathur & Co.** | **For A.R. & Co.** |
| Chartered Accountants | Chartered Accountants |
| Firm Reg. No.: 008744N | Firm Reg. No.: 002744C |
| **S.C. Choudhary** | **Anil Gaur** |
| Partner | Partner |
| M.No. : 082023 | M.No. : 017546 |

Place : New Delhi
Date : 24th May 2019

# INDEPENDENT AUDITORS' REPORT

**To, the Members of REC Limited (Formerly Rural Electrification Corporation Limited)**
**Report on the Audit of Standalone Ind AS Financial Statements**

## Opinion

We have audited the standalone Ind AS financial statements of REC Limited (Formerly Rural Electrification Corporation Limited) ("the Company") which comprise the balance sheet as at 31st March, 2019, and the statement of profit and loss (including other comprehensive income) and the statement of change in equity and the statement of cash flows for the year then ended and notes to the standalone Ind AS financial statements including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013, ("the Act")in the manner so required and give a true & fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ,("Ind AS") and other accounting principles generally accepted in India, of the state of the affairs of the Company as at 31st March 2019, and profit (including other comprehensive income) and changes in equity and its cash flow for the year ended on that date.

## Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements section of our report. We are independent of the Company, in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone Ind AS financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone Ind AS financial statements of the current period. These matters were addressed in the context of our audit of the standalone Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the following matters described below to be the key audit matters to be communicated in our report:

| S. No. | Key Audit Matter | Auditor's Response |
|---|---|---|
| 1. | **Impairment of Loan Assets – Expected Credit Loss**<br><br>(Refer Note No. 44.1.3 to the Standalone Ind AS Financial Statements read with accounting policy No. 3.11)<br><br>The Company follows a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:<br><br>• Stage 1 includes loan assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date.<br><br>• Stage 2 includes loan assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment.<br><br>• Stage 3 includes loan assets that have objective evidence of impairment at the reporting date.<br><br>The Expected Credit Loss (ECL) is measured at 12-month ECL for Stage 1 loan assets and lifetime ECL for Stage 2 and Stage 3 loan assets. ECL is the product of the Probability of Default, Exposure at Default and Loss Given Default, defined as follows: | **Our Audit Procedure:**<br><br>We have obtained an understanding of the guidelines as specified in Ind AS 109 "Financial Instruments", various regulatory updates and the Company's internal instructions and procedures in respect of the expected credit loss on and adopted the following audit procedures:<br><br>Evaluation and testing of the key internal control mechanisms with respect to the loan assets monitoring, assessment of the loan impairment including testing of relevant data quality, and review of the real data entered<br><br>Verification/ review of the documentations, operations/ performance and monitoring of the loan asset accounts, on test check basis of the large and stressed loan assets, to ascertain any overdue, unsatisfactory conduct or weakness in any loan asset account.<br><br>Review of the reports of the internal audit and any other audit / inspection mechanisms to ascertain the loan assets having any adverse indication / comments, and review of the control mechanisms of the Company to ensure the proper classification of such loan assets and expected credit loss thereof. |

| S. No. | Key Audit Matter | Auditor's Response |
|---|---|---|
| 1. | **Impairment of Loan Assets – Expected Credit Loss (contd.)**<br><br>**Probability of Default (PD) -** The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.<br><br>**Loss Given Default (LGD)** – LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type, and preference of claim and availability of collateral or other credit support.<br><br>Further, where REC and PFC(Holding company) are in Consortium for Stage III Loan accounts, LGD is taken on the following basis:<br><br>• In cases where either REC or PFC is a lead lender, LGD % calculated by the lead lender is adopted.<br><br>• In cases where neither REC nor PFC is lead lender, higher of the LGD % worked out by REC and PFC is adopted.<br><br>**Exposure at Default (EAD)** – EAD is based on the amount of outstanding exposure as on the assessment date on which ECL is computed including undisbursed amounts in respect of Letters of Comfort.<br><br>**Key assumptions used in measurement of ECL**<br><br>• The Company considers the date of initial recognition as the base date from which significant increase in credit risk is determined.<br><br>• Cost Overrun and time delay in commissioning is considered for computing credit rating for under construction projects<br><br>• Turnover Cap and Parent support is considered for assigning final ratings<br><br>• Since the Company has a right to cancel any sanctioned but undrawn limits to any of its borrowers, EAD is assumed to be outstanding balance as on the reporting date.<br><br>The assumptions underlying the expected credit loss are monitored and reviewed on an ongoing basis.<br><br>In the event of any improper application of assumptions mentioned as above the carrying value of loan assets could be materially misstated either individually or collectively and in view of the significance of the amount of loan assets in the standalone Ind AS Financial Statements i.e. 90.84% of total assets, the impairment of loan assets thereon has been considered as Key Audit Matter in our audit. | **Our Audit Procedure:** |
| 2. | **Fair valuation of Derivative Financial Instruments**<br><br>(Refer Note No. 7 to the standalone Ind AS Financial Statements read with accounting policy No. 3.10)<br><br>REC Limited being NBFC-IFC has primary business of lending funds to power sector. For the same, REC raises the funds through the mix of various instruments such as Institutional Bonds, Capital Gain Exemption Bonds, Term Loans, Commercial Paper, Foreign Currency Term Loans/Bonds, FCNR(B), ODA Loans etc depending upon various maturities based on the annual market borrowing programme approved by Board of Directors of REC. | **Our Audit Procedure:**<br><br>Assessing the design, implementation and operating effectiveness of management's key internal controls over classification, valuation, and valuation models of derivative instruments.<br><br>Obtained details of various financial derivative contracts as outstanding/ pending for settlement as on March 31, 2019 from management. |

| S. No. | Key Audit Matter | Auditor's Response |
|---|---|---|
| 2. | **Fair valuation of Derivative Financial Instruments (Contd.)** | **Our Audit Procedure:** |
| | Further, in respect of foreign currency borrowings, REC is exposed to foreign exchange risk and interest rate risk arising from foreign currency transactions, primarily with respect to the US Dollar, EURO and JPY.<br><br>To mitigate the Company's exposure to foreign currency risk and interest rate risk, non-INR cash flows are monitored and derivative contracts are entered into in accordance with the Company's board approved risk management policies and RBI guidelines.<br><br>The derivatives are accounted for on fair value (mark to market) in the books of account as prescribed by Ind AS.<br><br>We identified assessing the fair value of derivatives as a key audit matter because of the degree of complexity involved in valuing certain derivative instruments. | We involved our team to review the management's underlying assumptions in estimating the fair valuation arrived at for those financial derivative contracts and the possible outcome of the underlying contracts accruing any profit or loss to the company. Our team also considered general market practices and other underlying assumptions in arriving at such fair valuation of the financial derivative contracts as outstanding/ pending for settlement as on March 31, 2019.<br><br>We also obtained counterparty confirmation (which in this case were mostly banks with whom such financial derivative contracts have been entered into and independently compared the valuation so arrived at by the contracting banks<br><br>Additionally, we considered the effect of such fair valuation (marked to market) being charged to the Statement of Profit and Loss of the company in the near future.<br><br>Assessing whether the financial statement disclosures appropriately reflect the Company's exposure to derivatives valuation risks with reference to the requirements of the prevailing accounting standards and Reserve Bank of India Guidelines. |

## Information Other than the Standalone Ind AS Financial Statements and Auditor's Report thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in Board's Report and annexures to Board Report but does not include the standalone Ind AS financial statements and our auditor's report thereon. The Board's Report and annexures to Board's Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the standalone Ind AS financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the standalone Ind AS financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the standalone Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Board's Report and annexures to the Board's Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Management's Responsibility for the Standalone Ind AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance (including other comprehensive income), changes in equity and cash flows of the Company in accordance the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ,("Ind AS") and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedure that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

As required by the Companies (Auditor's Report) order, 2016 ("the order"), issued by the Central Government of India in terms of sub-section(11) of section 143 of the Act, we give in the Annexure-A, a statement on the matters specified in paragraph 3 and 4 of the Order, to the extent applicable.

We are enclosing our report in terms of Section 143(5) of the Act, on the basis of such checks of the books and records of the Company as we have considered appropriate and according to the information and explanation given to us, in Annexure-B on the direction issued by Comptroller and Auditor General of India.

As required by section 143(3) of the Act, we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.

d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act read with relevant rules.

e) Vide Notification No. G.S.R. 463(E) dated 5 June, 2015 issued by Ministry of Corporate Affairs, Government Companies have been exempted from applicability of the provisions of Section 164(2) of the Companies Act, 2013.

f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure-C";

g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

   (i) The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements - Refer Note 39.1 to the standalone Ind AS financial statements;

   (ii) The Company does not have any long term contracts including derivative contracts for which there are any material foreseeable losses;

   (iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

**For G.S.Mathur & Co.**
Chartered Accountants
Firm Regn No. 008744N

**S.C. Choudhary**
Partner
M. No. 082023

**For A.R. & Co.**
Chartered Accountants
Firm Regn. No. 002744C

**Anil Gaur**
Partner
M. No.017546

Place : New Delhi
Date : 24 May 2019

# ANNEXURE-A TO THE INDEPENDENT AUDITOR'S REPORT

**Referred to in Paragraph under 'Report on Other Legal and Regulatory Requirements' section of our report of even date on the accounts of REC Limited (formerly Rural Electrification Corporation Limited) for the Year ended on 31st March 2019**

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets (Property, Plant and equipment) .

(b) According to the information and explanations given to us, the Company has the policy of verifying the fixed assets (Property, Plant and equipment) in a phased manner. Discrepancies arising from such physical verification have been suitably accounted for in the books of accounts. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets.

(c) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties are held in the name of the Company except for the following:

(₹ in Crores)

| Particulars | No. of cases | Gross Block | Net Block | Remarks |
|---|---|---|---|---|
| Freehold Land | 1 | 68.31 | 68.31 | Conveyance Deed by Haryana Urban Development Authority is yet to be executed. |
| Building | 1 | 4.59 | 2.20 | Conveyance Deed by Standing Committee of Public Enterprises is yet to be executed. |

(ii) The Company being Non-Banking Financial Company (NBFC), does not has any inventory; as such this clause is not applicable.

(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to any Companies, firms or other parties covered in register maintained under section 189 of the Companies Act, 2013. Accordingly, clause 3(iii)(a), (b) and (c) of the Order are not applicable.

(iv) In our opinion and according to information & explanations given to us with respect to the provisions of Section 185 of the Act, the Company has not granted any loan or guarantee in accordance with Section 185.

Further, in our opinion and according to information & explanations given to us, the Company, being a Non-Banking Financial Company (NBFC), is exempt from the provisions of Section 186 of the Act and the relevant rules in respect of loans and guarantees. In respect of the investments, the Company has complied with the provisions of section 186 (1) of the Act.

(v) According to the information and explanations given to us, the Company has not accepted any deposits from public to which the provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the Rules framed thereunder,.

(vi) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records for the services of the Company under Companies (Cost Records and Audit) Rules, 2014, prescribed by the Central Government under Section 148 of the Companies Act, 2013. Accordingly, this clause of the order is not applicable to the Company.

(vii) (a) The Company is generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods & service tax, cess and any other statutory dues to the appropriate authorities. There were no undisputed statutory dues in arrears as at 31stMarch, 2019 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, the disputed statutory dues aggregating to Rs.19.07 crores have not been deposited on account of matters pending before appropriate authorities as detailed below:

(₹ in Crores)

| Name of Statute | Nature of Dues | Amount Disputed | Amount paid/ refund adjusted | Net Amount Unpaid | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|---|---|
| Income Tax Act, 1961 | Fringe Benefit Tax | 0.48 | - | 0.48 | AY 2008-09 | Commissioner of Income Tax (Appeals), Delhi |

(₹ in Crores)

| Name of Statute | Nature of Dues | Amount Disputed | Amount paid/ refund adjusted | Net Amount Unpaid | Period to which the amount relates | Forum where dispute is pending |
|---|---|---|---|---|---|---|
| Income Tax Act, 1961 | Income Tax and Interest | 84.70 | 84.70 | - | AY-2006-07<br>AY-2009-10<br>AY-2011-12<br>AY-2012-13<br>AY 2013-14<br>AY 2014-15<br>AY 2015-16<br>AY-2016-17 | Commissioner of Income Tax (Appeals), Delhi |
| Income Tax Act, 1961 | Income Tax and Interest | 12.19 | 4.11 | 8.09* | AY 2008-09<br>AY 2012-13 | Income Tax Appellate Tribunal, Delhi |
| Income Tax Act, 1961 | Income Tax and Interest | 2.01 | 0.67 | 1.33* | AY 2006-07<br>AY 2009-10 | Delhi High Court |
| Income Tax Act, 1961 | Income Tax and Interest | 17.06 | 8.31 | 8.75* | AY 1999-00<br>AY 2003-04<br>AY 2004-05 | Supreme Court |
| Income Tax Act, 1961 | Tax Deducted at Source | 0.06 | - | 0.06 | FY 2007-08 to 2018-19 | CPC, TDS |
| Chapter V of Finance Act, 1994 | Service Tax, Penal Interest u/s 73(4A) | 0.36 | - | 0.36 | FY 2008-09 to FY 2011-12 | CESTAT, Delhi |
| | **Total** | **116.86** | **97.79** | **19.07** | | |

* ₹ 18.17 crore, though received by the Company as refund due to appeal effects of favorable decisions of various appellate forums, is however being considered as unpaid on account of further appeals made by the Income Tax Department to higher authorities.

(viii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not defaulted in repayment of loans or borrowing to a financial institution, bank, government or dues to debenture holders as at the Balance Sheet date.

(ix) The Company did not raise any money by way of initial public offer or further public offer. Money raised by the Company by way of debt instruments and term loans during the year were applied for the purposes for which it was raised.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of any material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

(xi) According to the information and explanations given to us, Central Government has exempted the Government Companies from the provisions of Section 197. Accordingly, this clause of the Order is not applicable to the Company.

(xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, this clause of the Order is not applicable to the Company.

(xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the necessary disclosures have been made in the standalone Ind AS financial statements etc., as required by the applicable accounting standards.

(xiv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.

(xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with them. Accordingly, this clause of the Order is not applicable.

(xvi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company, being a NBFC, is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Consequent upon change of name of the Company from Rural Electrification Corporation Limited, to REC Limited, RBI has issued fresh certificate of registration bearing no. 14.000011 dated 28th November 2018 with the name of REC Limited.

**For G.S. Mathur& Co.**
Chartered Accountants
Firm Regn No. 008744N

**S.C. Choudhary**
Partner
M. No. 082023

**For A.R. & Co.**
Chartered Accountants
Firm Regn. No. 002744C

**Anil Gaur**
Partner
M. No. 017546

Place : New Delhi
Date : 24 May 2019

# ANNEXURE-B TO THE INDEPENDENT AUDITOR'S REPORT

**Referred to in Paragraph under 'Report on Other Legal and Regulatory Requirements' Section of Our Report of Even Date on the Accounts of REC Limited (formerly Rural Electrification Corporation Limited) for the Year ended on 31st March 2019**

| Sl. No. | Directions | Action Taken | Impact on Standalone Ind As Financial Statements |
|---|---|---|---|
| A. | **Directions** | | |
| **1.** | Whether the Company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated. | The Company has upgraded to ERP R12 version during the current year. All the accounting, including at Regional and State offices is done through the centralized ERP system. | No impact on the standalone Ind AS Financial Statements |
| **2.** | Whether there is any restructuring of an existing loan or cases of waiver/write off of debts /loans/interest etc. made by a lender to the Company due to the Company's inability to repay the loan? If yes, the financial impact may be stated. | There has been no such case and the company has been servicing its debt and borrowings obligations. | No impact on the standalone Ind AS Financial Statements |
| **3.** | Whether funds received/receivable for specific schemes from central/ state agencies were properly accounted for/ utilized as per its term and conditions? List the cases of deviation. | The Company has not received any funds for specific schemes from central/ state agencies for utilisation. | No impact on the standalone Ind AS Financial Statements |

**For G.S. Mathur& Co.**
Chartered Accountants
Firm Regn No. 008744N

**S.C. Choudhary**
Partner
M. No. 082023

**For A.R.& Co.**
Chartered Accountants
Firm Regn. No. 002744C

**Anil Gaur**
Partner
M. No. 017546

Place : New Delhi
Date : 24 May 2019

# ANNEXURE-C TO THE INDEPENDENT AUDITOR'S REPORT

## Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of REC Limited (formerly known as Rural Electrification Corporation Limited) the Company as of 31 March 2019 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Control and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

### Meaning of Internal Financial Controls over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the standalone Ind AS financial statements.

### Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

In our opinion, the Company has, in all material aspects, an adequate internal financial controls system, except (i) strengthening of procedures for monitoring of utilization of funds disbursed to the borrowers, (ii) rotation of duties amongst some of the staff as per HR Policy to be implemented, over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31 March 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the areas of improvement identified which needs further strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31 March 2019 standalone Ind AS financial statements of the Company. However, these areas of improvement do not affect our opinion on the standalone Ind AS financial statements of the Company.

**For G.S. Mathur& Co.**
Chartered Accountants
Firm Regn No. 008744N

**S.C. Choudhary**
Partner
M. No. 082023

**For A.R.& Co.**
Chartered Accountants
Firm Regn. No. 002744C

**Anil Gaur**
Partner
M. No. 017546

Place : New Delhi
Date : 24 May 2019

# NON-BANKING FINANCIAL COMPANIES AUDITORS' REPORT FOR THE YEAR ENDED 31ST MARCH 2019

**The Board of Directors,**
**REC Limited (formerly Rural Electrification Corporation Limited)**
**Core-4, SCOPE Complex,**
**7, Lodhi Road, New Delhi – 110003**

As required by the "Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016" issued by Reserve Bank of India (RBI) on the matters specified in Chapter-II of the said Direction to the extent applicable to the REC Limited and according to the information and explanations given to us for the purpose of audit, we report that:

1. The Company had been granted registration under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) on 10 February, 1998 having Registration No. 14.000011. RBI issued further Certificate dated 17 September, 2010 in lieu of earlier certificate having categorized REC Ltd as an Infrastructure Finance Company in terms of instructions contained in RBI Circular CC No. 168 dated 12 February, 2010. Consequent upon change of name of the Company from Rural Electrification Corporation Limited, to REC Limited, RBI has issued fresh certificate of registration bearing no. 14.000011 dated 28th November 2018 with the name of REC Limited. The company is entitled to continue to hold such registration in terms of its asset/income pattern as on 31 March, 2019.

2. The Company is meeting the requirement of net owned funds applicable to an Infrastructure Finance Company as contained in Master Direction-Non Banking Financial Company-Systemically Important Non Deposit taking Company and Deposit taking Company (Reserve Bank) Direction 2016.

3. According to the information and explanations given to us, the RBI Directions as to accept deposits are not applicable to the Company. Therefore, The Board of Directors of the Company has not passed any resolution for non acceptance of any public deposits during the year 2018-19.

4. The Company has not accepted any public deposits during the year 2018-19.

5. As per the roadmap notified by Ministry of Corporate Affairs (MCA), the Company has adopted Indian Accounting Standards (Ind AS) as at 31st March 2019 and the financial results have been prepared in accordance with recognition and measurement principles of Ind AS prescribed under section 133 of the Companies Act 2013 read with relevant rules issued thereunder.

   As the Company is following Ind AS, the Company has not followed the Prudential norms relating to income recognition, accounting standards, asset classification and provisioning for Bad and Doubtful debts in terms of Non-Banking Financial Company-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions 2016. In terms of Ind AS, the Company is following Expected Credit Loss methodology for classification and provisioning of loan assets.

6. As per information and explanation given to us, the statement of capital funds, risk assets/ exposure and risk asset ratio (NBS-7 return) has been filed by company for the quarter ended 31.03.2019 on 15.04.2019 on the basis of the provisional financial results.

7. The Capital Adequacy as disclosed in the Return submitted to RBI in Form NBS-7 has been correctly arrived on the basis of provisional financial statements and such ratio is in compliance with minimum CRAR prescribed by RBI.

**For G.S. Mathur & Co.**
Chartered Accountants
Firm Regn No. 008744N

**S.C. Choudhary**
Partner
M. No. 082023

**For A.R & Co.**
Chartered Accountants
Firm Regn. No. 002744C

**Pawan K. Goel**
Partner
M. No. 072209

Place : New Delhi
Date : 24th May 2019

# COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF REC LIMITED FOR THE YEAR ENDED 31 MARCH 2019.

The preparation of Financial Statements of REC Limited for the year ended 31 March 2019 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the Management of the Company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139(5) of the Act are responsible for expressing opinion on the financial statements under Section 143 of the Act based on independent audit in accordance with the Standards on Auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 24.05.2019.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the Financial Statements of REC Limited for the year ended 31 March 2019 under section 143(6)(a) of the Act. 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 Auditors and Company personnel and a selective examination of some of the accounting records.

On the basis of my supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under section 143(6)(b) of the Act.

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

**(Raj Kumar)**
**Principal Director of Commercial Audit &**
**Ex-officio Member, Audit Board-III, New Delhi**

**Place : New Delhi**
**Date : 16 July 2019**

# CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2019

(₹ in Crores)

| S. No. | Particulars | Note No. | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|---|
| | **ASSETS** | | | | |
| **(1)** | **Financial Assets** | | | | |
| (a) | Cash and cash equivalents | **5** | **381.99** | 248.43 | 4,468.51 |
| (b) | Other Bank Balances | **6** | **1,733.08** | 1,946.84 | 72.98 |
| (c) | Trade receivables | **7** | **137.72** | 133.76 | 131.33 |
| (d) | Derivative financial instruments | 8 | **1,802.58** | 690.38 | 628.07 |
| (e) | Loans | **9** | **270,450.92** | 228,878.25 | 193,934.52 |
| (f) | Investments | **10** | **2,283.13** | 2,775.15 | 2,829.08 |
| (g) | Other financial assets | **11** | **18,363.99** | 4,281.53 | 62.65 |
| | **Total - Financial Assets (1)** | | **295,153.41** | **238,954.34** | **202,127.14** |
| **(2)** | **Non-Financial Assets** | | | | |
| (a) | Inventories | **12** | - | - | 0.04 |
| (b) | Current tax assets (net) | **13** | **293.17** | 32.22 | 48.43 |
| (c) | Deferred tax assets (net) | **14** | **2,305.93** | 2,842.43 | 2,134.12 |
| (d) | Investment Property | **15** | **0.01** | 0.01 | 0.01 |
| (e) | Property, Plant & Equipment | **16** | **156.63** | 126.59 | 124.23 |
| (f) | Capital Work-in-Progress | **16** | **196.94** | 127.23 | 61.41 |
| (g) | Intangible Assets Under Development | **16** | **1.59** | 1.46 | 1.46 |
| (h) | Other Intangible Assets | **16** | **8.55** | 5.16 | 0.45 |
| (i) | Other non-financial assets | **17** | **148.41** | 100.01 | 72.56 |
| (j) | Investments accounted for using equity method | 10 | **179.63** | **172.63** | **176.07** |
| | **Total - Non-Financial Assets (2)** | | **3,290.86** | **3,407.74** | **2,618.78** |
| **(3)** | **Assets classified as held for sale** | 18 | **9.56** | **7.68** | **3.08** |
| | **Total ASSETS (1+2+3)** | | **298,453.83** | **242,369.76** | **204,749.00** |
| | **LIABILITIES AND EQUITY** | | | | |
| | **LIABILITIES** | | | | |
| **(1)** | **Financial Liabilities** | | | | |
| (a) | Derivative financial instruments | **8** | **159.40** | 317.75 | 354.46 |
| (b) | Trade Payables | **19** | | | |
| | (i) total outstanding dues of MSMEs | | **2.65** | 1.83 | 0.30 |
| | (ii) total outstanding dues of creditors other than MSMEs | | **64.64** | 61.31 | 42.89 |
| (c) | Debt Securities | **20** | **192,767.51** | 179,067.85 | 148,650.96 |
| (d) | Borrowings (other than debt securities) | **21** | **46,662.54** | 22,631.42 | 21,700.17 |
| (e) | Subordinated Liabilities | **22** | **4,818.76** | 2,667.36 | 2,667.21 |
| (f) | Other financial liabilities | **23** | **19,227.07** | 4,703.05 | 260.08 |
| | **Total - Financial Liabilities (1)** | | **263,702.57** | **209,450.57** | **173,676.07** |
| **(2)** | **Non-Financial Liabilities** | | | | |
| (a) | Current tax liabilities (net) | **24** | - | 0.51 | 0.55 |
| (b) | Provisions | **25** | **100.24** | 220.74 | 214.27 |
| (c) | Other non-financial liabilities | **26** | **104.60** | 110.33 | 48.68 |
| | **Total - Non-Financial Liabilities (2)** | | **204.84** | **331.58** | **263.50** |
| **(3)** | **Liabilities directly associated with assets classified as held for sale** | **18** | **0.08** | - | - |
| **(4)** | **EQUITY** | | | | |
| (a) | Equity Share Capital | **27** | **1,974.92** | 1,974.92 | 1,974.92 |
| (b) | Other equity | **28** | **32,571.42** | 30,612.69 | 28,834.51 |
| | **Total - Equity (4)** | | **34,546.34** | **32,587.61** | **30,809.43** |
| | **Total - LIABILITIES AND EQUITY (1+2+3+4)** | | **298,453.83** | **242,369.76** | **204,749.00** |

Accompanying Notes to Financial Statements 1 to 70

For and on behalf of the Board

**J.S. Amitabh**
GM & Company Secretary

**Sanjeev Kumar Gupta**
Director (Technical)
DIN - 03464342

**Ajeet Kumar Agarwal**
CMD and Director (Finance)
DIN - 02231613

In terms of our Audit Report of even date

**For G.S. Mathur & Co.**
Chartered Accountants
Firm Reg. No.: 008744N

**S.C. Choudhary**
Partner
M.No. : 082023

**For A.R. & Co.**
Chartered Accountants
Firm Reg. No.: 002744C

**Priyanshu Jain**
Partner
M.No. : 530262

Place: New Delhi
Date: 24th May 2019

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2019

(₹ in Crores)

| S. No. | Particulars | Note No. | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|---|---|
| | **Revenue from Operations** | | | |
| (i) | Interest Income | 29 | **24,983.62** | 22,098.31 |
| (ii) | Dividend Income | 30 | **20.38** | 26.85 |
| (iii) | Fees and Commission Income | 31 | **225.09** | 299.39 |
| (iv) | Sale of services | 32 | **169.93** | 227.05 |
| **I.** | **Total Revenue from Operations (i to iv)** | | **25,399.02** | **22,651.60** |
| **II.** | Other Income | 33 | **32.31** | 14.79 |
| **III.** | **Total Income (I+II)** | | **25,431.33** | **22,666.39** |
| | **Expenses** | | | |
| (i) | Finance Costs | 34 | **15,639.20** | 13,332.94 |
| (ii) | Net translation/ transaction exchange loss | 35 | **521.19** | 19.37 |
| (iii) | Fees and commission Expense | 36 | **34.38** | 24.58 |
| (iv) | Net loss on fair value changes | 37 | **348.52** | 573.37 |
| (v) | Impairment on financial instruments | 38 | **243.49** | 2,300.53 |
| (vi) | Cost of services rendered | 39 | **85.15** | 119.80 |
| (vii) | Cost of material consumed | 40 | **-** | 7.95 |
| (viii) | Changes in inventories of finished goods and work-in-progress | 41 | **-** | 0.04 |
| (ix) | Employee Benefits Expenses | 42 | **177.37** | 184.04 |
| (x) | Depreciation and amortization | 43 | **8.29** | 6.93 |
| (xi) | Corporate Social Responsibility Expenses | 44 | **104.49** | 50.94 |
| (xii) | Other Expenses | 45 | **188.76** | 99.05 |
| **IV.** | **Total Expenses (i to xii)** | | **17,350.84** | **16,719.54** |
| **V.** | **Share of Profit/Loss of Joint Venture accounted for using equity method** | 64 | **9.95** | 10.67 |
| **VI.** | **Profit before Tax (III-IV+V)** | | **8,090.44** | 5,957.52 |
| **VII.** | **Tax Expense** | 46 | | |
| (i) | Current tax | | **1,813.23** | 2,215.43 |
| (ii) | Deferred Tax | | **535.83** | (708.43) |
| | Total Tax Expense (i+ii) | | **2,349.06** | **1,507.00** |
| **VIII.** | **Profit for the year** | | **5,741.38** | 4,450.52 |
| **IX.** | **Other comprehensive Income/(Loss)** | | | |
| **(i)** | **Items that will not be reclassified to profit or loss** | | | |
| (a) | Re-measurement gains/(losses) on defined benefit plans | | **(19.37)** | (6.34) |
| (b) | Changes in Fair Value of FVOCI Equity Instruments | | **(47.26)** | 8.48 |
| (c) | Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method | 64 | **(0.05)** | (0.03) |
| (d) | Income tax relating to these items | | | |
| | - Re-measurement gains/(losses) on defined benefit plans | | **6.77** | 2.20 |
| | - Changes in Fair Value of FVOCI Equity Instruments | | **(0.68)** | (0.10) |
| | - Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method | | **-** | - |
| | Sub-Total (i) | | **(60.59)** | 4.21 |
| **(ii)** | **Items that will be reclassified to profit or loss** | | | |
| (a) | Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method | 64 | **-** | 1.46 |
| | Sub-Total (ii) | | **-** | 1.46 |
| | **Other comprehensive Income/(Loss) for the period (i+ii)** | | **(60.59)** | 5.67 |
| **X.** | **Total comprehensive Income for the period (VIII+IX)** | | **5,680.79** | 4,456.19 |
| **XI.** | **Basic & Diluted Earnings per Equity Share of ₹ 10 each (in ₹)** | 47 | | |
| (1) | For continuing operations | | **29.07** | 22.54 |
| (2) | For continuing and discontinued operations | | **29.07** | 22.54 |

Accompanying Notes to Financial Statements 1 to 70

For and on behalf of the Board

**J.S. Amitabh**
GM & Company Secretary

**Sanjeev Kumar Gupta**
Director (Technical)
DIN - 03464342

**Ajeet Kumar Agarwal**
CMD and Director (Finance)
DIN - 02231613

In terms of our Audit Report of even date

**For G.S. Mathur & Co.**
Chartered Accountants
Firm Reg. No.: 008744N

**S.C. Choudhary**
Partner
M.No. : 082023

**For A.R. & Co.**
Chartered Accountants
Firm Reg. No.: 002744C

**Priyanshu Jain**
Partner
M.No. : 530262

Place: New Delhi
Date: 24th May 2019

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST MARCH 2019

## A Equity share capital

(₹ in Crores)

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| **Opening Balance** | **1,974.92** | **1,974.92** |
| Changes in equity share capital during the year | - | - |
| **Closing Balance** | **1,974.92** | **1,974.92** |

## B Other Equity

(₹ in Crores)

| Particulars | Reserves & Surplus | | | | | | | | Other Comprehensive income | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961 | Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961 | Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934 | Debenture Redemption Reserve | Securities Premium Account | Foreign Currency Monetary Item Translation Difference Account | General Reserve | Retained Earnings | Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method | Equity Instruments through Other Comprehensive Income | |
| **Balance as at 1st April 2017** | **12,230.70** | **2,425.30** | **-** | **924.95** | **2,236.54** | **203.78** | **4,730.54** | **5,900.84** | **-** | **181.86** | **28,834.51** |
| Profit for the period | - | - | - | - | - | - | - | 4,450.52 | - | - | 4,450.52 |
| Re-measurement loss on defined benefit plans | - | - | - | - | - | - | - | (4.14) | - | - | (4.14) |
| Other Comprehensive Income for the period | - | - | - | - | - | - | - | (0.03) | 1.46 | 8.38 | 9.81 |
| **Total Comprehensive Income** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **4,446.35** | **1.46** | **8.38** | **4,456.19** |
| Transfer to/ (from) Retained Earnings | 1,582.49 | 335.80 | - | 196.59 | - | - | 500.00 | (2,614.88) | - | - | - |
| Dividends | - | - | - | - | - | - | - | (1,984.79) | - | - | (1,984.79) |
| Dividend Distribution Tax | - | - | - | - | - | - | - | (403.15) | - | - | (403.15) |
| Foreign Currency Translation Loss on long term monetary items during the period | - | - | - | - | - | (311.74) | - | - | - | - | (311.74) |
| Amortisation during the period | - | - | - | - | - | 21.67 | - | - | - | - | 21.67 |
| **Balance as at 31st March 2018** | **13,813.19** | **2,761.10** | **-** | **1,121.54** | **2,236.54** | **(86.29)** | **5,230.54** | **5,344.37** | **1.46** | **190.24** | **30,612.69** |
| Profit for the period | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **5,741.38** | | **-** | 5,741.38 |
| Re-measurement loss on defined benefit plans | - | - | - | - | - | - | - | (12.60) | | - | (12.60) |
| Other Comprehensive Income for the period | - | - | - | - | - | - | - | (0.05) | | (47.94) | (47.99) |
| **Total Comprehensive Income** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **5,728.73** | | **(47.94)** | **5,680.79** |
| Transfer to/ (from) Retained Earnings | 1,323.59 | 273.62 | 1,153.00 | 196.59 | - | - | - | (2,946.80) | | - | - |
| Dividends | - | - | - | - | - | - | - | (2,518.02) | | - | (2,518.02) |
| Dividend Distribution Tax | - | - | - | - | - | - | - | (525.51) | | - | (525.51) |
| Reclassification of gain/ loss on sale of FVOCI equity instrument | - | - | - | - | - | - | - | 5.42 | | (5.42) | - |
| Foreign Currency Translation Loss on long term monetary items during the period | - | - | - | - | - | (1,404.88) | - | - | | - | (1,404.88) |
| Amortisation during the period | - | - | - | - | - | 726.35 | - | - | | - | 726.35 |
| **Balance as at 31st March 2019** | **15,136.78** | **3,034.72** | **1,153.00** | **1,318.13** | **2,236.54** | **(764.82)** | **5,230.54** | **5,088.19** | **1.46** | **136.88** | **32,571.42** |

Accompanying Notes to Financial Statements 1 to 70

In terms of our Report of even date

**For G.S. Mathur & Co.**
Chartered Accountants
Firm Reg. No.: 008744N

**For A.R. & Co.**
Chartered Accountants
Firm Reg. No.: 002744C

For and on behalf of the Board

**S.C. Choudhary**
Partner
M.No. : 082023

**Priyanshu Jain**
Partner
M.No. : 530262

**J.S. Amitabh**
GM & Company Secretary

**Sanjeev Kumar Gupta**
Director (Technical)
DIN - 03464342

**Ajeet Kumar Agarwal**
CMD & Director (Finance)
DIN - 02231613

Place: New Delhi
Date: 24th May 2019

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2019

(₹ in Crores)

| PARTICULARS | | YEAR ENDED 31.03.2019 | | YEAR ENDED 31.03.2018 | |
|---|---|---|---|---|---|
| **A.** | **Cash Flow from Operating Activities :** | | | | |
| | Net Profit before Tax | **8,090.44** | | **5,957.52** | |
| | **Adjustments for:** | | | | |
| 1. | Loss on derecognition of Property, Plant and Equipment (net) | **0.86** | | 0.56 | |
| 2. | Depreciation & Amortization | **8.29** | | 6.93 | |
| 3. | Impairment losses on financial assets | **243.49** | | 2,300.53 | |
| 4. | Adjustments towards Effective Interest Rate in respect of Loans | **1.33** | | (37.70) | |
| 5. | Adjustments towards Effective Interest Rate in respect of Borrowings | **(788.28)** | | 84.16 | |
| 6. | Fair Value Changes in Derivatives | **351.52** | | 586.76 | |
| 7. | Interest on Commercial Paper | **402.84** | | 135.60 | |
| 8. | Interest on Other borrowings | **0.01** | | - | |
| 9. | Interest Accrued on Zero Coupon Bonds | **97.02** | | 89.54 | |
| 10. | Loss/ (Gain) on Exchange Rate fluctuation | **558.51** | | (53.61) | |
| 11. | Dividend Income | **(20.38)** | | (26.85) | |
| 12. | Interest Income on Investments | **(205.88)** | | (223.40) | |
| 13. | Provision made for Interest on Advance Income Tax | **3.70** | | 5.68 | |
| 14. | Liabilities no longer required written back | **(0.46)** | | (0.71) | |
| 15. | Share of Profit/Loss of Joint Venture accounted for using equity method | **(9.95)** | | (10.67) | |
| | **Operating profit before Changes in Operating Assets & Liabilities** | **8,733.06** | | **8,814.34** | |
| | **Inflow / (Outflow) on account of :** | | | | |
| 1. | Loan Assets | **(41,760.36)** | | (37,474.64) | |
| 2. | Derivatives | **(1,622.07)** | | (685.78) | |
| 3. | Other Operating Assets | **(13,856.90)** | | (5,643.79) | |
| 4. | Operating Liabilities | **14,711.38** | | 4,680.09 | |
| | **Cash flow from Operations** | **(33,794.89)** | | **(30,309.78)** | |
| 1. | Income Tax Paid (including TDS) | **(2,070.91)** | | (2,202.60) | |
| 2. | Income Tax refund | **0.00** | | 2.57 | |
| | **Net Cash Flow from Operating Activities** | | **(35,865.80)** | | **(32,509.81)** |
| **B.** | **Cash Flow from Investing Activities** | | | | |
| 1. | Sale of Property, Plant & Equipment | **0.10** | | 0.15 | |
| 2. | Investment in Property, Plant & Equipment (incl. CWIP & Capital Advances) | **(85.88)** | | (74.56) | |
| 3. | Investment in Intangible Assets (including intangible assets under development) | **(5.04)** | | (5.35) | |
| 4. | Finance Costs Capitalised | **(11.37)** | | (6.32) | |

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2019

(₹ in Crores)

| PARTICULARS | | YEAR ENDED 31.03.2019 | | YEAR ENDED 31.03.2018 | |
|---|---|---|---|---|---|
| 5. | Investment in Equity Shares/ Venture Capital Funds | **24.39** | | (2.08) | |
| 6. | Sale/(Investment) in Equity Shares/ Venture Capital Funds | **(0.40)** | | 0.10 | |
| 7. | Investment in Debt Securities (incl. interest income) | **399.45** | | 95.58 | |
| 8. | Interest Income from long term investments | **156.79** | | 221.21 | |
| 9. | Investment in Term deposits Deposits (incl. interest) | **(106.64)** | | (208.62) | |
| 10. | Maturity/(Investment) of Corporate and Term deposits | **64.99** | | (1.08) | |
| 11. | Dividend Income | **20.38** | | 26.85 | |
| | **Net Cash Flow from Investing Activities** | | **456.77** | | **45.88** |
| **C.** | **Cash Flow from Financing Activities** | | | | |
| 1. | Issue of Rupee Debt Securities (Net of redemptions) | **4,220.72** | | 19,558.55 | |
| 2. | Issue of Commercial Paper (net of repayments) | **4,143.04** | | 3,014.84 | |
| 3. | Raising of Rupee Term Loans/ WCDL from Govt./ Banks/ FIs (net of repayments) | **24,350.00** | | (350.00) | |
| 4. | Raising of Foreign Currency Debt Securities and Borrowings (net of redemptions) | **3,718.78** | | 8,395.48 | |
| 5. | Raising of Subordinated Liabilities (net of redemptions) | **2,151.20** | | - | |
| 6. | Payment of Dividend on Equity Shares | **(2,515.63)** | | (1,971.87) | |
| 7. | Payment of Corporate Dividend Tax | **(525.52)** | | (403.15) | |
| | **Net Cash flow from Financing Activities** | | **35,542.59** | | **28,243.85** |
| | **Net Increase/Decrease in Cash & Cash Equivalents** | | **133.56** | | **(4,220.08)** |
| | Cash & Cash Equivalents as at the beginning of the period | | **248.43** | | **4,468.51** |
| | Cash & Cash Equivalents as at the end of the period | | **381.99** | | **248.43** |

**Components of Cash & Cash Equivalents as at end of the year are:**

(₹ in Crores)

| PARTICULARS | AS AT 31.03.2019 | | AS AT 31.03.2018 | |
|---|---|---|---|---|
| | | | | |
| - Cash in Hand (including postage & imprest) | | **0.01** | | 0.01 |
| - Balances with Banks | | **343.60** | | 186.92 |
| - Short-term Deposits with Scheduled Banks | | **38.38** | | 61.50 |
| **Total Cash & Cash Equivalents** | | **381.99** | | **248.43** |
| | | **-** | | - |

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2019

**Reconciliation of liabilities arising from financing activities**

(₹ in Crores)

| Particulars | Opening Balance | Cash Flows during the year (net) | Movements in Interest Accrued * | Non-cash Changes | | Closing Balance |
|---|---|---|---|---|---|---|
| | | | | Exchange Differences | EIR Adjustments | |
| **FY 2018-19** | | | | | | |
| Rupee Debt Securities | **168,444.86** | **4,220.72** | **124.83** | **-** | **108.71** | **172,899.12** |
| Commercial Paper | **3,150.44** | **4,143.04** | **-** | **-** | **402.84** | **7,696.32** |
| Rupee Term Loans/ WCDL | **414.82** | **24,350.00** | **119.43** | **-** | **-** | **24,884.25** |
| Foreign Currency Debt Securities & other Borrowings | **29,689.04** | **3,718.78** | **104.02** | **1,220.89** | **(782.48)** | **33,950.25** |
| Subordinated Liabilities | **2,667.36** | **2,151.20** | **1.58** | **-** | **(1.38)** | **4,818.76** |
| **Total** | **204,366.52** | **38,583.74** | **349.86** | **1,220.89** | **(272.31)** | **244,248.70** |
| **FY 2017-18** | | | | | | |
| Rupee Debt Securities | **148,650.96** | 19,558.55 | 148.58 | - | 86.77 | **168,444.86** |
| Commercial Paper | **-** | 3,014.84 | - | - | 135.60 | **3,150.44** |
| Rupee Term Loans/ WCDL | **776.66** | -350.00 | -11.84 | - | - | **414.82** |
| Foreign Currency Debt Securities & Bonds | **20,923.38** | 8,395.48 | 46.98 | 235.32 | 87.88 | **29,689.04** |
| Subordinated Liabilities | **2,667.21** | - | - | - | 0.15 | **2,667.36** |
| **Total** | **173,018.21** | **30,618.87** | **183.72** | **235.32** | **310.40** | **204,366.52** |

* Movement in Interest Accrued has been considered in 'Operating Liabilities' as Cash Flow from Operating Activities.

Note: Previous period figures have been rearranged and regrouped wherever necessary.

In terms of our Report of even date

**For G.S. Mathur & Co.**
Chartered Accountants
Firm Reg. No.: 008744N

**S.C. Choudhary**
Partner
M.No. : 082023

**For A.R. & Co.**
Chartered Accountants
Firm Reg. No.: 002744C

**Priyanshu Jain**
Partner
M.No. : 530262

For and on behalf of the Board

**J.S. Amitabh**
GM & Company Secretary

**Sanjeev Kumar Gupta**
Director (Technical)
DIN - 03464342

**Ajeet Kumar Agarwal**
CMD & Director (Finance)
DIN - 02231613

Place: New Delhi
Date: 24th May 2019

# CONSOLIDATED NOTES TO ACCOUNTS

## 1. Company Overview

REC Limited ("REC" or the "Company") was incorporated in the year 1969. The Company is domiciled in India and is limited by shares, having its registered office and principal place of business at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003, India. The Company has 23 State offices spread across the country, mainly in the State Capitals and one training center at Hyderabad.

The Company is a Government Company engaged in extending financial assistance across the power sector value chain and is a Systemically Important (Non-Deposit Accepting or Holding) Non-Banking Finance Company (NBFC) registered with Reserve Bank of India (RBI) as an Infrastructure Finance Company (IFC).

REC is a leading public Infrastructure Finance Company in India and the principal products of REC are interest-bearing loans to State Electricity Boards, State Power utilities/State Power Departments and Private sector for all segments of Power infrastructure.

The Registrar of Companies, NCT of Delhi & Haryana has issued Fresh Certificate of Incorporation dated 13th October 2018, consequent upon change in the name of the Company from 'Rural Electrification Corporation Limited' to 'REC Limited'. Further, the Company has also received requisite approvals/No Objection Certificate for the said change in name from Ministry of Power, Reserve Bank of India & Stock Exchanges.

Power Finance Corporation Ltd. (PFC) has acquired 103,93,99,343 equity shares of the Company, representing 52.63% of the share capital, from the President of India. Consequently, PFC has become the holding Company of REC.

The shares of the Company are listed on National Stock Exchange of India Limited and BSE Limited.

The Company together with its subsidiaries is hereinafter referred to as 'the Group'.

## 2. Statement of Compliance and Basis of Preparation

The Group has adopted Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) with effect from 01.04.2018. These Consolidated Financial Statements comply with Ind AS notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended), applicable provisions of the Companies Act, 2013 and other applicable regulatory norms/ guidelines. These are the Group's first Ind AS Consolidated financial statements and the date of transition is 01.04.2017.

The Group has prepared its Consolidated Financial Statements up to the year ended 31.03.2018, in accordance with the requirements of previous Generally Accepted Accounting Principles (previous GAAP), which included Accounting Standards (AS) specified under Section 133 of the Companies Act, 2013 read with rules made thereunder and applicable RBI directions. The Group followed the provisions of Ind AS 101- 'First Time adoption of Indian Accounting Standards' in preparing its opening Ind AS Consolidated Balance Sheet as of the date of transition and adjustments were made to restate the opening balances as per Ind AS. The impact of transition has been accounted for in the opening reserves as at 01.04.2017. The comparative figures have been presented in accordance with the same accounting principles that are used in preparation of the Company's first Ind AS Consolidated financial statements.

The mandatory exceptions and optional exemptions availed by the Group on First-time adoption have been detailed in Note 63. Along with this, the reconciliation of total equity under previous GAAP and under Ind-AS as at 1st April 2017 & 31st March 2018 and of the Profit after tax as per Previous GAAP and Total Comprehensive Income under Ind AS for the year ended 31st March 2018 has also been presented in the same note.

The Consolidated Financial Statements for the year ended 31st March 2019 were authorized and approved for issue by the Board of Directors on 24th May 2019.

These Consolidated Financial Statements have been prepared on going concern basis following accrual system of accounting and are in accordance with the Indian Accounting Standards (referred to as "Ind AS") notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended), applicable provisions of the Companies Act, 2013 and other applicable regulatory norms/ guidelines.

# CONSOLIDATED NOTES TO ACCOUNTS

## 2.1 Standards issued but not yet effective

**Ind AS 116 - Leases:**

On 30.03.2019, Ministry of Corporate Affairs (MCA) has notified Ind AS 116, Leases. Ind AS 116 will replace Ind AS 17 and related interpretations. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Standard also contains enhanced disclosure requirements for lessees.

**Ind AS 12 - Appendix C, Uncertainty over Income Tax Treatments:**

On 30.03.2019, MCA has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

**Amendment to Ind AS 12 – Income taxes**

On 30.03.2019, MCA issued amendments to the guidance in Ind AS 12, 'Income Taxes', in connection with accounting for dividend distribution taxes. The amendment clarifies that an entity shall recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.

**Amendment to Ind AS 19 – Plan amendment, curtailment or settlement**

On 30.03.2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements requiring an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

The effective date for application of these amendments is annual period beginning on or after 01.04.2019. The Group is currently evaluating the effect of these amendments on the Consolidated Financial Statements.

## 3. Significant Accounting Policies

The significant accounting policies applied in preparation of the Consolidated Financial Statements are as given below:

## 3.1 Basis of consolidation

**Subsidiary**

Subsidiary is the entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group combines the financial statements of the holding company and its subsidiary line by line adding together like items of assets, liabilities, equity, income and expenses.

**Equity accounted investees**

The Group's interests in equity accounted investees comprise of the interests in associates and joint venture.

An associate is an entity, including an unincorporated entity, over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of Profit and Loss and Other Comprehensive Income (OCI) of equity-accounted investees until the date on which significant influence ceases. However, in case where it is considered that the investment/ interest in associates is held for sale, the interest in associates is accounted for under Ind AS 105.

## CONSOLIDATED NOTES TO ACCOUNTS

A joint venture is an arrangement in which the Group has joint control and has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint venture are accounted for using the equity method. They are initially recognised at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of Profit and Loss and Other Comprehensive Income (OCI) of equity-accounted investees until the date on which significant influence or joint control ceases.

**Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that here is no evidence of impairment.

### 3.2 Basis of Preparation and Measurement

The Consolidated Financial Statements have been prepared on historical cost basis except for certain financial assets and financial liabilities which are measured at fair values as explained in relevant accounting policies. These policies have been applied consistently for all the periods presented in the Consolidated Financial Statements.

**Functional and presentation currency**

The Consolidated Financial Statements are presented in Indian Rupee ('INR') which is also the functional currency of the Group.

### 3.3 Income recognition

**Interest income**

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable.

For all financial assets measured at amortized cost, interest income is recorded using the effective interest rate (EIR), i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets.

Interest on financial assets subsequently measured at fair value through profit and loss is recognized on an accrual basis in accordance with the terms of the respective contract.

Rebate on account of timely payment of interest by borrowers is recognized on receipt of entire interest amount due in time, in accordance with the terms of the respective contract and is netted against the corresponding interest income.

**Income from Government schemes**

Income of agency fee on Government schemes is recognized on accrual basis based on the services rendered.

**Dividend income**

Income from dividend on shares of corporate bodies and units of mutual funds is taken into account on accrual basis when REC's right to receive payment is established.

Provided that in case of final dividend, the right to receive payment shall be considered as established only upon approval of the dividend by the shareholders in the Annual General Meeting.

**Other services**

Fees/ charges on loan assets, other than those considered an adjustment to EIR, are accounted for on accrual basis. Pre-payment premium is accounted for by the Group in the year of receipt.

**Revenue from sale of services**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are measured at the fair value of the consideration received or receivable, net of discounts and other indirect taxes.

## CONSOLIDATED NOTES TO ACCOUNTS

In Cost Plus Contracts - Revenue is recognised by including eligible contractual items of expenditures plus proportionate margin as per contract;

In Fixed Price Contracts – Revenue is recognised on the basis of stage of completion of the contract. The Group has assessed that the stage of completion determined as the proportion of the total time expected to complete the performance obligation that has lapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under Ind AS 115.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Professional charges to be charged from the selected bidders/developers for transmission projects put on tariff based bidding is accounted for in the year in which it is reasonably certain that the ultimate collection of the professional charges will be made.

Sale proceeds of Request for Proposal (RFP) documents is credited to the respective SPV and sale proceeds of Request for Qualification (RFQ) documents is retained by the Group and accounted as income of the Group.

### 3.4 Borrowing costs

Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition and/ or construction of a qualifying asset, till the time such a qualifying asset becomes ready for its intended use sale, are capitalized. A qualifying asset is one that necessarily takes a substantial period to get ready for its intended use.

All other borrowing costs are charged to the Statement of Profit and Loss on an accrual basis as per the effective interest rate method.

### 3.5 Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period.

To calculate diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

### 3.6 Foreign Currency Translation

**Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency of the Group using the exchange rates prevailing on the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in the Statement of Profit or Loss. However, for the long-term monetary items recognized in the Consolidated Financial Statements before 1 April 2018, such gains and losses are accumulated in a “Foreign Currency Monetary Item Translation Difference Account” and amortized over the balance period of such long term monetary item, by recognition as income or expense in each of such periods.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date).

### 3.7 Intangible assets

**Recognition and initial measurement**

Intangible assets mainly comprise of computer software which is initially measured at cost. Such assets are recognized where it is probable that the future economic benefits attributable to the assets will flow to the Group.

## CONSOLIDATED NOTES TO ACCOUNTS

**Subsequent measurement (amortization method, useful lives and residual value)**

All intangible assets with finite useful life are amortized on a straight line basis over the estimated useful lives, and a possible impairment is assessed if there is an indication that the intangible asset may be impaired. Residual values and useful lives for all intangible assets are reviewed at each reporting date. Changes, if any, are accounted for as changes in accounting estimates. Management estimates the useful life of intangible assets to be five years.

**Intangible Assets under Development**

Expenditure incurred which are eligible for capitalization under intangible assets is carried as 'Intangible assets under development' till they are ready for their intended use.

**Derecognition of Intangible Assets**

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in the Statement of Profit and Loss when the asset is derecognized.

### 3.8 Property, Plant and Equipment (PPE)

**Recognition and initial measurement**

**Land**

Land held for use is initially recognized at cost. For land, as no finite useful life can be determined, related carrying amounts are not depreciated. Land also includes land held under finance lease, which is depreciated over the lease term.

**Other Tangible assets**

PPE other than land is initially recognized at acquisition cost or construction cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group beyond one year. Maintenance or servicing costs of PPE are recognized in the Statement of Profit and Loss as incurred.

*Subsequent measurement (depreciation method, useful lives, residual value, and impairment)*

PPE are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation on PPE is provided on the straight-line method over the useful life of the assets as prescribed under Part 'C' of Schedule II of the Companies Act, 2013.

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

*Leasehold land is amortized over the lease period.*

The residual values, useful lives, and method of depreciation are reviewed at the end of each financial year. PPE other than land is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

**De-recognition**

An item of PPE and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of an item of PPE is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the Statement of Profit and Loss.

**Capital Work-in-Progress**

The cost of PPE under construction at the reporting date is disclosed as 'Capital work-in-progress.' The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working

## CONSOLIDATED NOTES TO ACCOUNTS

condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. Advances paid for the acquisition/ construction of PPE which are outstanding at the balance sheet date are classified under 'Capital Advances.'

### 3.9 Leases

**Company as a lessee**

At the inception of each lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

**Finance leases**

Assets leased by the Group in its capacity as lessee where substantially all the risks and rewards of ownership vest in the Group are classified as finance leases. A finance lease is recognized as an asset and a liability at the commencement of the lease, at the lower of the fair value of the asset and the present value of the minimum lease payments.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability. The Finance expense is allocated to each period during the lease term to produce a constant periodic rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

**Operating Leases**

Leases in which the lessor does not transfer substantially all the risks and rewards of ownership of an asset to the lessee are classified as operating leases. Lease rentals are charged to statement of profit and loss on straight-line basis except where a scheduled increase in rent compensates the lessor for expected inflationary costs.

### 3.10 Investment property

Investment properties are the assets which have undetermined future use. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are stated at cost less accumulated depreciation. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group beyond one year. All other repair and maintenance costs are recognized in the Statement of Profit and Loss as incurred.

Subsequent measurement (depreciation and useful lives)

The Group only has land as an investment property, which is not depreciated.

**De-recognition**

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

### 3.11 Financial Instruments

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Initial recognition and measurement**

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at

## CONSOLIDATED NOTES TO ACCOUNTS

fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

**Classification and subsequent measurement of financial assets**

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Amortized cost
- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVOCI)

All financial assets except for those at FVTPL or equity instruments at FVOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied to each category of financial assets, which are described below.

**Amortized cost**

A financial asset is measured at amortized cost using Effective Interest Rate (EIR) if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and

b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A loss allowance for expected credit losses is recognized on financial assets carried at amortized cost.

**Modification of cash flows**

When the contractual cash flows of a financial asset are renegotiated or otherwise modified, and the renegotiation or modification does not result in derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

**Financial assets at FVTPL**

Financial assets at FVTPL include financial assets that are either do not meet the criteria for amortized cost classification or are equity instruments held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments also fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements may apply. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

**Financial assets at FVOCI**

FVOCI financial assets comprise of equity instruments measured at fair value. An equity investment classified as FVOCI is initially measured at fair value plus transaction costs. Gains and losses are recognized in other comprehensive income and reported within the FVOCI reserve within equity, except for dividend income, which is recognized in profit or loss. There is no recycling of such gains and losses from OCI to Statement of Profit & Loss, even on the derecognition of the investment. However, the Group may transfer the same within equity.

**De-recognition of financial assets**

**De-recognition of financial assets due to a substantial modification of terms and conditions**

The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

## CONSOLIDATED NOTES TO ACCOUNTS

**De-recognition of financial assets other than due to substantial modification**

Financial assets (or where applicable, a part of financial asset or part of a group of similar financial assets) are derecognized (i.e. removed from the Group's balance sheet) when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and substantially all the risks and rewards are transferred. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

**Classification and subsequent measurement of financial liabilities**

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

**Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

**Derivative financial instruments and hedge accounting**

The derivative financial instruments are accounted for at FVTPL. The Group does not apply hedge accounting.

### 3.12 Impairment of financial assets

**Loan assets**

The Group follows a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- Stage 1 includes loan assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date.
- Stage 2 includes loan assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment.
- Stage 3 includes loan assets that have objective evidence of impairment at the reporting date.

The Expected Credit Loss (ECL) is measured at 12-month ECL for Stage 1 loan assets and lifetime ECL for Stage 2 and Stage 3 loan assets. ECL is the product of the Probability of Default, Exposure at Default and Loss Given Default, defined as follows:

**Probability of Default (PD) -** The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.

**Loss Given Default (LGD)** – LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type, and preference of claim and availability of collateral or other credit support.

**Exposure at Default (EAD)** – EAD is based on the amount of outstanding exposure as on the assessment date on which ECL is computed including undisbursed amounts in respect of Letters of Comfort.

Forward-looking economic information is included in determining the 12-month and lifetime PD, EAD and LGD. The assumptions underlying the expected credit loss are monitored and reviewed on an ongoing basis.

**Financial assets other than Loans**

In respect of its other financial assets, the Group assesses if the credit risk on those financial assets has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Group measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses.

## CONSOLIDATED NOTES TO ACCOUNTS

To make that assessment, the Group compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition. The Group also considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

**Write-offs**

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery.

### 3.13 Assets/ Disposal Groups held for sale

Assets are classified as held for sale if their carrying amount will have recovered principally through sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at lower of their carrying amount or fair value less cost to sell, except for assets such as deferred tax, assets arising from employee benefit, financials assets and contractual rights under insurance contracts, which are specifically exempted from this requirement.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Non-current assets held for sale are presented separately from other assets in the balance sheet.

Where the Group is committed to a sale plan involving loss of control of an entity, it classifies investment in the entity (i.e. all the assets and liabilities of that entity) as held for sale.

### 3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments (original maturity less than three months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### 3.15 Dividend

Proposed dividends and interim dividends payable to the shareholders are recognized as changes in equity in the period in which they are approved by the shareholders' meeting and the Board of Directors respectively.

### 3.16 Material prior period errors

Material prior period errors are corrected retrospectively by restating the comparative amounts for the prior periods presented in which the error occurred. If the error occurred before the earliest period presented, the opening balances of assets, liabilities and equity for the earliest period presented, are restated.

### 3.17 Prepaid Expenses

A prepaid expense up to Rs. 1,00,000/- is recognized as expense upon initial recognition.

### 3.18 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

### 3.19 Taxation

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax. It is recognized in Statement of Profit and Loss, except when it relates to an item that is recognised in OCI or directly in equity, in which case, the tax is also recognised in OCI or directly in equity.

Current tax is determined as the tax payable in respect of taxable income for the year, using tax rates enacted or substantively enacted and as applicable at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Consolidated financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liability is created on temporary difference between the carrying amount and tax base of investments in subsidiaries and joint ventures.

## CONSOLIDATED NOTES TO ACCOUNTS

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided those rates are enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

Deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Dividend Distribution Tax is recognized at the same time when the liability to pay a dividend is recognized.

### 3.20 Employee benefits

**Short-term employee benefits**

Short-term employee benefits including salaries, short term compensated absences (such as a paid annual leave) where the absences are expected to occur within twelve months after the end of the period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non-monetary benefits for current employees are estimated and measured on an undiscounted basis.

**Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:**

**Defined contribution plan**

A defined contribution plan is a plan under which the Group pays fixed contributions in respect of the employees into a separate fund. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The contributions made by the Group towards defined contribution plans are charged to the profit or loss in the period to which the contributions relate.

**Defined benefit plan**

The Group has an obligation towards gratuity, Post Retirement Medical Facility (PRMF) and Other Defined Retirement Benefit (ODRB) which are being considered as defined benefit plans covering eligible employees. Under the defined benefit plans, the amount that an employee will receive on retirement is defined by reference to the employee's length of service, final salary, and other defined parameters. The legal obligation for any benefits remains with the Group, even if plan assets for funding the defined benefit plan have been set aside.

The Group's obligation towards defined benefit plans is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. The liability recognized in the statement of financial position for defined benefit plans is the present value of the Defined Benefit Obligation (DBO) at the reporting date less the fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries.

Actuarial gains/losses resulting from re-measurements of the liability/asset are included in Other Comprehensive Income.

**Other long-term employee benefits:**

Liability in respect of compensated absences becoming due or expected to be availed more than one-year after the balance sheet date is estimated on the basis of actuarial valuation performed by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to statement of profit and loss in the period in which such gains or losses are determined.

## CONSOLIDATED NOTES TO ACCOUNTS

**Loan to employees at concessional rate**

Loans given to employees at concessional rate are initially recognized at fair value and subsequently measured at amortised cost. The difference between the initial fair value of such loans and transaction value is recognised as deferred employee cost, which is amortised on a straight-line basis over the expected remaining period of the Loan. In case of change in expected remaining period of the Loan, the unamortised deferred employee cost on the date of change is amortised over the updated expected remaining period of the loan on a prospective basis.

### 3.21 Provisions, Contingent Liabilities, and Contingent Assets

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

A contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Group or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

In those cases, where the outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized or disclosure is made.

Any reimbursement that the Group can be virtually certain to collect from a third party concerning the obligation (such as from insurance) is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

Contingent assets are not recognized. However, when the inflow of economic benefits is probable, the related asset is disclosed.

### 3.22 Fair value measurement

The Group measures financial instruments, such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

## CONSOLIDATED NOTES TO ACCOUNTS

For assets and liabilities that are recognized in the Consolidated financial statements regularly, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### 4. Significant management judgment in applying accounting policies and estimation of uncertainty

The preparation of the Group's Consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the related disclosures. Actual results may differ from these estimates.

**Significant management judgments**

**Recognition of deferred tax assets/ liability** – The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the future taxable income against which the deferred tax assets can be utilized. Further, the Group's Management has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income Tax Act, 1961 and thus, the special reserve created and maintained is not capable of being reversed. Hence, the Group does not create any deferred tax liability on the said reserve.

**Evaluation of indicators for impairment of assets** – The evaluation of the applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

**Investment in SPVs** – Transmission projects are managed as per the mandate from Government of India and the Group does not have the practical ability to direct the relevant activities of these projects unilaterally. The Group therefore considers its investment in respective SPVs as associates having significant influence despite the Company holding 100% of their paid-up equity share capital.

**Non recognition of Interest Income on Credit Impaired Loans -** Interest income on credit-impaired loan assets is not being recognised as a matter of prudence, pending the outcome of resolutions of stressed assets.

**Significant estimates**

**Useful lives of depreciable/amortizable assets** – Management reviews its estimate of the useful lives of depreciable/ amortizable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets.

**Defined benefit obligation (DBO)** – Management's estimate of the DBO is based on a number of underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

**Fair value measurements** – Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. In case of non-availability of market-observable data, Level 2 & Level 3 hierarchy is used for fair valuation.

**Income Taxes** – Significant estimates are involved in determining the provision for income taxes, including amount expected to be paid/recovered for uncertain tax positions and also in respect of expected future profitability to assess deferred tax asset.

**Expected Credit Loss ('ECL')** – The measurement of an expected credit loss allowance for financial assets measured at amortized cost requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g., likelihood of customers defaulting and resulting losses). The Group makes significant judgments about the following while assessing expected credit loss to estimate ECL:

- Determining criteria for a significant increase in credit risk;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/ market and the associated ECL; and
- Establishing groups of similar financial assets to measure ECL.
- Estimating the probability of default and loss given default (estimates of recoverable amounts in case of default)

# CONSOLIDATED NOTES TO ACCOUNTS

## 5 Cash and cash equivalents

(₹ in Crores)

| Particulars | As at 31-03-19 | As at 31-03-18 | As at 01-04-17 |
|---|---|---|---|
| **- Balances with Banks** | **343.60** | **186.92** | 850.31 |
| **- Cash on Hand (including postage & imprest)** | **0.01** | **0.01** | - |
| **Sub-total** | **343.61** | **186.93** | **850.31** |
| **- Term Deposits & Other Cash Equivalents** | | | |
| - Short-term Deposits with Scheduled Banks | **38.38** | **61.50** | **2,458.20** |
| - Short term Investment in Debt Mutual Funds | **-** | **-** | **1,160.00** |
| **Sub-total** | **38.38** | **61.50** | **3,618.20** |
| **Total (Cash & Cash Equivalents)** | **381.99** | **248.43** | **4,468.51** |

**5.1** There are no repatriation restrictions with respect to Cash and Cash equivalents as at the end of the reporting year and prior years presented.

## 6 Other Bank Balances

(₹ in Crores)

| Particulars | As at 31-03-19 | As at 31-03-18 | As at 01-04-17 |
|---|---|---|---|
| **- Earmarked Balances with Banks** | | | |
| - For unpaid dividends | **4.15** | 3.49 | 2.75 |
| - For grants | **988.31** | 215.27 | 6.50 |
| **- Earmarked Term Deposits** | | | |
| - For grants | **2.15** | 255.22 | 23.20 |
| - Deposits in Compliance of Court Order | **2.47** | 2.31 | 1.98 |
| **- Balances with banks not available for use pending allotment of securities** | **722.04** | 1,469.23 | - |
| **- Other Term deposits** | **13.96** | 1.32 | 38.55 |
| **Total (Other Bank Balances)** | **1,733.08** | **1,946.84** | **72.98** |

| | | | |
|---|---|---|---|
| - Term Deposits with remaining maturity more than 3 months but less than 12 months | 13.10 | 217.21 | 36.20 |
| - Term Deposits with original maturity more than 12 months | - | - | 2.05 |
| - Term Deposits held against margin money for more than 12 months | 0.86 | 0.31 | 0.30 |

## 7 Trade Receivables

(₹ in Crores)

| | Particulars | As at 31-03-19 | As at 31-03-18 | As at 01-04-17 |
|---|---|---|---|---|
| **(A)** | Unsecured, Considered good | **148.55** | 145.93 | 142.47 |
| | Less: Allowance for Expected Credit Loss | **(12.51)** | (12.19) | (12.67) |
| | | **136.04** | **133.74** | **129.80** |
| **(B)** | Trade receivables which have significant increse in credit risk | **3.37** | 0.04 | 3.07 |
| | Less: Allowance for Expected Credit Loss | **(1.69)** | (0.02) | (1.54) |
| | | **1.68** | **0.02** | **1.53** |
| **(C)** | Credit impaired receivables | **23.83** | 23.78 | 20.71 |
| | Less: Allowance for Expected Credit Loss | **(23.83)** | (23.78) | (20.71) |
| | | **-** | **-** | **-** |
| | **Total Trade Receivables (A+B+C)** | **137.72** | **133.76** | **131.33** |

## 8 Derivative Financial Instruments

The Company has entered into derivative contracts for hedging foreign exchange risks and interest rate risks. Derivative contracts held for risk management purposes can either be accounted under hedge accounting or as economic hedges. However Company has elected not to apply hedge accounting.

Refer Note 53 for Risk Management Disclosures in respect of the derivatives.

**Part I**

(₹ in Crores)

| | Particulars | As at 31.03.2019 | | | As at 31.03.2018 | | | As at 01.04.2017 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Notional Amounts | Fair Value - Assets | Fair Value - Liabilities | Notional Amounts | Fair Value - Assets | Fair Value - Liabilities | Notional Amounts | Fair Value - Assets | Fair Value - Liabilities |
| **(i)** | **Currency Derivatives** | | | | | | | | | |
| | Spot and forwards | **518.78** | **-** | **10.26** | - | - | - | - | - | - |
| | Currency swaps | **5,701.69** | **419.05** | **0.41** | 6,584.19 | 173.50 | 71.50 | 13,100.71 | 202.64 | 163.19 |
| | - Others | | | | | | | | | |
| | Call Spread | **3,839.01** | **129.43** | **-** | 6,049.10 | 70.76 | 161.17 | 6,029.99 | 168.11 | 126.05 |
| | Seagull Options | **14,306.98** | **1,093.63** | **18.57** | 2,821.78 | 209.35 | - | - | - | - |
| | **Sub-total (i)** | **24,366.46** | **1,642.11** | **29.24** | **15,455.07** | **453.61** | **232.67** | **19,130.70** | **370.75** | **289.24** |
| | | | | | | | | | | |
| **(ii)** | **Interest Rate Derivatives** | | | | | | | | | |
| | - Forward Rate Agreements and Interest Rate Swaps | **21,436.70** | **160.47** | **130.16** | 27,506.20 | 236.77 | 85.08 | 23,089.85 | 257.32 | 65.22 |
| | **Sub-total (ii)** | **21,436.70** | **160.47** | **130.16** | **27,506.20** | **236.77** | **85.08** | **23,089.85** | **257.32** | **65.22** |
| | **Total - Derivative Financial Instruments (i + ii)** | **45,803.16** | **1,802.58** | **159.40** | **42,961.27** | **690.38** | **317.75** | **42,220.55** | **628.07** | **354.46** |

**Part II**

Included in Part I are derivatives held for hedging and risk management purposes as below:

(₹ in Crores)

| | Particulars | As at 31.03.2019 | | | As at 31.03.2018 | | | As at 01.04.2017 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Notional Amounts | Fair Value - Assets | Fair Value - Liabilities | Notional Amounts | Fair Value - Assets | Fair Value - Liabilities | Notional Amounts | Fair Value - Assets | Fair Value - Liabilities |
| **(i)** | Undesignated Derivatives | **45,803.16** | **1,802.58** | **159.40** | 42,961.27 | 690.38 | 317.75 | 42,220.55 | 628.07 | 354.46 |
| | **Total - Derivative Financial Instruments** | **45,803.16** | **1,802.58** | **159.40** | **42,961.27** | **690.38** | **317.75** | **42,220.55** | **628.07** | **354.46** |

# CONSOLIDATED NOTES TO ACCOUNTS

## 9 Loans

The Company has categorised all loans at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

| | Particulars | As at 31-03-19 | | As at 31-03-18 | | As at 01-04-17 | |
|---|---|---|---|---|---|---|---|
| | | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **(A)** | **Loans** | | | | | | |
| (i) | Term Loans | **279,021.68** | **279,748.67** | 233,801.39 | 234,480.65 | 198,339.82 | 199,285.98 |
| (ii) | Working Capital Loans | **2,188.00** | **2,200.18** | 5,647.93 | 5,673.05 | 3,588.85 | 3,609.74 |
| | **Total (A) - Gross Loans** | **281,209.68** | **281,948.85** | **239,449.32** | **240,153.70** | **201,928.67** | **202,895.72** |
| | Less: Impairment loss allowance | **(11,497.93)** | **(11,497.93)** | (11,275.45) | (11,275.45) | (8,961.20) | (8,961.20) |
| | **Total (A) - Net Loans** | **269,711.75** | **270,450.92** | **228,173.87** | **228,878.25** | **192,967.47** | **193,934.52** |
| | | | | | | | |
| **(B)** | **Security Details** | | | | | | |
| (i) | Secured by tangible assets | **216,394.62** | **206,845.46** | 198,454.16 | 199,024.92 | 170,201.07 | 171,043.22 |
| (ii) | Secured by intangible assets | **-** | **-** | - | - | - | - |
| (iii) | Covered by Bank/ Govt. Guarantees | **42,575.45** | **52,751.86** | 26,915.40 | 27,005.32 | 22,156.38 | 22,251.13 |
| (iv) | Unsecured | **22,239.61** | **22,351.53** | 14,079.76 | 14,123.46 | 9,571.22 | 9,601.37 |
| | **Total (B) - Gross Loans** | **281,209.68** | **281,948.85** | **239,449.32** | **240,153.70** | **201,928.67** | **202,895.72** |
| | Less: Impairment loss allowance | **(11,497.93)** | **(11,497.93)** | (11,275.45) | (11,275.45) | (8,961.20) | (8,961.20) |
| | **Total (B) - Net Loans** | **269,711.75** | **270,450.92** | **228,173.87** | **228,878.25** | **192,967.47** | **193,934.52** |
| | | | | | | | |
| **(C)(I)** | **Loans in India** | | | | | | |
| (i) | Public Sector | **247,719.13** | **248,463.55** | 206,410.52 | 207,015.02 | 168,810.92 | 169,388.65 |
| (ii) | Private Sector | **33,490.55** | **33,485.30** | 33,038.80 | 33,138.68 | 33,117.75 | 33,507.07 |
| | **Total (C)(I) - Gross Loans** | **281,209.68** | **281,948.85** | **239,449.32** | **240,153.70** | **201,928.67** | **202,895.72** |
| | Less: Impairment loss allowance | **(11,497.93)** | **(11,497.93)** | (11,275.45) | (11,275.45) | (8,961.20) | (8,961.20) |
| | **Total (C)(I) - Net Loans** | **269,711.75** | **270,450.92** | **228,173.87** | **228,878.25** | **192,967.47** | **193,934.52** |
| | | | | | | | |
| **(C)(II)** | **Loans outside India** | | | | | | |
| (i) | Public Sector | **-** | **-** | - | - | - | - |
| (ii) | Private Sector | **-** | **-** | - | - | - | - |
| | **Total (C)(II) - Gross Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| | Less: Impairment loss allowance | **-** | **-** | - | - | - | - |
| | **Total (C)(II) - Net Loans** | **-** | **-** | **-** | **-** | **-** | **-** |
| | **Total (C)(I) and (C)(II)** | **269,711.75** | **270,450.92** | **228,173.87** | **228,878.25** | **192,967.47** | **193,934.52** |

## CONSOLIDATED NOTES TO ACCOUNTS

**9.1** Reconciliation between the figures reported under Ind-AS and actual amounts outstanding in respect of Loans:

(₹ in Crores)

| Particulars | As at 31-03-19 | As at 31-03-18 | As at 01-04-17 |
|---|---|---|---|
| **Net Loans** | **270,450.92** | **228,878.25** | **193,934.52** |
| Less: Interest accrued and due on Loans classified under the same head as per Ind-AS | **(445.05)** | (462.37) | (781.26) |
| Less: Interest accrued and not due on Loans classified under the same head as per Ind-AS | **(341.01)** | (303.23) | (288.31) |
| Add: Allowance for Expected Credit Loss netted off as per Ind-AS | **11,497.93** | 11,275.45 | 8,961.20 |
| Add: Ind-AS Adjustments in respect of fees based income at Effective Interest Rate (EIR) | **46.89** | 61.22 | 102.52 |
| **Gross Loans** | **281,209.68** | **239,449.32** | **201,928.67** |

**9.2** Loan balance confirmations for 88.56% of total loan assets as at 31st March 2019 have been received from the borrowers. Out of the remaining 11.44% loan assets amounting to ₹ 32,163 crore for which balance confirmations have not been received, 72% loans are secured by way of hypothecation of assets, 25% by way of Government Guarantee/ Loans to Government and 3% are unsecured loans.

**9.3** One of the borrowers, M/s RKM Powergen Pvt Ltd. has obtained an ad-interim order from Hon'ble High Court of Madras on 18 September 2015 not to classify the account as Non-Performing Asset. Accordingly, the loan outstanding of the borrower has not been classified as Stage III Asset, even though the overdues are more than 3 months old and the asset is credit impaired.

However, the Company has created an adequate provision of ₹ 942.67 crore (As at 31st March 2018 - ₹ 942.67 crore, as at 1st April 2017 - ₹ 942.67 crore) @ 40.95% of Loan outstanding of ₹ 2,302 crore (As at 31st March 2018 - ₹ 2,302 crore, as at 1st April 2017 - ₹ 2,302 crore) in the books of accounts as per Expected Credit Loss (ECL) as on 31st March 2019 after considering the financial and operational parameters of the project.

### 10 Investments

A. Investments (other than Investments accounted for using equity method)

(₹ in Crores)

| As at 31st March 2019 | Amortised Cost | At fair value | | | | Total |
|---|---|---|---|---|---|---|
| | | Through Other Comprehensive Income | Through profit or loss | Designated at fair value through profit or loss | Sub-total | |
| | (1) | (2) | (3) | (4) | (5=2+3+4) | (6=1+5) |
| **Government Securities** | | | | | | |
| - Govt. of MP Power Bonds - II | **47.16** | **-** | **-** | **-** | **-** | **47.16** |
| (1 Bond of ₹ 47.16 Crores each) | | | | | | |
| **Sub-total - Government Securities** | **47.16** | **-** | **-** | **-** | **-** | **47.16** |
| **Debt Securities** | | | | | | |
| 11.15% Perpetual Bonds of Indian Bank | **-** | **-** | **500.31** | **-** | **500.31** | **500.31** |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | |
| 11.25% Perpetual Bonds of Vijaya Bank | **-** | **-** | **556.25** | **-** | **556.25** | **556.25** |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| As at 31st March 2019 | Amortised Cost | At fair value | | | | Total |
|---|---|---|---|---|---|---|
| | | Through Other Comprehensive Income | Through profit or loss | Designated at fair value through profit or loss | Sub-total | |
| | (1) | (2) | (3) | (4) | (5=2+3+4) | (6=1+5) |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | |
| 11.25% Perpetual Bonds of Syndicate Bank | - | - | 500.31 | - | 500.31 | 500.31 |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | |
| 7.39% Tax Free 15 years Secured Redeemable Non Convertible Bonds of Housing and Urban Development Corporation(HUDCO) | 8.81 | - | - | - | - | 8.81 |
| (86,800 Bonds of ₹ 1,000 each) | | | | | | |
| 7.35% Tax Free 15 years Secured Redeemable Non Convertible Bonds of National Highway Authority of India Ltd. (NHAI) | 4.60 | - | - | - | - | 4.60 |
| (46,000 Bonds of ₹ 1,000 each) | | | | | | |
| 7.39% Tax Free 15 years Secured Redeemable Non Convertible Bonds of National Highway Authority of India Ltd. (NHAI) | 3.68 | - | - | - | - | 3.68 |
| (36,800 Bonds of ₹ 1,000 each) | | | | | | |
| 7.49% Tax Free 15 years Secured Redeemable Non Convertible Bonds of Indian Renewable Energy Development Agency (IREDA) | 6.22 | - | - | - | - | 6.22 |
| (61,300 Bonds of ₹ 1,000 each) | | | | | | |
| 7.35% Tax Free 15 years Secured Redeemable Non Convertible Bonds of Indian Railway Finance Corporation (IRFC) | 2.31 | - | - | - | - | 2.31 |
| (22,300 Bonds of ₹ 1,000 each) | | | | | | |
| 7.35% Tax Free 15 years Secured Redeemable Non Convertible Bonds of National Bank for Agriculture and Rural Development (NABARD) | 1.40 | - | - | - | - | 1.40 |
| (14,000 Bonds of ₹ 1,000 each) | | | | | | |
| 8.76% Tax Free 20 years Secured Redeemable Bonds of Housing and Urban Development Corporation(HUDCO) | 5.09 | - | - | - | - | 5.09 |
| (50,000 Bonds of ₹ 1,000 each) | | | | | | |
| **Sub-total - Debt Securities** | 32.11 | - | 1,556.87 | - | 1,556.87 | 1,588.98 |
| **Equity Instruments** | | | | | | |
| - NHPC Ltd. | - | 433.00 | - | - | 433.00 | 433.00 |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| As at 31st March 2019 | Amortised Cost | At fair value | | | | Total |
|---|---|---|---|---|---|---|
| | | Through Other Comprehensive Income | Through profit or loss | Designated at fair value through profit or loss | Sub-total | |
| | (1) | (2) | (3) | (4) | (5=2+3+4) | (6=1+5) |
| (17,53,02,206 Equity shares of ₹ 10 each) | | | | | | |
| - Indian Energy Exchange Ltd. | - | 206.25 | - | - | 206.25 | 206.25 |
| (1,25,00,000 Equity shares of ₹ 1 each) | | | | | | |
| - HUDCO Ltd. | - | 1.56 | - | - | 1.56 | 1.56 |
| (3,47,429 Equity shares of ₹ 10 each) | | | | | | |
| - Universal Commodity Exchange Ltd. | - | - | - | - | - | - |
| (1,60,00,000 Equity shares of ₹ 10 each) | | | | | | |
| - Lanco Teesta Hydro Power Pvt. Ltd. | - | - | - | - | - | - |
| (10,20,00,000 Equity shares of ₹ 10 each) | | | | | | |
| **Sub-total - Equity Instruments** | - | 640.81 | - | - | 640.81 | 640.81 |
| **Others** | | | | | | |
| - Units of 'Small is Beautiful' Fund | - | 6.18 | - | - | 6.18 | 6.18 |
| (61,52,200 units of ₹ 10 each) | | | | | | |
| **Sub-total - Others** | - | 6.18 | - | - | 6.18 | 6.18 |
| **Total - Gross (A)** | 79.27 | 646.99 | 1,556.87 | - | 2,203.86 | 2,283.13 |
| (i) Investments outside India | - | - | - | - | - | - |
| (ii) Investments in India | 79.27 | 646.99 | 1,556.87 | - | 2,203.86 | 2,283.13 |
| **Total (B)** | 79.27 | 646.99 | 1,556.87 | - | 2,203.86 | 2,283.13 |
| Less: Allowance for impairment loss (C) | - | - | - | - | - | - |
| **Total - Net (D=A-C)** | 79.27 | 646.99 | 1,556.87 | - | 2,203.86 | 2,283.13 |

(₹ in Crores)

| As at 31st March 2018 | Amortised Cost | At fair value | | | | Total |
|---|---|---|---|---|---|---|
| | | Through Other Comprehensive Income | Through profit or loss | Designated at fair value through profit or loss | Sub-total | |
| | (1) | (2) | (3) | (4) | (5=2+3+4) | (6=1+5) |
| **Government Securities** | | | | | - | - |
| - Govt. of MP Power Bonds - II | 141.48 | - | - | - | - | 141.48 |
| (3 Bonds of ₹ 47.16 Crores each) | | | | | | |
| **Sub-total - Government Securities** | 141.48 | - | - | - | - | 141.48 |
| **Debt Securities** | | | | | | |
| - Bonds of UP Power Corporation Ltd. | 317.47 | - | - | - | - | 317.47 |
| (30,385 Bonds of ₹ 0.01 Crores each) | | | | | | |
| - Perpetual Bonds of Indian Bank | - | - | 500.31 | - | 500.31 | 500.31 |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| As at 31st March 2018 | Amortised Cost | At fair value | | | | Total |
|---|---|---|---|---|---|---|
| | | Through Other Comprehensive Income | Through profit or loss | Designated at fair value through profit or loss | Sub-total | |
| | (1) | (2) | (3) | (4) | (5=2+3+4) | (6=1+5) |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | |
| - Perpetual Bonds of Vijaya Bank | - | - | 500.00 | - | 500.00 | 500.00 |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | |
| - Perpetual Bonds of Syndicate Bank | - | - | 500.31 | - | 500.31 | 500.31 |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | |
| 7.39% Tax Free 15 years Secured Redeemable Non Convertible Bonds of Housing and Urban Development Corporation(HUDCO) | 8.82 | - | - | - | - | 8.82 |
| (86,800 Bonds of ₹ 1,000 each) | | | | | | |
| 7.35% Tax Free 15 years Secured Redeemable Non Convertible Bonds of National Highway Authority of India Ltd. (NHAI) | 4.61 | - | - | - | - | 4.61 |
| (46,000 Bonds of ₹ 1,000 each) | | | | | | |
| 7.39% Tax Free 15 years Secured Redeemable Non Convertible Bonds of National Highway Authority of India Ltd. (NHAI) | 3.69 | - | - | - | - | 3.69 |
| (36,800 Bonds of ₹ 1,000 each) | | | | | | |
| 7.49% Tax Free 15 years Secured Redeemable Non Convertible Bonds of Indian Renewable Energy Development Agency (IREDA) | 6.22 | - | - | - | - | 6.22 |
| (61,300 Bonds of ₹ 1,000 each) | | | | | | |
| 7.35% Tax Free 15 years Secured Redeemable Non Convertible Bonds of Indian Railway Finance Corporation (IRFC) | 2.23 | - | - | - | - | 2.23 |
| (22,300 Bonds of ₹ 1,000 each) | | | | | | |
| 7.35% Tax Free 15 years Secured Redeemable Non Convertible Bonds of National Bank for Agriculture and Rural Development (NABARD) | 1.45 | - | - | - | - | 1.45 |
| (14,000 Bonds of ₹ 1,000 each) | | | | | | |
| 8.76% Tax Free 20 years Secured Redeemable Bonds of Housing and Urban Development Corporation(HUDCO) | 5.09 | - | - | - | - | 5.09 |
| (50,000 Bonds of ₹ 1,000 each) | | | | | | |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| As at 31st March 2018 | Amortised Cost | At fair value | | | | Total |
|---|---|---|---|---|---|---|
| | | Through Other Comprehensive Income | Through profit or loss | Designated at fair value through profit or loss | Sub-total | |
| | (1) | (2) | (3) | (4) | (5=2+3+4) | (6=1+5) |
| Corporate Depositof PNB Housing Finance Limited | 64.84 | - | - | - | - | 64.84 |
| **Sub-total - Debt Securities** | **414.42** | **-** | **1,500.62** | **-** | **1,500.62** | **1,915.04** |
| **Equity Instruments** | | | | | | |
| - NHPC Ltd. | - | 509.71 | - | - | 509.71 | 509.71 |
| (18,40,11,865 Equity shares of ₹ 10 each) | | | | | | |
| - Indian Energy Exchange Ltd. | - | 200.36 | - | - | 200.36 | 200.36 |
| (12,50,000 Equity shares of ₹ 10 each) | | | | | | |
| - HUDCO Ltd. | - | 2.30 | - | - | 2.30 | 2.30 |
| (3,47,429 Equity shares of ₹ 10 each) | | | | | | |
| - Universal Commodity Exchange Ltd. | - | - | - | - | - | - |
| (1,60,00,000 Equity shares of ₹ 10 each) | | | | | | |
| - Lanco Teesta Hydro Power Pvt. Ltd. | - | - | - | - | - | - |
| (10,20,00,000 Equity shares of ₹ 10 each) | | | | | | |
| **Sub-total - Equity Instruments** | **-** | **712.37** | **-** | **-** | **712.37** | **712.37** |
| **Others** | | | | | | |
| - Units of 'Small is Beautiful' Fund | - | 6.26 | - | - | 6.26 | 6.26 |
| (61,52,200 units of ₹ 10 each) | | | | | | |
| - Inter-Corporate Deposits | - | | - | | - | - |
| **Sub-total - Others** | **-** | **6.26** | **-** | **-** | **6.26** | **6.26** |
| **Total - Gross (A)** | **555.90** | **718.63** | **1,500.62** | **-** | **2,219.25** | **2,775.15** |
| (i) Investments outside India | - | - | - | - | - | - |
| (ii) Investments in India | 555.90 | 718.63 | 1,500.62 | - | 2,219.25 | 2,775.15 |
| **Total (B)** | **555.90** | **718.63** | **1,500.62** | **-** | **2,219.25** | **2,775.15** |
| Less: Allowance for impairment loss (C) | - | - | - | - | - | - |
| **Total - Net (D=A-C)** | **555.90** | **718.63** | **1,500.62** | **-** | **2,219.25** | **2,775.15** |

(₹ in Crores)

| As at 1st April 2017 | Amortised Cost | At fair value | | | | Total |
|---|---|---|---|---|---|---|
| | | Through Other Comprehensive Income | Through profit or loss | Designated at fair value through profit or loss | Sub-total | |
| | (1) | (2) | (3) | (4) | (5=2+3+4) | (6=1+5) |
| **Government Securities** | | | | | | - |
| - Govt. of MP Power Bonds - II | 235.80 | - | - | - | - | 235.80 |
| (5 Bonds of ₹ 47.16 Crores each) | | | | | | |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| As at 1st April 2017 | Amortised Cost | At fair value | | | | Total |
|---|---|---|---|---|---|---|
| | | Through Other Comprehensive Income | Through profit or loss | Designated at fair value through profit or loss | Sub-total | |
| | (1) | (2) | (3) | (4) | (5=2+3+4) | (6=1+5) |
| **Sub-total - Government Securities** | **235.80** | **-** | **-** | **-** | **-** | **235.80** |
| **Debt Securities** | | | | | | |
| - Bonds of UP Power Corporation Ltd. | 317.47 | - | - | - | - | 317.47 |
| (30,385 Bonds of ₹ 0.01 Crores each) | | | | | | |
| - Perpetual Bonds of Indian Bank | - | - | 500.31 | - | 500.31 | 500.31 |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | |
| - Perpetual Bonds of Vijaya Bank | - | - | 500.00 | - | 500.00 | 500.00 |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | |
| - Perpetual Bonds of Syndicate Bank | - | - | 500.31 | - | 500.31 | 500.31 |
| (5,000 Bonds of ₹ 0.10 Crores each) | | | | | | |
| 7.39% Tax Free 15 years Secured Redeemable Non Convertible Bonds of Housing and Urban Development Corporation(HUDCO) | 8.82 | - | - | - | - | 8.82 |
| (86,800 Bonds of ₹ 1,000 each) | | | | | | |
| 7.35% Tax Free 15 years Secured Redeemable Non Convertible Bonds of National Highway Authority of India Ltd. (NHAI) | 4.61 | - | - | - | - | 4.61 |
| (46,000 Bonds of ₹ 1,000 each) | | | | | | |
| 7.39% Tax Free 15 years Secured Redeemable Non Convertible Bonds of National Highway Authority of India Ltd. (NHAI) | 3.69 | - | - | - | - | 3.69 |
| (36,800 Bonds of ₹ 1,000 each) | | | | | | |
| 7.49% Tax Free 15 years Secured Redeemable Non Convertible Bonds of Indian Renewable Energy Development Agency (IREDA) | 6.22 | - | - | - | - | 6.22 |
| (61,300 Bonds of ₹ 1,000 each) | | | | | | |
| 7.35% Tax Free 15 years Secured Redeemable Non Convertible Bonds of Indian Railway Finance Corporation (IRFC) | 2.23 | - | - | - | - | 2.23 |
| (22,300 Bonds of ₹ 1,000 each) | | | | | | |
| 7.35% Tax Free 15 years Secured Redeemable Non Convertible Bonds of National Bank for Agriculture and Rural Development (NABARD) | 1.45 | - | - | - | - | 1.45 |
| (14,000 Bonds of ₹ 1,000 each) | | | | | | |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| As at 1st April 2017 | Amortised Cost | At fair value | | | | Total |
|---|---|---|---|---|---|---|
| | | Through Other Comprehensive Income | Through profit or loss | Designated at fair value through profit or loss | Sub-total | |
| | (1) | (2) | (3) | (4) | (5=2+3+4) | (6=1+5) |
| 8.76% Tax Free 20 years Secured Redeemable Bonds of Housing and Urban Development Corporation Ltd. (HUDCO) | 5.10 | - | - | - | - | 5.10 |
| (50,000 Bonds of ₹ 1,000 each) | | | | | | |
| Corporate Deposit of LIC Housing Finance Limited | 17.50 | - | - | - | - | 17.50 |
| Corporate Deposit of PNB Housing Finance Limited | 17.50 | - | - | - | - | 17.50 |
| **Sub-total - Debt Securities** | **384.59** | **-** | **1,500.62** | **-** | **1,500.62** | **1,885.21** |
| **Equity Instruments** | | | | | | |
| - NHPC Ltd. | - | 592.52 | - | - | 592.52 | 592.52 |
| (18,40,11,865 Equity shares of ₹ 10 each) | | | | | | |
| - Indian Energy Exchange Ltd. | - | 109.25 | - | - | 109.25 | 109.25 |
| (12,50,000 Equity shares of ₹ 10 each) | | | | | | |
| - HUDCO Ltd. | - | - | - | - | - | - |
| (3,47,429 Equity shares of ₹ 10 each) | | | | | | |
| - Universal Commodity Exchange Ltd. | - | - | - | - | - | - |
| (1,60,00,000 Equity shares of ₹ 10 each) | | | | | | |
| - Lanco Teesta Hydro Power Pvt. Ltd. | - | - | - | - | - | - |
| (10,20,00,000 Equity shares of ₹ 10 each) | | | | | | |
| **Sub-total - Equity Instruments** | **-** | **701.77** | **-** | **-** | **701.77** | **701.77** |
| **Subsidiaries** | | | | | | |
| - REC Power Distribution Company Ltd. | - | - | - | - | - | - |
| (50,000 Equity shares of ₹ 10 each) | | | | | | |
| - REC Transmission Projects Company Ltd. | - | - | - | - | - | - |
| (50,000 Equity shares of ₹ 10 each) | | | | | | |
| **Sub-total - Subsidiaries** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Others** | | | | | | |
| - Units of 'Small is Beautiful' Fund | - | 6.30 | - | - | 6.30 | 6.30 |
| (61,52,200 units of ₹ 10 each) | | | | | | |
| - Inter-Corporate Deposits | - | | - | | - | - |
| **Sub-total - Others** | **-** | **6.30** | **-** | **-** | **6.30** | **6.30** |
| **Total - Gross (A)** | **620.39** | **708.07** | **1,500.62** | **-** | **2,208.69** | **2,829.08** |
| (i) Investments outside India | - | - | - | - | - | - |
| (ii) Investments in India | 620.39 | 708.07 | 1,500.62 | - | 2,208.69 | 2,829.08 |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| As at 1st April 2017 | Amortised Cost | At fair value | | | | Total |
|---|---|---|---|---|---|---|
| | | Through Other Comprehensive Income | Through profit or loss | Designated at fair value through profit or loss | Sub-total | |
| | (1) | (2) | (3) | (4) | (5=2+3+4) | (6=1+5) |
| **Total (B)** | **620.39** | **708.07** | **1,500.62** | **-** | **2,208.69** | **2,829.08** |
| Less: Allowance for impairment loss (C) | | | | | | |
| **Total - Net (D=A-C)** | **620.39** | **708.07** | **1,500.62** | **-** | **2,208.69** | **2,829.08** |

### (B) Investments accounted for using equity method

(₹ in Crores)

| Particulars | As at 31-03-19 | As at 31-03-18 | As at 01-04-17 |
|---|---|---|---|
| **Investment in Joint Ventures** | | | |
| - Energy Efficiency Services Ltd. | **179.63** | 172.63 | 176.07 |
| (14,65,00,000 Equity shares of ₹ 10 each) | | | |
| **Total** | **179.63** | **172.63** | **176.07** |

**10.1** Under the Right Issue Offer of Energy Efficiency Services Limited (EESL), the Company has applied for 7,16,00,000 shares of Energy Efficiency Services Limited (EESL) for a consideration of Rs. 71.60 crores on 8th April 2019. The final allotment of shares is pending as on date and subsequent to this, the shareholding of the Company may increase in EESL.

**10.2** The Company has elected an irrevocable option to designate some of the equity instruments at FVOCI (Fair Value through Other Comprehensive Income). The Company's main operation is to provide financial assistance to power sector. Thus, in order to isolate Statement of Profit & Loss from price fluctuations of these instruments, management believes that this provides a more meaningful presentation, rather than classifying them at FVTPL (Fair Value through Profit & Loss).

**Details of FVOCI investments derecognised during the year**

(₹ in Crores)

| Name of the company | FY 2018-19 | | | FY 2017-18 | | |
|---|---|---|---|---|---|---|
| | No. of shares derecognised | Fair Value as on de-recognition | Cumulative Gain/ loss on de-recognition | No. of shares derecognised | Fair Value as on de-recognition | Cumulative Gain/ loss on de-recognition |
| **NHPC Limited** | **0.87** | **24.39** | **5.42** | - | - | - |

The shares of NHPC Ltd. were sold under buyback offer of the company, under which the shares were offered to be bought back at a price higher than the prevailing market price and the Company considered it as an opportunity to sell a large lot of equity shares through this mode, instead of selling the shares in open market at lower prices.

Subsequent to the derecognition of the investments on account of actual sale of the equity shares, the Company has transferred the cumulative gain or loss on such shares within equity during the period.

**10.3** Under the Buy Back Offer of Indian Energy Exchange Limited, The Company has sold and consequently derecognised 2,28,789 shares for a consideration of Rs. 4.23 crores on 10th April 2019. The shares had been offered to be bought back at a price higher than the prevailing market price and the Company considered it as an opportunity to sell a large lot of equity shares through this mode, instead of selling the shares in open market at lower prices.

# CONSOLIDATED NOTES TO ACCOUNTS

## 11 Other financial assets

The Company has categorised all the components under 'Other Financial Assets' at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| **(A)** | **Loans to Employees** | **28.80** | 32.72 | 37.05 |
| **(B)** | **Advances to Employees** | **0.32** | 0.19 | 0.13 |
| **(C)** | **Security Deposits** | **1.76** | 1.75 | 1.36 |
| **(D)** | **Recoverable from Govt. of India** | | | |
| | - Towards GoI Fully Serviced Bonds | **18,131.11** | 4,011.23 | - |
| | - Agency Charges on Govt. Schemes | **159.61** | 161.01 | - |
| | - Reimbursement of Expenses on Govt. Schemes | **0.91** | 8.00 | 9.44 |
| | **Total - Recoverable from Govt. of India** | **18,291.63** | **4,180.24** | **9.44** |
| **(E)** | **Recoverable from State Electricity Boards/ Others** | **14.12** | 11.66 | 3.13 |
| **(F)** | **Other Amounts Recoverable** | **39.40** | 15.85 | 8.92 |
| | Less: Allowance for Expected Credit Loss | **-26.69** | -12.27 | -5.59 |
| | Other Amounts Recoverable (Net) | **12.71** | 3.58 | 3.33 |
| **(G)** | **Other Financial Assets** | **14.65** | 51.39 | 8.21 |
| | **Total (A to G)** | **18,363.99** | **4,281.53** | **62.65** |

## 11.1 Details of Loans to Employees

The Company has categorised all loans to employees at Amortised Cost only in accordance with the requirements of Ind AS 109.

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| **(A)** | **Secured Loans** | | | |
| | - To Key Managerial Personnel | **-** | - | 0.02 |
| | - To Others | **3.74** | 4.14 | 4.45 |
| | **Sub-total (A)** | **3.74** | **4.14** | **4.47** |
| **(B)** | **Unsecured Loans** | | | |
| | - To Key Managerial Personnel | **0.46** | 0.56 | 0.51 |
| | - To Others | **24.60** | 28.02 | 32.07 |
| | **Sub-total (B)** | **25.06** | **28.58** | **32.58** |
| | **Total (A+B)** | **28.80** | **32.72** | **37.05** |

The figures above include interest accrued on such loans amounting to ₹ 5.72 crores (Previous year ₹ 5.45 crores).

# CONSOLIDATED NOTES TO ACCOUNTS

## 12 Inventories

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Work-in-progress | - | - | 0.04 |
| Inventories | - | - | - |
| **Total** | **-** | **-** | **0.04** |

## 13 Current tax assets (net)

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **Advance Income-tax & TDS** | **2,148.43** | 2,211.17 | 2,681.13 |
| Less; Provision for Income Tax | **(1,855.26)** | (2,178.95) | (2,632.70) |
| **Current tax assets (Net)** | **293.17** | **32.22** | **48.43** |

## 14 Deferred tax assets (net)

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Deferred Tax Assets (Net) | **2,305.93** | 2,842.43 | 2,134.12 |

### 14.1 Significant components of net deferred tax assets and liabilities for the year ended 31st March 2019 are as follows

(₹ in Crores)

| Particulars | Opening balance | Recognised in Profit or Loss | Recognised in OCI | Others | Closing balance |
|---|---|---|---|---|---|
| **Deferred Tax Assets** | | | | | |
| Expected Credit Loss | 2,992.06 | (14.27) | | | 2,977.79 |
| Provision for Earned Leave and Loyalty bonus | 3.62 | 0.57 | | | 4.19 |
| Provision for Medical Leave | 6.91 | 0.66 | | | 7.57 |
| **Total Deferred Tax Assets** | **3,002.59** | **(13.04)** | **-** | **-** | **2,989.55** |
| **Deferred Tax Liabilities** | | | | | |
| Due to different tax base of Property, Plant & Equipment | 2.98 | (0.16) | | | 2.82 |
| Unamortised Foreign Currency Exchange Fluctuations | 30.15 | 237.11 | | | 267.26 |
| Fair Valuation of Derivatives | (9.27) | 21.31 | | | 12.04 |
| Financial assets and liabilities measured at amortised cost | 61.88 | 275.01 | | | 336.89 |
| Fair Valuation of Investments | 0.10 | | 0.68 | | 0.78 |
| Share of undistributed profit of subsidiaries consolidated | 68.38 | (12.03) | | | 56.35 |
| Share of undistributed profit of JV accounted for using equity method | 5.94 | 1.54 | | | 7.48 |
| **Total Deferred Tax Liabilities** | **160.16** | **522.78** | **0.68** | **-** | **683.62** |
| **Total Deferred Tax Assets (Net)** | **2,842.43** | **(535.82)** | **(0.68)** | **-** | **2,305.93** |

## CONSOLIDATED NOTES TO ACCOUNTS

**Significant components of net deferred tax assets and liabilities for the year ended 31st March 2018 are as follows**

(₹ in Crores)

| Particulars | Opening balance | Recognised in Profit or Loss | Recognised in OCI | Others | Closing balance |
|---|---|---|---|---|---|
| **Deferred Tax Assets** | | | | | |
| Expected Credit Loss | 2,284.27 | 707.79 | | | 2,992.06 |
| Provision for Earned Leave and Loyalty bonus | 10.86 | -7.24 | | | 3.62 |
| Provision for Medical Leave | 6.67 | 0.24 | | | 6.91 |
| **Total Deferred Tax Assets** | **2,301.80** | **700.79** | **-** | **-** | **3,002.59** |
| Deferred Tax Liabilities | | | | | |
| Depreciation and Amortisation | 3.86 | (0.88) | | | 2.98 |
| Unamortised Foreign Currency Exchange Fluctuations | (70.52) | 100.67 | | | 30.15 |
| Fair Valuation of Derivatives | 91.23 | (100.50) | | | (9.27) |
| Financial assets and liabilities measured at amortised cost | 77.24 | (15.36) | | | 61.88 |
| Fair Valuation of Investments | - | | 0.10 | | 0.10 |
| Share of undistributed profit of subsidiaries consolidated | 59.85 | 8.53 | | | 68.38 |
| Share of undistributed profit of JV accounted for using equity method | 6.02 | (0.08) | | | 5.94 |
| **Total Deferred Tax Liabilities** | **167.68** | **(7.62)** | **0.10** | **-** | **160.16** |
| **Total Deferred Tax Assets (Net)** | **2,134.12** | **708.41** | **(0.10)** | **-** | **2,842.43** |

### 15 Investment Property

(₹ in Crores)

| Particulars | Opening Balance | Additions during the period | Sales/ adjustment during the period | Closing Balance |
|---|---|---|---|---|
| **FY 2018-19** | **0.01** | **-** | **-** | **0.01** |
| FY 2017-18 | 0.01 | - | - | 0.01 |

**15.1** The company has classified the land held for undeterminable future use as investment property and is not earning any rental income on it.

**15.2** Fair value of investment property:

(₹ in Crores)

| Particulars | As at 31-03-19 | As at 31-03-18 | As at 01-04-17 |
|---|---|---|---|
| Carrying Value | **0.01** | 0.01 | 0.01 |
| Fair Value | **0.61** | 0.51 | 0.41 |

The Company obtains independent valuations for its investment properties at least annually. The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the Company consider information from variety of sources including:

- current prices in an active market of similar properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences.
- current circle rates in the jurisdiction where the investment property is located.

The fair values of investment property has been determined by an independent valuer and the main inputs used are circle rates and current prices of similar properties. All resulting fair value estimates for investment property are included in Level 3.

## 16 Property, Plant & Equipment and Intangible Assets

(₹ in Crores)

| Particulars | Property, Plant & Equipment | | | | | | | | | Capital Work-in-Progress | Intangible Assets under Development | Other Intangible Assets |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Freehold Land | Leasehold Land | Buildings | Furniture & Fixtures | EDP Equipments | Office Equipments | Vehicles | Leasehold Improvements | Total | Immovable Property | Computer Software | Computer Software |
| **Gross carrying value** | | | | | | | | | | | | |
| **As at 01.04.2017** | **82.92** | **1.59** | **31.58** | **7.54** | **17.10** | **14.57** | **0.43** | **2.15** | **157.88** | **61.41** | **1.46** | **7.12** |
| Additions | - | - | 0.16 | 1.99 | 3.20 | 3.80 | - | 0.21 | **9.36** | **59.50** | **-** | **5.35** |
| Borrowings Cost Capitalised | - | - | - | - | - | - | - | - | **-** | **6.32** | **-** | **-** |
| Disposals | - | - | - | 0.15 | 2.10 | 0.77 | 0.03 | - | **3.05** | **-** | **-** | **-** |
| **As at 31.03.2018** | **82.92** | **1.59** | **31.74** | **9.38** | **18.20** | **17.60** | **0.40** | **2.36** | **164.19** | **127.23** | **1.46** | **12.47** |
| Additions | 27.47 | - | - | 1.82 | 5.12 | 3.25 | - | 0.12 | **37.78** | **58.34** | **0.13** | **4.91** |
| Borrowings Cost Capitalised | - | - | - | - | - | - | - | - | **-** | **11.37** | **-** | **-** |
| Disposals | - | - | - | 0.21 | 0.87 | 0.95 | - | - | **2.03** | **-** | **-** | **-** |
| **As at 31.03.2019** | **110.39** | **1.59** | **31.74** | **10.99** | **22.45** | **19.90** | **0.40** | **2.48** | **199.94** | **196.94** | **1.59** | **17.38** |
| **Accumulated depreciation/ amortisation** | | | | | | | | | | | | |
| **As at 01.04.2017 *** | **-** | **0.25** | **7.62** | **5.41** | **12.42** | **7.64** | **0.28** | **0.03** | **33.65** | **-** | **-** | **6.67** |
| Charge for the year | - | 0.04 | 0.48 | 0.61 | 2.71 | 2.01 | 0.02 | 0.43 | **6.30** | **-** | **-** | **0.64** |
| Adjustment for disposals | - | - | - | 0.08 | 1.92 | 0.32 | 0.03 | - | **2.35** | **-** | **-** | **-** |
| **As at 31.03.2018** | **-** | **0.29** | **8.10** | **5.94** | **13.21** | **9.33** | **0.27** | **0.46** | **37.60** | **-** | **-** | **7.31** |
| Charge for the year | - | 0.02 | 0.48 | 0.65 | 2.75 | 2.41 | 0.03 | 0.44 | **6.78** | **-** | **-** | **1.52** |
| Adjustment for disposals | - | - | - | 0.06 | 0.61 | 0.40 | - | - | **1.07** | **-** | **-** | **-** |
| **As at 31.03.2019** | **-** | **0.31** | **8.58** | **6.53** | **15.35** | **11.34** | **0.30** | **0.90** | **43.31** | **-** | **-** | **8.83** |
| **Net block as at 01.04.17 *** | **82.92** | **1.34** | **23.96** | **2.13** | **4.68** | **6.93** | **0.15** | **2.12** | **124.23** | **61.41** | **1.46** | **0.45** |
| **Net block as at 31.03.18** | **82.92** | **1.30** | **23.64** | **3.44** | **4.99** | **8.27** | **0.13** | **1.90** | **126.59** | **127.23** | **1.46** | **5.16** |
| **Net block as at 31.03.19** | **110.39** | **1.28** | **23.16** | **4.46** | **7.10** | **8.56** | **0.10** | **1.58** | **156.63** | **196.94** | **1.59** | **8.55** |

* represents deemed cost on the date of transition to Ind AS. Gross block and accumulated depreciation/ amortisation from the previous GAAP have been disclosed for the purpose of better understanding of the original cost of assets.

**16.1** As on 31st March 2019, the formalities regarding registration of conveyance deed in respect of certain immovable properties acquired by the Company are yet to be executed. The details are as below:

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Land | Building | Land | Building | Land | Building |
| **Gross Carrying Value** | **68.31** | **4.59** | 45.92 | 4.59 | 45.92 | 4.59 |
| **Net Carrying Value** | **68.31** | **2.20** | 45.92 | 2.26 | 45.92 | 2.32 |

**16.2** As on 31st March 2019, certain Property, Plant & Equipment has been pledged as security against secured borrowings of the Company as per the details below:

(₹ in Crores)

| Particulars | As at 31-03-19 | As at 31-03-18 | As at 01-04-17 |
|---|---|---|---|
| **Gross Carrying Value** | **3.45** | 3.45 | 3.45 |
| **Net Carrying Value** | **2.46** | 2.50 | 2.55 |

**16.3** In the opinion of management, there are no events or changes in circumstances that indicate the impairment of PPE and Intangible Assets in terms of Ind AS 36 'Impairment of Assets'. Accordingly, no provision for impairment has been made.

**16.4** While the Company has not made any specific borrowings for construction of a qualifying asset, the Company has capitalised certain borrowingcosts on account of general borrowings at an average rate of borrowings for the Company in terms of Ind AS 23 'Borrowing Costs'.

**16.5 Disclosure in respect of Intangible Assets as required under Ind-AS 38 "Intangible Assets"**

**Amortisation Rate** 20% (100% in case the total cost of the asset is ₹ 5,000 or less)

In case of RECPDCL, the useful life of intangible asset has been taken as 3 years, impact of which is not material to the Group (Gross block as at 31.03.2019 is ₹ 0.12 crores, as at 31st March 2018 is ₹ 0.08 crores and as at 1st April 2017 is ₹ 0.08 crores).

# CONSOLIDATED NOTES TO ACCOUNTS

## 17 Other non-financial assets

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| (A) | Capital Advances | 35.72 | 45.96 | 40.23 |
| (B) | Other Advances | 30.82 | 24.33 | 4.88 |
| (C) | Balances with Govt. Authorities | 62.02 | 15.94 | 11.82 |
| (D) | Prepaid Expenses | 7.64 | 0.11 | 0.64 |
| (E) | Deferred Employee Cost | 12.20 | 13.60 | 14.89 |
| (F) | Other Assets | 0.01 | 0.07 | 0.10 |
| | Total (A to F) | 148.41 | 100.01 | 72.56 |

## 18 Disposal Group

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| | Assets classified as held for sale | | | |
| (A) | Investment (refer note 18.1) | 0.50 | 0.10 | 0.20 |
| (B) | Loans to associates (refer note 18.2) | 9.06 | 7.58 | 2.88 |
| | Total (A+B) | 9.56 | 7.68 | 3.08 |
| | Liabilities directly associated with assets classified as held for sale | | | |
| (C) | Payable to associates (refer note 18.3) | 0.08 | - | - |
| | Total (C) | 0.08 | - | - |
| | Disposal group -Net assets (A+B-C) | 9.48 | 7.68 | 3.08 |

## 18.1 Investments in associates

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Investments in Equity Instruments of associates (fully paid up) | | | |
| Equity shares of ₹ 10/- each | | | |
| Dinchang Transmission Limited * | - | 0.05 | 0.05 |
| Ghatampur Transmission Limited | - | 0.05 | 0.05 |
| ERSS XXI Transmission Limited | - | - | 0.05 |
| WR-NR Power Transmission Limited | - | - | 0.05 |
| Ajmer Phagi Transco Limited | 0.05 | - | - |
| Bhindguna Transmission Limited | 0.05 | - | - |
| Chandil Transmission Ltd | 0.05 | - | - |
| Dumka Transmission Ltd. | 0.05 | - | - |
| Jam Khambaliya Transco Limited | 0.05 | - | - |
| Khetri Transco Limited | 0.05 | - | - |
| Koderma Transmission Ltd | 0.05 | - | - |
| Lakadia Banaskantha Transco Limited | 0.05 | - | - |
| Mandar Transmission Ltd. | 0.05 | - | - |
| Udupi Kasargode Trans. Ltd. | 0.05 | - | - |
| Total | 0.50 | 0.10 | 0.20 |

* Dinchang Transmission Ltd was denotified vide MoP letter dated 25 March 2019 and subsequently, the investment has been fully provided for.

# CONSOLIDATED NOTES TO ACCOUNTS

## 18.2 Loans to Associates

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Dinchang Transmission Limited* | - | 1.06 | 0.82 |
| Ghatampur Transmission Limited** | - | 3.12 | 1.24 |
| ERSS XXI Transmission Limited | - | - | 0.42 |
| WR-NR Power Transmission Limited | - | - | 0.40 |
| Chandil Transmission Limited | 1.99 | 0.85 | - |
| Dumka Transmission Limited | 1.94 | 0.85 | - |
| Mandar Transmission Limited | 1.71 | 0.85 | - |
| Koderma Transmission Limited | 1.76 | 0.85 | - |
| Ajmer Phagi Transco Ltd | 0.18 | - | - |
| Bhindguna Transmission Limted | 0.88 | - | - |
| UDUPI Kasargode Transmission Ltd | 0.25 | - | - |
| WRSS XXI (A) Transco Ltd*** | 0.35 | - | - |
| **Total** | **9.06** | **7.58** | **2.88** |

* Expenditure was incurred on the said project since FY 2015-16 and later on the project was put on hold by the Govt. of India in 10 August 2016. During FY 2018-19, the expenses of Rs. 1.08 crores were written off on the basis of the letter dated 25 March .2019 received from Ministry of Power.

**Ghatampur Transmission Limited was transferred to Adani Transmission Limited on 21st June, 2018.

*** WRSS XXI(A) Transco Ltd was incorporated in 27th March 2019 , but the share capital had not been introduced till 31st March 2019. However, expenses have been allocated towards the SPV as the per expenses allocation policy, since RFQ was issued in March 2019

## 18.3 Liabilities directly associated with assets classified as held for sale

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Khetri Transco Limited | 0.04 | - | - |
| Lakadia Banaskantha Transco Ltd | 0.04 | - | - |
| **Total** | **0.08** | **-** | **-** |

Management had incorporated these entities with a view to sell them off as per the guidelines of Ministry of Power, through the bid process prescribed by Ministry of Power. There is no possibility that management will have benefits from these entities other than selling them off, hence all these investments (along with the related assets and liabilities) has been classified as 'held for sale'.

## 19 Trade Payables

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **Trade Payables** | | | |
| Total outstanding dues of MSMEs (refer note 58) | 2.65 | 1.83 | 0.30 |
| Total outstanding dues of creditors other than MSMEs | 64.64 | 61.31 | 42.89 |
| **Total (Payables)** | **67.29** | **63.14** | **43.19** |

# CONSOLIDATED NOTES TO ACCOUNTS

## 20 Debt Securities

The Company has categorised all debt securities at amortised cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

| Particulars | | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|---|
| | | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **(A)** | **Secured Long-Term Debt Securities** | | | | | | |
| (i) | Institutional Bonds | **11,019.40** | **11,599.27** | 22,138.60 | 23,099.72 | 27,591.90 | 28,818.34 |
| (ii) | 54EC Capital Gain Tax Exemption Bonds | **23,157.88** | **24,010.13** | 22,235.89 | 23,051.75 | 19,477.40 | 20,196.18 |
| (iii) | Tax Free Bonds | **12,577.97** | **13,010.38** | 12,577.97 | 13,006.38 | 12,577.97 | 13,003.21 |
| (iv) | Bond Application Money | **722.04** | **720.48** | 1,469.23 | 1,469.23 | - | - |
| | **Sub-total (A)** | **47,477.29** | **49,340.26** | **58,421.69** | **60,627.08** | **59,647.27** | **62,017.73** |
| **(B)** | **Unsecured Long-Term Debt Securities** | | | | | | |
| (i) | Institutional Bonds | **118,253.90** | **122,201.55** | 103,069.70 | 106,530.16 | 82,284.40 | 85,437.09 |
| (ii) | Infrastructure Bonds | **91.43** | **98.75** | 110.47 | 126.07 | 111.64 | 124.13 |
| (iii) | Zero Coupon Bonds | **1,259.57** | **1,258.56** | 1,162.59 | 1,161.55 | 1,073.09 | 1,072.01 |
| (iv) | Foreign Currency Bonds | **12,796.69** | **12,172.07** | 7,480.06 | 7,472.55 | - | - |
| | **Sub-total (B)** | **132,401.59** | **135,730.93** | **111,822.82** | **115,290.33** | **83,469.13** | **86,633.23** |
| **(C)** | **Unsecured Short-Term Debt Securities** | | | | | | |
| (i) | Commercial Paper | **7,975.00** | **7,696.32** | 3,250.00 | 3,150.44 | - | - |
| | **Sub-total (C)** | **7,975.00** | **7,696.32** | **3,250.00** | **3,150.44** | **-** | **-** |
| | **Total - Debt Securities (A+B+C)** | **187,853.88** | **192,767.51** | **173,494.51** | **179,067.85** | **143,116.40** | **148,650.96** |
| | **Debt Securities issued in/ outside India** | | | | | | |
| (i) | Debt Securities in India | **175,057.19** | **180,595.44** | 166,014.45 | 171,595.30 | 143,116.40 | 148,650.96 |
| (ii) | Debt Securities outside India | **12,796.69** | **12,172.07** | 7,480.06 | 7,472.55 | - | - |
| | **Total - Debt Securities** | **187,853.88** | **192,767.51** | **173,494.51** | **179,067.85** | **143,116.40** | **148,650.96** |

## 20.1 Details of Secured Long-Term Debt Securities - Refer Note 21.8 for details of the security

### (i) Institutional Bonds

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **123-IIIB Series -** 9.34% Redeemable at par on 23.08.2024 | **1,955.00** | **2,062.61** | 1,955.00 | 2,063.48 | 1,955.00 | 2,063.36 |
| **123-I Series -** 9.40% Redeemable at par on 17.07.2021 | **1,515.00** | **1,615.29** | 1,515.00 | 1,615.16 | 1,515.00 | 1,614.64 |
| **92-II Series -** 8.65% Redeemable at par on 22.01.2020 | **945.30** | **960.65** | 945.30 | 960.53 | 945.30 | 960.42 |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **91-II Series -** 8.80% Redeemable at par on 18.11.2019 | **995.90** | **1,028.23** | 995.90 | 1,028.09 | 995.90 | 1,027.98 |
| **90-C-II Series -** 8.80% Redeemable at par on 07.10.2019 | **1,040.00** | **1,084.29** | 1,040.00 | 1,084.13 | 1,040.00 | 1,083.98 |
| **90-B-II Series -** 8.72% Redeemable at par on 04.09.2019 | **868.20** | **911.48** | 868.20 | 911.34 | 868.20 | 911.21 |
| **90th Series -** 8.80% Redeemable at par on 03.08.2019 | **2,000.00** | **2,116.21** | 2,000.00 | 2,116.20 | 2,000.00 | 2,116.20 |
| **122nd Series -** 9.02% Redeemable at par on 18.06.2019 | **1,700.00** | **1,820.51** | 1,700.00 | 1,819.82 | 1,700.00 | 1,820.00 |
| **119th Series -** 9.63% Redeemed at par on 05.02.2019 | - | - | 2,090.00 | 2,121.40 | 2,090.00 | 2,119.20 |
| **88th Series -** 8.65% Redeemed at par on 15.01.2019 | - | - | 1,495.00 | 1,521.82 | 1,495.00 | 1,521.69 |
| **118th Series -** 9.61% Redeemed at par on 03.01.2019 | - | - | 1,655.00 | 1,693.23 | 1,655.00 | 1,692.88 |
| **117th Series -** 9.38% Redeemed at par on 06.11.2018 | - | - | 2,878.00 | 2,985.72 | 2,878.00 | 2,985.32 |
| **87-A-III Series -** 11.15% Redeemed at par on 24.10.2018 | - | - | 61.80 | 64.77 | 61.80 | 64.73 |
| **116-II Series -** 9.24% Redeemed at par on 17.10.2018 | - | - | 850.00 | 885.63 | 850.00 | 885.48 |
| **87-II Series -** 10.85% Redeemed at par on 01.10.2018 | - | - | 657.40 | 693.12 | 657.40 | 693.04 |
| **86-B-III Series -** 10.85% Redeemed at par on 14.08.2018 | - | - | 432.00 | 460.50 | 432.00 | 461.78 |
| **86-A Series -** 10.70% Redeemed at par on 30.07.2018 | - | - | 500.00 | 536.06 | 500.00 | 536.05 |
| **85th Series -** 9.68% Redeemed at par on 13.06.2018 | - | - | 500.00 | 538.72 | 500.00 | 538.87 |
| **83rd Series -** 9.07% Redeemed at par on 28.02.2018 | - | - | - | - | 685.20 | 711.02 |
| **82nd Series -** 9.85% Redeemed at par on 28.09.2017 | - | - | - | - | 883.10 | 933.81 |
| **124-I Series -** 9.06% Redeemed at par on 22.09.2017 | - | - | - | - | 2,610.00 | 2,730.98 |
| **123-IIIA Series -** 9.25% Redeemed at par on 25.08.2017 | - | - | - | - | 1,275.00 | 1,345.70 |
| **Total - Institutional Bonds** | **11,019.40** | **11,599.27** | **22,138.60** | **23,099.72** | **27,591.90** | **28,818.34** |

## CONSOLIDATED NOTES TO ACCOUNTS

**(ii) 54EC Capital Gain Tax Exemption Bonds**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **Series XII (2018-19) -** 5.75% Redeemable at par during financial year 2023-24 | **5,929.73** | **6,083.83** | - | - | - | - |
| **Series XI (2017-18) -** 5.25% Redeemable at par during financial year 2020-21 | **9,565.23** | **9,934.60** | 8,096.27 | 8,298.32 | - | - |
| **Series X (2016-17) -** 5.25%- 6.00% Redeemable at par during financial year 2019-20 | **7,662.92** | **7,991.70** | 7,662.92 | 7,987.12 | 7,662.92 | 7,854.44 |
| **Series X (2015-16) -** 6.00% Redeemed at par during financial year 2018-19 | **-** | **-** | 6,476.70 | 6,766.31 | 6,476.70 | 6,764.10 |
| **Series IX (2014-15) -** 6.00% Redeemed at par during financial year 2017-18 | **-** | **-** | - | - | 5,337.78 | 5,577.64 |
| **Total - 54EC Capital Gain Tax Exemption Bonds** | **23,157.88** | **24,010.13** | **22,235.89** | **23,051.75** | **19,477.40** | **20,196.18** |

**(iii) Tax Free Bonds**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **Series 2015-16 Tranche 1** | **696.56** | **710.13** | 696.56 | 709.98 | 696.56 | 709.87 |
| Redeemable at par. Bonds amounting to ₹ 105.93 Crores are redeemable on 05.11.2025, ₹ 172.90 Crores are redeemable on 05.11.2030 and ₹ 417.73 Crores are redeemable on 05.11.2035 with interest rates varying from 6.89% to 7.43% payable annually | | | | | | |
| **Series 2015-16 Series 5A** | **300.00** | **306.92** | 300.00 | 306.89 | 300.00 | 306.87 |
| 7.17% Redeemable at par on 23.07.2025 | | | | | | |
| **Series 2013-14 Tranche 2** | **1,057.40** | **1,082.77** | 1,057.40 | 1,082.35 | 1,057.40 | 1,082.00 |
| Redeemable at par. Bonds amounting to ₹ 419.32 Crores are redeemable on 22.03.2024, ₹ 528.42 Crores are redeemable on 23.03.2029 and ₹ 109.66 Crores are redeemable on 24.03.2034 with interest rates varying from 8.19% to 8.88% payable annually | | | | | | |
| **Series 2013-14 Series 4A & 4B** | **150.00** | **155.64** | 150.00 | 155.61 | 150.00 | 155.59 |
| Redeemable at par. Bonds amounting to ₹ 105.00 Crores are redeemable on 11.10.2023 and ₹ 45.00 Crores are redeemable on 11.10.2028 with interest rates varying from 8.18% to 8.54% payable annually | | | | | | |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **Series 2013-14 Tranche 1** | **3,410.60** | **3,492.27** | 3,410.60 | 3,491.11 | 3,410.60 | 3,490.17 |
| Redeemable at par. Bonds amounting to ₹ 575.06 Crores are redeemable on 25.09.2023, ₹ 2,780.26 Crores are redeemable on 25.09.2028 and ₹ 55.28 Crores are redeemable on 26.09.2033 with interest rates varying from 8.01% to 8.71% payable annually | | | | | | |
| **Series 2013-14 Series 3A & 3B** | **1,350.00** | **1,414.77** | 1,350.00 | 1,414.61 | 1,350.00 | 1,414.47 |
| Redeemable at par. Bonds amounting to ₹ 209.00 Crores are redeemable on 29.08.2023 and ₹ 1,141.00 Crores are redeemable on 29.08.2028 with interest rates varying from 8.01% to 8.46% payable annually | | | | | | |
| **Series 2012-13 Tranche 2** | **131.06** | **133.84** | 131.06 | 133.79 | 131.06 | 133.75 |
| Redeemable at par. Bonds amounting to ₹ 81.35 Crores are redeemable on 27.03.2023 and bonds amounting to ₹ 49.71 Crores are redeemable on 27.03.2028 with interest rates varying from 6.88% to 7.54% payable annually | | | | | | |
| **Series 2012-13 Tranche 1** | **1,982.35** | **2,026.43** | 1,982.35 | 2,025.57 | 1,982.35 | 2,024.88 |
| Redeemable at par. Bonds amounting to ₹ 1,165.31 Crores are redeemable on 19.12.2022 and bonds amounting to ₹ 817.04 Crores are redeemable on 20.12.2027 with interest rates varying from 7.22% to 7.88% payable annually | | | | | | |
| **Series 2012-13 Series 2A & 2B** | **500.00** | **512.92** | 500.00 | 512.90 | 500.00 | 512.88 |
| Redeemable at par. Bonds amounting to ₹ 255.00 Crores are redeemable on 21.11.2022 and bonds amounting to ₹ 245.00 Crores are redeemable on 22.11.2027 with interest rates of 7.21% and 7.38% respectively payable annually | | | | | | |
| **Series 2011-12** | **3,000.00** | **3,174.69** | 3,000.00 | 3,173.57 | 3,000.00 | 3,172.73 |
| Redeemable at par. Bonds amounting to ₹ 839.67 Crores are redeemable on 28.03.2022 and bonds amounting to ₹ 2,160.33 Crores are redeemable on 29.03.2027 with interest rates varying from 7.93% to 8.32% payable annually | | | | | | |
| **Total - Tax Free Bonds** | **12,577.97** | **13,010.38** | **12,577.97** | **13,006.38** | **12,577.97** | **13,003.21** |

# CONSOLIDATED NOTES TO ACCOUNTS

**(iv) Bond Application Money**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **54EC Capital Gain Tax Exemption Bonds** | **722.04** | **720.48** | 1,469.23 | 1,469.23 | - | - |
| 5.75% Redeemable at par after 5 years from the deemed date of allotment | | | | | | |
| **Total - Bond Application Money** | **722.04** | **720.48** | **1,469.23** | **1,469.23** | **-** | **-** |

## 20.2 Details of Unsecured Long-Term Debt Securities

**(i) Institutional Bonds**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **169th Series -** 8.37% Redeemable at par on 07.12.2028 | **2,554.00** | **2,620.27** | - | - | - | - |
| **168th Series -** 8.56% Redeemable at par on 29.11.2028 | **2,552.40** | **2,624.99** | - | - | - | - |
| **163rd Series -** 8.63% Redeemable at par on 25.08.2028 | **2,500.00** | **2,627.34** | - | - | - | - |
| **162nd Series -** 8.55% Redeemable at par on 09.08.2028 | **2,500.00** | **2,636.73** | - | - | - | - |
| **156th Series -** 7.70% Redeemable at par on 10.12.2027 | **3,533.00** | **3,614.04** | 3,533.00 | 3,613.97 | - | - |
| **147th Series -** 7.95% Redeemable at par on 12.03.2027 | **2,745.00** | **2,745.25** | 2,745.00 | 2,745.17 | 2,745.00 | 2,754.66 |
| **142nd Series -** 7.54% Redeemable at par on 30.12.2026 | **3,000.00** | **3,055.73** | 3,000.00 | 3,055.05 | 3,000.00 | 3,056.23 |
| **140th Series -** 7.52% Redeemable at par on 07.11.2026 | **2,100.00** | **2,151.90** | 2,100.00 | 2,151.81 | 2,100.00 | 2,161.69 |
| **136th Series -** 8.11% Redeemable at par on 07.10.2025 | **2,585.00** | **2,670.69** | 2,585.00 | 2,670.51 | 2,585.00 | 2,670.34 |
| **95-II Series -** 8.75% Redeemable at par on 14.07.2025 | **1,800.00** | **1,913.49** | 1,800.00 | 1,913.51 | 1,800.00 | 1,911.93 |
| **94th Series -** 8.75% Redeemable at par on 09.06.2025 | **1,250.00** | **1,339.00** | 1,250.00 | 1,338.98 | 1,250.00 | 1,343.87 |
| **133rd Series -** 8.30% Redeemable at par on 10.04.2025 | **2,396.00** | **2,452.88** | 2,396.00 | 2,452.71 | 2,396.00 | 2,452.55 |
| **131st Series -** 8.35% Redeemable at par on 21.02.2025 | **2,285.00** | **2,303.12** | 2,285.00 | 2,304.15 | 2,285.00 | 2,304.13 |
| **130th Series -** 8.27% Redeemable at par on 06.02.2025 | **2,325.00** | **2,492.75** | 2,325.00 | 2,492.58 | 2,325.00 | 2,491.89 |
| **129th Series -** 8.23% Redeemable at par on 23.01.2025 | **1,925.00** | **2,063.19** | 1,925.00 | 2,063.04 | 1,925.00 | 2,062.47 |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **128th Series -** 8.57% Redeemable at par on 21.12.2024 | **2,250.00** | **2,418.29** | 2,250.00 | 2,418.12 | 2,250.00 | 2,417.43 |
| **114th Series -** 8.82% Redeemable at par on 12.04.2023 | **4,300.00** | **4,666.20** | 4,300.00 | 4,665.88 | 4,300.00 | 4,665.58 |
| **159th Series -** 7.99% Redeemable at par on 23.02.2023 | **950.00** | **957.07** | 950.00 | 956.94 | - | - |
| **155th Series -** 7.45% Redeemable at par on 30.11.2022 | **1,912.00** | **1,958.62** | 1,912.00 | 1,958.39 | - | - |
| **111-II Series -** 9.02% Redeemable at par on 19.11.2022 | **2,211.20** | **2,283.10** | 2,211.20 | 2,282.93 | 2,211.20 | 2,282.77 |
| **152nd Series -** 7.09% Redeemable at par on 17.10.2022 | **1,225.00** | **1,263.82** | 1,225.00 | 1,263.65 | - | - |
| **150th Series -** 7.03% Redeemable at par on 07.09.2022 | **2,670.00** | **2,774.70** | 2,670.00 | 2,774.39 | - | - |
| **107th Series -** 9.35% Redeemable at par on 15.06.2022 | **2,378.20** | **2,554.12** | 2,378.20 | 2,553.93 | 2,378.20 | 2,553.76 |
| **167th Series -** 8.45% Redeemable at par on 22.03.2022 | **2,571.80** | **2,576.88** | - | - | - | - |
| **173th Series -** 8.35% Redeemable at par on 11.03.2022 | **2,500.00** | **2,509.41** | - | - | - | - |
| **132nd Series -** 8.27% Redeemable at par on 09.03.2022 | **700.00** | **750.61** | 700.00 | 750.52 | 700.00 | 750.28 |
| **145th Series -** 7.46% Redeemable at par on 28.02.2022 | **625.00** | **628.75** | 625.00 | 628.65 | 625.00 | 628.55 |
| **165th Series -** 8.83% Redeemable at par on 21.01.2022 | **2,171.00** | **2,206.47** | - | - | - | - |
| **141st Series -** 7.14% Redeemable at par on 09.12.2021 | **1,020.00** | **1,037.69** | 1,020.00 | 1,037.34 | 1,020.00 | 1,041.79 |
| **127th Series -** 8.44% Redeemable at par on 04.12.2021 | **1,550.00** | **1,664.56** | 1,550.00 | 1,664.41 | 1,550.00 | 1,663.91 |
| **105th Series -** 9.75% Redeemable at par on 11.11.2021 | **3,922.20** | **4,069.16** | 3,922.20 | 4,068.06 | 3,922.20 | 4,067.65 |
| **139th Series -** 7.24% Redeemable at par on 21.10.2021 | **2,500.00** | **2,574.49** | 2,500.00 | 2,574.18 | 2,500.00 | 2,578.86 |
| **101-III Series -** 9.48% Redeemable at par on 10.08.2021 | **3,171.80** | **3,363.70** | 3,171.80 | 3,363.38 | 3,171.80 | 3,363.10 |
| **100th Series -** 9.63% Redeemable at par on 15.07.2021 | **1,500.00** | **1,602.90** | 1,500.00 | 1,602.90 | 1,500.00 | 1,602.90 |
| **174th Series -** 8.15% Redeemable at par on 18.06.2021 | **2,720.00** | **2,727.18** | - | - | - | - |
| **161B Series -** 7.73% Redeemable at par on 15.06.2021 | **800.00** | **848.86** | 800.00 | 802.50 | - | - |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **154th Series -** 7.18% Redeemable at par on 21.05.2021 | **600.00** | **636.89** | 600.00 | 615.06 | - | - |
| **157th Series -** 7.60% Redeemable at par on 17.04.2021 | **1,055.00** | **1,131.27** | 1,055.00 | 1,070.69 | - | - |
| **158th Series -** 7.70% Redeemable at par on 15.03.2021 | **2,465.00** | **2,473.14** | 2,465.00 | 2,472.82 | - | - |
| **98th Series -** 9.18% Redeemable at par on 15.03.2021 | **3,000.00** | **3,012.83** | 3,000.00 | 3,012.83 | 3,000.00 | 3,012.83 |
| **153rd Series -** 6.99% Redeemable at par on 31.12.2020 | **2,850.00** | **2,898.98** | 2,850.00 | 2,898.63 | - | - |
| **97th Series -** 8.80% Redeemable at par on 30.11.2020 | **2,120.50** | **2,183.11** | 2,120.50 | 2,182.96 | 2,120.50 | 2,182.83 |
| **96th Series -** 8.80% Redeemable at par on 26.10.2020 | **1,150.00** | **1,193.81** | 1,150.00 | 1,193.78 | 1,150.00 | 1,193.79 |
| **149th Series -** 6.87% Redeemable at par on 24.09.2020 | **2,485.00** | **2,572.86** | 2,485.00 | 2,572.53 | - | - |
| **135th Series -** 8.36% Redeemable at par on 22.09.2020 | **2,750.00** | **2,817.11** | 2,750.00 | 2,816.94 | 2,750.00 | 2,816.78 |
| **144th Series -** 7.13% Redeemable at par on 21.09.2020 | **835.00** | **840.00** | 835.00 | 839.87 | 835.00 | 841.05 |
| **172nd Series -** 8.57% Redeemable at par on 20.08.2020 | **1,790.00** | **1,806.05** | - | - | - | - |
| **134th Series -** 8.37% Redeemable at par on 14.08.2020 | **2,675.00** | **2,740.10** | 2,675.00 | 2,739.75 | 2,675.00 | 2,739.43 |
| **143rd Series -** 6.83% Redeemable at par on 29.06.2020 | **1,275.00** | **1,289.08** | 1,275.00 | 1,288.90 | 1,275.00 | 1,288.73 |
| **148th Series -** 7.42% Redeemable at par on 17.06.2020 | **1,200.00** | **1,203.42** | 1,200.00 | 1,203.24 | 1,200.00 | 1,203.08 |
| **161A Series -** 7.59% Redeemable at par on 13.03.2020 | **3,000.00** | **3,010.44** | 3,000.00 | 3,010.27 | - | - |
| **113th Series -** 8.87% Redeemable at par on 09.03.2020 | **1,542.00** | **1,550.86** | 1,542.00 | 1,550.72 | 1,542.00 | 1,550.60 |
| **111-I Series -** 9.02% Redeemable at par on 19.11.2019 | **452.80** | **467.65** | 452.80 | 467.61 | 452.80 | 467.57 |
| **126th Series -** 8.56% Redeemable at par on 13.11.2019 | **1,700.00** | **1,755.25** | 1,700.00 | 1,754.99 | 1,700.00 | 1,753.95 |
| **125th Series -** 9.04% Redeemable at par on 11.10.2019 | **3,000.00** | **3,124.59** | 3,000.00 | 3,125.66 | 3,000.00 | 3,125.27 |
| **160th Series -** 7.77% Redeemable at par on 16.09.2019 | **1,450.00** | **1,510.68** | 1,450.00 | 1,459.49 | - | - |
| **108-II Series -** 9.39% Redeemable at par on 20.07.2019 | **960.00** | **1,022.94** | 960.00 | 1,022.83 | 960.00 | 1,022.73 |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **95-I Series -** 8.70% Redeemable at par on 12.07.2019 | **200.00** | **212.54** | 200.00 | 212.54 | 200.00 | 210.11 |
| **151st Series -** 6.75% Redeemable at par on 26.03.2019 | **-** | **-** | 1,150.00 | 1,151.02 | - | - |
| **137th Series -** 8.05% Redeemable at par on 07.12.2018 | **-** | **-** | 2,225.00 | 2,268.92 | 2,225.00 | 2,269.08 |
| **146th Series -** 6.88% Redeemable at par on 03.09.2018 | **-** | **-** | 3,300.00 | 3,430.46 | 3,300.00 | 3,317.51 |
| **112th Series -** 8.70% Redeemed at par on 01.02.2018 | **-** | **-** | - | - | 1,500.00 | 1,520.94 |
| **109th Series -** 9.25% Redeemed at par on 28.08.2017 | **-** | **-** | - | - | 1,734.70 | 1,830.00 |
| **108-I Series -** 9.40% Redeemed at par on 20.07.2017 | **-** | **-** | - | - | 2,125.00 | 2,264.47 |
| **Total - Institutional Bonds** | **118,253.90** | **122,201.55** | **103,069.70** | **106,530.16** | **82,284.40** | **85,437.09** |

**(ii) Infrastructure Bonds**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **Series-II (2011-12) -** Redeemable at par | **11.07** | **18.37** | 29.50 | 45.09 | 29.50 | 41.97 |
| **Series-I (2010-11) -** Redeemable at par | **80.36** | **80.38** | 80.97 | 80.98 | 82.14 | 82.16 |
| **Total - Infrastructure Bonds** | **91.43** | **98.75** | **110.47** | **126.07** | **111.64** | **124.13** |

Details of Infrastructure Bonds issued are as under :

**Series II (2011-12) allotted on 15.02.2012**

(₹ in Crores)

| Rate of Interest | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 | Redemption Details |
|---|---|---|---|---|
| 9.15% Cumulative | **-** | 13.44 | 13.44 | Redeemable on the date falling 15 years from the date of allotment with buyback option by bondholders after 7 years |
| 9.15% Annual | **-** | 5.00 | 5.00 | |
| 8.95% Cumulative | **5.73** | 5.72 | 5.72 | Redeemable on the date falling 10 years from the date of allotment |
| 8.95% Annual | **1.38** | 1.38 | 1.38 | |
| 9.15% Cumulative | **2.83** | 2.83 | 2.83 | Redeemable on the date falling 15 years from the date of allotment |
| 9.15% Annual | **1.13** | 1.13 | 1.13 | |
| **Total** | **11.07** | **29.50** | **29.50** | |

Amounts have been shown at face value

## CONSOLIDATED NOTES TO ACCOUNTS

**Series I (2010-11) allotted on 31.03.2011**

(₹ in Crores)

| Rate of Interest | As at 31.03.2019 | As at 31.03.2018 | As at 31.03.2017 | Redemption Details |
|---|---|---|---|---|
| 8.00% | **16.92** | 17.07 | 17.40 | Redeemable on the date falling 10 years from the date of allotment with buyback option by bondholders after 5/6/7/8/9 years |
| 8.20% | **58.04** | 58.50 | 59.34 | |
| 8.10% | **1.61** | 1.61 | 1.61 | Redeemable on the date falling 10 years from the date of allotment |
| 8.20% | **3.79** | 3.79 | 3.79 | |
| **Total** | **80.36** | **80.97** | **82.14** | |

Amounts have been shown at face value

**(iii) Zero Coupon Bonds**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value * | Amortised Cost | Face Value * | Amortised Cost | Face Value * | Amortised Cost |
| **ZCB - Series II** | **230.11** | **229.95** | 211.59 | 211.43 | 194.57 | 194.40 |
| (Net of unamortised discount, 89,510 bonds with face value of ₹ 30,000 each redeemable at par on 03.02.2021) | | | | | | |
| **ZCB - Series I** | **1,029.46** | **1,028.61** | 951.00 | 950.12 | 878.52 | 877.61 |
| (Net of unamortised discount, 3,92,700 bonds with face value of ₹ 30,000 each redeemable at par on 15.12.2020) | | | | | | |
| **Total - Zero Coupon Bonds** | **1,259.57** | **1,258.56** | **1,162.59** | **1,161.55** | **1,073.09** | **1,072.01** |

* represents the face value net of unamortised discount on issue of Zero Coupon Bonds

**(iv) Foreign Currency Bonds**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **4.625% US $700 Mn Bonds -** Redeemable at par on 13.11.2023 | **4,841.99** | **4,882.85** | - | - | - | - |
| **4.625% US $300 Mn Bonds -** Redeemable at par on 22.03.2028 | **2,075.14** | **1,848.33** | 1,951.32 | 1,921.19 | - | - |
| **3.875% US $450 Mn Green Bonds -** Redeemable at par on 07.07.2027 | **3,112.71** | **2,693.94** | 2,926.98 | 2,930.28 | - | - |
| **3.068% US $400 Mn Bonds -** Redeemable at par on 18.12.2020 | **2,766.85** | **2,746.95** | 2,601.76 | 2,621.08 | - | - |
| **Total - Foreign Currency Bonds** | **12,796.69** | **12,172.07** | **7,480.06** | **7,472.55** | **-** | **-** |

# CONSOLIDATED NOTES TO ACCOUNTS

## 20.3 Details of Unsecured Short-Term Debt Securities

### (i) Commercial Paper

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| Commercial Paper | **7,975.00** | **7,696.32** | 3,250.00 | 3,150.44 | - | - |

**Details of Commercial Paper outstanding:**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| **51st Series -** 7.43% Repaid on 04.09.2018 | **-** | **-** | 3,250.00 | 3,150.44 | - | - |
| **57th Series -** 8.04% Repayable on 30.04.2019 | **2,750.00** | **2,732.99** | - | - | - | - |
| **58th Series -** 7.60% Repayable on 27.09.2019 | **1,875.00** | **1,808.27** | - | - | - | - |
| **59th Series -** 7.72% Repayable on 30.12.2019 | **2,350.00** | **2,222.86** | - | - | - | - |
| **60th Series -** 7.90% Repayable on 04.03.2020 | **1,000.00** | **932.20** | - | - | - | - |
| **Total** | **7,975.00** | **7,696.32** | **3,250.00** | **3,150.44** | **-** | **-** |

## 21 Borrowings (Other than Debt Securities)

The Company has categorised all borrowings (other than debt securities) at Amortised Cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

| Particulars | | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|---|
| | | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **(A)** | **Secured Long-Term Borrowings** | | | | | | |
| (i) | Term Loans from Others - Financial Institutions | **200.00** | **207.33** | 400.00 | 414.82 | 750.00 | 776.66 |
| | **Sub-total (A)** | **200.00** | **207.33** | **400.00** | **414.82** | **750.00** | **776.66** |
| **(B)** | **Unsecured Long-Term Borrowings** | | | | | | |
| (i) | Finance Lease Obligations | **0.11** | **0.11** | 0.11 | 0.11 | 0.13 | 0.13 |
| (ii) | Term Loans from Govt. of India | **5,000.00** | **5,121.84** | - | - | - | - |
| (iii) | Term Loans from Banks | **18,550.00** | **18,555.08** | - | - | - | - |
| (iv) | Term Loans from Financial Institutions | **1,000.00** | **1,000.00** | - | - | - | - |
| (v) | Foreign Currency Borrowings | **17,637.62** | **17,450.46** | 18,515.81 | 18,404.43 | 21,080.55 | 20,923.38 |
| (vi) | FCNR (B) Loans | **933.81** | **936.96** | 1,534.18 | 1,534.57 | - | - |
| | **Sub-total (B)** | **43,121.54** | **43,064.45** | **20,050.10** | **19,939.11** | **21,080.68** | **20,923.51** |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|---|
| | | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **(C)** | **Unsecured Short-Term Borrowings** | | | | | | |
| (i) | FCNR (B) Loans | **3,389.39** | **3,390.76** | 2,276.54 | 2,277.49 | - | - |
| | **Sub-total (C)** | **3,389.39** | **3,390.76** | **2,276.54** | **2,277.49** | **-** | **-** |
| | **Total - Borrowings (other than Debt Securities) (A to C)** | **46,710.93** | **46,662.54** | **22,726.64** | **22,631.42** | **21,830.68** | **21,700.17** |
| | **Borrowings (other than Debt Securities) in/ outside India** | | | | | | |
| (i) | Borrowings in India | **29,073.31** | **29,212.08** | 4,210.83 | 4,226.99 | 750.13 | 776.79 |
| (ii) | Borrowings outside India | **17,637.62** | **17,450.46** | 18,515.81 | 18,404.43 | 21,080.55 | 20,923.38 |
| | **Total - Borrowings (other than Debt Securities)** | **46,710.93** | **46,662.54** | **22,726.64** | **22,631.42** | **21,830.68** | **21,700.17** |

### 21.1 Details of Secured Long-term Borrowings - Refer Note 21.8 for details of the security

**(i) Secured Term Loans from Others - Financial Institutions**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **- Life Insurance Corporation of India (LIC)** | **200.00** | **207.33** | 400.00 | 414.82 | 750.00 | 776.66 |
| Loan repayable in equal annual installments of ₹ 200 crores, next instalment due on 01.10.2019 | | | | | | |
| **Total - Term Loans from Others - Financial Institutions** | **200.00** | **207.33** | **400.00** | **414.82** | **750.00** | **776.66** |

### 21.2 Details of Unsecured Long-term Borrowings

**(i) Unsecured Term Loans from Govt. of India**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **- Loan from National Small Savings Fund (NSSF)** | **5,000.00** | **5,121.84** | - | - | - | - |
| Loan repayable on 13.12.2028 | | | | | | |
| **Total - Term Loans from Govt.** | **5,000.00** | **5,121.84** | **-** | **-** | **-** | **-** |

## CONSOLIDATED NOTES TO ACCOUNTS

**(ii) Unsecued Term Loans from Banks**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **- Canara Bank** | **500.00** | **500.12** | - | - | - | - |
| Loan repayable on 05.03.2024 | | | | | | |
| **- Corporation Bank** | **1,000.00** | **1,000.00** | - | - | - | - |
| Loan repayable in 6 semi annual instalments, first instalment due on 06.09.2021. | | | | | | |
| **- HDFC Bank** | **2,000.00** | **2,000.46** | - | - | - | - |
| Rs. 500 Crore repayable on 29.04.2020, Rs. 300 Crore repayable on 29.09.2023, Rs. 350 Crore repayable on 11.10.2023, Rs. 350 Crore repayable on 06.11.2023, Rs. 500 Crore repayable on 15.01.2024 | | | | | | |
| **- United Bank of India** | **1,000.00** | **1,004.50** | - | - | - | - |
| Loan repayable in 4 semi annual instalments, first instalment due on 13.09.2022 | | | | | | |
| **- Bank of India** | **2,000.00** | **2,000.00** | - | - | - | - |
| Loan repayable in 8 quarterly instalments, first instalment due on 05.05.2022 | | | | | | |
| **- Punjab National Bank** | **3,500.00** | **3,500.00** | - | - | - | - |
| Rs. 2,000 Crore repayable in 3 annual instalments and first instalment due on 14.09.2021, Rs. 1,500 Crore repayable in 3 annual instalments and first instalment due on 20.02.2022 | | | | | | |
| **- State Bank of India** | **7,300.00** | **7,300.00** | - | - | - | - |
| Rs. 5,000 Crore repayable in 3 annual instalments and first instalment due on 15.10.2021, Rs. 2,300 Crore repayable in 5 annual instalments and first instalment due on 05.09.2020 | | | | | | |
| **- Oriental Bank of Commerce** | **750.00** | **750.00** | - | - | - | - |
| Loan repayable in 8 semi-annual instalments, first instalment due on 05.09.2021 | | | | | | |
| **- Union Bank of India** | **500.00** | **500.00** | - | - | - | - |
| Loan repayable in 6 semi-annual instalments, first instalment due on 31.07.2021 | | | | | | |
| **Total - Unsecured Term Loans from Banks** | **18,550.00** | **18,555.08** | **-** | **-** | **-** | **-** |

## CONSOLIDATED NOTES TO ACCOUNTS

**(iii) Unsecured Term Loans from Others - Financial Institutions**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **- Indian Infrastructure Finance Company Ltd. (IIFCL)** | **1,000.00** | **1,000.00** | - | - | - | - |
| Repayable on 04.06.2022 | | | | | | |
| **Total - Term Loans from Others - Financial Institutions** | **1,000.00** | **1,000.00** | **-** | **-** | **-** | **-** |

**(iv) Foreign Currency Borrowings**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **(1) ODA Loans - Guaranteed by Govt. of India** | | | | | | |
| **JICA Loan -** 0.75% JICA-I loan repayable in half-yearly instalments till 20.03.2021, next instalment falling due on 20.09.2019 and 0.65% JICA-II loan repayable in half-yearly instalments till 20.03.2023, next instalment falling due on 20.09.2019 | **131.40** | **131.43** | 252.32 | 252.62 | 407.49 | 407.93 |
| **3.73% KfW Loan -** Repaid in half-yearly instalments of €3.68 Mn, last instalment paid on 30.06.2018 | **-** | **-** | 59.41 | 59.96 | 102.05 | 102.91 |
| **2.89% KfW-II Loan -** Repayable in equal half-yearly instalments of €3.88 Mn, next instalment falling due on 30.06.2019 | **120.87** | **121.66** | 188.12 | 189.24 | 215.44 | 216.58 |
| **1.86% KfW-III Loan -** Repayable in equal half-yearly instalments of €5.26 Mn, next instalment falling due on 30.06.2019 | **449.87** | **449.13** | 551.63 | 549.71 | 546.70 | 543.78 |
| **Sub-Total (1)** | **702.14** | **702.22** | **1,051.48** | **1,051.53** | **1,271.68** | **1,271.20** |
| **(2) Bilateral/ Syndicated Loans** | | | | | | |
| **¥19.029 Bn** - Repaid on 10.04.2017 | **-** | **-** | - | - | 1,102.92 | 1,102.93 |
| **US $285 Mn -** Repaid on 02.12.2018 | **-** | **-** | 1,853.76 | 1,865.63 | 1,847.90 | 1,847.11 |
| **US $250 Mn -** $57.5 Mn repaid on 26.11.2017 and $ 192.5 Mn repayable on 29.05.2019 | **1,331.55** | **1,346.66** | 1,252.10 | 1,253.95 | 1,620.97 | 1,621.87 |
| **US $400 Mn -** Repaid on 27.12.2017 | **-** | **-** | - | - | 2,593.54 | 2,591.16 |
| **US $400 Mn -** Repaid on 26.03.2018 | **-** | **-** | - | - | 2,593.54 | 2,577.57 |
| **US $300 Mn -** Repayable on 29.07.2020 | **2,075.14** | **2,076.19** | 1,951.32 | 1,941.05 | 1,945.16 | 1,924.40 |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **US $250 Mn -** $150 Mn & $100 Mn repaid on 18.09.2018 and 19.11.2018 respectively | - | - | 1,626.10 | 1,623.66 | 1,620.97 | 1,610.80 |
| **US $300 Mn -** Repayable on 01.12.2020 | **2,075.14** | **2,067.94** | 1,951.32 | 1,935.58 | 1,945.16 | 1,920.94 |
| **US $250 Mn -** Repaid on 05.02.2019 | - | - | 1,626.10 | 1,622.35 | 1,620.97 | 1,608.53 |
| **US $120 Mn -** Repaid on 21.03.2019 | - | - | 780.53 | 777.67 | 778.06 | 771.32 |
| **US $100 Mn -** Repayable on 05.10.2021 | **691.71** | **678.55** | 650.44 | 641.64 | 648.39 | 634.81 |
| **US $230 Mn -** Repayable on 19.01.2022 | **1,590.94** | **1,551.91** | 1,496.01 | 1,456.23 | 1,491.29 | 1,440.74 |
| **US $200 Mn -** Repayable on 28.07.2022 | **1,383.43** | **1,365.67** | 1,300.88 | 1,275.14 | - | - |
| **US $57.50 Mn -** Repayable on 29.05.2019 | **397.73** | **396.82** | 374.00 | 374.48 | - | - |
| **US $240 Mn -** Repayable on 26.03.2021 | **1,660.11** | **1,631.60** | 1,561.06 | 1,551.38 | - | - |
| **US $160 Mn -** Repayable on 26.03.2021 | **1,106.74** | **1,087.77** | 1,040.71 | 1,034.14 | - | - |
| **US $250 Mn -** Repayable on 08.08.2023 | **1,729.28** | **1,721.63** | - | - | - | - |
| **¥ 10,327.12 Mn -** Repayable on 31.08.2023 | **645.65** | **624.64** | - | - | - | - |
| **US $250 Mn -** Repayable on 27.03.2024 | **1,729.28** | **1,696.87** | - | - | - | - |
| **US $75 Mn -** Repayable on 29.03.2024 | **518.78** | **501.99** | - | - | - | - |
| **Sub-Total (2)** | **16,935.48** | **16,748.24** | 17,464.33 | 17,352.90 | 19,808.87 | 19,652.18 |
| **Total - Foreign Currency Borrowing (1+2)** | **17,637.62** | **17,450.46** | **18,515.81** | **18,404.43** | **21,080.55** | **20,923.38** |

**(v) FCNR (B) Loans**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| **US $235.87 Mn -** Repaid on 12.02.2019 | - | - | 1,534.18 | 1,534.57 | - | - |
| **US $135 Mn -** $60 Mn repayable on 04.09.2021 and $75 Mn repayable on 22.10.2021 | **933.81** | **936.96** | - | - | - | - |
| **Total - FNCR (B) Loans** | **933.81** | **936.96** | **1,534.18** | **1,534.57** | - | - |

# CONSOLIDATED NOTES TO ACCOUNTS

## 21.3 Unsecured Short-Term Borrowings

**(i) FCNR (B) Loans**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost | Principal O/s | Amortised Cost |
| US$100 Mn - Repaid on 21.09.2018 | - | - | 650.44 | 650.72 | - | - |
| US$100 Mn - Repaid on 07.12.2018 | - | - | 650.44 | 650.71 | - | - |
| US$150 Mn - Repaid on 28.03.2019 | - | - | 975.66 | 976.06 | - | - |
| US$150 Mn - Repayable on 31.08.2019 | **1,037.57** | **1,037.97** | - | - | - | - |
| US$100 Mn - Repayable on 09.12.2019 | **691.71** | **691.99** | - | - | - | - |
| US$100 Mn - Repayable on 19.12.2019 | **691.71** | **692.00** | - | - | - | - |
| US$140 Mn - Repayable on 11.01.2020 | **968.40** | **968.80** | - | - | - | - |
| **Total - FNCR (B) Loans** | **3,389.39** | **3,390.76** | **2,276.54** | **2,277.49** | **-** | **-** |

**21.4** There has been no default as on the Balance Sheet date in repayment of borrowings and interest.

**21.5** Term Loans from Govt./ banks/ financial institutions as mentioned in Note No. 21.1 (i) and 21.2 (i) to (iii) have been raised at interest rates ranging from 8.15% to 9.20% payable on monthly/ quarterly/ semi annual rests.

**21.6** Foreign Currency Borrowings in Note No. 21.2 (iv) (2) have been raised at interest rates ranging from a spread of 65 bps to 150 bps over 6 Months' USD/JPY LIBOR (London Inter Bank Offered Rate)

**21.7** Subsequent to the announcement of the strategic sale of Government of India's existing 52.63% of total paid up equity shareholding in REC Limited to Power Finance Corporation Ltd. (PFC), the Company had undertaken a consent solicitation exercise during the financial year ended 31st March 2019 for the modification in the 'Change of Control' covenant of certain External Commercial Borrowings (ECBs). In terms of the approval of the Reserve Bank of India and in compliance with the extant ECB framework, the Company has paid Consent Fees to the international bondholders/ lenders consenting to such modification, falling within the prescribed annual all-in-cost ceiling considering the remaining maturities of the related borrowings. The Company has accordingly amortised the Consent Fees as per Effective Interest Rate (EIR) method under Ind-AS 109 over the remaining maturities of the ECBs.

## 21.8 Security Details of Secured Debt Securities and Borrowings

For all the secured bonds issued by the Company and outstanding as at 31st March 2019, 100% security cover has been maintained by way of mortgage on certain immovable properties and/or charge on the receivables of the Company.

The Bond Series 90, 90 B-II, 90 C-II, 91-II and 92-II of Institutional Bonds are secured by a charge on (a) mortgage of Flat no. 640, Asiad Games Village, New Delhi and (b) pari passu charge on the receivables of our Company, both present and future, save and except receivables hypothecated to Vistra ITCL (India) Ltd. (formerly known as IL&FS Trust Company Ltd.) on the basis of joint hypothecation agreement dated 24th September, 2010 in favour of IDBI Trusteeship Services Ltd.

The Bond Series 122 of Institutional Bonds is secured by a charge on first pari passu charge on the book debts of the issuer both present & future which are charged to other lenders/ trustees and as may be agreed between the issuer and the trustee, pursuant to the terms of the Debenture /Bond Trust cum Hypothecation Deed with a minimum security cover of one time of the aggregate face value amount of the bonds outstanding at all times in favor of IDBI Trusteeship Services Ltd.

The Bond Series 123-I and 123-IIIB of Institutional Bonds are secured by way of first pari passu charge on the specified immovable property and the book debts of the Issuer which are charged to other lender / trustee and as may be agreed between the Issuer and the Trustee, pursuant to the terms of the Bond Trust Deed with a minimum security cover of one time of the aggregate face value of amount of bonds outstanding at all times and amount of interest due thereon in favor of IDBI Trusteeship Services Ltd.

Tax Free Bonds issued during FY 2011-12 are secured by first pari passu charge on premises at Shop No. 12, Ground Floor, Block No. 35, Church Road, Mylapore, Chennai and hypothecation of receivables of ₹ 4,998.66 Crores of MSEDCL in favour of Vistra ITCL (India) Ltd. (formerly known as IL&FS Trust Company Ltd.).

## CONSOLIDATED NOTES TO ACCOUNTS

Tax Free Bonds issued during FY 2013-14 are secured by first pari passu charge on the book debts (other than those that are exclusively charged/earmarked to lenders / other Trustees) of the Company in favour of SBICap Trustee Company Ltd.

The Bond Series X, XI and XII of 54EC Capital Gain Tax Exemption Bonds and Tax Free Bonds issued during FY 2012-13 & 2015-16 are secured by first pari passu charge on (a) mortgage of premises at Sub Plot No. 8, TPS No 2, FP No. 584P, situated at Village Subhanpura, Distt Vadodara and (b) hypothecation of receivables (other than those that are exclusively charged/ earmarked to lenders / other Trustees) in favour of SBICap Trustee Company Ltd.

The term loan from Life Insurance Corporation of India is secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to Vistra ITCL (India) Ltd. (formerly known as IL&FS Trust Company Ltd.) on the basis of joint hypothecation agreement dated 24th September, 2010 in favour of IDBI Trusteeship Services Ltd.

Refer Note No. 9 and 16.2 for the carrying value of receivables and Property, Plant and Equipment (PPE) pledged as security.

### 22 Subordinated Liabilities

The Company has categorised all debt securities at amortised cost in accordance with the requirements of Ind AS 109.

(₹ in Crores)

| Particulars | | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|---|
| | | Face Value | Amortised Cost | Face Value | Amortised Cost | Face Value | Amortised Cost |
| (i) | **175th Series - Subordinate Tier-II Bonds -** 8.97% Redeemable at par on 28.03.2029 | **2,151.20** | **2,151.24** | - | - | - | - |
| (i) | **115th Series - Subordinate Tier-II Bonds -** 8.06% Redeemable at par on 31.05.2023 | **2,500.00** | **2,667.52** | 2,500.00 | 2,667.36 | 2,500.00 | 2,667.21 |
| | **Total - Subordinated Liabilities** | **4,651.20** | **4,818.76** | **2,500.00** | **2,667.36** | **2,500.00** | **2,667.21** |
| | **Subordinated Liabilities in/ outside India** | | | | | | |
| (i) | Borrowings in India | **4,651.20** | **4,818.76** | 2,500.00 | 2,667.36 | 2,500.00 | 2,667.21 |
| (ii) | Borrowings outside India | **-** | **-** | - | - | - | - |
| | **Total - Subordinated Liabilities** | **4,651.20** | **4,818.76** | **2,500.00** | **2,667.36** | **2,500.00** | **2,667.21** |

### 22.1 Ratings assigned by credit rating agencies and migration of ratings during the year

**Domestic Credit Ratings**

| Particulars | Long Term Rating | Short Term Rating |
|---|---|---|
| CRISIL | CRISIL AAA | CRISIL A1+ |
| ICRA | ICRA AAA | ICRA A1+ |
| CARE | CARE AAA | CARE A1+ |
| India Ratings and Research | IND AAA | IND A1+ |

**International Credit Ratings**

| Particulars | Rating | Outlook |
|---|---|---|
| Fitch Ratings | BBB- | Stable |
| Moody's | Baa3 | Stable |

There has been no migration of ratings during the year.

## CONSOLIDATED NOTES TO ACCOUNTS

**22.2** Reconciliation between carrying values and the actual amounts outstanding in respect of Borrowings:

(₹ in Crores)

| Particulars | Debt Securities | Other Borrowings | Subordinated Liabilities | Total |
|---|---|---|---|---|
| **As at 31st March 2019** | | | | |
| **Total Amount as per Ind-AS** | **192,767.51** | **46,662.54** | **4,818.76** | **244,248.81** |
| Less: Interest accrued on Borrowings classified under the same head as per Ind-AS | **(6,060.00)** | **(207.10)** | **(169.96)** | **(6,437.06)** |
| Less: Finance Lease Obligations classified under the same head as per Ind-AS | **-** | **(0.11)** | **-** | **(0.11)** |
| Add: Ind-AS Adjustments in respect of transaction costs at Effective Interest Rate (EIR) | **1,146.37** | **255.49** | **2.40** | **1,404.26** |
| **Total Borrowings Outstanding** | **187,853.88** | **46,710.82** | **4,651.20** | **239,215.90** |
| **As at 31st March 2018** | | | | |
| **Total Amount as per Ind-AS** | 179,067.85 | 22,631.42 | 2,667.36 | 204,366.63 |
| Less: Interest accrued on Borrowings classified under the same head as per Ind-AS | (5,834.24) | (84.64) | (168.38) | (6,087.26) |
| Less: Finance Lease Obligations classified under the same head as per Ind-AS | - | (0.11) | - | (0.11) |
| Add: Ind-AS Adjustments in respect of transaction costs at Effective Interest Rate (EIR) | 260.90 | 179.86 | 1.02 | 441.78 |
| **Total Borrowings Outstanding** | **173,494.51** | **22,726.53** | **2,500.00** | **198,721.04** |
| **As at 1st April 2017** | | | | |
| **Total Amount as per Ind-AS** | 148,650.96 | 21,700.17 | 2,667.21 | 173,018.34 |
| Less: Interest accrued on Borrowings classified under the same head as per Ind-AS | (5,633.30) | (101.81) | (168.38) | (5,903.49) |
| Less: Finance Lease Obligations classified under the same head as per Ind-AS | - | (0.13) | - | (0.13) |
| Add: Ind-AS Adjustments in respect of transaction costs at Effective Interest Rate (EIR) | 98.74 | 232.32 | 1.17 | 332.23 |
| **Total Borrowings Outstanding** | **143,116.40** | **21,830.55** | **2,500.00** | **167,446.95** |

### 23 Other Financial Liabilities

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| **(A)** | **Unpaid Dividends** | **4.15** | 3.49 | 2.75 |
| **(B)** | **Bond Application Money refundable and interest accrued thereon** | **0.05** | - | - |
| **(C)** | **Unpaid Principal & Interest on Bonds** | | | |
| | - Matured Bonds & Interest Accrued thereon | **39.52** | 47.03 | 51.54 |
| | - Interest on Bonds | **15.91** | 14.27 | 15.19 |
| | **Sub-total (C)** | **55.43** | **61.30** | **66.73** |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| (D) | **Funds Received from Govt. of India for Disbursement as Subsidy/ Grant (cumulative)** | **77,717.88** | 57,141.98 | 46,154.67 |
| | Add: Interest on Subsidy/ Grant (net of refund) | **42.57** | 24.41 | 2.18 |
| | Less: Disbursed to Beneficiaries (cumulative) | **(76,903.42)** | (56,699.84) | (46,131.01) |
| | Undisbursed Funds to be disbursed as Subsidy/ Grant | **857.03** | **466.55** | **25.84** |
| (E) | **Payables towards Bonds Fully serviced by Govt. of India** | **17,996.06** | 4,007.17 | - |
| (F) | **Payable towards funded staff benefits** | **31.78** | 2.84 | 13.63 |
| (G) | **Other Liabilities** | **282.57** | 161.70 | 151.13 |
| | **Total (A to G)** | **19,227.07** | **4,703.05** | **260.08** |

### 23.1 Subsidy Under Accelerated Generation & Supply Programme (AG&SP):

The Company is maintaining an Interest Subsidy Fund Account and was given AG&SP subsidy (for disbursement to the eligible borrowers) by Govt. of India at net present value calculated at indicative rates and year 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 07.03.2003 irrespective of the actual repayment schedule, moratorium year and duration of repayment of the eligible schemes. The impact of difference between the indicative rate and year considered at the time of drawl and the actual can be ascertained only after the end of the respective schemes.

Net amount of ₹ 0.63 Crores as at 31st March 2019 (₹ 0.53 Crores as at 31st March 2018, ₹ 0.86 Crores as at 1st April 2017) represents the balance amount of interest subsidy fund, which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following :-

(₹ in Crores)

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| Opening Balance of Interest Subsidy Fund | **0.53** | 0.86 |
| Add: Interest earned during the year | **0.11** | 0.02 |
| Less: Interest subsidy passed on to the borrower | **0.01** | 0.35 |
| Closing Balance of Interest Subsidy Fund | **0.63** | 0.53 |

**23.2** Government of India has appointed REC Ltd. as a nodal agency for implementation of Deen Dayal Upadhyaya Gram Jyoti Yojna (DDUGJY). The funds received for disbursement to various agencies under the scheme are kept in a separate bank account. The undisbursed funds for the scheme (including the funds received under erstwhile RGGVY Scheme) including interest earned thereto are classified under "Undisbursed Subsidy/ grant" under the head "Other Financial Liabilities".

During the year, interest earned of ₹ 25.03 Crores (Previous year ₹ 18.15 Crores) has been taken to DDUGJY Subsidy account. Further, during the year, an amount of ₹ 23.51 crores (Previous year ₹ 10.33 crores) has been refunded back to MoP out of the total interest on subsidy.

**23.3** The movement in Interest on Subsidy/ Grant is explained as under:

(₹ in Crores)

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| Opening Balance | **24.41** | 2.18 |
| Add: Interest earned during the year | **93.70** | 33.77 |
| Less: Amount refunded to Govt. during the year | **75.53** | 11.32 |
| Less: Disbursement out of Interest earned on account of AG&SP Grant | **0.01** | 0.22 |
| Closing Balance | **42.57** | 24.41 |

## CONSOLIDATED NOTES TO ACCOUNTS

**23.4** For meeting GOI's funding requirement of DDUGJY Scheme, during the year, the Company has raised an aggregate amount of ₹ 13,827 crores (Previous year ₹ 4,000 crores) through unsecured, redeemable, non-convertible, taxable bonds in the nature of debentures of face value of ₹ 10 lacs at par on private placement basis. As per Ministry of Power (MoP) letter dated 16th July 2018 and 19th July 2018, the repayment of principal and interest of the above bonds shall be made by GoI by making suitable budget provisions in the demand of Ministry of Power. Accordingly, the amount of such bonds along-with interest is also appearing as recoverable by the Company from Govt. of India.

Details of the GoI Fully Serviced Bonds raised are as follows:

(₹ in Crores)

| Particulars | Coupon Rate | Interest Frequency | Redemption Date | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|---|---|
| **GoI-I Series** | 8.09% | Semi-annual | 21/03/2028 | **1,837.00** | 1,837.00 | - |
| **GoI-II Series** | 8.01% | Semi-annual | 24/03/2028 | **1,410.00** | 1,410.00 | - |
| **GoI-III Series** | 8.06% | Semi-annual | 27/03/2028 | **753.00** | 753.00 | - |
| **GoI-IV Series** | 8.70% | Semi-annual | 28/09/2028 | **3,000.00** | - | - |
| **GoI-V Series** | 8.54% | Semi-annual | 15/11/2028 | **3,600.00** | - | - |
| **GoI-VI Series** | 8.80% | Semi-annual | 22/01/2029 | **2,027.00** | - | - |
| **GoI-VII Series** | 8.60% | Semi-annual | 08/03/2029 | **1,200.00** | - | - |
| **GoI-VIII Series** | 8.30% | Semi-annual | 25/03/2029 | **4,000.00** | - | - |
| **Total** | | | | **17,827.00** | **4,000.00** | **-** |

Amounts have been shown at face value

### 24 Current tax liabilities (net)

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Provision for Income Tax | **-** | 27.32 | 40.95 |
| Less: Advance Income-tax & TDS | **-** | (26.81) | (40.40) |
| **Current tax liabilities (Net)** | **-** | **0.51** | **0.55** |

### 25 Provisions

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| | **Provisions for** | | | |
| **(A)** | **Employee Benefits** | | | |
| | Earned Leave Liability | **11.80** | 10.17 | 31.25 |
| | Post Retirement Medical Benefits | **-** | 105.19 | 97.15 |
| | Medical Leave Liability | **21.67** | 19.77 | 19.27 |
| | Settlement Allowance | **1.42** | 1.24 | 1.27 |
| | Economic Rehabilitation Scheme | **3.69** | 3.34 | 3.45 |
| | Long Service Award | **1.24** | 2.57 | 2.83 |
| | Incentive | **46.99** | 19.19 | 20.34 |
| | Pay Revision | **13.06** | 58.90 | 14.59 |
| | Loyalty Bonus | **0.37** | 0.21 | 0.15 |
| | Sub-total (A) | **100.24** | **220.58** | **190.30** |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **(B) Others** | | | |
| Expected Credit Loss on Letters of Comfort | - | 0.16 | 23.97 |
| **Sub-total (B)** | **-** | **0.16** | **23.97** |
| **Total (A+B)** | **100.24** | **220.74** | **214.27** |

### 26 Other Non-financial Liabilities

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **(A)** Income Received in Advance | **2.63** | 5.27 | 8.41 |
| **(B)** Sundry Liabilities Account (Interest Capitalisation) | **21.99** | 45.99 | - |
| **(C)** Unamortised Fee on Undisbursed Loans | **25.76** | 10.10 | 6.50 |
| **(D)** Advance received from Govt. towards Govt. Schemes | **16.20** | 4.53 | 2.51 |
| **(E)** Statutory Dues | **37.31** | 44.43 | 31.26 |
| **(F)** Other Liabilities | **0.71** | 0.01 | - |
| **Total (A to F)** | **104.60** | **110.33** | **48.68** |

### 27 Equity Share Capital

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | No. of Shares | Amount | No. of Shares | Amount | No. of Shares | Amount |
| **Authorised :** | | | | | | |
| Equity shares of ₹ 10 each | **5,000,000,000** | **5,000.00** | 5,000,000,000 | 5,000.00 | 5,000,000,000 | 5,000.00 |
| **Issued, Subscribed and Paid up :** | | | | | | |
| Fully paid up Equity shares of ₹ 10 each | **1,974,918,000** | **1,974.92** | 1,974,918,000 | 1,974.92 | 1,974,918,000 | 1,974.92 |
| **Total** | **1,974,918,000** | **1,974.92** | **1,974,918,000** | **1,974.92** | **1,974,918,000** | **1,974.92** |

### 27.1 Reconciliation of the number of shares outstanding at the beginning and at the end of the year

(₹ in Crores)

| Particulars | FY 2018-19 | | FY 2017-18 | |
|---|---|---|---|---|
| | No. of Shares | Amount | No. of Shares | Amount |
| Share Capital at the beginning of the year | **1,974,918,000** | **1,974.92** | 1,974,918,000 | 1,974.92 |
| Add: Bonus shares issued & allotted during the year | **-** | **-** | - | - |
| **Share Capital at the end of the year** | **1,974,918,000** | **1,974.92** | **1,974,918,000** | **1,974.92** |

# CONSOLIDATED NOTES TO ACCOUNTS

## 27.2 Allotment of Bonus Shares during the year and during preceding five years

During the current year and preceding five years, no bonus shares were issued by the Company except in the FY 2016-17, when the Company had allotted 98,74,59,000 Equity Shares as fully paid up by way of bonus shares.

**27.3** The Company has neither issued any equity shares pursuant to contract without payment being received in cash nor has there been any buy-back of shares in the current year and five years immediately preceding the balance sheet date.

**27.4** Rights, Preferences and Restrictions attached to Equity shares

The holders of the equity shares of the Company are entitled to receive dividends as and when declared by the Company and enjoy proportionate voting rights in case any resolution is put to vote. Further, the shareholders have all such rights, as may be available to a shareholder of a listed public company, under the Companies Act, 2013 and rules made thereunder, Companies Act, 1956 (to the extent applicable), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Memorandum of Association and Articles of Association of the Company.

**27.5** Shareholders holding more than 5% of fully paid-up equity shares as at Balance Sheet date:

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | No. of Shares | Percentage | No. of Shares | Percentage | No. of Shares | Percentage |
| **The President of India** | **-** | **0.00%** | 1,151,678,783 | 58.32% | 1,162,504,472 | 58.86% |
| Power Finance Corporation Ltd. | **1,039,495,247** | **52.63%** | 95,904 | 0.00% | 95,904 | 0.00% |
| HDFC Trustee Company Ltd. A/c HDFC Hybrid Debt Fund | **114,683,937** | **5.81%** | 46,084,438 | 2.33% | 34,722,538 | 1.76% |
| Life Insurance Corporation of India | **54,913,706** | **2.78%** | 55,151,984 | 2.79% | 126,322,504 | 6.40% |

During the financial year 2018-19, the President of India acting through Ministry of Power, Government of India divested/sold the shareholding in the Company as below:

| Particulars | Period | No. of Shares | Percentage |
|---|---|---|---|
| Holding of the President of India as on 01-04-2018 | | 1,151,678,783 | 58.32% |
| Disinvestment through Bharat 22 ETF | June 2018 | (6,473,244) | -0.33% |
| Disinvestment through CPSE ETF Further Fund Offer 3 (FFO 3) | December 2018 | (101,470,139) | -5.14% |
| Disinvestment through Bharat 22 ETF Additional Offering Period (AOP) | February 2019 | (4,336,057) | -0.22% |
| Sale of Stake to Power Finance Corporation Ltd. | March 2019 | (1,039,399,343) | -52.63% |
| Holding of the President of India as on 31-03-2019 | | - | 0.00% |

## 27.6 Details of equity shares held by the Holding Company, including the subsidiaries and associates

(₹ in Crores)

| Name of the Company | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | No. of Shares | Percentage | No. of Shares | Percentage | No. of Shares | Percentage |
| Power Finance Corporation Ltd. | **1,039,495,247** | **52.63%** | 95,904 | 0.00% | 95,904 | 0.00% |

# CONSOLIDATED NOTES TO ACCOUNTS

## 28 Other Equity

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| **(A)** | **Other Reserves** | | | |
| **(i)** | Securities Premium | **2,236.54** | 2,236.54 | 2,236.54 |
| **(ii)** | Debenture Redemption Reserve | **1,318.13** | 1,121.54 | 924.95 |
| **(iii)** | Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961 | **15,136.78** | 13,813.19 | 12,230.70 |
| **(iv)** | Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961 | **3,034.72** | 2,761.10 | 2,425.30 |
| **(v)** | Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934 | **1,153.00** | - | - |
| **(vi)** | Foreign Currency Monetary Item Translation Difference Account | **(764.82)** | (86.29) | 203.78 |
| **(vii)** | General Reserve | **5,230.54** | 5,230.54 | 4,730.54 |
| **(B)** | **Retained Earnings** | **5,088.19** | 5,344.37 | 5,900.84 |
| **(C)** | **Other Comprehensive Income (OCI)** | | | |
| | **Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method** | **1.46** | 1.46 | - |
| | - Equity Instruments through Other Comprehensive Income | **136.88** | 190.24 | 181.86 |
| | **Total - Other Equity** | **32,571.42** | **30,612.69** | **28,834.51** |

Additions and deductions to the components of 'Other Equity' has been disclosed in 'Statement of Changes in Equity'.

### 28.1 Draw down from Reserves

No amount has been drawn from the reserves during the financial year 2018-19 and financial year 2017-18.

### 28.2 Securities Premium

Securities Premium represents the premium received by the Company on issue of shares and debt securities. It is utilised in accordance with the provisions of the Companies Act, 2013.

### 28.3 Debenture Redemption Reserve (DRR)

In accordance with provisions of Section 71(4) of the Companies Act, 2013 as further clarified by the Companies (Share Capital and Debentures) Rules, 2014 issued by Ministry of Corporate Affairs, Govt. of India, the company creates Debenture Redemption Reserve (DRR) upto 25% of the value of debentures issued through public issue as per present SEBI (Issue and Listing of Debt Securities) Regulations, 2008 during the maturity period of such debentures, and no DRR is required in the case of privately placed debentures. The amounts credited to the DRR may not be utilised except to redeem debentures. On redemption of debentures, the amount may be transferred from DRR to retained earnings.

### 28.4 Foreign Currency Monetary Item Translation Difference Account

The company had opted towards an irrevocable option for amortising the foreign exchange fluctuation loss/gain on the long term foreign currency monetary items over the balance period of such items in accordance with Para 46A of the erstwhile applicable Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates'. Ind AS 101 allows an entity to continue the policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements for the period ending immediately before the beginning of the first Ind AS financial reporting period as per the previous GAAP. The balance in this account represents the unamortised gain/ (loss) which will be amortised over the balance period of the eligible long term foreign currency monetary liabilities.

### 28.5 Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961

Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961 is maintained by the Company in order to enable the Company to avail tax benefits. As per section 36(1)(viii) of the Income Tax Act, 1961, the company is eligible for deduction not exceeding 20% of profit derived from long term finance activity, provided such amount is transferred and maintained in special reserve account.

# CONSOLIDATED NOTES TO ACCOUNTS

## 28.6 Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961

Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961 is maintained by the Company in order to enable the Company to avail tax benefits. As per Section 36(1)(viia) of the Income Tax Act, 1961, the Company is eligible to avail deduction in respect of any provision/ reserve made for bad and doubtful debts, not exceeding five per cent of the total income as per Income Tax Act. The reserve so maintained shall be primarily utilised for adjustment of actual bad debts or part thereof.

## 28.7 Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934

Till the financial year 2017-18, the Company, being a Govt. NBFC, was exempt from creation and maintainence of Reserve Fund as specified u/s 45-IC of Reserve Bank of India Act, 1934. However, the said exemption has been withdrawn by the Reserve Bank of India (RBI) vide Notification No. DNBR (PD) CC.No.092/03.10.001/2017-18 dated 31st May 2018. Accordingly, the Company is now creating the Reserve Fund as required u/s 45IC of RBI Act, 1934, wherein at least 20% of net profit every year will be transferred before the declaration of dividend. No appropriation is allowed to be made from the reserve fund except for the purpose as may be specified by the Bank from time to time and further, any such appropriation is also required to be reported to the Bank within 21 days from the date of such withdrawal.

## 28.8 General Reserve

In view of the erstwhile provisions of the Companies Act, 1956, the Company had transferred certain percentage of the profits to General Reserve before declaration of dividend. However, Companies Act, 2013 does not mandate transfer of profits to General Reserve before declaration of dividend.

## 28.9 Other Comprehensive Income (OCI)

The Company has elected to recognise changes in the fair value of certain investments in equity securities through other comprehensive income. These changes are accumulated within the OCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the related equity securities are derecognised.

## 28.10 Dividend declared/ proposed by the Company for Equity Shares of ₹ 10/- each

| Particulars | Year ended 31.03.2019 | | Year ended 31.03.2018 | |
|---|---|---|---|---|
| | Dividend per Equity Share | Dividend Amount | Dividend per Equity Share | Dividend Amount |
| | (₹) | (₹ in Crores) | (₹) | (₹ in Crores) |
| Interim Dividend | **11.00** | **2,172.41** | 7.40 | 1,461.44 |
| Final Proposed Dividend | **-** | **-** | 1.75 | 345.61 |
| **Total Dividend for the year** | **11.00** | **2,172.41** | **9.15** | **1,807.05** |

As per the requirements of Ind-AS 10 'Events after the Reporting Period', the Company is not required to provide for the dividend proposed by the Board of Directors after the end of the financial year. Such appropriation is made after the approval in the Annual General Meeting (AGM) in case of final dividend. The total payout on account of final proposed dividend including the impact of dividend distribution tax is as under:

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| Final Proposed Dividend | **-** | 345.61 |
| Dividend Distribution Tax on Final Proposed Dividend | **-** | 71.04 |
| **Total Payout on account of Final Proposed Dividend** | **-** | **416.65** |

## CONSOLIDATED NOTES TO ACCOUNTS

### 29 Interest Income

(₹ in Crores)

| Particulars | | Year ended 31.03.2019 | | | Year ended 31.03.2018 | | |
|---|---|---|---|---|---|---|---|
| | | On Financial Assets measured at Fair Value through OCI | On Financial Assets measured at Amortised Cost | On Financial Assets measured at Fair Value through Profit or Loss | On Financial Assets measured at Fair Value through OCI | On Financial Assets measured at Amortised Cost | On Financial Assets measured at Fair Value through Profit or Loss |
| **(A)** | **Interest on Loan Assets** | | | | | | |
| **(i)** | Long term financing | **-** | **24,405.17** | **-** | - | 21,386.39 | - |
| | Less: Rebate for timely payments/ completion etc | **-** | **(6.11)** | **-** | - | (16.43) | - |
| | Long term financing (net) | **-** | **24,399.06** | **-** | - | 21,369.96 | - |
| **(ii)** | Short term financing | **-** | **328.84** | **-** | - | 426.61 | - |
| | **Sub-total (A)** | **-** | **24,727.90** | **-** | **-** | **21,796.57** | **-** |
| | | | | | | | |
| **(B)** | **Interest Income from Investments** | | | | | | |
| **(i)** | Interest from CP/ ICD | **-** | **0.67** | **-** | - | 0.98 | - |
| **(ii)** | Interest from Govt. Securities | **-** | **9.43** | **-** | - | 16.98 | - |
| **(iii)** | Interest from Long Term Investments | **-** | **15.63** | **168.25** | - | 29.41 | 168.25 |
| **(iv)** | Interest from tax free bonds | **-** | **2.38** | **-** | - | 2.37 | - |
| | **Sub-total (B)** | **-** | **28.11** | **168.25** | **-** | **49.74** | **168.25** |
| | | | | | | | |
| **(C)** | **Interest on Deposits with Banks** | | | | | | |
| **(i)** | Interest from Deposits | **-** | **51.81** | **-** | - | 74.39 | - |
| | **Sub-total (C)** | **-** | **51.81** | **-** | **-** | **74.39** | **-** |
| | | | | | | | |
| **(D)** | **Other Interest Income** | | | | | | |
| **(i)** | Interest from Income Tax Refund | **-** | **-** | **-** | - | 0.62 | - |
| **(ii)** | Interest from Staff Advances | **-** | **3.89** | **-** | - | 4.33 | - |
| **(iii)** | Interest on Mobilisation Advance | **-** | **2.80** | **-** | - | 3.68 | - |
| **(iv)** | Unwinding of Discount of Security Deposits | **-** | **0.09** | **-** | - | 0.07 | - |
| **(v)** | Interest from SPVs | **-** | **0.77** | **-** | - | 0.66 | - |
| | **Sub-total (D)** | **-** | **7.55** | **-** | **-** | **9.36** | **-** |
| | **Total (A to D)** | **-** | **24,815.37** | **168.25** | **-** | **21,930.06** | **168.25** |

# CONSOLIDATED NOTES TO ACCOUNTS

## 30 Dividend Income

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| - Dividend from Long-Term Investments | **20.38** | 26.85 |
| **Total - Dividend Income** | **20.38** | **26.85** |

## 30.1 Details of dividend recognised on equity investments designated at FVOCI :

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| Dividend on: | | |
| - Investments held at the end of the year | **20.14** | 26.85 |
| - Investments derecognized during the year | **0.24** | - |
| **Total** | **20.38** | **26.85** |

## 31 Fees and Commission Income

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| Fees based Income | **2.78** | 5.19 |
| Prepayment Premium | **139.29** | 106.41 |
| Fee for Implementation of Govt. Schemes | **83.02** | 187.79 |
| **Total - Fees and Commission Income** | **225.09** | **299.39** |

## 32 Sale of services

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| Consultancy Engineering Services | **149.72** | 210.38 |
| Execution of IT Implementation projects | **19.42** | 16.08 |
| Documentation fees | **0.79** | 0.59 |
| **Total** | **169.93** | **227.05** |

## 33 Other Income

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| - Provision/ Liabilities Written Back | **10.83** | 0.71 |
| - Fees from Training Courses | **8.69** | 6.85 |
| - Miscellaneous Income | **12.79** | 7.23 |
| **Total** | **32.31** | **14.79** |

# CONSOLIDATED NOTES TO ACCOUNTS

## 34 Finance Costs

Finance Costs have been incurred on financial liabilities measured at amortised cost.

(₹ in Crores)

| Particulars | | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|---|
| (i) | **Interest on Debt Securities** | | |
| | - Domestic Debt Securities | **12,965.67** | 11,895.66 |
| | - Foreign Currency Debt Securities | **441.83** | 124.01 |
| | - Commercial Paper | **402.84** | 135.60 |
| | **Sub-Total (i)** | **13,810.34** | **12,155.27** |
| | | | |
| (ii) | **Interest on Borrowings** | | |
| | - Loans from Govt. of India | **121.84** | - |
| | - Loans from Banks/ Financial Institutions | **594.30** | 87.35 |
| | - External Commercial Borrowings | **914.19** | 888.11 |
| | **Sub-Total (ii)** | **1,630.33** | **975.46** |
| | | | |
| (iii) | **Interest on Subordinated Liabilities** | | |
| | - Subordinate Bonds | **203.25** | 201.65 |
| | **Sub-Total (iii)** | **203.25** | **201.65** |
| | | | |
| (iv) | **Other Interest Expense** | | |
| | - Interest on Income Tax | **3.70** | 5.68 |
| | - Miscellaneous interest expense | **2.95** | 1.20 |
| | **Sub-Total (iv)** | **6.65** | **6.88** |
| | **Total - Finance Costs** | **15,650.57** | **13,339.26** |
| | Less: Finance Costs Capitalised | **(11.37)** | (6.32) |
| | **Total - Finance Costs (Net)** | **15,639.20** | **13,332.94** |

## 35 Net translation/ transaction exchange loss / (gain)

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| Net translation/ transaction exchange loss/ (gain) | **521.19** | 19.37 |
| **Total** | **521.19** | **19.37** |

## CONSOLIDATED NOTES TO ACCOUNTS

**35.1** The foreign currency monetary items are translated at FBIL (Financial Benchmark India Private Ltd) reference rates prevailing at the end of each reporting period or where the FBIL reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg. The respective rates as on the reporting date are as below:

| Exchange Rates | USD/INR | JPY/INR | Euro/INR |
|---|---|---|---|
| **As at 31st March 2019** | **69.1713** | **0.6252** | **77.7024** |
| As at 31st March 2018 | 65.0441 | 0.6154 | 80.6222 |
| As at 1st April 2017 | 64.8386 | 0.5796 | 69.2476 |

* Prior to introduction of FBIL reference rates, RBI reference rates were being used by the Company. RBI has handed over the responsibility of computing and disseminating reference rate for USD/INR and exchange rate of other major currencies to FBIL with effect from July 10, 2018.

### 36 Fees and commission expense

(₹ in Crores)

| Particulars | | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|---|
| **(i)** | Guarantee Fee | **11.06** | 13.81 |
| **(ii)** | Listing and Trusteeship Fee | **1.67** | 1.54 |
| **(iii)** | Agency Fees | **0.78** | 1.65 |
| **(iv)** | Credit Rating Expenses | **2.85** | 5.95 |
| **(v)** | Other Finance Charges | **18.02** | 1.63 |
| | **Total (i to v)** | **34.38** | **24.58** |

### 37 Net Gain/ (loss) on Fair Value Changes

(₹ in Crores)

| Particulars | | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|---|
| **(A)** | **Net gain/ (loss) on financial instruments at Fair Value through profit or loss** | | |
| **(i)** | **On trading Portfolio** | **-** | - |
| **(ii)** | **On financial instruments designated at fair value through profit or loss** | | |
| | - Changes in fair value of Derivatives | **(351.52)** | (586.76) |
| | - Changes in fair value of Short-term investment of surplus funds in Mutual Funds | **3.00** | 13.39 |
| | **Sub-total (ii)** | **(348.52)** | (573.37) |
| | **Total (A)** | **(348.52)** | **(573.37)** |
| | **Breakup of Fair Value Changes** | | |
| | - Realised | **(619.05)** | (817.51) |
| | - Unrealised | **270.53** | 244.14 |
| | **Total Net Gain/ (loss) on Fair Value Changes** | **(348.52)** | **(573.37)** |

*Fair value changes in this schedule are other than those arising on account of accrued interest income/ expense.

# CONSOLIDATED NOTES TO ACCOUNTS

## 38 Impairment on financial instruments

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | | Year ended 31.03.2018 | |
|---|---|---|---|---|
| | On financial instruments measured at FVOCI | On financial instruments measured at Amortised Cost | On financial instruments measured at FVOCI | On financial instruments measured at Amortised Cost |
| (i) - Loans | - | 222.32 | - | 2,290.43 |
| (ii) - Others | - | 21.17 | - | 10.10 |
| Total (i+ii) | - | 243.49 | - | 2,300.53 |

## 39 Cost of services rendered

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| Project Expenses | 85.15 | 119.8 |
| Total | 85.15 | 119.8 |

## 40 Cost of material consumed

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| IT- Hardware | - | 7.95 |
| Total | - | 7.95 |

## 41 Changes in inventories of finished goods and work-in-progress

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| Opening stock | | |
| Work-in-progress | - | 0.04 |
| | - | 0.04 |
| Closing stock | | |
| Work-in-progress | - | - |
| | - | - |
| Change in stock | - | 0.04 |
| Total | - | 0.04 |

# CONSOLIDATED NOTES TO ACCOUNTS

## 42 Employee Benefits Expense

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| - Salaries and Allowances | **130.70** | 139.82 |
| - Contribution to Provident Fund and Other Funds | **14.93** | 14.18 |
| - Gratuity | **2.89** | 1.63 |
| - Expenses towards Post Retirement Medical Facility | **8.81** | 9.24 |
| - Rent towards Residential Accomodation for Employees | **0.69** | 1.64 |
| - Staff Welfare Expenses | **19.35** | 17.53 |
| **Total** | **177.37** | **184.04** |

**42.1** Rent for Residential Accommodation of Employees is on account of rent (net of recoveries) on lease arrangements for premises which are taken for residential use of employees, which are usually renewable on mutually agreed terms and are cancellable.

### 42.2 Pay Revision of Employees of the Company

The pay revision of the employees of the Company had become due w.e.f. 1st January 2017. The Company has implemented the revision in pay scales of Board and below Board Level Executives during the financial year 2018-19 in line with the recommendations of 3rd Pay Revision Committee constituted by the Department of Public Enterprises (DPE), Govt. of India. Further, the pay revision of non-executive employees has also been approved by the Board of Directors in March 2019 and the arrears in this respect will be paid out during the financial year 2019-20.

## 43 Depreciation and amortization

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| - Depreciation on Property, Plant & Equipment | **6.77** | 6.29 |
| - Amortization on Intangible Assets | **1.52** | 0.64 |
| **Total** | **8.29** | **6.93** |

## 44 Corporate Social Responsibility Expenses

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| - Direct Expenditure | **99.93** | 48.16 |
| - Overheads | **4.56** | 2.78 |
| **Total** | **104.49** | **50.94** |

### 44.1 Disclosure in respect of CSR Expenses:

(a) Amount spent during the year (₹ in Crores) :

(₹ in Crores)

| Particulars | | Year ended 31.03.2019 | | | Year ended 31.03.2018 | | |
|---|---|---|---|---|---|---|---|
| | | In Cash | Yet to be paid | Total | In Cash | Yet to be paid | Total |
| **(i)** | **Construction/ acquisition of any asset** | **-** | **-** | **-** | - | - | - |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | | Year ended 31.03.2019 | | | Year ended 31.03.2018 | | |
|---|---|---|---|---|---|---|---|
| | | In Cash | Yet to be paid | Total | In Cash | Yet to be paid | Total |
| (ii) | **On purpose other than (i) above** | | | | | | |
| | Sanitation / Waste Management / Drinking water | **0.44** | **-** | **0.44** | - | - | - |
| | Education/ Vocational/ Skill Development | **0.13** | **-** | **0.13** | 0.90 | - | 0.90 |
| | Environmental Sustainability (Solar Applications/ Afforestation/ Energy efficient LED lighting) | **98.83** | **-** | **98.83** | 45.86 | 0.81 | 46.67 |
| | Sports | **0.06** | **-** | **0.06** | 0.24 | - | 0.24 |
| | Others | **0.47** | **-** | **0.47** | 0.35 | - | 0.35 |
| | Administrative overheads including training, impact assessment etc. | **4.56** | **-** | **4.56** | 2.78 | - | 2.78 |
| | **Total (ii)** | **104.49** | **-** | **104.49** | **50.13** | **0.81** | **50.94** |

### 45 Other Expenses

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| - Travelling and Conveyance | **17.05** | 14.88 |
| - Publicity & Promotion Expenses | **83.22** | 9.27 |
| - Repairs and Maintenance | **7.81** | 10.01 |
| - Rent, taxes and energy costs | **17.55** | 15.41 |
| - Insurance Charges | **0.05** | 0.16 |
| - Communication costs | **2.72** | 2.62 |
| - Printing & stationery | **4.11** | 3.44 |
| - Director's sitting fees | **0.24** | 0.18 |
| - Auditors' fees and expenses | **1.63** | 1.29 |
| - Legal & Professional Charges | **10.10** | 5.99 |
| - Donations | **2.00** | - |
| - Net Loss on Disposal of Property, Plant & Equipment | **0.86** | 0.56 |
| - Monitoring Expenses | **10.85** | 13.11 |
| - Miscellaneous Expenses | **30.57** | 22.13 |
| **Total** | **188.76** | **99.05** |

# CONSOLIDATED NOTES TO ACCOUNTS

## 45.1 Disclosure in respect of Auditors' fees and expenses

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| Fees paid to statutory auditors : | | |
| - as auditor | **0.48** | 0.43 |
| - for taxation matters * | **0.29** | 0.12 |
| - for company law matters (includes limited review fees) | **0.45** | 0.26 |
| - for other services | **-** | - |
| (i) Certification of MTN Offer Document/ Comfort Letter | **0.20** | 0.30 |
| (ii) Other Certifications | **0.08** | 0.06 |
| - for reimbursement of expenses | **0.03** | 0.02 |
| **Sub-total** | **1.53** | **1.19** |
| Non-recoverable tax credit in respect of fees paid to auditors | **0.10** | 0.10 |
| **Total - Auditor's fees and expenses** | **1.63** | **1.29** |

* includes ₹ 0.09 crores (Previous year ₹ 0.02 crores) of Tax Audit fees pertaining to earlier years.

## 46 Tax Expense

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| - Current tax expense | **1,826.51** | 2,204.57 |
| - Current tax expense/ (benefit) pertaining to earlier years | **(13.28)** | 10.86 |
| **Sub-total - Current Tax** | **1,813.23** | **2,215.43** |
| - Deferred tax expense/ (credit) | **535.83** | (708.43) |
| **Total** | **2,349.06** | **1,507.00** |

## 46.1 Reconciliation of Effective Tax Rate

The reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in statement of profit and loss is as follows:

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| **Profit before Tax** | **8,090.44** | 5,957.52 |
| **Statutory income tax rate** | **34.944%** | **34.608%** |
| **Expected income tax expense** | **2,827.13** | 2,061.78 |
| **Tax effect of income tax adjustments:** | | |
| Benefit of deduction u/s 36(1)(viii) of Income Tax Act 1961 | **(462.51)** | (542.45) |
| Non-allowability of CSR expenses | **19.08** | 10.15 |
| Other non-deductible tax expenses | **1.01** | 3.06 |
| Interest on Advance Income tax disallowed | **1.20** | 1.91 |
| Exempt Income | **(7.77)** | (9.71) |
| Income Tax Earlier Years | **(13.28)** | 10.86 |
| Impact of different tax rates | **(2.32)** | (35.34) |
| Tax impact on undistributed profits of subsidiaries | **(12.03)** | 7.95 |
| Tax effect on JV profit and OCI accounted for using equity method | **(1.45)** | (1.21) |
| **Tax expense** | **2,349.06** | **1,507.00** |

## CONSOLIDATED NOTES TO ACCOUNTS

**46.2** Applicable tax rate has increased from 34.608% to 34.944% in the current financial year due to increase in Education Cess rate from 3% to 4%.

### 47 Earnings per Share

(₹ in Crores)

| Particulars | Year ended 31.03.2019 | Year ended 31.03.2018 |
|---|---|---|
| **Numerator** | | |
| Profit for the period from continuing operations as per Statement of Profit and Loss (₹ in Crores) | **5,741.38** | **4,450.52** |
| Profit for the period from continuing and discontinued operations as per Statement of Profit and Loss (₹ in Crores) | **5,741.38** | 4,450.52 |
| **Denominator** | | |
| Weighted average Number of equity shares | **1,974,918,000** | 1,974,918,000 |
| Basic & Diluted Earnings per Share (in ₹ for an equity share of ₹ 10 each) (for continuing operations) | **29.07** | 22.54 |
| Basic & Diluted Earnings per Share (in ₹ for an equity share of ₹ 10 each) (for continuing and discontinued operations) | **29.07** | 22.54 |

### 48 Contingent Liabilities and Commitments :

**48.1** Contingent Liabilities not provided for in respect of:

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| **(A)** | **Claims against the Company not acknowledged as debts** | **0.08** | 0.08 | 2.37 |
| **(B)** | **Taxation Demands** | | | |
| | - Demands raised by the Income Tax Department | **91.03** | 60.16 | 42.98 |
| | - Demands against appeals filed by the Income Tax Department against the relief allowed to the Company | **30.42** | 37.07 | 40.18 |
| | - Demands raised in respect of Service Tax | **0.36** | 0.36 | 0.36 |
| **(C)** | **Others** | | | |
| | - Letters of Comfort | **-** | 13.51 | 173.36 |
| | - Bank Guarantees | **29.86** | 32.58 | 35.32 |
| | | **-** | - | - |

The amount referred to in 'A' above are in respect of cases pending in various courts including arbitration cases and is dependent upon the outcome of settlement of court/arbitration cases.

The amount referred to in 'B' above are against various demands raised by the Income Tax Department/ Service Tax Department including the cases pending in Delhi High Court/ Supreme Court. The company is contesting these tax demands and the management believes that its position will likely be upheld in the appellate process. Further, the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations.

# CONSOLIDATED NOTES TO ACCOUNTS

## 48.2 Commitments not provided for in respect of:

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **- Contracts remaining to be executed on capital account** | | | |
| - Towards Property, Plant & Equipment | **362.33** | 403.95 | 272.33 |
| - Towards Intangible Assets | **2.82** | 1.93 | 2.60 |
| **- Other Commitments** | | | |
| - CSR Commitments | **301.46** | 261.20 | 145.99 |

## 49. Details of Registration/ License/ authorisation obtained from financial sector regulators:

| Particulars | | Regulator Name | Registration Details |
|---|---|---|---|
| (i) | Corporate Identification Number | Ministry of Corporate Affairs | L40101DL1969GOI005095 |
| (ii) | Registration Number | Reserve Bank of India | 14.000011 |
| (iii) | Legal Entity Identifier (LEI) Code | Global Legal Entity Identifier Foundation (GLEIF) | 335800B4YRYWAMIJZ374 |

## 50 Implementation of Govt. Schemes

### 50.1 Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA)

Government of India has launched a scheme “Pradhan Mantri Sahaj Bijli Har Ghar Yojana” - Saubhagya to achieve universal household electrification in the country. The scheme envisages to provide last mile connectivity and electricity connections to all remaining un-electrified households in rural areas and poor households in urban areas by 31st March, 2019. The capital outlay of Saubhagya Scheme is Rs 16,320 Crore including Gross Budgetary Support of Rs 12,320 Crore during the entire implementation period. Ministry of Power designated REC as the Nodal agency for operationalization of Saubhagya Scheme.

With the active support and cooperation of States/Power Utilities and other stakeholders, cumulatively 2.62 Crore Households Were electrified since launch of Saubhagya scheme upto 31st March, 2019. During FY 2018-19, 2.22 Crore households were electrified. Accordingly, All States (except Chhattisgarh with 18,734 un-electrified Households) have declared achievement of saturation of household electrification.

### 50.2 Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)

Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) is the flagship scheme of Government of India covering all aspects of rural power distribution. Under the scheme 60% of the project cost (85% for special States) is provided as grant by Government of India and additional grant upto 15% (5% for special States) on achievement of prescribed milestones. DDUGJY facilitates towards achievement of ‘24x7 Power for All’ in the country through the following project components:

(i) Separation of agriculture and non-agriculture feeders facilitating adequate power supply to agriculture & continuous power supply to non-agricultural consumers in the rural areas;

(ii) Strengthening and augmentation of sub-transmission & distribution infrastructure in rural areas, including metering of distribution transformers/ feeders/ consumers;

(iii) Micro-grid and Off-grid distribution network;

(iv) Rural Electrification component under the RGGVY 12th and 13th plans, subsumed to DDUGJY.

The components at (i) and (ii) of the above scheme will have an estimated outlay of Rs. 43,033 Crore including budgetary support of Rs. 33,453 Crore from Government of India during the entire implementation period. The scheme of RGGVY as approved by CCEA for continuation in 12th and 13th plan have been subsumed in this scheme as a separate Rural Electrification (RE) component. During FY 2018-19, grant of Rs. 20,593 Crore has been received from Ministry of Power for utilization of implementing Government programmes (DDUGJY & Saubhagya) by the State Power Utilities/ Discoms across the Country.

# CONSOLIDATED NOTES TO ACCOUNTS

## 50.3 National Electricity Fund (NEF)

The National Electricity Fund (NEF), an interest subsidy scheme, has become operational since FY 2012-13. The scheme has been introduced by the Government of India to promote capital investment in the distribution sector. The scheme provides interest subsidy linked with reform measures, on the loans taken by public and private distribution power utilities for various capital works in the Distribution sector. NEF would provide interest subsidy aggregating up to ₹ 8,466 Crore (including interest subsidy to the borrowers, Service Charges to the Nodal Agency, payments to Independent Evaluators and other incidental expenses) spread over 14 years for loan disbursement against projects approved during 2012-13 and 2013-14. REC has been nominated as the Nodal Agency for operationalization of NEF scheme across the country.

## 50.4 J&K Prime Minister's Development Plan (PMDP)

Government of Jammu & Kashmir, Power Development Department has appointed RECPDCL and RECTPCL as a Project Implimenting Agency (PIA) for design, engineering, procurement, supply, erection, testing and commsioning of all the material and services works to be taken-up for execution of distribution work under PMDP in J&K state on nomination basis, as per actual cost to be discovered through competitive biddings.

## 50.5 Urja Mitra and 11 kV Feeder Monitoring

Ministry of Power has initiated two schemes namely Urja Mitra and 11 kV Feeder Monitoring. Urja Mitra is an initiative which aims to provide information about power outage/cuts /breakdown/shutdown (both planned and unplanned) to the consumers. Feeder Monitoring scheme is to develop a Self-sustained independent web based system for automated 11 kV Rural Feeder Monitoring System through Data Logging of various essential parameters of all the Outgoing 11kV rural feeders from 66, 33/11 kV sub stations and make the information available online for various stake holders including public portal, on real time basis for power supply monitoring, alerts, meter data analysis, information dissemination and energy audit. RECTPCL has been appointed as nodal agency for the both the schemes.

## 51 Capital management

The Group manages its capital to ensure that it will continue as going concern while maximizing the return to stakeholders. The capital structure of the Group consists of the equity and the long-term borrowings made by the Group.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. The Group manages the capital structure and raises funds through the suitable instruments, in light of the dynamic business environment and liquidity position within the sector. Further, with regard to capital restructuring, the Group is also guided, inter alia, by guidelines on "Capital Restructuring of Central Public Sector Enterprises" issued by Department of Investment and Public Asset Management (DIPAM), Ministry of Finance, Department of Public Enterprises in respect of issue of bonus shares, dividend distribution, buy back of equity shares etc. The Group has complied with all externally imposed capital requirements.

The debt-equity ratio of the Group is as below:

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Total debt | **239,215.90** | 198,721.04 | 167,446.95 |
| Net Worth | **34,546.34** | 32,587.61 | 30,809.43 |
| **Debt-equity ratio** | **6.92** | 6.10 | 5.43 |

Total debt represents principal outstanding.

**Dividend Distribution Policy**

BoD monitors the dividend pay-out to the shareholders of the Company. Dividend distribution policy of the Company focuses on various factors including but not limited to the present & future capital requirements, profits earned during the financial year, Capital to Risk-weighted Assets Ratio (CRAR), cost of raising funds from alternate sources, cash flow position and applicable taxes including tax on dividend, subject to the guidelines as applicable from time to time, cash flow position and net worth of the Company, subject to the guidelines as applicable from time to time.

## CONSOLIDATED NOTES TO ACCOUNTS

As per the extant guidelines issued by DIPAM, Govt. of India, Company is required to pay a minimum annual dividend of 30% of PAT or 5% of the net-worth, whichever is higher. Though the Company endeavors to declare the dividend as per these guidelines, the Company may propose lower dividend after analysis of various financial parameters, cash flow position and funds required for future growth.

### 52 Capital to Risk-weighted Assets Ratio

The Company has also adopted various policies for the management of the Company which inter-alia include Comprehensive Risk Management Policy, Whistle Blower Policy, Code for Prevention of Insider Trading in REC Equity Shares/Securities, Policy for prevention of Fraud, The Code of Business Conduct and Ethics for Board Members and Senior Management, Fair Practices Code, etc.

The Company is complying with the Capital Adequacy requirements as prescribed by the Reserve Bank of India. Being an NBFC and Infrastructure Finance Company (NBFC-IFC), REC is required to maintain a Capital to Risk Weighted Assets Ratio (CRAR) of 15% (with a minimum Tier I Capital of 10%).

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| (i) | CRAR (%) | **17.77%** | 17.00% | 18.97% |
| (ii) | CRAR - Tier I Capital (%) | **14.44%** | 14.40% | 16.16% |
| (iii) | CRAR - Tier II Capital (%) | **3.33%** | 2.60% | 2.81% |

Details of Tier II capital and perpetual debt instruments raised during the financial year are as under:

(₹ in Crores)

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| Amount of subordinated debt raised as Tier-II capital | **2,151.20** | - |
| Amount raised by issue of Perpetual Debt Instruments | **-** | - |

### 53 Financial Risk Management

The Group's board of directors has overall responsibility for the establishment and oversight of the Company risk management framework. The Group has formulated a comprehensive Risk Management Policy, which covers, inter-alia, Credit Risk, Operational Risk and Market Risk of the organization. The Group's risk management policies are guided by well-defined policies appropriate for various risk categories, independent risk oversight and periodic monitoring. A Risk Management Committee (RMC) has also been constituted under the chairmanship of an Independent Director, whose main function is to identify and monitor various risks of the organization and to suggest actions for mitigation of the same.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

| Risk | Exposure arising from | Measurement | Management |
|---|---|---|---|
| Credit risk | Cash and cash equivalents, loans, trade receivables, financial assets measured at amortised cost, investment in debt securities | Ageing analysis | Bank deposits, liquid funds, diversification of asset base, credit limits and collateral. |
| Liquidity risk | Borrowings, debt securities, subordinated liabilities, and other financial liabilities | Rolling cash flow forecasts | Availability of committed credit lines and borrowing facilities |
| Market risk - Currency risk | Recognised financial assets and liabilities not denominated in Indian Rupee (INR) | Cash flow forecasting | Derivative contracts/ hedging, if required |
| Market risk - interest rate risk | Borrowings, debt securities and subordinated liabilities at variable interest rates | Sensitivity analysis | Derivative contracts |
| Market risk - equity price risk | Investments in quoted equity securities | Sensitivity analysis | Diversification of portfolio, with focus on strategic investments |

## CONSOLIDATED NOTES TO ACCOUNTS

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

### 53.1 Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk is influenced mainly by cash and cash equivalents, other bank balances, investments, loan assets, trade receivables and other financial assets. The Group continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls.

### 53.1.1 Financial assets that expose the entity to credit risk

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| (i) | **Low credit risk on financial reporting date** | | | |
| | Cash and cash equivalents | **381.99** | 248.43 | 4,468.51 |
| | Bank balances other than above | **1,733.08** | 1,946.84 | 72.98 |
| | Loans * | **256,448.62** | 207,067.88 | 184,379.61 |
| | Trade Receivables | **148.55** | 145.93 | 142.47 |
| | Investments ** | **1,636.14** | 2,056.52 | 2,121.01 |
| | Other financial assets | **18,390.68** | 4,293.80 | 68.24 |
| (ii) | **Moderate credit risk** | | | |
| | Loans * | **4,412.62** | 15,266.53 | 12,850 |
| | Trade Receivables | **3.37** | 0.04 | 3.07 |
| (iii) | **High credit risk** | | | |
| | Loans * | **20,348.44** | 17,128.42 | 4,872.69 |
| | Trade Receivables | **23.83** | 23.78 | 20.71 |

* Represents the principal outstanding (along with undisbursed amount towards Letters of Comfort) without deduction for expected credit losses

** This does not include investments in quoted equity instruments and venture capital funds as they are carried at FVOCI

**Cash and cash equivalents and bank deposits**

Credit risk related to cash and cash equivalents and bank deposits is managed by parking funds in investment grade rated instruments and highly rated banks and also diversifying the deposit base by investing in different instruments/ banks across the country.

**Loans**

Credit risk related to borrowers are mitigated through adequate security arrangements for the loans by way of hypothecation of future project loan assets, receivables, inventories or any other assets, Govt. Guarantees, Corporate guarantees etc. and additionally Collaterals wherever required. The Company closely monitors the credit-worthiness of the promoters through well-defined entity appraisal guidelines that are configured from systematic institutional and project appraisal process analysis to assess the credit risk and define credit limits of borrower, thereby, limiting the credit risk to pre-calculated amounts. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures in form of pre-disbursement conditions.

**Trade Receivables**

Credit risk related to Trade Receivables is mitigated by assessing the credit worthiness of debtors and is managed by monitoring the recoverability of such amounts continuously.

# CONSOLIDATED NOTES TO ACCOUNTS

**Other financial assets measured at amortized cost**

Other financial assets measured at amortized cost includes loans and advances to employees and subsidiaries, security deposits and other amounts recoverable, including from Govt. of India. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously.

### 53.1.2 Expected Credit Losses (ECL) for financial assets other than loans and trade receivables

Company provides for expected credit losses on financial assets other than loans and trade receivables by assessing individual financial instruments for expectation of any credit losses:

- For cash and cash equivalents and other bank balances - Since the Company deals with only high-rated banks and financial institutions for banking operations and the liquid funds category in the debt funds with consistent track record for short term investment of surplus funds, credit risk in respect of cash and cash equivalents, other bank balances and bank deposits is evaluated as very low.
- For investments - Considering that the investments are in debt securities of the State Govt./ minimum investment grade rated Government Companies and Public Sector Banks, credit risk is considered low.
- For other financial assets - Credit risk is evaluated based on Company's knowledge of the credit worthiness of those parties and loss allowance is measured for 12 month expected credit losses upon initial recognition and provide for lifetime expected credit losses upon significant increase in credit risk.

Details of expected credit loss for financial assets other than Loans and Trade Receivables is disclosed as follows:

(₹ in Crores)

| Particulars | Gross Carrying Amount | ECL | Net Carrying Amount |
|---|---|---|---|
| **As at 31st March 2019** | | | |
| Cash and cash equivalents | 381.99 | - | 381.99 |
| Bank balances other than above | 1,733.08 | - | 1,733.08 |
| Investments | 1,636.14 | - | 1,636.14 |
| Other financial assets * | 18,390.68 | 26.69 | 18,363.99 |
| **As at 31st March 2018** | | | |
| Cash and cash equivalents | 248.43 | - | 248.43 |
| Bank balances other than above | 1,946.84 | - | 1,946.84 |
| Investments | 2,056.52 | - | 2,056.52 |
| Other financial assets * | 4,293.80 | 12.27 | 4,281.53 |
| **As at 1st April 2017** | | | |
| Cash and cash equivalents | 4,468.51 | - | 4,468.51 |
| Bank balances other than above | 72.98 | - | 72.98 |
| Investments | 2,121.01 | - | 2,121.01 |
| Other financial assets * | 68.24 | 5.59 | 62.65 |

* The impairment allowance has been provided in full on other financial assets considered as credit-impaired.

### 53.1.3 Expected Credit Loss for loans

For risk management reporting purposes, the Company considers and consolidates following elements of credit risk:

**(i)** Credit default risk: The risk of loss arising from a debtor being unlikely to pay its loan obligations in full or the debtor is more than 90 days past due on any material credit obligation; default risk may impact all credit-sensitive transactions, including loans and securities.

## CONSOLIDATED NOTES TO ACCOUNTS

**(ii)** Concentration risk: The risk associated with any single exposure or group of exposures with the potential to produce large enough losses to threaten Company's core operations.

**Credit Risk Management**

Credit risk is the single largest risk of the Company's business, and therefore the Company has developed several processes and controls to manage it. The credit risk are managed at different levels including at appraisal, disbursements and post disbursement monitoring. To mitigate this risk, the company follows systematic institutional and project appraisal process to assess the credit risk. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures. Further, on regular basis the projects risk are reviewed and categorised as High/Moderate/Low on the basis of different risk parameters and exposure of the project as per Project Risk Categorization Frameworks. The process for Credit Risk Management are as under :

**(i)** The Company has "Integrated Rating Guidelines" and "Comprehensive Risk Management Policy" covering credit assessment, risk grading, collateral requirements, reporting, monitoring of end utilisation of funds etc.. Further, independent Lender legal counsels are appointed to ensure effective documentation and mitigation of legal risk.

**(ii)** For all existing private sector projects, where the Company is Lead Financial Institution, the Company engages lender's engineers, financial advisors and insurance advisors, which are independent agencies who act on behalf of various lenders and consortium members. The Lenders' Engineers conducts periodic site visits and submits reports on progress status of the project, after discussion with borrower and inspection/ review of relevant documents. Lender's financial advisors submit the statements of fund flow and utilization of funds in the project periodically. In cases where the Company is not the lead FI, the tasks related to LE and LFA services are being coordinated with the lead lender.

A separate Project Management Agency (PMA) is being appointed for each of new project being financed by REC , which shall be stationed at project site to closely monitor various project execution activities including review of invoices, fund utilization and insurance for the project. PMA shall verify the bills of original equipment manufacturer/ supplier, composite works contractor and give its recommendation for disbursement.

**(iii)** The Company has an authorisation structure for the approval and renewal of credit facilities. Authorisation limits have been established commensurating with the size of business proposal at CMD/Executive Committee/Loan Committee/ Board of Directors based on the recommendation of Screening Committee, as appropriate.

**(iv)** The Company has developed risk grading structure to categorise its exposures according to the degree of risk of default by charging appropriate interest rates and security package.

**(v)** Regular reports on the credit quality of loan portfolios are provided to Risk Management Committee and Board, which may require appropriate corrective action to be taken.

**(vi)** External agencies are appointed from time to time to review the guidelines, policy and existing practices being followed by business units along with providing the specialist skills to promote best practice throughout the Company for management of credit risk.

**(vii)** Individual and Group Credit Exposures are assessed against designated limits, before facilities are committed to borrowers by the business unit concerned. Sanction of additional facilities are also subject to the same review process.

**(viii)** The Company continuously monitors delays and/ or default of borrowers & other counterparties and their recoverability. On occurrence of default in the borrower's account, the Company initiates necessary steps to cure the default which may involve action(s) including, but not limited to, Special Mention Account (SMA) reporting to RBI, credit information reporting to Central Repository of Information on Large Credits (CRILC), etc. regularization of the account by recovering all over dues, invocation of guarantees/ securities to recover the dues, conversion of loan into equity as per loan agreement, restructuring of loan account, formulating resolution plan with the borrower, change in ownership, Corporate Insolvency Resolution Process (CIRP), sale of the exposures to other entities/ investors and other recovery mechanisms.

**(B) Credit risk Measurement**

REC has appointed an independent agency, IRR Advisory Services Pvt. Ltd. for developing the methodology, evaluation and calculation of ECL as per Ind AS 109. A comprehensive model for measurement of Credit risk has been developed based on key financial and operational parameters to assess improvement/ deterioration in credit quality. The credit risk model also provides a rating and the expected loss in case of default. The Company has considered following parameters in the model:

## CONSOLIDATED NOTES TO ACCOUNTS

**Quantitative factors**

Debt/ EBITDA (20% weightage)

Return on Capital Employed (30% weightage)

Interest Coverage (20% weightage)

Cash Interest Coverage (30% weightage)

**Qualitative Factors**

**(i)** Quarter wise Operational Parameters like PPA, PLF, ACS – ARR Gap, and LAF

**(ii)** Actual Default dates, loan restructuring details

**(iii)** Cost run over and time delay in commissioning of the project for under construction projects

**(iv)** Parent support

**(v)** Turnover caps

**(vi)** Conduct of account

**(C) Measurement of Expected Credit Loss (ECL)**

Ind AS 109 outlines a "three stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit impaired on initial recognition and whose credit risk has not increased significantly since initial recognition is classified as "Stage 1".

- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit impaired.

- If a financial instrument is credit impaired, it is moved to "Stage 3".

- Financial instrument in Stage 1 have their ECL measured at an amount equal to expected credit loss that results from default events possible within the next 12 months. Instruments in Stage 2 or Stage 3 criteria have their ECL measured on lifetime basis.

**(D) Significant Increase in Credit Risk (SICR)**

The Company considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative or qualitative criteria are met.

**Quantitative criteria**

The company has assumed that a 2 notch downgrade in credit rating since inception to be considered as significant increase in credit risk.

**Qualitative criteria**

In case of significant delay in commissioning in under construction projects, it is assumed that there is significant increase in risk and loan is moved to stage 2.

**Backstop**

A backstop is applied by the Company on any financial instrument if the payment is greater than or equal to Rs. 1 crore and the borrower is more than 30 days past due on its contractual payments. However, based on historical data, it has been noticed that such overdue amounts for more than 30 days do not signify significant increase in credit risk for state utilities. Therefore, the Company has applied this criteria only for private entities.

**(E) Low credit risk exemption**

Ind-AS provides an optional simplification to assume that the credit risk on a financial asset has not increased significantly since initial recognition (and thus remain in stage 1) if the financial asset is considered to have a low credit risk at the reporting date.

## CONSOLIDATED NOTES TO ACCOUNTS

Credit risk is considered to be 'low' when the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Company considers loan assets having External credit rating between AAA to A, to have low credit risk. Further, the Company has taken low credit risk exemption for all state utilities as the Company considers that loans to state sector have a low credit risk in comparison to lending to private sector mainly due to low default/ loss history in state sector and availability of government guarantee in certain loans. Further, presence of Government interest in these projects lowers the risk of non-recoverability of dues.

**(F) Definition of default and credit-impaired assets**

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when the loan account is more than 90 days past due on its contractual payments.

**(G) Measuring ECL - explanation of inputs, assumptions and estimation techniques**

Expected credit losses are the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), defined as follows:

- PD represents the likelihood of the borrower defaulting on its obligation either over next 12 months or over the remaining lifetime of the instrument.

- EAD is based on the amounts that the Company expects to be owed at the time of default over the next 12 months or remaining lifetime of the instrument.

- LGD represents the Company's expectation of loss given that a default occurs. LGD is expressed in percentage and remains unaffected from the fact that whether the financial instrument is a Stage 1 asset, or Stage 2 or even Stage 3. However, it varies by type of borrower, availability of collateral or other credit support.

**Determination of Probability of Default (PD)**

The Company has analysed the transition matrix of various rating agencies (CRISIL, Care and India Ratings) and has taken average of transition matrix of these rating agencies to arrive at the annual average transition matrix. This average annual transition matrix was extrapolated to arrive at the lifetime probability of default of various rating grades by loan tenure / maturity profile i.e. lifetime PD.

**Loss Given Default (LGD) computation model**

Based on the historical trend, research and industry benchmarking the Company has constructed a LGD model. Factors reviewed in the LGD model include Project cost per unit, current PLF, parent / state support, PPA status, FSA, fuel cost pass-through status, years of existing default etc. Based on internal research, for Thermal plants company has benchmarked project cost and PLF level to estimate viable scenario for operating profitably and recoverability is calculated accordingly. Similarly company assumes that although Renewable companies and Transmission companies face collection issues from distribution companies leading to longer working capital cycle but they are sustainable on long term basis. For State Utilities, the Company has factored in the state support and assumed that the State governments would step in to repay debt obligations of the state utilities as witnessed in the past during the Uday scheme, thus state credit rating and corresponding PD is considered to compute LGD.

Further, where REC and PFC (Group Companies) are in Consortium for Stage-III Loan accounts, LGD is taken on the following basis:

(a) In cases where either REC or PFC is lead lender, LGD % calculated by the lead lender is adopted

(b) In cases where neither REC nor PFC is lead lender, higher of the LGD% worked out by REC and PFC is adopted.

**(H) Key assumptions used in measurement of ECL**

**(i)** The Company considers the date of initial recognition as the base date from which significant increase in credit risk is determined.

**(ii)** Cost Overrun and time delay in commissioning is considered for computing credit rating for under construction projects.

## CONSOLIDATED NOTES TO ACCOUNTS

**(iii)** Turnover Cap and Parent support is considered for assigning final ratings.

**(iv)** Since the Company has a right to cancel any sanctioned but undrawn limits to any of its borrowers, EAD is assumed to be outstanding balance as on the reporting date.

**(I) Forward looking information incorporated in ECL models**

The assessment of significant increase in risk and the calculation of ECL both incorporate forward-looking information. Further, the Credit Rating Models also consider the forward looking information in the determination of the credit rating to be assigned to the borrower, by taking into consideration various financial ratios and extension of the project completion. As such, the Base Case Scenario reflects the most appropriate basis for the computation of ECL for the Company. After analysis of the forward looking information and the economic situation, no upturn/downturn scenario seems to be applicable or requiring any consideration in inputs used for ECL computation.

**(J) Credit Risk Exposure**

Credit Risk Exposure in respect of the borrowers with different credit ratings is as under

**As at 31st March 2019** (₹ in Crores)

| External rating range | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| AAA | - | - | - | - |
| AA | **3,239.02** | - | - | **3,239.02** |
| A | **56,158.84** | - | - | **56,158.84** |
| BBB | **40,834.51** | - | - | **40,834.51** |
| BB | **57,967.67** | **519.32** | - | **58,486.99** |
| B | **47,683.74** | **1,030.31** | - | **48,714.05** |
| C | **46,119.65** | **2,862.99** | - | **48,982.64** |
| D | - | - | **20,348.44** | **20,348.44** |
| Government Loan | **4,445.19** | - | - | **4,445.19** |
| **Gross carrying amount** | **256,448.62** | **4,412.62** | **20,348.44** | **281,209.68** |
| Loss allowance | **525.26** | **1,273.72** | **9,698.95** | **11,497.93** |
| **Carrying amount** | **255,923.36** | **3,138.90** | **10,649.49** | **269,711.75** |

**As at 31st March 2018** (₹ in Crores)

| External rating range | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| AAA | - | - | - | - |
| AA | 3,198.11 | - | - | 3,198.11 |
| A | 51,693.57 | - | - | 51,693.57 |
| BBB | 17,974.14 | - | - | 17,974.14 |
| BB | 53,056.43 | 10,594.28 | - | 63,650.71 |
| B | 30,981.40 | - | - | 30,981.40 |
| C | 46,596.39 | 4,672.25 | - | 51,268.64 |
| D | - | - | 17,128.42 | 17,128.42 |
| Government Loan | 3,567.83 | - | - | 3,567.83 |
| **Gross carrying amount** | **207,067.88** | **15,266.53** | **17,128.42** | **239,462.83** |
| Loss allowance | 1,090.78 | 1,694.30 | 8,490.53 | 11,275.61 |
| **Carrying amount** | **205,977.10** | **13,572.23** | **8,637.89** | **228,187.22** |

## CONSOLIDATED NOTES TO ACCOUNTS

**As at 1st April 2017** (₹ in Crores)

| External rating range | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| AAA | - | - | - | - |
| AA | 3,371.83 | - | - | 3,371.83 |
| A | 32,324.46 | - | - | 32,324.46 |
| BBB | 21,635.16 | - | - | 21,635.16 |
| BB | 51,057.87 | - | - | 51,057.87 |
| B | 34,743.10 | - | - | 34,743.10 |
| C | 37,949.19 | 12,849.73 | - | 50,798.92 |
| D | - | - | 4,872.69 | 4,872.69 |
| Government Loan | 3,298.00 | - | - | 3,298.00 |
| **Gross carrying amount** | **184,379.61** | **12,849.73** | **4,872.69** | **202,102.03** |
| Loss allowance | 1,324.86 | 5,011.36 | 2,648.95 | 8,985.17 |
| **Carrying amount** | **183,054.75** | **7,838.37** | **2,223.74** | **193,116.86** |

**(K) Collateral and other credit enhancements**

The Company employs a range of policies and practices to mitigate credit risk. The most common of these is accepting collateral for funds disbursed. The Company has internal policies on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgage of Immovable properties

- Hypothecation of Moveable property

- Assignment of project contract documents

- Pledge of instruments through which promoters' contribution is infused in the project

- Pledge of Promoter Shareholding

- Corporate and personal Guarantee of Promoters

**(L) Loss allowance**

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL

- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period

- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models

- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period

The following tables explain the changes in the loan assets (including undisbursed Letters of Comfort) and the corresponding ECL allowance between the beginning and the end of the reporting period:

(₹ in Crores)

| FY 2018-19 | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Gross Amount | 12 months ECL | Gross Amount | Lifetime ECL | Gross Amount | Lifetime ECL | Gross Amount | ECL |
| **Opening Balance** | **207,067.88** | **1,090.78** | **15,266.52** | **1,694.30** | **17,128.43** | **8,490.53** | **239,462.83** | **11,275.61** |
| Transfer to 12 months ECL | **10,594.28** | **21.95** | **(10,594.28)** | **(21.95)** | **-** | **-** | **-** | **-** |
| Transfer to life time ECL not credit impaired | **(549.56)** | **(4.38)** | **1,775.34** | **372.11** | **(1,225.78)** | **(367.73)** | **-** | **-** |
| Transfer to Lifetime ECL credit impaired | **(2,763.00)** | **(625.75)** | **(1,865.40)** | **(527.07)** | **4,628.40** | **1,152.82** | **-** | **-** |
| Additional provision due to changes in PD/ LGD | **-** | **(16.82)** | **-** | **(266.20)** | **-** | **423.75** | **-** | **140.73** |
| New Financial assets originated or purchased (including further disbursements in existing assets) | **56,669.38** | **78.30** | **63.82** | **22.54** | **-** | **-** | **56,733.20** | **100.84** |
| Financial Assets that have been derecognised (including recoveries in existing assets) | **(14,570.35)** | **(18.83)** | **(233.39)** | **-** | **(182.61)** | **(0.42)** | **(14,986.35)** | **(19.25)** |
| **Closing Balance** | **256,448.63** | **525.25** | **4,412.61** | **1,273.73** | **20,348.44** | **9,698.95** | **281,209.68** | **11,497.93** |

(₹ in Crores)

| FY 2017-18 | Stage 1 | | Stage 2 | | Stage 3 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Gross Amount | 12 months ECL | Gross Amount | Lifetime ECL | Gross Amount | Lifetime ECL | Gross Amount | ECL |
| **Opening Balance** | **184,379.60** | **1,324.86** | **12,849.73** | **5,011.36** | **4,872.69** | **2,648.95** | **202,102.02** | **8,985.17** |
| Transfer to 12 months ECL | 217.78 | 43.56 | - | - | (217.78) | (43.56) | - | - |
| Transfer to life time ECL not credit impaired | (11,127.58) | (70.64) | 11,127.58 | 70.64 | - | - | - | - |
| Transfer to Lifetime ECL credit impaired | (3,473.14) | (446.62) | (8,504.68) | (3,455.79) | 11,977.82 | 3,902.41 | - | - |
| Additional provision due to changes in PD/ LGD | - | 112.07 | - | 16.23 | - | 1,982.73 | - | 2,111.03 |
| New Financial assets originated or purchased | 43,799.44 | 150.11 | 289.57 | 52.15 | 593.02 | - | 44,682.03 | 202.26 |
| Financial Assets that have been derecognised | (6,728.22) | (22.56) | (495.68) | (0.29) | (97.32) | - | (7,321.22) | (22.85) |
| **Closing Balance** | **207,067.88** | **1,090.78** | **15,266.52** | **1,694.30** | **17,128.43** | **8,490.53** | **239,462.83** | **11,275.61** |

## CONSOLIDATED NOTES TO ACCOUNTS

**(M) Details of Stage wise Exposure and Impairment Loss Allowance:**

(₹ in Crores)

| Particulars | Stage I | Stage II | Stage III | Total |
|---|---|---|---|---|
| **As on 1st April 2017** | | | | |
| Total Exposure | 184,379.61 | 12,849.73 | 4,872.69 | 202,102.03 |
| Impairment Allowance | 1,324.86 | 5,011.36 | 2,648.95 | 8,985.17 |
| ECL % | 0.72% | 39.00% | 54.36% | 4.45% |
| **As on 31st March 2018** | | | | |
| Total Exposure | 207,067.88 | 15,266.53 | 17,128.42 | 239,462.83 |
| Impairment Allowance | 1,090.78 | 1,694.30 | 8,490.53 | 11,275.61 |
| ECL % | 0.53% | 11.10% | 49.57% | 4.71% |
| **As on 31st March 2019** | | | | |
| Total Exposure | **256,448.62** | **4,412.62** | **20,348.44** | **281,209.68** |
| Impairment Allowance | **525.26** | **1,273.72** | **9,698.95** | **11,497.93** |
| ECL % | **0.20%** | **28.87%** | **47.66%** | **4.09%** |

**(N) Concentration of credit risk**

The Company monitors concentration of credit risk (loan assets including undisbursed Letters of Comfort) by type of industry in which the borrower operates, further bifurcated into type of borrower, whether state or private.

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Gross Amount | ECL | Gross Amount | ECL | Gross Amount | ECL |
| **Concentration by industry** | | | | | | |
| Generation | **131,019.56** | **10,730.93** | 112,763.35 | 10,357.10 | 99,789.89 | 8,222.57 |
| Renewables | **4,463.99** | **74.13** | 3,276.99 | 63.17 | 2,119.13 | 53.64 |
| Transcos | **51,995.18** | **429.47** | 43,432.91 | 624.88 | 40,228.28 | 505.43 |
| Discoms | **89,285.76** | **262.07** | 76,421.75 | 229.39 | 56,666.73 | 202.27 |
| Government Loans | **4,445.19** | **1.33** | 3,567.83 | 1.07 | 3,298.00 | 1.26 |
| **Total** | **281,209.68** | **11,497.93** | 239,462.83 | 11,275.61 | 202,102.03 | 8,985.17 |
| | | | | | | |
| **Concentration by ownership** | | | | | | |
| State | **247,719.13** | **445.42** | 206,410.51 | 403.71 | 168,810.93 | 317.77 |
| Private | **33,490.55** | **11,052.51** | 33,052.32 | 10,871.90 | 33,291.10 | 8,667.40 |
| **Total** | **281,209.68** | **11,497.93** | **239,462.83** | **11,275.61** | **202,102.03** | **8,985.17** |

**(O) Sector-wise Credit-impaired Assets - Percentage of Stage-III Assets to Total Advances in that sector**

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| Power Sector | | **7.24%** | | 7.15% | | 2.41% |

# CONSOLIDATED NOTES TO ACCOUNTS

**(P) Movement of Credit-impaired Assets**

(₹ in Crores)

| Particulars | | FY 2018-19 | FY 2017-18 |
|---|---|---|---|
| **(i)** | Gross Credit-impaired Assets to Gross Advances (%) | **7.24%** | 7.15% |
| **(ii)** | Net Credit-impaired Assets to Net Advances (%) | **3.95%** | 3.79% |
| **(iii)** | Movement of Credit-impaired Assets (Gross) | | |
| **(a)** | Opening balance | **17,128.43** | 4,872.69 |
| **(b)** | Additions during the year | **4,628.40** | 12,570.84 |
| **(c)** | Reductions during the year | **(1408.39)** | (315.10) |
| **(d)** | Closing balance | **20,348.44** | **17,128.43** |
| **(iv)** | Movement of Credit-impaired Assets (Net) | | |
| **(a)** | Opening balance | **8,637.90** | 2,223.74 |
| **(b)** | Additions during the year | **3,051.83** | 6,685.70 |
| **(c)** | Reductions during the year | **(1040.24)** | (271.54) |
| **(d)** | Closing balance | **10,649.49** | **8,637.90** |
| **(v)** | Movement of provisions for Credit-impaired Assets | | |
| **(a)** | Opening balance | **8,490.53** | 2,648.95 |
| **(b)** | Provisions made during the year | **1,576.57** | 5,885.14 |
| **(c)** | Write-off / write-back of excess provisions | **(368.15)** | (43.56) |
| **(d)** | Closing balance | **9,698.95** | **8,490.53** |

**(Q) Write off policy**

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include ceasure of enforcement activity or where the Company's recovery method is foreclosing on collateral and the value of collateral is such that there is no reasonable expectation of recovery in full.

### 53.1.4 Expected Credit Loss for Trade Receivables

The entity provides for lifetime credit losses in respect of trade receivables of RECPDCL, one of the subsidiary of REC using simplified approach under ECL method

| Particulars | Less than 6 months | 6 months- 1 year | 1 year- 2 year | 2 year- 3 year | More than 3 year | Total |
|---|---|---|---|---|---|---|
| **As at 31st March 2019** | | | | | | |
| Gross carrying value | **71.57** | **22.56** | **31.52** | **3.37** | **23.83** | **152.85** |
| Expected loss rate | **6.87%** | **21.41%** | **8.76%** | **50.15%** | **100.00%** | **24.88%** |
| Expected credit loss (provision) | **4.92** | **4.83** | **2.76** | **1.69** | **23.83** | **38.03** |
| Carying amount (net of impairment) | **66.65** | **17.73** | **28.76** | **1.68** | **-** | **114.82** |
| **As at 31st March 2018** | | | | | | |
| Gross carrying value | 89.24 | 11.22 | 28.30 | 0.04 | 23.78 | 152.58 |
| Expected loss rate | 6.22% | 21.12% | 15.09% | 50.00% | 100.00% | 23.59% |
| Expected credit loss (provision) | 5.55 | 2.37 | 4.27 | 0.02 | 23.78 | 35.99 |
| Carying amount (net of impairment) | 83.69 | 8.85 | 24.03 | 0.02 | - | 116.59 |

## CONSOLIDATED NOTES TO ACCOUNTS

| Particulars | Less than 6 months | 6 months- 1 year | 1 year- 2 year | 2 year- 3 year | More than 3 year | Total |
|---|---|---|---|---|---|---|
| **As at 1st April 2017** | | | | | | |
| Gross carrying value | 113.71 | 12.83 | 15.35 | 3.07 | 20.71 | 165.67 |
| Expected loss rate | 5.29% | 22.99% | 24.17% | 50.16% | 100.00% | 21.08% |
| Expected credit loss (provision) | 6.01 | 2.95 | 3.71 | 1.54 | 20.71 | 34.92 |
| Carying amount (net of impairment) | 107.70 | 9.88 | 11.64 | 1.53 | - | 130.75 |

Other trade receivables included in the financial statements pertain to RECTPCL, for which there is no Expected Credit Loss. The figure for the same as on 31.03.2019 is Rs 22.90 crores (Rs 17.17 crores as on 31.03.2018 and Rs 0.58 crores as on 01.04.2017)

### 53.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due.

The Company manages its liquidity risk through a mix of strategies, including forward-looking resource mobilization based on projected disbursements and maturing obligations. The Company has put in place an effective Asset Liability Management System and has also constituted an Asset Liability Management Committee ("ALCO") which monitors the liquidity risk with the help of liquidity gap analysis.

The Company maintains adequate bank balances, short term investments that are readily convertible into cash and adequate borrowing and overdraft facilities by continuously monitoring the forecast and actual cash flows.

### 53.2.1 Maturity Pattern of Future Undiscounted Cash Flows

The cash flows towards items of financial liabilities (representing future undiscounted cash flows towards principal and interest) is as under:

(₹ in Crores)

| As at 31st March 2019 | Up to 30/31 days | Over 1 month & up to 2 Months | Over 2 months & up to 3 Months | Over 3 months & up to 6 Months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Non-Derivative Financial Liabilities :** | | | | | | | | | |
| **Rupee Borrowings** | | | | | | | | | |
| Debt Securities | | | | | | | | | |
| - Principal | 3,256.39 | 525.21 | 2,294.33 | 9,272.90 | 20,218.27 | 65,194.54 | 25,107.93 | 49,187.62 | 175,057.19 |
| - Interest | 484.75 | 912.75 | 1,840.88 | 2,754.00 | 6,877.86 | 19,633.29 | 11,001.43 | 13,288.00 | 56,792.96 |
| Other Borrowings | | | | | | | | | |
| - Principal | - | 350.00 | 500.00 | 850.00 | 200.01 | 4,257.52 | 13,405.02 | 5,187.59 | 24,750.14 |
| - Interest | 133.77 | 129.71 | 355.81 | 388.00 | 975.00 | 3,673.00 | 2,176.00 | 2,055.00 | 9,886.29 |
| Subordinated Liabilities | | | | | | | | | |
| - Principal | - | - | - | - | - | - | 2,500.00 | 2,151.20 | 4,651.20 |
| - Interest | - | 201.50 | - | - | 189.26 | 782.00 | 782.00 | 945.00 | 2,899.76 |
| **Foreign Currency Borrowings** | | | | | | | | | |
| Debt Securities | | | | | | | | | |
| - Principal | - | - | - | - | - | 2,766.85 | 4,841.99 | 5,187.85 | 12,796.69 |
| - Interest | - | 126.06 | 42.33 | 108.00 | 279.00 | 1,052.00 | 1,281.00 | 807.00 | 3,695.39 |
| Other Borrowings | | | | | | | | | |
| - Principal | - | 1,729.28 | 71.11 | 1,058.63 | 2,444.00 | 10,423.28 | 6,234.49 | - | 21,960.79 |
| - Interest | 43.40 | 54.77 | 42.07 | 229.00 | 290.00 | 734.00 | 278.00 | - | 1,671.24 |
| | | | | | | | | | |
| **Derivative Liabilities :** | | | | | | | | | |
| Interest rate swaps | - | - | - | 0.59 | 6.26 | 10.19 | 110.01 | 3.11 | 130.16 |
| Currency swaps | - | - | - | - | - | 0.40 | - | - | 0.40 |
| Forward Contracts | 10.27 | - | - | - | - | - | - | - | 10.27 |
| Others - | | | | | | | | | |
| Seagull Option | - | - | - | 0.37 | 18.20 | - | - | - | 18.57 |

(₹ in Crores)

| As at 31st March 2018 | Up to 30/31 days | Over 1 month & up to 2 Months | Over 2 months & up to 3 Months | Over 3 months & up to 6 Months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Non-Derivative Financial Liabilities :** | | | | | | | | | |
| **Rupee Borrowings** | | | | | | | | | |
| Debt Securities | | | | | | | | | |
| - Principal | 312.36 | 427.89 | 940.89 | 9,610.60 | 16,323.17 | 61,056.11 | 32,653.85 | 44,689.59 | **166,014.46** |
| - Interest | 415.74 | 777.17 | 1,636.05 | 2,475.00 | 7,218.16 | 19,907.58 | 11,268.40 | 12,649.00 | **56,347.10** |
| Other Borrowings | | | | | | | | | |
| - Principal | - | - | - | - | 200.00 | 200.00 | - | - | **400.00** |
| - Interest | - | - | - | - | 29.00 | 15.00 | - | - | **44.00** |
| Subordinated Liabilities | | | | | | | | | |
| - Principal | - | - | - | - | - | - | - | 2,500.00 | **2,500.00** |
| - Interest | - | 201.50 | - | - | - | 403.00 | 403.00 | 201.00 | **1,208.50** |
| **Foreign Currency Borrowings** | | | | | | | | | |
| Debt Securities | | | | | | | | | |
| - Principal | - | - | - | - | - | 2,601.76 | - | 4,878.30 | **7,480.06** |
| - Interest | - | - | 39.80 | 102.00 | 142.00 | 568.00 | 407.00 | 962.00 | **2,220.80** |
| Other Borrowings | | | | | | | | | |
| - Principal | - | - | 103.49 | 1,698.16 | 8,225.52 | 8,508.57 | 3,663.49 | 127.44 | **22,326.67** |
| - Interest | 33.87 | 42.91 | 63.03 | 151.00 | 270.00 | 541.00 | 101.00 | 2.00 | **1,204.81** |
| | | | | | | | | | |
| **Derivative Liabilities :** | | | | | | | | | |
| Interest rate swaps | - | - | - | 2.18 | 9.70 | 0.11 | - | 73.08 | **85.07** |
| Currency swaps | - | - | - | 5.35 | 3.08 | 63.07 | - | - | **71.50** |
| Forward Contracts | - | - | - | - | - | - | - | - | **-** |
| Others - | - | - | - | - | - | - | - | - | **-** |
| Call Spread | - | - | - | 1.37 | 37.98 | 43.05 | 78.77 | - | **161.17** |
| Seagull Option | - | - | - | - | - | - | - | - | **-** |

(₹ in Crores)

| As at 1st April 2017 | Up to 30/31 days | Over 1 month & up to 2 Months | Over 2 months & up to 3 Months | Over 3 months & up to 6 Months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Non-Derivative Financial Liabilities :** | | | | | | | | | |
| **Rupee Borrowings** | | | | | | | | | |
| Debt Securities | | | | | | | | | |
| - Principal | 402.64 | 365.98 | 326.16 | 9,853.96 | 5,278.77 | 46,206.46 | 33,434.77 | 47,247.66 | **143,116.40** |
| - Interest | 399.38 | 752.39 | 1,383.18 | 2,760.00 | 6,195.15 | 19,114.43 | 12,396.19 | 15,291.00 | **58,291.72** |
| Other Borrowings | | | | | | | | | |
| - Principal | - | - | - | - | 350.00 | 400.00 | - | - | **750.00** |
| - Interest | - | - | - | - | 53.46 | 45.00 | - | - | **98.46** |
| Subordinated Liabilities | | | | | | | | | |
| - Principal | - | - | - | - | - | - | - | 2,500.00 | **2,500.00** |
| - Interest | - | 201.50 | - | - | - | 403.00 | 403.00 | 403.00 | **1,410.50** |
| **Foreign Currency Borrowings** | | | | | | | | | |
| Other Borrowings | | | | | | | | | |
| - Principal | 1,102.92 | - | 88.89 | 101.98 | 156.76 | 13,135.37 | 6,290.56 | 204.19 | **21,080.67** |
| - Interest | 13.21 | 33.35 | 45.40 | 136.00 | 196.00 | 579.00 | 129.00 | 5.00 | **1,136.96** |
| | | | | | | | | | |
| **Derivative Liabilities :** | | | | | | | | | |
| Interest rate swaps | - | - | - | - | - | 0.82 | - | 64.40 | **65.22** |
| Currency swaps | 79.25 | - | 2.11 | 4.51 | - | 29.66 | 42.22 | 5.45 | **163.20** |
| Forward Contracts | - | - | - | - | - | - | - | - | **-** |
| Others - | - | - | - | - | - | - | - | - | **-** |
| Call Spread | - | - | - | - | - | 55.46 | 70.59 | - | **126.05** |

Bonds with put & call option have been shown considering the earliest exercise date. The liquidity analysis for derivative financial liabilities is based on fair values of the derivative contracts and the maturity buckets have been derived on the basis of the remaining tenor of the respective derivative instrument.

Significant cashflows required for financial liabilities shall be funded through the undiscounted cash flows (principal and interest) from loans as below:

(₹ in Crores)

| Particulars | Up to 30/31 days | Over 1 month & up to 2 Months | Over 2 months & up to 3 Months | Over 3 months & up to 6 Months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **As at 31st March 2019** | | | | | | | | | |
| Principal | **1,654.88** | **1,316.82** | **3,073.31** | **7,365.12** | **13,781.11** | **55,904.77** | **50,995.33** | **135,620.42** | **269,711.76** |
| Interest | **866.67** | **684.94** | **5,324.18** | **6,853.48** | **12,557.11** | **43,097.02** | **31,940.32** | **53,720.12** | **155,043.84** |
| **As at 31st March 2018** | | | | | | | | | |
| Principal | 1,230.83 | 1,492.35 | 3,293.35 | 8,191.72 | 12,150.11 | 48,496.92 | 41,862.39 | 111,456.20 | **228,173.87** |
| Interest | 531.59 | 532.53 | 4,795.14 | 6,201.87 | 10,813.02 | 37,162.38 | 27,418.33 | 53,753.31 | **141,208.17** |
| **As at 1st April 2017** | | | | | | | | | |
| Principal | 1,001.24 | 893.61 | 2,277.07 | 5,717.85 | 9,745.28 | 38,401.16 | 35,944.37 | 98,986.89 | **192,967.47** |
| Interest | 329.97 | 372.01 | 4,903.23 | 6,344.17 | 10,568.49 | 37,093.49 | 28,347.84 | 48,660.08 | 136,619.28 |

The principal cash flows relating to Stage III assets, net of Expected Credit Loss have been considered in over 5 years bucket irrespective of the maturity date.

### 53.2.2 Maturity Pattern of Significant Financial Assets & Liabilities, as prescribed by RBI

(₹ in Crores)

| As at 31st March 2019 | Up to 30/31 days | Over 1 month & up to 2 Months | Over 2 months & up to 3 Months | Over 3 months & up to 6 Months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Loan Assets** | **1,850.88** | **1,316.82** | **3,401.32** | **7,627.17** | **13,781.11** | **55,904.77** | **50,995.33** | **135,573.52** | **270,450.92** |
| **Investments** | **56.56** | **-** | **-** | **-** | **48.30** | **1,500.00** | **-** | **678.27** | **2,283.13** |
| **Rupee Borrowings** | | | | | | | | | |
| Debt Securities | **3,781.97** | **621.87** | **3,645.36** | **11,092.27** | **22,325.05** | **65,199.36** | **25,107.93** | **48,821.65** | **180,595.46** |
| Other Borrowings | **126.93** | **350.00** | **500.00** | **850.00** | **207.34** | **4,257.52** | **13,405.02** | **5,187.59** | **24,884.40** |
| Subordinated Liabilities | **-** | **168.38** | **-** | **-** | **1.59** | **-** | **2,499.15** | **2,149.65** | **4,818.77** |
| **Foreign Currency Borrowings** | | | | | | | | | |
| Debt Securities | **-** | **98.15** | **24.29** | **30.88** | **-** | **2,722.66** | **4,784.70** | **4,511.39** | **12,172.07** |
| Other Borrowings | **27.10** | **1,750.21** | **74.77** | **1,079.80** | **2,444.00** | **10,167.79** | **6,234.49** | **-** | **21,778.16** |
| **Foreign Currency Assets** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Foreign Currency Liabilities (other than Borrowings)** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |

(₹ in Crores)

| As at 31st March 2018 | Up to 30/31 days | Over 1 month & up to 2 Months | Over 2 months & up to 3 Months | Over 3 months & up to 6 Months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Loan Assets** | **1,252.83** | **1,492.35** | **3,574.58** | **8,654.08** | **12,150.11** | **48,496.92** | **41,862.39** | **111,394.99** | **228,878.25** |
| **Investments** | 13.65 | - | - | - | 416.75 | 1,594.32 | - | 750.43 | 2,775.15 |
| **Rupee Borrowings** | | | | | | | | | |
| Debt Securities | 754.75 | 427.89 | 2,221.69 | 11,302.89 | 18,683.59 | 61,056.11 | 32,657.81 | 44,490.57 | **171,595.30** |
| Other Borrowings | - | - | - | - | 214.82 | 200.00 | - | - | 414.82 |
| Subordinated Liabilities | - | 168.38 | - | - | - | - | - | 2,498.98 | **2,667.36** |
| **Foreign Currency Borrowings** | | | | | | | | | |
| Debt Securities | - | - | - | - | 52.35 | 2,601.76 | - | 4,818.44 | 7,472.55 |
| Other Borrowings | - | - | 103.49 | 1,710.42 | 8,283.07 | 8,508.59 | 3,483.65 | 127.40 | **22,216.62** |
| **Foreign Currency Assets** | - | - | - | - | - | - | - | - | - |
| **Foreign Currency Liabilities (other than Borrowings)** | - | - | - | - | - | - | - | - | - |

(₹ in Crores)

| As at 1st April 2017 | Up to 30/31 days | Over 1 month & up to 2 Months | Over 2 months & up to 3 Months | Over 3 months & up to 6 Months | Over 6 months & up to 1 year | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Loan Assets** | **1,020.74** | **893.61** | **2,545.88** | **6,499.11** | **9,745.28** | **38,401.16** | **35,944.37** | **98,884.37** | **193,934.52** |
| **Investments** | 13.65 | - | - | - | 83.07 | 492.49 | 1,500.00 | 739.87 | 2,829.08 |
| **Rupee Borrowings** | | | | | | | | | |
| Debt Securities | 828.77 | 365.98 | 1,508.30 | 11,689.95 | 7,463.07 | 46,209.63 | 33,434.77 | 47,150.50 | **148,650.97** |
| Other Borrowings | - | - | - | - | - | - | - | - | - |
| Subordinated Liabilities | - | 168.38 | - | - | - | - | - | 2,498.83 | **2,667.21** |
| **Foreign Currency Borrowings** | | | | | | | | | |
| Other Borrowings | 1,103.12 | - | 88.89 | 127.35 | 583.03 | 13,535.37 | 6,058.25 | 204.18 | **21,700.19** |
| **Foreign Currency Assets** | - | - | - | - | - | - | - | - | - |
| **Foreign Currency Liabilities (other than Borrowings)** | - | - | - | - | - | - | - | - | - |

### 53.2.3 Financing arrangements

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **Expiring within one year (cash credit and other facilities)** | | | |
| - Floating rate | **11,440.00** | 10,340.00 | 5,710.00 |
| **Expiring beyond one year (loans/ borrowings)** | | | |
| - Floating rate | **1,577.11** | - | - |

### 53.3 Market Risk - Currency Risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollar, EURO and JPY. Foreign exchange risk arises from recognised liabilities denominated in a currency, other than the functional currency of the Company. To mitigate the Company's exposure to foreign currency risk, non-INR cash flows are monitored and derivative contracts are entered into in accordance with the Company's risk management policies.

The Company has a board-approved Risk Management Policy which inter-alia aims to manage risks associated with foreign currency borrowings. Parameters like hedge ratio, un-hedged exposure, mark-to market position, exposure limit with banks etc. are monitored as a part of foreign exchange risk and interest rate risk management. This policy provides the guiding parameters within which the Company can take decisions for managing the Currency Risk and interest risk that it is exposed to on account of foreign currency loan, including debt securities. The purpose of the policy is to provide a framework to the Company for management of its foreign currency risk and interest rate risk.

An Asset Liability Management Committee (ALCO) is currently functioning under the chairmanship of CMD, Director (Finance), Director (Technical), Executive Directors and General Managers from Finance and Operating Divisions as its members. ALCO monitors Foreign currency risk with exchange rate and interest rate managed through various derivative instruments. 'The Company enters into various derivative transactions to cover exchange rate through various instruments like foreign currency forwards contracts, currency options, principal only swaps and forward rate agreements. These derivative transactions are done for hedging purpose and not for trading or speculative purpose. In respect of foreign currency debt securities and borrowings, the company has also executed cross currency swaps (principal and/or interest) to hedge the Foreign Currency Exposure. The outstanding position of Foreign Currency Exposure as at 31st March 2019 is as under:

| Currency | As at 31.03.2019 | | | As at 31.03.2018 | | | As at 01.04.2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total Exposure | Hedged through Derivatives | Unhedged Exposure | Total Exposure | Hedged through Derivatives | Unhedged Exposure | Total Exposure | Hedged through Derivatives | Unhedged Exposure |
| **USD $** | **4,830.00** | **3,370.00** | **1,460.00** | 4,420.87 | 2,680.00 | 1,740.87 | 2,885.00 | 2,530.00 | 355.00 |
| INR Equivalent | **33,409.74** | **23,310.73** | **10,099.01** | 28,755.15 | 17,431.82 | 11,323.33 | 18,705.94 | 16,404.17 | 2,301.77 |
| **JPY ¥** | **12,428.85** | **10,920.22** | **1,508.63** | 4,100.17 | 2,214.38 | 1,885.79 | 26,059.52 | 23,985.15 | 2,074.37 |
| INR Equivalent | **777.05** | **682.73** | **94.32** | 252.32 | 136.27 | 116.05 | 1,510.41 | 1,390.18 | 120.23 |
| **EURO €** | **73.45** | **48.00** | **25.45** | 99.13 | 73.68 | 25.45 | 124.80 | 99.35 | 25.45 |
| INR Equivalent | **570.74** | **373.00** | **197.74** | 799.21 | 594.02 | 205.19 | 864.21 | 687.97 | 176.24 |
| **Total** | **34,757.53** | **24,366.46** | **10,391.07** | **29,806.68** | **18,162.11** | **11,644.57** | **21,080.56** | **18,482.32** | **2,598.24** |

### 53.3.1 Sensitivity Analysis

The table below represents the impact on P&L including FCMITDA (+ Gain / (Loss) for 5% change in foreign currency exchange rate against INR on the unhedged exposures:

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Favorable | Adverse | Favorable | Adverse | Favorable | Adverse |
| USD/INR | **328.50** | **(328.50)** | 368.33 | (368.33) | 75.26 | (75.26) |
| JPY/INR | **4.72** | **(4.72)** | 5.80 | (5.80) | 6.01 | (6.01) |
| EUR/INR | **1.27** | **(1.27)** | 10.26 | (10.26) | 8.81 | (8.81) |

* Holding all other variables constant

### 53.4 Market Risk - Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Company manages interest rate risk by entering into various derivative contracts like use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The table below shows the overall exposure of the Company to interest rate risk on the floating rate liabilities, along with the bifurcation under hedged/ un-hedged category as at 31st March 2019 is as under:

**(Foreign Currency amounts in Millions, INR equivalent in ₹ Crores)**

| Currency | As at 31.03.2019 | | | As at 31.03.2018 | | | As at 01.04.2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Floating Interest Rate Exposure | Hedged through Derivatives | Unhedged Exposure | Floating Interest Rate Exposure | Hedged through Derivatives | Unhedged Exposure | Floating Interest Rate Exposure | Hedged through Derivatives | Unhedged Exposure |
| **INR Borrowings** | **19,550.00** | **-** | **19,550.00** | - | - | - | - | - | - |
| **USD $** | **2,980.00** | **2,005.00** | **975.00** | 3,270.87 | 2,335.00 | 935.87 | 2,885.00 | 2,085.00 | 800.00 |
| INR Equivalent | **20,613.05** | **13,868.85** | **6,744.20** | 21,275.07 | 15,187.80 | 6,087.27 | 18,765.22 | 13,561.69 | 5,203.53 |
| **JPY ¥** | **10,327.12** | **10,327.12** | **-** | - | - | - | 19,029.00 | - | 19,029.00 |
| INR Equivalent | **645.65** | **645.65** | **-** | - | - | - | 1,102.92 | - | 1,102.92 |
| **Total INR Equivalent** | **40,808.70** | **14,514.50** | **26,294.20** | **21,275.07** | **15,187.80** | **6,087.27** | **19,868.14** | **13,561.69** | **6,306.45** |

The Company's lending portfolio carries interest at semi-fixed rate i.e. fixed rate of interest with 3/10 year reset option with the borrower. The Company reviews its lending rates periodically based on prevailing market conditions, borrowing cost, yield, spread, competitors' rates, sanctions and disbursements etc. In order to manage pre-payment risks, the Company charges pre-payment premium from borrowers in case of pre- payment of loan. The interest rate risk is managed by the analysis of interest rate sensitivity gap statements and by evaluating the creation of assets and liabilities with a mix of fixed and floating interest rates.

## CONSOLIDATED NOTES TO ACCOUNTS

The Company is exposed to interest rate risk on following Loan Assets which are at semi-fixed rates:

(₹ in Crores)

| Description | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Rupee Loans | **279,021.68** | 233,801.39 | 198,339.83 |

**Sensitivity Analysis**

The table below represents the impact on P&L (Gain / (Loss) for 50 basis points increase or decrease in interest rate on Company's floating rate assets and liabilities on the unhedged exposures:

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Increase | (Decrease) | Increase | (Decrease) | Increase | (Decrease) |
| Floating Rate Loan Liabilities | **(85.53)** | **85.53** | (19.80) | 19.80 | (20.62) | 20.62 |
| Floating/ semi-fixed Rate Loan Assets | **907.60** | **(907.60)** | 760.51 | (760.51) | 648.49 | (648.49) |

* Holding all other variables constant

The above sensitivity analysis has been prepared assuming that the amount outstanding at the end of the reporting period remains outstanding for the whole year. A 50 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

### 53.5 Market Risk - Price risk

The Company is exposed to equity price risks arising from investments in quoted equity shares and venture capital funds. The Company's equity investments are held for strategic rather than trading purposes.

**Sensitivity Analysis**

The table below represents the impact on OCI Gain / (Loss) for 5% increase or decrease in the respective prices on Company's equity investments, outside the group:

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Increase | (Decrease) | Increase | (Decrease) | Increase | (Decrease) |
| Impact on Other Comprehensive Income (OCI) | **32.35** | **(32.35)** | 35.93 | (35.93) | 35.40 | (35.40) |

### 54 Additional Disclosures in respect of derivatives

### 54.1 Forward Rate Agreements/ Interest Rate Swaps

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| (i) | The notional principal of swap agreements | **45,803.16** | 42,961.27 | 42,220.55 |
| (ii) | Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements | **1,802.58** | 690.38 | 628.07 |
| (iii) | Collateral required by the NBFC upon entering into swaps | **NIL** | Nil | Nil |
| (iv) | Concentration of credit risk arising from the swaps | **Refer Note Below** | Refer Note Below | Refer Note Below |
| (v) | The fair value of the swap book | **1,643.18** | 372.63 | 273.61 |

* includes all the currency derivatives and interest rate derivatives entered by the Company. REC, being NBFC has entered into swap agreements with Category-I, Authorized Dealers Banks only, in accordance with the RBI guidelines. All the swap agreements entered into with banks are well with in the credit risk limit defined in the Board approved Risk Management Policy.

# CONSOLIDATED NOTES TO ACCOUNTS

## 54.2 The Company has not entered into any exchange traded Interest Rate (IR) derivatives.

## 54.3 Quantitative Disclosures

(₹ in Crores)

| Particulars | | Currency Derivatives * | | | Interest Rate Derivatives ** | | |
|---|---|---|---|---|---|---|---|
| | | As at 31.03.19 | As at 31.03.18 | As at 01.04.17 | As at 31.03.19 | As at 31.03.18 | As at 01.04.17 |
| (i) | Derivatives (Notional Principal Amount) | | | | | | |
| | For hedging | **24,366.46** | **15,455.07** | **19,130.70** | 21,436.70 | 27,506.20 | 23,089.85 |
| (ii) | Marked to Market Positions | | | | | | |
| a) | Asset (+) | **1,642.11** | **453.61** | **370.75** | 160.47 | 236.77 | 257.32 |
| b) | Liability (-) | **29.24** | **232.67** | **289.24** | 130.16 | 85.08 | 65.22 |
| (iii) | Credit Exposure | **24,366.46** | **15,455.07** | **19,130.70** | 21,436.70 | 27,506.20 | 23,089.85 |
| (iv) | Unhedged Exposures | **10,391.07** | **11,644.57** | **2,598.24** | N.A. | N.A. | N.A. |

* Includes Full Hedge, Principal only Swap and Call Spread.

** Includes Interest Rate Derivatives as a strategy of cost reduction

## 55 Exposure Related Disclosures

RBI, vide its letter dated 17th September 2010 had categorized REC as an Infrastructure Finance Company (IFC) in terms of instructions contained in RBI Circular CC No.168 dated 12th February 2010. As an IFC, the total permissible exposure for lending in the private sector is 25% of owned funds in case of single borrower and 40% in case of a single group of borrowers and exposure for lending and investing taken together can be upto 30% and 50% of owned funds, respectively.

In respect of Central/State Government entities, RBI vide its letter No.DNBR.PD.CO.No.2184/03.10.001/2015-16 dated 16th June 2016 has exempted REC from applicability of RBI's concentration of credit/investment norms till 31st March, 2022. In view of the above, our maximum credit exposure limits to Central and State power Utilities continue to vary from 50% to 250% of owned funds, depending upon entity appraisal.

In respect of Private Sector entities, the Company's credit exposure to single borrowers and group borrowers did not exceed the RBI prudential exposure limits as at 31st March 2019, 31st March 2018 and 1st April 2017.

## 55.1 Exposure to Real Estate Sector

The Company has no exposure to real estate sector as at 31st March 2019 (As at 31st March 2018 Nil, as at 1st April 2017 Nil).

## 55.2 Exposure to Capital Market

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| (i) | Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt; | **820.44** | 885.00 | 877.84 |
| (ii) | Advances against shares/ bonds/ debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds; | **-** | - | - |
| (iii) | Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security; | **-** | - | - |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| (iv) | Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares/ convertible bonds / convertible debentures / units of equity oriented mutual funds does not fully cover the advances; | - | - | - |
| (v) | Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers; | - | - | - |
| (vi) | Loans sanctioned to corporates against the security of shares / bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources; | - | - | - |
| (vii) | Bridge loans to companies against expected equity flows/ issues; | - | - | - |
| (viii) | All exposures to Venture Capital Funds (both registered and unregistered) | **6.18** | 6.26 | 6.30 |
| | **Total Exposure to Capital Market** | **826.62** | **891.26** | **884.14** |

### 55.3 Concentration of Advances, Exposures and Credit-impaired Assets

(₹ in Crores)

| Particulars | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| (i) | Concentration of Advances | | | |
| | Total Advances to twenty largest borrowers (₹ in Crores) | **158,931.60** | 136,285.52 | 111,916.90 |
| | Percentage of Advances to twenty largest borrowers to Total Advances of the Company | **56.52%** | 56.92% | 55.42% |
| (ii) | Concentration of Exposures | | | |
| | Total Exposure to twenty largest borrowers (₹ in Crores) | **254,896.66** | 236,006.27 | 197,327.07 |
| | Percentage of Exposures to twenty largest borrowers to Total Exposure of the Company on borrowers | **59.46%** | 59.25% | 60.34% |
| (iii) | Concentration of Credit-impaired Assets | | | |
| | Total Outstanding to top four Credit-impaired Assets (₹ in Crores) | **8,502.74** | 8,558.91 | 3,444.72 |
| | Total Exposure to the above four Credit-impaired Assets (₹ in Crores) | **8,502.74** | 8,558.91 | 3,444.72 |

**56** The Company has not entered into any securitisation/ assignment transactions during the year ended 31st March 2019 (Previous year Nil). Further, no assets have been sold to securitisation/ reconstruction company for asset reconstruction. The Company has also not entered into any transaction of sale and purchase of non-performing financial assets.

### 57 Fair value disclosures

The fair values of financial instruments measured at amortised cost and the carrying cost of financial instruments measured at fair value by category are as follows:

(₹ in Crores)

| Particulars | Note No. | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| **Financial assets measured at fair value** | | | | |
| Derivative financial instruments | 8 | **1,802.58** | 690.38 | 628.07 |
| Investments* measured at | | | | |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | | Note No. | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|---|
| (i) | Fair value through other comprehensive income | 10 | **646.99** | 718.63 | 708.07 |
| (ii) | Fair value through profit and loss | 10 | **1,556.87** | 1,500.62 | 1,500.62 |
| | **Financial assets measured at amortised cost** | | | | |
| | Cash and cash equivalents | 5 | **381.99** | 248.43 | 4,468.51 |
| | Other Bank Balances | 6 | **1,733.08** | 1,946.84 | 72.98 |
| | Trade receivables | 7 | **137.72** | 133.76 | 131.33 |
| | Loan Assets | 9 | **270,450.92** | 228,878.25 | 193,934.52 |
| | Investments | 10 | **79.27** | 555.90 | 620.39 |
| | Other financial assets | 11 | **18,363.99** | 4,281.53 | 62.65 |
| | **Total** | | **295,153.41** | **238,954.34** | **202,127.14** |
| | **Financial liabilities measured at fair value** | | | | |
| | Derivative financial instruments | 8 | **159.40** | 317.75 | 354.46 |
| | **Financial liabilities measured at amortised cost** | | | | |
| | Trade payables | 19 | **67.29** | 63.14 | 43.19 |
| | Debt securities | 20 | **192,767.51** | 179,067.85 | 148,650.96 |
| | Borrowings (other than debt securities) | 21 | **46,662.54** | 22,631.42 | 21,700.17 |
| | Subordinated liabilities | 22 | **4,818.76** | 2,667.36 | 2,667.21 |
| | Other financial liabilities | 23 | **19,227.07** | 4,703.05 | 260.08 |
| | **Total** | | **263,702.57** | **209,450.57** | **173,676.07** |

### 57.1 Fair values hierarchy

The fair value of financial instruments as referred above has been classified into three categories depending on the inputs used in the valuation technique. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1 measurements] and lowest priority to unobservable inputs [Level 3 measurements].

The categories used are as follows:

Level 1: Quoted prices (unadjusted) for identical instruments in an active market;

Level 2: Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs, other than Level 1 inputs; and

Level 3: Inputs which are not based on observable market data (unobservable inputs).

The Company's policy is to recognize transfers into and transfer out of fair value hierarchy at the date of event or change in circumstances that caused the transfer.

**Financial assets and liabilities measured at fair value - recurring fair value measurements**

**(₹ in Crores)**

| Particulars | As at 31.03.2019 | | | As at 31.03.2018 | | | As at 01.04.2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| **Investments at FVOCI** | | | | | | | | | |
| Equity investments | **640.81** | **6.18** | **-** | 712.37 | 6.26 | - | 592.52 | 6.30 | 109.25 |
| **Investments at FVTPL** | | | | | | | | | |
| Perpetual Bonds | **-** | **-** | **1,556.87** | - | - | 1,500.62 | - | - | 1,500.62 |
| **Assets at FVTPL** | | | | | | | | | |
| Derivative financial instruments | **-** | **1,802.58** | **-** | **-** | **690.38** | **-** | **-** | **628.07** | **-** |
| **Liability at FVTPL** | | | | | | | | | |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | As at 31.03.2019 | | | As at 31.03.2018 | | | As at 01.04.2017 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Derivative financial instruments | - | 159.40 | - | - | 317.75 | - | - | 354.46 | - |

**Valuation Techniques for fair value disclosures (Level 1 , Level 2 and Level 3)**

(A) Investment in Quoted Equity Investments - Level 1 - Investment in listed equity instruments are measured at their readily available quoted price in the market.

(B) Investment in Venture Capital Fund - Level 2 - Investment in venture capital fund are measured at their fair value as per the Net Asset Value (NAV) Certificate shared by the fund.

(C) Derivative Financial Instruments - Level 2 - The fair value has been determined by an independent valuer using observable inputs including forward exchange rates, interest rates corresponding to the maturity of the contract, implied volatilities, etc.

(D) Investment in Perpetual Bond Investments - Level 3 - The Company has made investments in perpetual bonds of Indian Bank, Vijaya Bank and Syndicate Bank which are quoted on NSE/BSE. The Company checks for active market transactions for these bonds. In such investments held by the Company, there is no history of any market activity in these bonds, and therefore, quoted price for such bonds is not available. The Company checks for any significant changes in credit rating of the borrower bank, and if no change is noted, then, coupon rate is considered for computing the fair value using discounted cash flow method.

(E) Investment in Unquoted Equity Investments - Level 3 - Investment in unquoted equity instruments of Universal Commodity Exchange Ltd. (UCX) and Lanco Teesta Hydro Power Pvt. Ltd. are classified as Level 3 and have been carried at Nil value by the Company due to the company specific reasons. UCX was shut down in 2014, thereby, ceasing to exist as a going concern. Further, the Company had acquired investment in Lanco Teesta Hydro Power Pvt. Ltd., on conversion of its credit-impaired loan. Since the Company has already recognised lifetime Expected Credit Loss on the loan, the equity value is considered to be Nil.

### 57.2 Reconciliation of Financial Instruments fair valued through Level 3 inputs

The following tables show the reconciliation of the opening and closing amounts of Level 3 financial assets and liabilities measured at fair value:

(₹ in Crores)

| Particulars | FVTPL | FVOCI | Total |
|---|---|---|---|
| | Investment in Perpetual Bonds | Investment in Equity Instruments | |
| **FY 2017-18** | | | |
| Opening Balance | 1,500.62 | 109.25 | 1,609.87 |
| Settlement | (168.25) | - | (168.25) |
| Transfer from Level 3 | - | (109.25) | (109.25) |
| Net interest income, net trading income and other income | 168.25 | - | 168.25 |
| **Closing Balance** | **1,500.62** | **-** | **1,500.62** |
| Unrealised gains/ (losses) on balances held at the end of the period | 0.62 | - | 0.62 |
| **FY 2018-19** | **-** | **-** | |
| Opening Balance | **1,500.62** | **-** | **1,500.62** |
| Settlement | **(112.00)** | **-** | **(112.00)** |
| Net interest income, net trading income and other income | **168.25** | **-** | **168.25** |
| **Closing Balance** | **1,556.87** | **-** | **1,556.87** |
| Unrealised gains/ (losses) on balances held at the end of the period | **56.87** | **-** | **56.87** |

# CONSOLIDATED NOTES TO ACCOUNTS

## 57.3 Fair value of instruments measured at amortised cost

Fair value of instruments measured at amortised cost for which fair value is disclosed is as follows, these fair values are calculated using Level 3 inputs:

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Carrying value | Fair value | Carrying value | Fair value | Carrying value | Fair value |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | **381.99** | **381.99** | 248.43 | 248.43 | 4,468.51 | 4,468.51 |
| Bank balances other than above | **1,733.08** | **1,733.08** | 1,946.84 | 1,946.84 | 72.98 | 72.98 |
| Trade receivables | **137.72** | **137.72** | 133.76 | 133.76 | 131.33 | 131.33 |
| Other receivables | **-** | **-** | - | - | - | - |
| Loans | **270,450.92** | **267,598.29** | 228,878.25 | 226,731.59 | 193,934.52 | 193,558.09 |
| Investments | **79.27** | **79.27** | 555.90 | 555.90 | 620.39 | 620.39 |
| Other financial assets | **18,363.99** | **18,365.66** | 4,281.53 | 4,282.35 | 62.65 | 62.20 |
| **Total** | **291,146.97** | **288,296.01** | **236,044.71** | **233,898.87** | **199,290.38** | **198,913.50** |
| **Financial liabilities** | | | | | | |
| Trade payables | **67.29** | **67.29** | 63.14 | 63.14 | 43.19 | 43.19 |
| Other payables | **-** | **-** | - | - | - | - |
| Debt securities | **192,767.51** | **194,378.93** | 179,067.85 | 183,492.24 | 148,650.96 | 156,113.45 |
| Borrowings (other than debt securities) | **46,662.54** | **46,595.46** | 22,631.42 | 22,623.10 | 21,700.17 | 21,671.66 |
| Subordinated liabilities | **4,818.76** | **4,748.14** | 2,667.36 | 2,701.11 | 2,667.21 | 2,723.89 |
| Other financial liabilities | **19,227.07** | **19,227.07** | 4,703.05 | 4,703.05 | 260.08 | 260.08 |
| **Total** | **263,475.88** | **264,949.60** | **209,069.68** | **213,519.50** | **173,278.42** | **180,769.08** |

**Valuation methodologies of financial instruments not measured at fair value**

Below are the methodologies and assumptions used to determine fair values for the above financial instruments which are not recorded and measured at fair value in the Company's financial statements. These fair values were calculated for disclosure purposes only. The below methodologies and assumptions relate only to the instruments in the above tables:

**Financial assets and liabilities**

For financial assets and financial liabilities that have a short-term maturity (less than twelve months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such instruments include: cash and balances, Trade receivables, Contract assets, balances other than cash and cash equivalents, trade payables and contract liability without a specific maturity.

**Loans and advances to customers**

Fair values of loan assets are calculated using a portfolio-based approach, grouping loans as far as possible into homogenous groups based on similar characteristics. The Company then calculates and extrapolates the fair value to the entire portfolio, using discounted cash flow models that incorporate interest rate estimates considering all significant characteristics of the loans. Where such information is not available, the Company uses historical experience and other information used in its collective impairment models.

**Financial assets at amortised cost**

The fair values of debt securities measured at amortised cost are estimated using a discounted cash flow model based on contractual cash flows using actual or estimated yields and discounting by yields incorporating the counterparties' credit risk.

# CONSOLIDATED NOTES TO ACCOUNTS

**Issued debt**

The fair values of the Company fixed interest-bearing debt securities, borrowings and subordinated liabilities are determined by applying discounted cash flows ('DCF') method, using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31st March 2019 was assessed to be insignificant.

All other debt securities, borrowings and subordinated liabilities availed by the Company are variable rate facilities which are subject to changes in underlying Interest rate indices. Further, the credit spread on these facilities are subject to change with changes in Company creditworthiness. The management believes that the current rate of interest on these loans are in close approximation from market rates applicable to the Company. Therefore, the management estimates that the fair value of these borrowings are approximate to their respective carrying values.

## 58 Disclosure under Micro, Small and Medium Enterprises Development Act, 2006:

(₹ in Crores)

| Description | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Principal amount remaining unpaid as at year end | **2.65** | 1.83 | 0.30 |
| Interest due thereon remaining unpaid as at year end | **0.39** | 0.14 | 0.06 |
| Interest paid by the company in terms of Section 16 of MSME Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year. | **-** | - | - |
| Interest due and payable for the period of delay in making payment but without adding the interest specified under MSME Development Act, 2006. | **-** | - | - |
| Interest accrued and remaining unpaid as at year end. | **0.39** | 0.14 | 0.06 |
| Further interest remaining due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small entereprises. | **-** | - | - |

## 59 Related Party Disclosures :

### 59.1 List of Related Parties

**(1) Key Managerial Personnel**

| | |
|---|---|
| Dr. P.V. Ramesh | Chairman & Managing Director (upto 5th March 2019) |
| Sh. Ajeet Kumar Agarwal | Chairman & Managing Director (w.e.f 6th March 2019) and Director (Finance) |
| Sh. Sanjeev Kumar Gupta | Director (Technical) |
| Dr. Arun Kumar Verma | Govt. Nominee Director (Non-executive Director) |
| Sh. Aravamudan Krishna Kumar | Part Time Non-Official Independent Director |
| Smt. Asha Swarup | Part Time Non-Official Independent Director |
| Dr. Bhagvat Kishanrao Karad | Part Time Non-Official Independent Director (w.e.f. 17th July 2018). |
| Prof. T.T. Ram Mohan | Part Time Non-Official Independent Director |
| Sh. J.S. Amitabh | GM & Company Secretary |

**(2) Holding Company**

Power Finance Corporation Ltd. (w.e.f. 28th March 2019)

## CONSOLIDATED NOTES TO ACCOUNTS

**(3) Associate Companies of REC Transmission Projects Company Limited**

Dinchang Transmission Limited

Ghatampur Transmission Limited - Transferred to M/s Adani Transmission Limited (ATL) on 19.06.2018, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Ghatampur Transmission Limited and ATL.

Chandil Transmission Limited

Koderma Transmission Limited

Dumka Transmission Limited

Mandar Transmission Limited

Jawaharpur-Firozabad Transmission Limited - Incorporated on 20.08.2018 and transferred to Power Grid Corporation of India Limited (PGCIL) on 21.12.2018, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Jawaharpur Firozabad Transmission Limited and PGCIL.

| | |
|---|---|
| Bhind-Guna Transmission Limited | - Incorporated on 18.09.2018 |
| Udupi Kasargode Transmission Limited | - Incorporated on 29.11.2018 |
| Jam Khambaliya Transco Limited | - Incorporated on 11.03.2019 |
| Khetri Transco Limited | - Incorporated on 12.03.2019 |
| Ajmer Phagi Transco Limited | - Incorporated on 19.03.2019 |
| Lakadia Banaskantha Transco Limited | - Incorporated on 19.03.2019 |
| WRSS XXI (A) Transco Limited | - Incorporated on 26.03.2019 |

**(4) Joint Ventures**

Energy Efficiency Services Limited (EESL)

Creighton Energy Limited (through EESL)

EESL EnergyPro Assets Limited (through EESL)

Edina Acquisition Limited (through EESL)

Anesco Energy Services South Limited (through EESL)

Edina Limited (through EESL)

EPAL Holdings Limited (through EESL)

Edina Australia Pty Limited (through EESL)

Edina Power Services Limited (through EESL)

Stanbeck Limited (through EESL)

Edina UK Limited (through EESL)

Edina Power Limited (through EESL)

Armoura Holdings Limited (through EESL)

Edina Manufacturing Limited (through EESL)

## CONSOLIDATED NOTES TO ACCOUNTS

**(5) Post-employment Benefit Plan Trusts**

REC Limited Contributory Provident Fund Trust

REC Gratuity Fund

REC Employees' Superannuation Trust

REC Retired Employees' Medical Trust

**(6) Society registered for undertaking CSR Initiatives**

REC Foundation

Below mentioned related parties of the Holding Company will also be considered as related parties of REC w.e.f. 28th March 2019.

**(1) Key Managerial Personnel of Holding Company**

| | |
|---|---|
| Shri Rajeev Sharma | Chairman & Managing Director |
| Shri N. B. Gupta | Director (Finance) |
| Shri Chinmoy Gangopadhyay | Director (Projects) |
| Shri Praveen Kumar Singh | Director (Commercial) |
| Shri Sitaram Pareek | Part Time Non-Official Independent Director |
| Smt. Gouri Chaudhury | Part Time Non-Official Independent Director |
| Shri Manohar Balwani | Company Secretary |

**(2) Subsidiary Companies of Holding Company**

PFC Consulting Limited (PFCCL)

Power Equity Capital Advisors (Pvt) Limited (PECAP) (Decision of voluntary winding up of PECAP is under consideration of MoP, GoI.)

**(3) Associate Companies of Holding Company**

Sakhigopal Integrated Power Company Limited

Coastal Maharashtra Mega Power Limited

Ghogarpalli Integrated Power Company Limited

Orissa Integrated Power Limited

Tatiya Andhra Mega Power Limited

Coastal Karnataka Power Limited

Deoghar Mega Power Limited

Coastal Tamil Nadu Power Limited

Cheyyur Infra Limited

Chhattisgarh Surguja Power Limited

Odisha Infrapower Limited

Deoghar Infra Limited

Bihar Mega Power Limited

Bihar Infrapower Limited

## CONSOLIDATED NOTES TO ACCOUNTS

Jharkhand Infrapower Limited

Tanda Transmission Company Limited (through PFCCL)

Shongtong Karcham-Wangtoo Transmission Limited (through PFCCL)

Ballabhgarh-GN Transmission Company Limited (through PFCCL)

Mohindergarh-Bhiwani Transmission Limited (through PFCCL)

Bikaner-Khetri Transmission Limited (through PFCCL)

South-Central East Delhi Power Transmission Limited (through PFCCL)

Bhuj-II Transmission Limited (through PFCCL)

Fatehgarh-II Transco Limited (through PFCCL)

Bijawar-Vidarbha Transmission Limited (through PFCCL)

Vapi II North Lakhimpur Transmission Limited (through PFCCL)

Lakadia-Vadodara Transmission Project Limited (through PFCCL)

**(4) Post-employment Benefit Plan Trusts of Holding Company**

PFC Employees Provident Fund Trust

PFC Employees Gratuity Trust

PFC Defined Contribution Pension Scheme 2007

PFC Ltd. Superannuation Medical Fund

### 59.2 Amount due from/ to the related parties :

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **Associates** | | | |
| Loans to associates | **9.06** | 7.58 | 2.88 |
| Payables | **0.08** | - | - |
| **Post-employment Benefit Plan Trusts** | | | |
| Debt Securities | **3.00** | 3.00 | 3.00 |
| Other financial liabilities | **31.78** | 2.84 | 13.63 |
| Other financial assets | **2.77** | - | - |
| **Post-employment Benefit Plan Trusts of Holding Company** | | | |
| Debt Securities | **1.20** | - | - |
| **Key Managerial Personnel** | | | |
| Debt Securities | **1.00** | 0.25 | 0.25 |
| Staff Loans & Advances | **0.46** | 0.56 | 0.53 |
| **Key Managerial Personnel of Holding Company** | | | |
| Debt Securities | **0.10** | - | - |

## CONSOLIDATED NOTES TO ACCOUNTS

### 59.3 Transactions with the related parties :

(₹ in Crores)

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| **Post-employment Benefits Plan Trusts** | | |
| Contributions made by the Company during the year | **99.58** | 13.63 |
| Subscription to GOI Serviced Bonds | **29.30** | - |
| Finance Costs - Interest Paid | **0.27** | 0.27 |
| **Post-employment Benefits Plan Trusts of Holding Company** | | |
| Subscription to the bonds of Company | **1.20** | |
| **REC Foundation** | | |
| CSR Expenses | **98.83** | |
| **Key Managerial Personnel** | | |
| Staff Loans & Advances | **-** | 0.20 |
| Interest Income on Staff Loans | **0.09** | 0.04 |
| Finance Cost | **0.02** | 0.01 |
| Employee Benefits Expense - Managerial Remuneration | **2.65** | 2.07 |
| Directors' Sitting Fee | **0.24** | 0.18 |

### 59.4 Managerial Remuneration

The details of remuneration to Key Managerial Personnel (KMP) during the reporting period is as below:

(₹ in Crores)

| Particulars | | FY 2018-19 | FY 2017-18 |
|---|---|---|---|
| (i) | Short-term employee benefits | **2.44** | 1.93 |
| (ii) | Post employment benefits | **0.21** | 0.14 |
| | **Total** | **2.65** | **2.07** |

As the liabilities for the gratuity and compensated absence are provided on an actuarial basis for the Company as a whole rather than each individual employee, the amounts pertaining specifically to KMP are not known and hence, not included in the above table. Gratuity and compensated absence, are included based on actual payment in respective year based in the above table.

### 59.5 Disclosure in respect of entities under the control of the same government (Government related entities)

List of Government related entities

The Company had transactions with the following government related entities during the year:

Bhartiya Rail Bijlee Company Ltd

Bhilai Electric Supply Company Ltd.

Bihar Grid Company Ltd

Damodar Valley Corporation

Nabinagar Power Generating Co. Pvt. Ltd.

Neyveli Uttar Pradesh Power Ltd

NTPC Tamil Nadu Energy Company Ltd.

Patratu Vidut Utpadan Nigam Ltd.

THDC India Ltd.

Singareni Collieries Company Limited

## CONSOLIDATED NOTES TO ACCOUNTS

Aggregate transactions with such government related entities are as under:

(₹ in Crores)

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| Disbursement of Loans | **3,583.67** | 4,193.05 |
| Interest income recognised | **1,935.27** | 1,877.35 |

Aggregate balance outstanding from such government related entities are as under:

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Loan Assets | **21,034.76** | 19,879.42 | 16,727.92 |
| Interest Accrued | **15.88** | 12.60 | 11.60 |

Refer Note No. 11, 23 and 27 in respect of material transactions with the Central Govt.

### 60 Disclosures for Employee Benefits as required under Ind AS 19 'Employee Benefits':

### 60.1 Defined Contribution Plans

**A. Provident Fund**

REC pays fixed contribution of Provident Fund at pre-determined rates to a separate trust registered under The Provident Fund Act, 1925 which invests the funds in permitted securities. The trust fixes the rate of interest on contribution to the members of the fund based upon the returns earned on investments during the year. Since the Act does not prescribe the minimum interest to be paid to the members of the fund, it is considered as Defined Contribution Plan as per the provisions of Ind AS 19.

In case of RECPDCL, there is no separate trust and the Company makes Provident Fund Contributions to defined contribution plans.

**B. Defined Contribution Superannuation Scheme**

The Company pays fixed contribution towards superannuation scheme at pre-determined rates to NPS Trust/ separate trust which invests the funds in the permitted securities. The balance with the NPS Trust/ separate trust includes the monthly contributions in the members' account along with the accumulated returns. When the pension becomes payable to the member, the amount standing to the credit of the menber is appropriated towards the member's accumulation and annuities, as opted for by the member is alloted.

The Group has recognised an expense of ₹ 14.87 Crores (Previous year ₹ 14.10 Crores) towards defined contribution plans.

### 60.2 Defined Benefit Plans - Post-Employment Benefits

**A. Gratuity**

The Company has a defined gratuity scheme which is managed by a separate trust. Every employee who has rendered continuous service of five years or more is entitled to gratuity at 15 days salary for each completed year of service subject to a maximum of ₹ 0.20 crores on superannuation, resignation, termination, disablement or on death, considering the provisions of the Payment of Gratuity Act, 1972, as amended. The liability of Gratuity is recognized on the basis of actuarial valuation.

**Net Defined Benefit (Asset)/ Liability**

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Present value of Defined benefit obligation | **42.41** | 52.59 | 50.61 |
| Fair Value of Plan Assets | **44.15** | 48.66 | 35.69 |
| Net Defined Benefit (Asset)/ Liability | **(1.74)** | 3.93 | 14.92 |

## CONSOLIDATED NOTES TO ACCOUNTS

**Movement in net defined benefit (asset)/ liability**

(₹ in Crores)

| Particulars | Defined Benefit Obligation | | Fair Value of Plan Assets | | Net Defined Benefit (Asset)/ Liability | |
|---|---|---|---|---|---|---|
| | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 |
| **Opening Balance** | **52.59** | 50.61 | **48.66** | 35.69 | **3.93** | 14.92 |
| **Included in profit or loss** | | | | | | |
| Current service Cost | **2.59** | 2.11 | **-** | - | **2.59** | 2.11 |
| Interest cost / income | **4.00** | 3.80 | **3.71** | 2.67 | **0.29** | 1.13 |
| **Total amount recognised in profit or loss** | **6.59** | **5.91** | **3.71** | **2.67** | **2.88** | **3.24** |
| **Included in OCI** | | | | | | |
| Re-measurement loss (gain) | | | | | | |
| - Actuarial loss (gain) arising from changes in financial assumptions | **(0.31)** | 0.27 | **-** | - | **(0.31)** | 0.27 |
| - Actuarial loss (gain) arising from changes in demographic assumptions | **(1.44)** | - | **-** | - | **(1.44)** | - |
| - Actuarial loss (gain) arising from Experience adjustments | **(3.69)** | (0.39) | **-** | - | **(3.69)** | (0.39) |
| Return on plan assets excluding interest income | **-** | - | **0.22** | 0.27 | **(0.22)** | (0.27) |
| **Total amount recognised in OCI** | **(5.44)** | **(0.12)** | **0.22** | **0.27** | **(5.66)** | **(0.39)** |
| Contribution by participants | | | **2.84** | 13.63 | **(2.84)** | (13.63) |
| Contribution by employers | | | **0.05** | 0.21 | **(0.05)** | (0.21) |
| Benefits paid | **(11.33)** | (3.81) | **(11.33)** | (3.81) | **-** | - |
| **Closing Balance** | **42.41** | **52.59** | **44.15** | **48.66** | **(1.74)** | **3.93** |

**B. Post Retirement Medical Facility (PRMF)**

The Company has Post Retirement Medical Facility under which the entitled retired employees and their dependent family members are covered as per Company Rules. The scheme is funded by the Company and is managed by separate trust from the financial year 2018-19. The liability towards the same is recognized on the basis of actuarial valuation.

**Net Defined Benefit (Asset)/ Liability**

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| Present value of Defined benefit obligation | **129.77** | 105.19 | 97.15 |
| Fair Value of Plan Assets | **97.99** | - | - |
| Net Defined Benefit (Asset)/ Liability | **31.78** | 105.19 | 97.15 |

## CONSOLIDATED NOTES TO ACCOUNTS

**Movement in net defined benefit (asset)/ liability**

(₹ in Crores)

| Particulars | Defined Benefit Obligation | | Fair Value of Plan Assets | | Net Defined Benefit (Asset)/ Liability | |
|---|---|---|---|---|---|---|
| | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 |
| **Opening Balance** | **105.19** | 97.15 | **-** | - | **105.19** | 97.15 |
| **Included in profit or loss** | **-** | - | **-** | - | **-** | - |
| Current service Cost | **2.06** | 1.96 | **-** | - | **2.06** | 1.96 |
| Interest cost / income | **7.99** | 7.28 | **1.25** | - | **6.74** | 7.28 |
| **Total amount recognised in profit or loss** | **10.05** | **9.24** | **1.25** | **-** | **8.80** | **9.24** |
| Included in OCI | | | | | | |
| Re-measurement loss (gain) | | | | | | |
| - Actuarial loss (gain) arising from changes in financial assumptions | **(6.34)** | 4.39 | **-** | - | **(6.34)** | 4.39 |
| - Actuarial loss (gain) arising from changes in demographic assumptions | **1.20** | - | | | **1.20** | - |
| - Actuarial loss (gain) arising from Experience adjustments | **29.44** | 2.07 | **-** | - | **29.44** | 2.07 |
| **Total amount recognised in OCI** | **24.30** | **6.46** | **-** | **-** | **24.30** | **6.46** |
| Contribution by participants | **-** | - | **96.74** | - | **(96.74)** | - |
| Benefits paid | **(9.77)** | (7.66) | **-** | - | **(9.77)** | (7.66) |
| **Closing Balance** | **129.77** | **105.19** | **97.99** | **-** | **31.78** | **105.19** |

### C. Economic Rehabilitation Scheme (ERS)

The Company has an Economic Rehabilitation Scheme (ERS) to support the family financially in case of permanent disability/ death of an employee during the service tenure. This scheme is unfunded and the liability is determined based on actuarial valuation.

**Net Defined Benefit (Asset)/ Liability for ERS**

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **Present value of Defined benefit obligation** | | | |
| - ERS | **3.69** | 3.34 | 3.45 |

**Movement in net defined benefit (asset)/ liability for ERS**

(₹ in Crores)

| Particulars | FY 2018-19 | FY 2017-18 |
|---|---|---|
| **Opening Balance** | **3.34** | 3.45 |
| **Included in profit or loss** | | |
| Current service Cost | **0.18** | 0.16 |
| Interest cost / income | **0.25** | 0.27 |
| **Total amount recognised in profit or loss** | **0.43** | **0.43** |
| **Included in OCI** | | |
| Re-measurement loss (gain) | | |
| - Actuarial loss (gain) arising from changes in financial assumptions | **(0.02)** | (0.02) |
| - Actuarial loss (gain) arising from Experience adjustments | **0.75** | 0.30 |
| **Total amount recognised in OCI** | **0.73** | **0.28** |
| Benefits paid | **(0.81)** | (0.82) |
| **Closing Balance** | **3.69** | **3.34** |

# CONSOLIDATED NOTES TO ACCOUNTS

### 60.2.1 Risk exposure

Through its defined benefit plans, the Company is exposed to a number of risks, the most significant of which are detailed below:

**(i) Asset volatility**

Most of the plan asset investments are in government securities, other fixed income securities with high rating grades and mutual funds. The fair value of these assets is subject to volatility due to change in interest rates and other market and macro-economic factors.

**(ii) Changes in discount rate**

The present value of defined benefit plan liabilities is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period. A decrease in discount rate will increase present values of defined benefit obligations, although this will be partially offset by an increase in the value of the plans' investments.

**(iii) Longevity risk**

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

**(iv) Salary risk**

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

### 60.2.2 Plan Assets

The fair value of plan assets at the end of reporting period for each category, are as follows:

(₹ in Crores)

| Particulars | Gratuity | | | PRMF | | |
|---|---|---|---|---|---|---|
| | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
| **Cash & Cash Equivalents** | **0.61** | 0.39 | 0.78 | **0.65** | | |
| | | | | | | |
| **Unquoted Plan Assets** | | | | | | |
| Corporate Bonds/ Debentures | | | | **97.34** | | |
| Others - Insurer managed funds & T-bills | **43.54** | 48.27 | 34.91 | | | |
| **Sub-total - Unquoted Plan Assets** | **43.54** | 48.27 | 34.91 | **97.34** | **-** | **-** |
| **Total** | **44.15** | 48.66 | 35.69 | **97.99** | **-** | **-** |

Actual return on plan assets is ₹ 5.16 crores (previous year ₹ 2.94 crores).

### 60.2.3 Significant Actuarial Assumptions

The most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at March 31, 2019 by M/s Transvalue Consultants. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method. The principal assumptions used for actuarial valuations are:-

(₹ in Crores)

| Particulars | Gratuity | | PRMF | | ERS | |
|---|---|---|---|---|---|---|
| | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 |
| Method Used | **PUCM** | PUCM | **PUCM** | PUCM | **PUCM** | PUCM |
| Discount Rate & Expected Return on Plan Assets, if funded | **7.71%** | 7.60% | **7.71%** | 7.60% | **7.71%** | 7.60% |
| Future Salary Increase / medical inflation | **6.00%** | **6.50%** | **6.00%** | **6.50%** | **6.00%** | **6.50%** |
| Expected average remaining working lives of employees (years) | **13.12** | **12.82** | **13.12** | **12.82** | **13.12** | **12.82** |

## CONSOLIDATED NOTES TO ACCOUNTS

- The Principle assumptions are the discount rate, salary growth rate and expected average remaining working lives of employees. The discount rate is generally based on the market yields available on govt. bonds at the reporting date with a term that matches 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.

**60.2.4 Sensitivity Analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

(₹ in Crores)

| Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | Increase | Decrease | Increase | Decrease | Increase | Decrease |
| **Discount rate (0.50% movement)** | | | | | | |
| - Gratuity | **(0.89)** | **1.10** | (1.12) | 1.19 | (1.16) | 1.23 |
| - PRMS | **(0.77)** | **0.84** | (0.43) | 0.46 | (4.83) | 5.07 |
| - ERS | **(0.13)** | **0.15** | (0.12) | 0.13 | (0.12) | 0.14 |
| **Salary Escalation Rate (0.50% movement)** | | | | | | |
| - Gratuity | **0.15** | **(0.12)** | 0.46 | (0.50) | 0.62 | (0.69) |
| - PRMS | **-** | **-** | - | - | - | - |
| - ERS | **0.14** | **(0.12)** | 0.12 | (0.11) | 0.13 | (0.11) |
| **Medical inflation Rate (0.50% movement)** | | | | | | |
| - PRMS | **6.31** | **(5.92)** | - | - | - | - |
| **Medical Cost (0.50% movement)** | | | | | | |
| - PRMS | **12.98** | **(12.98)** | - | - | - | - |

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The Company actively monitors how the duration and expected yield of investments are matching the expected cash outflows arising from employee benefit obligations. Investments are well diversified, such that the failure of any single investment would not have a material impact on overall level of assets. There has been no change in the process used by the Company to manage its risks from prior periods.

**60.2.5 Expected maturity analysis of the defined benefit plans in future years**

**(₹ in Crores)**

| Particulars | Gratuity | | | PRMF | | | ERS | | |
|---|---|---|---|---|---|---|---|---|---|
| | As at 31.03.19 | As at 31.03.18 | As at 01.04.17 | As at 31.03.19 | As at 31.03.18 | As at 01.04.17 | As at 31.03.19 | As at 31.03.18 | As at 01.04.17 |
| Less than 1 year | **12.16** | **12.62** | **7.42** | 9.64 | 5.39 | 4.66 | 0.82 | 0.01 | 0.03 |
| From 1 to 5 years | **21.13** | **28.08** | **26.03** | 49.25 | 25.53 | 23.39 | 2.12 | 1.73 | 1.80 |
| Beyond 5 years | **9.12** | **11.89** | **17.16** | 70.88 | 74.27 | 69.10 | 0.75 | 1.60 | 1.62 |
| **Total** | **42.41** | **52.59** | **50.61** | **129.77** | **105.19** | **97.15** | **3.69** | **3.34** | **3.45** |

# CONSOLIDATED NOTES TO ACCOUNTS

**60.2.6 Expected contribution for the next year.**

(₹ in Crores)

| Particulars | Gratuity | | PRMF | | ERS | |
|---|---|---|---|---|---|---|
| | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 | FY 2018-19 | FY 2017-18 |
| Expected contribution | **1.72** | 2.89 | **34.74** | 4.98 | **-** | - |

The weighted average duration of the defined benefit plan obligation at the end of the reporting period is 12.76 years (as at 31.03.2018 - 12.82 years, as at 01.04.2017 - 13.08 years).

**60.3 Other Long-term Employee Benefits**

**60.3.1 Earned Leave and Half Pay Leave**

REC provides for earned leave benefit and half-pay leave benefit to the credit of the employees, which accrues on half-yearly basis at 15 days and 10 days respectively. A maximum of 300 days of earned leave can be accumulated at any point of time during the service, while there is no limit for accumulation of half pay leave. In case of RECPDCL, the Employees are entitled for Leave Encashment after completion of one year of service only and amount is paid in full, at the time of separation. The liability for the same is recognised on the basis of actuarial valuation. Total expenses amounting to ₹ 7.40 crore (Previous year ₹ 8.55 crore) have been made towards these employee benefits and debited to the Statement of Profit and Loss on the basis of actuarial valuation.

**60.3.2 Other employee benefits**

Expenses towards long service award and settlement allowance amounting to ₹ 1.43 crore (Previous year ₹ -0.41 crore) have been debited to the Statement of Profit and Loss on the basis of actuarial valuation.

In case of RECPDCL and RECTPCL, the Loyalty incentive to the employees is payable after completion of three years of continuous service only, except in case of separation due to death. The payment of dues to outgoing employee is released at the time of separation. Expenses amounting to ₹ 0.17 crore (Previous year ₹ 0.13 crore) have been debited to the Statement of Profit and Loss on the basis of actuarial valuation.

**61 Status of Documentation Subsequent to Unbundling of SEBs**

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. However, transfer agreements in the case of Chhattisgarh State Electricity Board (CSEB) are yet to be executed amongst the Company, new entity and the State Government.

Agreements in case of erstwhile Tamil Nadu State Electricity Board (TNEB) have been executed based on the provisional provisions of the Tamil Nadu Electricity (Re-organisation and Reforms) Transfer Scheme, 2010. However further transfer agreements in this regard shall be executed, once finalized based on the discussion with the Tamilnadu utilities.

**Status of Documentation Subsequent to Reorganisation of the State of Andhra Pradesh**

Subsequent to the reorganisation of erstwhile State of Andhra Pradesh, the state of Telangana has been formed on 2 June 2014. However, the assets and liabilities are yet to be transferred to the respective power utilities through a formal Gazette Notification.

Status of Documentation is as under:

**(i)** Where ever the loans have been sanctioned to erstwhile APCPDCL, APNPDCL and APGENCO prior to bifurcation and documentation has not been done, these schemes have been re-sanctioned in the name of newly formed utilities and documentation formalities completed and accordingly the charge has been registered with the Ministry of Corporate Affairs (MCA).

## CONSOLIDATED NOTES TO ACCOUNTS

**(ii)** Where ever the loans sanctioned in the name of erstwhile APCPDCL, APNPDCL prior to bifurcation and documentation formalities completed and drawls have been made, in these schemes an undertaking has been obtained from the name changed / newly formed utility and disbursements have been made to the newly formed utility by changing the name of the borrower in the name of new / name changed utility.

**(iii)** Where ever the Loan is sanctioned in the name of erstwhile APCPDCL, APNPDCL prior to bifurcation and documentation formalities completed with Government Guarantee and drawls have been made, further documentation for these schemes shall be done on Gazette Notification.

**(iv)** Once the final transfer scheme is notified through Gazette Notification by Govt, duly indicating the transfer of assets and liabilities among the power utilities, action for execution of documentation formalities will be taken up in respect of all the outstanding loans with the new / name changed utilities. Till that time, the demand for payment of interest / principal is being segregated by the Utilities and the respective portions are being paid by Utilities in Telangana and Andhra Pradesh.

**62** The Company's operations comprise of only one business segment - lending loans to power sector companies engaged in construction of power plants and in generation, supply, distribution and transmission of electricity: in the context of reporting business/ geographical segment as required by Ind AS 108 - Operating Segments. Based on "management approach" as defined in Ind AS 108 Operating Segments, the Chief Operating Decision Maker evaluates the Company's performance based on analysis of various factors of one business segment.

**62.1 Information about Revenue from major products and services**

(₹ in Crores)

| Particulars | | FY 2018-19 | FY 2017-18 |
|---|---|---|---|
| (A) | Income from Loan Assets | **24,869.97** | 21,908.17 |
| (B) | Fee for Implementation of Govt. Schemes | **83.02** | 187.79 |
| (C) | Income from Management of Short-term Surplus Funds | **55.48** | 88.76 |
| (D) | Revenue from sale of services | **169.93** | 227.05 |
| | **Total** | **25,178.40** | **22,411.77** |

**62.2** The Group does not have any reportable geographical segment as the primary operations of the Group are carried out within the country.

**62.3** No single borrower has contributed 10% or more to the Group's revenue during the financial year 2018-19 and 2017-18.

**63 First time adoption of Ind AS**

These financial statements, for the year ended March 31, 2019, are the first financial statements the Company has prepared in accordance with Ind AS. For periods up to and including the year ended March 31, 2018, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP).

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on March 31, 2019, together with the comparative period data as at and for the year ended March 31, 2018, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 April 2017, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 1 April 2017 and the financial statements as at and for the year ended March 31, 2018.

## CONSOLIDATED NOTES TO ACCOUNTS

### 63.1 Ind AS optional exemptions

**Deemed cost for property, plant and equipment, investment property and intangible assets**

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the Previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets and investment property covered by Ind AS 40 Investment Property. Accordingly, the Group has elected to measure all of its property, plant and equipment, intangible assets and investment property at their Previous GAAP carrying value.

**Designation of previously recognised financial instruments**

Ind AS 101 allows an entity to designate investments in equity instruments at FVOCI on the basis of the facts and circumstances at the date of transition to Ind AS. The Company has elected to apply this exemption for its investment in equity investments.

**Amortisation of Exchange Differences on Existing Long Term Foreign Currency Monetary Items**

The Company has availed the exemption to continue the policy as per the previous GAAP with respect to amortization of the exchange differences arising from translation of long-term foreign currency monetary items recognised in the financial statements up to 31.03.2018

### 63.2 Ind AS mandatory exceptions

**(i) Estimates**

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with Previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 1 April 2017 are consistent with the estimates as at the same date made in conformity with Previous GAAP. The Company made estimates for impairment of financial assets based on expected credit loss model in accordance with Ind AS at the date of transition as these were not required under Previous GAAP.

**(ii) Classification and measurement of financial assets and liabilities**

The classification and measurement of financial assets will be made considering whether the conditions as per Ind AS 109 are met based on facts and circumstances existing at the date of transition.

Financial assets can be measured using effective interest method by assessing its contractual cash flow characteristics only on the basis of facts and circumstances existing at the date of transition and if it is impracticable to assess the use of effective interest method, fair value of financial asset at the date of transition shall be the new carrying amount of that asset. The measurement exemption applies for financial liabilities as well.

**(iii) Impairment of financial assets**

At the date of transition to Ind AS, determining whether there has been a significant increase in credit risk since the initial recognition of a financial instrument would require undue cost or effort, the Company has recognised a loss allowance at an amount equal to lifetime expected credit losses at each reporting date until that financial instrument is derecognised.

**(iv) De-recognition of financial assets and liabilities**

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions. The Company has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

# CONSOLIDATED NOTES TO ACCOUNTS

## 63.3 Reconciliations between Previous GAAP and Ind AS

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from Previous GAAP to Ind AS.

**Reconciliation of total equity as at March 31, 2018**

(₹ in Crores)

| Description | Notes to First time adoption | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **Total equity (shareholder's funds) as per Previous GAAP** | | 35,872.30 | 33,670.56 |
| **Adjustments:** | | | |
| Measurement of financial assets initially at fair value and subsequently at amortised cost | **Note – 1** | (71.32) | (109.02) |
| Measurement of financial liabilities initially at fair value and subsequently at amortised cost | **Note – 2** | 248.07 | 332.23 |
| Measurement of Investments at fair value | **Note – 3** | 239.71 | 201.82 |
| Recognition of Expected Credit Loss on loan assets | **Note – 4** | (6,441.51) | (5,533.58) |
| Measurement of Derivatives at Mark to market | **Note – 6** | (178.21) | 71.50 |
| Share of change in undistributed reserves of JV due to Ind-AS adjustments | **Note – 7** | 3.48 | 0.20 |
| Deferred tax impact on undistributed reserves of subsidiaries and JVs | **Note – 5** | (76.95) | (65.87) |
| Other Miscellaneous Adjustments | | 9.32 | 2.69 |
| Prior period items (net) | **Note – 8** | (0.63) | (0.45) |
| Tax impact on accumulated impairment allowance in excess of Reserve for Bad & Doubtful Debts | **Note – 5** | 2,979.61 | 2,272.18 |
| Income tax effect of Ind AS adjustments | **Note – 5** | 3.74 | (32.83) |
| **Total adjustments** | | **(3,284.69)** | **(2,861.13)** |
| **Total equity as per Ind AS** | | **32,587.61** | **30,809.43** |

Previous year figures have been reclassified/ regrouped to conform to the current classification.

**Reconciliation of Total Comprehensive Income for the year ended March 31, 2018**

(₹ in Crores)

| Description | Notes to First time adoption | FY 2017-18 |
|---|---|---|
| **Profit after tax as per Previous GAAP** | | 4,689.46 |
| **Adjustments:** | | |
| Measurement of financial assets initially at fair value and subsequently at amortised cost | **Note 1** | 37.70 |
| Measurement of financial liabilities initially at fair value and subsequently at amortised cost | **Note 2** | (84.16) |
| Allowance for Expected Credit Loss | **Note 4** | (878.51) |
| Measurement of Derivatives at Mark to market | **Note 6** | (59.06) |
| Share of change in profit of joint ventures as per equity method due to Ind-AS adjustment | | 1.47 |
| Tax impact on undistributed reserves of subsidiaries and joint venture | | (11.07) |
| Other Miscellaneous Adjustments | **Note 5** | 12.96 |
| Prior period items (net) | | (0.18) |
| **Total adjustments** | | **(980.85)** |
| Income tax effect of above adjustments | **Note 5** | 34.48 |
| Tax impact on accumulated impairment allowance in excess of Reserve for Bad & Doubtful Debts | | 707.43 |
| **Profit as per Ind AS for the year ended 31st March 2018** | | **4,450.52** |
| Other Comprehensive Income | **Note 3** | 5.67 |
| **Total comprehensive income as per Ind AS for the year ended 31st March 2018** | | **4,456.19** |

Previous year figures have been reclassified/ regrouped to conform to the current classification.

## CONSOLIDATED NOTES TO ACCOUNTS

**Impact of Ind AS adoption on the Statement of cash flows for the year ended 31st March 2018**

(₹ in Crores)

| Particulars | Per Previous GAAP | Ind AS adjustments* | Per Ind AS |
|---|---|---|---|
| Net cash flow from operating activities | (30,825.94) | (1,683.87) | (32,509.81) |
| Net cash flow from investing activities | (245.28) | 291.16 | 45.88 |
| Net cash flow from financing activities | 28,622.23 | (378.38) | 28,243.85 |
| **Net increase in cash and cash equivalents** | **(2,448.99)** | **(1,771.09)** | **(4,220.08)** |
| Cash and cash equivalents as at 1st April 2017 | 4,580.28 | (111.77) | 4,468.51 |
| Cash and cash equivalents as at 31st March 2018 | 2,131.29 | (1,882.86) | 248.43 |

Previous year figures have been reclassified/ regrouped to conform to the current classification.

The transition from previous GAAP to Ind AS has not made a material impact on the statement of cash flows, except for the following:

**(1)** Earmarked bank balances are being classified as 'Other Bank Balances' instead of 'Cash & Cash Equivalents'. Accordingly, the bank balances in respect of grants are being adjusted under 'Cash Flow from Operating Activities'. To nullify the impact of the movement in such balances, the net cash flow from receipt and disbursement of grants, hitherto classified under 'Cash Flow From Financing Activities' is now being adjusted as 'Cash Flow from Operating Activities'.

**(2)** The interest accrued on term deposits is classified under the same head as that of the principal term deposit.

**(3)** The cash flow in respect of derivatives, hitherto classified as 'Cash Flow from Financing Activities' is now classified as 'Cash Flow from Operating Activities', considering the presentation under the Schedule III Division III notified for NBFCs wherein the fair value in changes of derivatives form part of 'Revenue from Operations'.

**(4)** Finance Costs, to the extent capitalised towards qualifying assets, are now being classified as 'Cash Flow from Investing Activities'.

## Reconciliation of Assets and Liabilities in the balance sheet prepared as per Previous GAAP as on 31st March 2018 and 1st April 2017

(₹ in Crores)

| Particulars | | Notes to first time adoption | As on 31st March 2018 | | | | As on 1st April 2017 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Previous GAAP* | Adjustments on transition from proportionate consolidation to equity method | Adjustments on Transition to Ind-AS | Ind-AS Amount | Previous GAAP* | Adjustments on transition from proportionate consolidation to equity method | Adjustments on Transition to Ind-AS | Ind-AS Amount |
| | **ASSETS** | | | | | | | | | |
| **(1)** | **Financial Assets** | | | | | | | | | |
| (a) | Cash and cash equivalents | | 430.04 | (181.59) | (0.02) | 248.43 | 4,585.75 | (117.22) | (0.02) | 4,468.51 |
| (b) | Other Bank Balances | | 1,946.84 | | - | 1,946.84 | 72.98 | | - | 72.98 |
| (c) | Trade receivables | | 542.56 | (373.28) | (35.52) | 133.76 | 438.40 | (274.68) | (32.39) | 131.33 |
| (d) | Derivative financial instruments | 6 | 465.25 | | 225.13 | 690.38 | 335.89 | | 292.18 | 628.07 |
| (e) | Loans | 1 | 235,345.62 | | (6,467.37) | 228,878.25 | 199,514.26 | | (5,579.74) | 193,934.52 |
| (f) | Investments | 3 | 2,592.68 | (57.14) | 239.61 | 2,775.15 | 2,628.06 | (0.60) | 201.62 | 2,829.08 |
| (g) | Other financial assets | | 4,385.89 | (83.44) | (20.92) | 4,281.53 | 120.95 | (40.39) | (17.91) | 62.65 |
| | **Total - Financial Assets (1)** | | **245,708.88** | **(695.45)** | **(6,059.09)** | **238,954.34** | **207,696.29** | **(432.89)** | **(5,136.26)** | **202,127.14** |
| | | | | | | | | | | |
| **(2)** | **Non-Financial Assets** | | | | | | | | | |
| (a) | Inventories | | 102.48 | (102.48) | - | - | 51.18 | (51.14) | - | 0.04 |
| (b) | Current tax assets (net) | | 34.09 | (1.87) | - | 32.22 | 50.40 | (1.97) | - | 48.43 |
| (c) | Deferred tax assets (net) | 5 | (65.75) | (0.87) | 2,909.05 | 2,842.43 | (39.92) | 0.56 | 2,173.48 | 2,134.12 |
| (d) | Investment Property | | 0.01 | - | - | 0.01 | 0.01 | - | - | 0.01 |
| (e) | Property, Plant & Equipment | | 424.14 | (297.66) | 0.11 | 126.59 | 354.13 | (230.03) | 0.13 | 124.23 |
| (f) | Capital Work-in-Progress | | 530.07 | (411.88) | 9.04 | 127.23 | 164.13 | (105.44) | 2.72 | 61.41 |
| (g) | Intangible Assets Under Development | | 1.46 | - | - | 1.46 | 1.46 | - | - | 1.46 |
| (h) | Other Intangible Assets | | 10.16 | (5.00) | - | 5.16 | 0.74 | (0.29) | - | 0.45 |
| (i) | Other non-financial assets | | 372.06 | (15.98) | (256.07) | 100.01 | 74.54 | (17.01) | 15.03 | 72.56 |
| (j) | Investments accounted for using equity method | | - | 171.78 | 0.85 | 172.63 | - | 175.87 | 0.20 | 176.07 |
| | **Total - Non-Financial Assets (2)** | | **1,408.72** | **(663.96)** | **2,662.98** | **3,407.74** | **656.67** | **(229.45)** | **2,191.56** | **2,618.78** |
| (3) | **Assets classified as held for sale** | | **-** | | **7.68** | **7.68** | **-** | | **3.08** | **3.08** |
| | **Total ASSETS (1+2+3)** | | **247,117.60** | **(1,359.41)** | **(3,388.43)** | **242,369.76** | **208,352.96** | **(662.34)** | **(2,941.62)** | **204,749.00** |

(₹ in Crores)

| Particulars | Notes to first time adoption | As on 31st March 2018 | | | | As on 1st April 2017 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Previous GAAP* | Adjustments on transition from proportionate consolidation to equity method | Adjustments on Transition to Ind-AS | Ind-AS Amount | Previous GAAP* | Adjustments on transition from proportionate consolidation to equity method | Adjustments on Transition to Ind-AS | Ind-AS Amount |
| **LIABILITIES AND EQUITY** | | | | | | | | | |
| **LIABILITIES** | | | | | | | | | |
| (1) Financial Liabilities | | | | | | | | | |
| (a) Derivative financial instruments | 6 | - | | 317.75 | 317.75 | - | | 354.46 | 354.46 |
| (b) Trade Payables | | | | - | | | | - | |
| (i) total outstanding dues of MSMEs | | 387.57 | (385.74) | - | 1.83 | 117.92 | (117.62) | - | 0.30 |
| (ii) total outstanding dues of creditors other than MSMEs | | 61.08 | | 0.23 | 61.31 | 42.46 | | 0.43 | 42.89 |
| (c) Debt Securities | 2 | 179,633.49 | (404.30) | (161.34) | 179,067.85 | 148,908.25 | (158.55) | (98.74) | 148,650.96 |
| (d) Borrowings (other than debt securities) | 2 | 23,269.01 | (367.77) | (269.82) | 22,631.42 | 22,280.58 | (214.43) | (365.98) | 21,700.17 |
| (e) Subordinated Liabilities | 2 | 2,668.38 | - | (1.02) | 2,667.36 | 2,668.38 | - | (1.17) | 2,667.21 |
| (f) Other financial liabilities | | 4,830.80 | (128.04) | 0.29 | 4,703.05 | 408.89 | (148.81) | - | 260.08 |
| **Total - Financial Liabilities (1)** | | 210,850.33 | (1,285.85) | (113.91) | 209,450.57 | 174,426.48 | (639.41) | (111.00) | 173,676.07 |
| (2) Non-Financial Liabilities | | | | | | | | | |
| (a) Current tax liabilities (net) | | 0.40 | - | 0.11 | 0.51 | 0.55 | | - | 0.55 |
| (b) Provisions | 4 | 235.65 | (15.07) | 0.16 | 220.74 | 191.16 | (0.86) | 23.97 | 214.27 |
| (c) Other non-financial liabilities | | 127.53 | (27.10) | 9.90 | 110.33 | 64.21 | (22.07) | 6.54 | 48.68 |
| Total - Non-Financial Liabilities (2) | | 363.58 | (42.17) | 10.17 | 331.58 | 255.92 | (22.93) | 30.51 | 263.50 |
| (3) **EQUITY** | | | | | | | | | |
| (a) Equity Share Capital | | **1,974.92** | **-** | **-** | **1,974.92** | **1,974.92** | **-** | **-** | **1,974.92** |
| (b) Other equity | | **33,897.38** | - | **(3,284.69)** | **30,612.69** | **31,695.64** | - | **(2,861.13)** | **28,834.51** |
| **Total - Equity (3)** | | **35,872.30** | **-** | **(3,284.69)** | **32,587.61** | **33,670.56** | **-** | **(2,861.13)** | **30,809.43** |
| (4) **Share Application Money pending Allotment** | | **31.39** | **(31.39)** | **-** | **-** | **-** | | **-** | **-** |
| **Total - LIABILITIES AND EQUITY (1+2+3+4)** | | **247,117.60** | **(1,359.41)** | **(3,388.43)** | **242,369.76** | **208,352.96** | **(662.34)** | **(2,941.62)** | **204,749.00** |

Previous year figures have been reclassified/ regrouped to conform to the current classification.

## CONSOLIDATED NOTES TO ACCOUNTS

**Reconciliation of the income and expenses presented in the consolidated statement of profit and loss prepared as per Indian GAAP and as per Ind AS for FY 2017-18**

| Particulars | | Notes to first time adoption | Previous GAAP | Adjustments on transition from proportionate consolidation to equity method | Adjustments on Transition to Ind-AS | Ind-AS Amount |
|---|---|---|---|---|---|---|
| | **Revenue from Operations** | | | | | |
| (i) | Interest Income | 1 | 22,056.62 | (8.44) | 50.13 | 22,098.31 |
| (ii) | Dividend Income | | 26.85 | | - | 26.85 |
| (iii) | Fees and Commission Income | 1 | 309.31 | | (9.92) | 299.39 |
| (iv) | Sale of services | | 678.78 | (451.73) | - | 227.05 |
| I. | **Total Revenue from Operations (i to iv)** | | **23,071.56** | **(460.17)** | **40.21** | **22,651.60** |
| II. | Other Income | | 16.40 | (1.61) | - | 14.79 |
| III. | **Total Income (I+II)** | | **23,087.96** | **(461.78)** | **40.21** | **22,666.39** |
| | **Expenses** | | | | | |
| (i) | Finance Costs | 2 | 13,794.36 | (30.18) | (431.24) | 13,332.94 |
| (ii) | Net translation/ transaction exchange loss | 2 | 44.36 | (2.98) | (22.01) | 19.37 |
| (iii) | Fees and commission Expense | 2 | 75.38 | (2.28) | (48.52) | 24.58 |
| (iv) | Net loss on fair value changes | 6 | (66.49) | - | 639.86 | 573.37 |
| (v) | Impairment on financial instruments | 4 | 1,427.25 | (5.23) | 878.51 | 2,300.53 |
| (vi) | Cost of services rendered | | 122.28 | | (2.48) | 119.80 |
| (vii) | Cost of material consumed | | 328.54 | (320.59) | - | 7.95 |
| (viii) | Changes in inventories of finished goods and work-in-progress | | (53.32) | 53.36 | - | 0.04 |
| (ix) | Employee Benefits Expenses | | 198.04 | (12.70) | (1.30) | 184.04 |
| (x) | Depreciation and amortization | | 69.60 | (62.71) | 0.04 | 6.93 |
| (xi) | Corporate Social Responsibility Expenses | | 50.94 | | - | 50.94 |
| (xii) | Other Expenses | | 155.80 | (55.35) | (1.40) | 99.05 |
| **IV.** | **Total Expenses (i to xii)** | | **16,146.74** | **(438.66)** | **1,011.46** | **16,719.54** |
| **V.** | **Share of Profit/Loss of Joint Venture accounted for using equity method** | 7 | - | | 10.67 | **10.67** |
| **VI.** | **Profit before Tax (III-IV+V)** | | **6,941.22** | **(23.12)** | **(960.58)** | **5,957.52** |
| **VII.** | **Tax Expense** | | | | | |
| (i) | Current tax | | 2,224.36 | (13.76) | 4.83 | 2,215.43 |
| (ii) | Deferred Tax | 5 | 27.40 | (0.16) | (735.67) | (708.43) |
| | **Total Tax Expense (i+ii)** | | **2,251.76** | **(13.92)** | **(730.84)** | **1,507.00** |
| **VIII.** | **Profit for the year** | | **4,689.46** | **(9.20)** | **(229.74)** | **4,450.52** |

## CONSOLIDATED NOTES TO ACCOUNTS

| Particulars | | Notes to first time adoption | Previous GAAP | Adjustments on transition from proportionate consolidation to equity method | Adjustments on Transition to Ind-AS | Ind-AS Amount |
|---|---|---|---|---|---|---|
| **IX.** | **Other comprehensive Income/(Loss)** | | | | | |
| **(i)** | **Items that will not be reclassified to profit or loss** | | | | | |
| (a) | Re-measurement gains/(losses) on defined benefit plans | | - | | (6.34) | (6.34) |
| (b) | Changes in Fair Value of FVOCI Equity Instruments | 3 | - | | 8.48 | 8.48 |
| (c) | Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method | 7 | - | | (0.03) | (0.03) |
| (d) | Income tax relating to these items | | - | | - | |
| | - Re-measurement gains/(losses) on defined benefit plans | | - | | 2.20 | 2.20 |
| | - Changes in Fair Value of FVOCI Equity Instruments | | - | | (0.10) | (0.10) |
| | **Sub-Total (i)** | | **-** | | **4.21** | **4.21** |
| **(ii)** | **Items that will be reclassified to profit or loss** | | | | | |
| | Share of Other Comprehensive Income/ (loss) of Joint Venture accounted for using equity method | 7 | - | | 1.46 | 1.46 |
| | **Sub-Total (ii)** | | **-** | | **1.46** | **1.46** |
| | **Other comprehensive Income/(Loss) for the period (i+ii)** | | **-** | **-** | **5.67** | **5.67** |
| X. | **Total comprehensive Income for the period (VIII+IX)** | | **4,689.46** | **(9.20)** | **(224.07)** | **4,456.19** |

Previous year figures have been reclassified/ regrouped to conform to the current classification.

**63.4 Notes to First time adoption**

Explanation of major impact on adoption on Ind AS on the reported standalone financial statements of the Company as on the date of transition is as under:

**(1) Loan assets and interest income**

The Company's loan assets, satisfying the business model test of held to collect contractual cash flows and SPPI (Solely Payment of Principal and Interest) test as on transition date, have been measured at amortized cost using effective interest rate (EIR) method. These loans were measured at cost under previous GAAP.

This adjustment of retrospective application of EIR method, has resulted in the reduction of retained earnings by ₹ 109.02 crore, with a corresponding reduction in value of loan assets as on transition date. Subsequent to the transition date, the impact on profit and loss for the year ended March 31, 2018 is ₹ 37.70 crores.

**(2) Financial liabilities and interest expense**

All financial liabilities except derivatives have been subsequently measured at Amortised Cost using the EIR method. The effect of the adjustments resulted in increase in retained earnings by ₹ 332.10 crore with corresponding reduction in the value of financial liabilities on transition date. Subsequent to the transition date, the impact on profit and loss for the year ended March 31, 2018 is ₹ 84.16 crore. The impact on profit and loss includes ₹ 1.14 crore due to effects of restatement of foreign exchange amounts.

## CONSOLIDATED NOTES TO ACCOUNTS

**(3) Investments**

Under Ind AS, the Company has designated equity investments other than investments in subsidiaries/ JVs as measured at Fair Value through Other Comprehensive Income (FVOCI). The resulting fair value changes in these investments have been recognized in OCI reserve as at the date of transition and subsequently in other comprehensive income.

This has resulted in increase in retained earnings by ₹ 201.82 crore with corresponding increase in value of investments in equity instruments as at the date of transition. Subsequent to the transition date, the impact on 'Other Comprehensive Income' for the year ended March 31, 2018 is ₹ 37.89 crore.

**(4) Expected Credit Loss**

Under previous GAAP, the provision on loan assets was maintained as per RBI Master Directions. However, the Company is now creating Expected Credit Loss allowance on the outstanding balance of loan assets and the undisbursed Letters of Comfort (LOC) as per the requirements of Ind AS 109. The transition to ECL model has resulted in the reduction of retained earnings by ₹ 5,501.19 crore as at the date of transition. Subsequent to the transition date, the impact on profit and loss due to impairment of loan assets for the year ended March 31, 2018 is ₹ 904.79 crore.

**(5) Deferred Taxes**

Under previous GAAP, deferred tax accounting was done using the income statement approach. However, Ind AS requires the accounting of deferred taxes using the balance sheet approach, which includes identification of temporary differences based on the difference in carrying amount of an asset/ liability in the standalone balance sheet and its tax base. These differences have been suitably recognized in the financial statements. Deferred tax liability has also been created on temporaary difference between the carrying amount and tax base of investments in subsidiaries and joint ventures.

**(6) Derivative Financial Instruments**

Under Indian GAAP, the Company measured interest rate swap derivatives at mark to market and cross currency swap were measured at exchange rate on the reporting date through FCMITD A/c with gain/loss on restatement amortised over the remaining life of the instrument.

According to Ind AS 109, all derivatives are measured at fair value and any gains/losses, except gains/losses on derivatives used for hedge purposes, are recognized in profit or loss.

These adjustments and the consequential impact due to the adoption of Ind AS have resulted in a increase in the retained earnings by ₹ 95.97 crore as on April 1, 2017 and an increase in retained earnings by ₹ 155.02 crore as on March 31, 2018.

**(7) Joint Venture accounted for using eqquity method**

Share of unditributed reserves of joint venture has been accounted for as per numbers finalised under previous GAAP, in the financial statements of EESL. However, as the EESL has also transitioned to Ind-AS, therefore, the impact of Ind-AS adjustments has been taken into account in the consolidated financial statements. Further, the method of consolidation of Joint Venture has also been changed from proportionate consolidation method to equity method of accounting as per Ind-AS 28.

**(8) Prior Period**

Any material adjustments in the prior periods has been accounted for in the respective years as pe the principles of Ind-AS i.e. previous finnacial years has beeen restated.

**64 Subsidiaries, joint venture and associates considered for consolidation**

**A. Wholly owned subsidiaries of the Company:**

| Name of entity | Place of business/ country of incorporation | Ownership interest held by the Group | | |
|---|---|---|---|---|
| | | As at 31-03-19 | As at 31-03-18 | As at 01-04-17 |
| REC Transmission Projects Company Limited (RECTPCL) | India | **100%** | 100% | 100% |
| REC Power Distribution Company Limited (RECPDCL) | India | **100%** | 100% | 100% |

## CONSOLIDATED NOTES TO ACCOUNTS

**B. Joint venture**

| Name of entity | Place of business/ country of incorporation | Ownership interest /Carrying Amount* held by the Group | | |
|---|---|---|---|---|
| | | As at 31-03-19 | As at 31-03-18 | As at 01-04-17 |
| Energy Effiency Services Limited (EESL)* | India | | | |
| Ownership interest | | **21.70%** | 31.71% | 31.71% |
| Carrying Amount** | | **179.63** | 172.63 | 176.07 |

* The financial statements for FY 2018-19 are un-audited and certifed by the management and have been considered for Consolidated Financial Statements of the Group. The figures appearing in the financial statements may change upon completion of the audit. Figures for FY 2018-19 have been prepared on standalone basis as per the information available till date. For FY 2017-18 and FY 2016-17, consolidated audited figures have been considered.

** Quoted price of the investment is not available, as the equity shares of the Company are not listed on stock exchanges.

**C. Associates**

| Name of entity | Place of business/ country of incorporation | Ownership interest held by the Group | | |
|---|---|---|---|---|
| | | As at 31-03-19 | As at 31-03-18 | As at 01-04-17 |
| WRSS-XXI (A) Transco Limited | India | **100.00%** | | |
| Ajmer Phagi Transco Limited | India | **100.00%** | | |
| Bhindguna Transmission Limited | India | **100.00%** | | |
| Jam Khambaliya Transco Limited | India | **100.00%** | | |
| Khetri Transco Limited | India | **100.00%** | | |
| Lakadia Banaskantha Transco Limited | India | **100.00%** | | |
| Udupi Kasargode Trans. Ltd. | India | **100.00%** | | |
| Chandil Transmission Ltd | India | **100.00%** | 100.00% | |
| Dumka Transmission Ltd. | India | **100.00%** | 100.00% | |
| Koderma Transmission Ltd | India | **100.00%** | 100.00% | |
| Mandar Transmission Ltd. | India | **100.00%** | 100.00% | |
| Dinchang Transmission Limited | India | **100.00%** | 100.00% | 100.00% |
| Ghatampur Transmission Limited | India | | 100.00% | 100.00% |
| ERSS XXI Transmission Limited | India | | | 100.00% |
| WR-NR Power Transmission Limited | India | | | 100.00% |

Note: The above investments are managed as per the mandate from Government of India (GoI) and the Company does not have the practical ability to direct the relevant activities of these Companies unilaterally. The Company therefore, considers its investment in respective Companies as associates having significant influence despite the Company holding 100% of their paid-up equity share capital.

## CONSOLIDATED NOTES TO ACCOUNTS

**D Joint venture accounted for using equity method**

**Summarised financial position of EESL**

(₹ in Crores)

| Particulars | As at March 31, 2019 * | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | **424.96** | 558.78 | 264.67 |
| Bank balances other than above | **335.76** | 68.58 | 57.67 |
| Other financial assets | **1,998.71** | 1,470.97 | 985.02 |
| | **2,759.43** | 2,098.33 | 1,307.36 |
| Non Financial assets | **4,104.94** | 3,370.81 | 1,269.11 |
| **Total assets** | **6,864.37** | **5,469.14** | **2,576.47** |
| Financial Liabilities | **5,686.62** | 4,686.89 | 1,859.04 |
| Non Financial Liabilities | **348.67** | 92.18 | 162.18 |
| **Total liabilities** | **6,035.29** | **4,779.07** | **2,021.22** |
| **Net assets** | **829.08** | **690.07** | **555.25** |

* Based on unaudited standalone financial position of the joint venture

**Summarised financial performance of EESL**

(₹ in Crores)

| Particulars | For the year ended March 31, 2019 * | For the year ended March 31, 2018 |
|---|---|---|
| **A. Income** | | |
| Revenue from operations | **1,829.27** | 1,427.82 |
| Other income | **93.82** | 55.22 |
| **Total (A)** | **1,923.09** | **1,483.04** |
| **B. Expenses** | | |
| Finance costs | **187.84** | 135.24 |
| Depreciation, amortization and impairment | **331.49** | 133.61 |
| Purchase of stock-in-trade | **939.48** | 1,065.38 |
| Change in inventories | **25.41** | (145.29) |
| Other expenses | **296.03** | 230.15 |
| **Total (B)** | **1,780.25** | **1,419.09** |
| **C. Share of net profits/(losses) of joint ventures accounted for using equity method** | **-** | (1.68) |
| **D. Profit before tax (A-B+C)** | **142.84** | 62.27 |
| E. Tax Expense | **59.01** | 28.35 |
| **F. Profit for the period (C-D)** | **83.83** | 33.92 |
| **G. Other comprehensive income/ (Loss)** | **(0.22)** | 4.51 |
| **H. Total comprehensive income (F+G)** | **83.61** | 38.43 |
| Dividends received from EESL | **2.39** | 12.92 |

* Based on unaudited standalone financial performance of the joint venture

## CONSOLIDATED NOTES TO ACCOUNTS

**Reconciliation to carrying amount of Energy Efficient Services Limited:**

(₹ in Crores)

| Particulars | For the year ended March 31, 2019 * | For the year ended March 31, 2018 |
|---|---|---|
| **Opening net assets** | **690.07** | 555.25 |
| Share application money - adjusted | **(99.00)** | |
| Increase in Share capital | **213.20** | |
| Profit for the year | **83.83** | 33.92 |
| Other comprehensive income(net of taxes)* | **(0.22)** | 4.51 |
| Add: Share application pending allotment | **0.00** | 99.00 |
| Less: Transaction cost arising on issue of equity shares, net of tax | **-** | (0.25) |
| Less: Dividend distributed | **(11.03)** | (40.75) |
| Less: Dividend distribution tax | **(2.27)** | (8.29) |
| Add: Non-Controlling interest | **0.00** | 46.68 |
| **Closing net assets** | **874.58** | **690.07** |

*Movement for the FY 2018-19 has been made considering the unaudited standalone financial statements.

Change in carrying amount of investments in EESL

(₹ in Crores)

| Particulars | As at March 31, 2019 | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|---|
| Group share % | **21.70%** | 31.71% | 31.71% |
| Group's share in Networth | **189.76** | 218.82 | 176.07 |
| Less: Reductions on account of Share application money pending allotment (by the other JV partners) | | (31.39) | - |
| Non-Controlling interest in the consolidated financial statements of EESL | **(10.13)** | (14.80) | |
| Carrying amount of investment in financial statements | **179.63** | 172.63 | 176.07 |

**Contingent liabilities of EESL**

(₹ in Crores)

| Particulars | As at March 31, 2018 | As at April 1, 2017 |
|---|---|---|
| **(A) Claims against the Company not acknowledged as debts** | **59.49** | 71.83 |
| **(B) Taxation Demands** | | |
| **(C) Others** | | |
| **- Letters of Credit** | **54.07** | 48.00 |
| **- Bank Guarantees** | **166.35** | 0.19 |
| **Total Contingent Liabilities** | **279.91** | **120.02** |
| **Share of joint venture's contingent liabilities incurred jointly with other investors** | **88.76** | **38.06** |

Note: Details of Contingent Liability of EESL as on 31.03.2019 not available and hence not presented in the table above

## CONSOLIDATED NOTES TO ACCOUNTS

**65 Disclosures in respect of Entities Consolidated as required under Schedule III to the Companies Act, 2013**

**65.1 Share in Net Assets i.e. Total Assets minus Total Liabilities**

(₹ in Crores)

| Name of the Entity | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | As % of Consolidated Net Assets | Amount | As % of Consolidated Net Assets | Amount | As % of Consolidated Net Assets | Amount |
| **Parent** | | | | | | |
| REC Limited | **99.30%** | **34,302.94** | 99.13% | 32,303.15 | 99.16% | 30,551.76 |
| | | | | | | |
| **Subsidiaries - Indian** | | | | | | |
| REC Power Distribution Company Limited | **0.45%** | **155.73** | 0.48% | 156.58 | 0.44% | 136.21 |
| REC Transmission Projects Company Limited | **0.34%** | **118.45** | 0.54% | 176.17 | 0.51% | 157.86 |
| | | | | | | |
| **Joint Venture - Indian** | | | | | | |
| Energy Efficiency Services Limited | **0.52%** | **179.63** | 0.53% | 172.63 | 0.57% | 176.07 |
| | | | | | | |
| **Associates - Indian** | | | | | | |
| WRSS-XXI (A) Transco Limited | | | | | | |
| Ajmer Phagi Transco Limited | **0.00%** | **0.05** | - | - | - | - |
| Bhindguna Transmission Limited | **0.00%** | **0.05** | - | - | - | - |
| Jam Khambaliya Transco Limited | **0.00%** | **0.05** | - | - | - | - |
| Khetri Transco Limited | **0.00%** | **0.05** | - | - | - | - |
| Lakadia Banaskantha Transco Limited | **0.00%** | **0.05** | - | - | - | - |
| Udupi Kasargode Trans. Ltd. | **0.00%** | **0.05** | - | - | - | - |
| Chandil Transmission Ltd | **0.00%** | **0.05** | - | - | - | - |
| Dumka Transmission Ltd. | **0.00%** | **0.05** | - | - | - | - |
| Koderma Transmission Ltd | **0.00%** | **0.05** | - | - | - | - |
| Mandar Transmission Ltd. | **0.00%** | **0.05** | - | - | - | - |
| Dinchang Transmission Limited | **-** | **-** | 0.00% | 0.05 | 0.00% | 0.05 |
| Ghatampur Transmission Limited | **-** | **-** | 0.00% | 0.05 | 0.00% | 0.05 |
| ERSS XXI Transmission Limited | **-** | **-** | - | - | 0.00% | 0.05 |
| WR-NR Power Transmission Limited | **-** | **-** | - | - | 0.00% | 0.05 |
| | | | | | | |
| **Adjustments or eliminations effect** | **-0.61%** | **(210.91)** | -0.68% | (221.02) | -0.69% | (212.67) |
| | | | | | | |
| **Total** | **100.00%** | **34,546.34** | 100.00% | 32,587.61 | 100.00% | 30,809.43 |

## CONSOLIDATED NOTES TO ACCOUNTS

**Share in profit and loss**

(₹ in Crores)

| Name of the Entity | Year ended 31.03.2019 | | Year ended 31.03.2018 | |
|---|---|---|---|---|
| | As % of Consolidated Net Profit | Amount | As % of Consolidated Net Profit | Amount |
| **Parent** | | | | |
| REC Limited | **100.39%** | **5,763.72** | 99.31% | 4,419.89 |
| **Subsidiaries - Indian** | | | | |
| REC Power Distribution Company Limited | **0.46%** | **26.34** | 0.79% | 34.94 |
| REC Transmission Projects Company Limited | **0.43%** | **24.60** | 0.78% | 34.92 |
| **Joint Venture - Indian** | | | | |
| Energy Efficiency Services Limited | **0.17%** | **9.95** | 0.24% | 10.67 |
| **Adjustments or eliminations effect** | **-1.45%** | **(83.23)** | -1.12% | (49.90) |
| | | | | |
| **Total** | **100.00%** | **5,741.38** | **100.00%** | **4,450.52** |

**Share in Other Comprehensive Income**

(₹ in Crores)

| Name of the Entity | Year ended 31.03.2019 | | Year ended 31.03.2018 | |
|---|---|---|---|---|
| | As % of Consolidated Other Comprehensive Income | Amount | As % of Consolidated Other Comprehensive Income | Amount |
| **Parent** | | | | |
| REC Limited | **99.92%** | **(60.54)** | 74.78% | 4.24 |
| | | | | |
| **Subsidiaries - Indian** | | | | |
| REC Power Distribution Company Limited | **0.00%** | **-** | 0.00% | - |
| REC Transmission Projects Company Limited | **0.00%** | **-** | 0.00% | - |
| | | | | |
| **Joint Venture - Indian** | | | | |
| Energy Efficiency Services Limited | **0.08%** | **(0.05)** | 25.22% | 1.43 |
| | | | | |
| **Adjustments or eliminations effect** | **-** | **-** | - | - |
| | | | | |
| **Total** | **100.00%** | **(60.59)** | **100.00%** | **5.67** |

## CONSOLIDATED NOTES TO ACCOUNTS

**Share in Total Comprehensive Income**

(₹ in Crores)

| Name of the Entity | Year ended 31.03.2019 | | Year ended 31.03.2018 | |
|---|---|---|---|---|
| | As % of Consolidated Total Comprehensive Income | Amount | As % of Consolidated Total Comprehensive Income | Amount |
| **Parent** | | | | |
| REC Limited | **100.39%** | **5,703.18** | 99.41% | 4,424.13 |
| **Subsidiaries - Indian** | | | | |
| REC Power Distribution Company Limited | **0.46%** | **26.34** | 0.79% | 34.94 |
| REC Transmission Projects Company Limited | **0.43%** | **24.60** | 0.78% | 34.92 |
| **Joint Venture - Indian** | | | | |
| Energy Efficiency Services Limited | **0.17%** | **9.90** | 0.27% | 12.10 |
| **Adjustments or eliminations effect** | **-1.47%** | **(83.23)** | -1.12% | (49.90) |
| **Total** | **100.00%** | **5,680.79** | **100.00%** | **4,456.19** |

**66 Amounts expected to be recovered/ settled within 12 months and beyond for each line item under asset and liabilities**

(₹ in Crores)

| Particulars | | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|---|
| | | Within 12 months | More than 12 months | Within 12 months | More than 12 months | Within 12 months | More than 12 months |
| | **ASSETS** | | | | | | |
| **(1)** | **Financial Assets** | | | | | | |
| (a) | Cash and cash equivalents | **381.99** | **-** | 248.43 | - | 4,468.51 | - |
| (b) | Other Bank Balances | **1,733.08** | **-** | 1,946.84 | - | 70.93 | 2.05 |
| (c) | Trade receivables | **137.72** | **-** | 133.76 | - | 131.33 | - |
| (d) | Derivative financial instruments | **325.46** | **1,477.12** | 128.89 | 561.49 | 13.10 | 614.97 |
| (e) | Loans | **27,977.30** | **242,473.62** | 27,123.95 | 201,754.30 | 20,704.62 | 173,229.90 |
| (f) | Investments | **102.19** | **2,180.94** | 475.41 | 2,299.74 | 445.56 | 2,383.52 |
| (g) | Other financial assets | **535.61** | **17,828.38** | 280.59 | 4,000.94 | 61.40 | 1.25 |
| | **Total - Financial Assets (1)** | **31,193.35** | **263,960.06** | **30,337.87** | **208,616.47** | **25,895.45** | **176,231.69** |
| **(2)** | **Non-Financial Assets** | | | | | | |
| (a) | Inventories | **-** | **-** | - | - | 0.04 | - |
| (b) | Current tax assets (net) | **1.45** | **291.72** | (0.00) | 32.22 | - | 48.43 |
| (c) | Deferred tax assets (net) | **10.25** | **2,295.68** | 3.78 | 2,838.65 | 0.01 | 2,134.11 |
| (d) | Investment Property | **-** | **0.01** | - | 0.01 | - | 0.01 |
| (e) | Property, Plant & Equipment | **-** | **156.63** | - | 126.59 | - | 124.23 |
| (f) | Capital Work-in-Progress | **-** | **196.94** | - | 127.23 | - | 61.41 |
| (g) | Intangible Assets Under Development | **-** | **1.59** | - | 1.46 | - | 1.46 |
| (h) | Other Intangible Assets | **-** | **8.55** | - | 5.16 | - | 0.45 |
| (i) | Other non-financial assets | **112.64** | **35.77** | 53.90 | 46.11 | 31.20 | 41.36 |
| (j) | Investments accounted for using equity method | **-** | **179.63** | - | 172.63 | - | 176.07 |
| | **Total - Non-Financial Assets (2)** | **124.34** | **3,166.52** | **57.68** | **3,350.06** | **31.25** | **2,587.53** |

## CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

| Particulars | | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|---|
| | | Within 12 months | More than 12 months | Within 12 months | More than 12 months | Within 12 months | More than 12 months |
| **(3)** | **Assets classified as held for sale** | **9.56** | **-** | 7.68 | - | 3.08 | - |
| | **Total ASSETS (1+2+3)** | **31,327.25** | **267,126.58** | **30,403.23** | **211,966.53** | **25,929.78** | **178,819.22** |
| | **LIABILITIES** | | | | | | |
| **(1)** | **Financial Liabilities** | | | | | | |
| (a) | Derivative financial instruments | **35.69** | **123.71** | 59.67 | 258.08 | 85.86 | 268.60 |
| (b) | Trade Payables | | | | | | |
| | (i) total outstanding dues of MSMEs | **2.65** | **-** | 1.83 | - | 0.30 | - |
| | (ii) total outstanding dues of creditors other than MSMEs | **64.64** | **-** | 61.31 | - | 42.89 | - |
| (c) | Debt Securities | **41,345.10** | **151,422.41** | 33,345.78 | 145,722.07 | 21,877.13 | 126,773.83 |
| (d) | Borrowings (other than debt securities) | **7,202.91** | **39,459.63** | 10,289.52 | 12,341.90 | 1,901.38 | 19,798.79 |
| (e) | Subordinated Liabilities | **169.96** | **4,648.80** | 168.38 | 2,498.98 | 168.38 | 2,498.83 |
| (f) | Other financial liabilities | **1,399.83** | **17,827.24** | 703.05 | 4,000.00 | 260.08 | - |
| | **Total - Financial Liabilities (1)** | **50,220.78** | **213,481.79** | **44,629.54** | **164,821.03** | **24,336.02** | **149,340.05** |
| **(2)** | **Non-Financial Liabilities** | | | | | | |
| (a) | Current tax liabilities (net) | **-** | **-** | 0.51 | - | 0.55 | - |
| (b) | Provisions | **60.15** | **40.09** | 78.25 | 142.49 | 58.94 | 155.33 |
| (c) | Other non-financial liabilities | **104.60** | **-** | 88.34 | 21.99 | 48.68 | - |
| | **Total - Non-Financial Liabilities (2)** | **164.75** | **40.09** | **167.10** | **164.48** | **108.17** | **155.33** |
| **(3)** | **Liabilities directly associated with assets classified as held for sale** | **0.08** | **-** | - | - | - | - |
| | **Total LIABILITIES (1+2+3)** | **50,385.61** | **213,521.88** | **44,796.64** | **164,985.51** | **24,444.19** | **149,495.38** |

Previous year figures have been reclassified/ regrouped to conform to the current classification.

**67** There are no Off-Balance Sheet SPVs sponsored by the Company, which need to be consolidated as per accounting norms.

**68** No penalties have been levied on the Company by any regulator during the year ended 31st March 2019 (Previous year Nil).

**69** No complaints have been received by the Company from the borrowers under the Fair Practices Code during the year ended 31st March 2019 (Previous year Nil).

**70** Figures in Rupees have been rounded off to the nearest crores with two decimals, unless expressly stated.

The Notes to Accounts 1 to 70 are an integral part of Balance Sheet and Statement of Profit & Loss.

For and on behalf of the Board

**J.S. Amitabh**
GM & Company Secretary

**Sanjeev Kumar Gupta**
Director (Technical)
DIN - 03464342

**Ajeet Kumar Agarwal**
CMD and Director (Finance)
DIN - 02231613

In terms of our Audit Report of even date

**For G.S. Mathur & Co.**
Chartered Accountants
Firm Reg. No.: 008744N

**S.C. Choudhary**
Partner
M.No. : 082023

**For A.R. & Co.**
Chartered Accountants
Firm Reg. No.: 002744C

**Priyanshu Jain**
Partner
M.No. : 530262

Place: New Delhi
Date: 24th May 2019

# FORM AOC-1

**Statement containing salient features of the financial statements of Subsidiaries/ Associates/ Joint Ventures for the Year 2018-19**

## Part A: Subsidiaries

(₹ in Crores)

| 1 | Particulars | I | II |
|---|---|---|---|
| 2 | Name of the Subsidiary | REC Power Distribution Company Limited | REC Transmission Projects Company Limited |
| 3 | Reporting period for the subsidiary concerned, if different from the holding company's reporting period | Not Applicable | Not Applicable |
| 4 | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries. | Not Applicable | Not Applicable |
| 5 | Share capital | 0.05 | 0.05 |
| 6 | Reserves & Surplus | 155.68 | 118.39 |
| 7 | Total assets | 555.03 | 286.30 |
| 8 | Total Liabilities | 399.30 | 167.86 |
| 9 | Investments | 15.81 | 89.08 |
| 10 | Turnover | 159.78 | 40.45 |
| 11 | Profit/ (Loss) Before Taxation | 41.01 | 32.21 |
| 12 | Provision for Taxation | 14.67 | 7.61 |
| 13 | Profit/ (Loss) After Taxation | 26.34 | 24.60 |
| 14 | Proposed Dividend | - | - |
| 15 | % Shareholding | 100.00% | 100% |

(1) Name of subsidiaries which are yet to commence operations - Nil

(2) Names of subsidiaries which have been liquidated or sold during the year - Nil

# PART B: ASSOCIATES AND JOINT VENTURES

## Details of Associates

(₹ in Crores)

| Name of Associates | | Dinchang Transmission Limited # | Udupi Kasargode Transmission Limited | Chandil Transmission Limited | Koderma Transmission Limited | Dumka Transmission Limited | Mandar Transmission Limited | Bhind Guna Transmission Limited |
|---|---|---|---|---|---|---|---|---|
| 1 | Latest audited Balance Sheet Date | 31-Mar-19 | 31-Mar-19 | 31-Mar-19 | 31-Mar-19 | 31-Mar-19 | 31-Mar-19 | 31-Mar-19 |
| 2 | Shares of Associate/Joint Ventures held by the company on the year end | | | | | | | |
| | Number | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| | Amount of Investment in Associates/ Joint Venture | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 |
| | Extent of Holding (%) | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 3 | Description of how there is significant influence | Holding 100% of shares and participation in management | | | | | | |
| 4 | Reason why the associate/joint venture is not consolidated | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. | N.A. |
| 5 | Networth attributable to Shareholding as per latest audited Balance Sheet | - | (0.18) | (1.70) | (1.50) | (1.66) | (1.46) | (0.71) |
| 6 | Profit / (Loss) for the year | | | | | | | |
| i. | Considered in Consolidation * | - | - | - | - | - | - | - |
| ii. | Not Considered in Consolidation | 0.49 | (0.23) | (1.75) | (1.55) | (1.71) | (1.51) | (0.76) |

# Ministry of Power, vide Gazette Notification dated 1st February 2019 has de-notified the said project. Accordingly, the requisite action is being initiated in respect of the Company for the purpose of strike-off.

* Associates have been classified as 'held for sale' and valued at cost. Accordingly, the Profit/ (loss) has not been considered in Consolidated Financial Statements.

Five associate companies namely Ajmer Phagi Transco Limited, Jam Khambaliya Transco Limited, Khetri Transco Limited, WRSS XXI(A) Transco Limited and Lakadia Banaskantha Transco Limited have been incorporated after 1st January 2019 and in line with the provisions of the Companies Act, 2013, the first financial statements of these companies will be prepared for the period ended 31st March 2020.

## Details of Joint Venture

(₹ in Crores)

| | Name of Joint Venture | Energy Efficiency Services Limited |
|---|---|---|
| 1 | Latest audited Balance Sheet Date | 31-Mar-18 |
| 2 | Shares of Associate/Joint Ventures held by the company on the year end | |
| | Number | 14,65,00,000 |
| | Amount of Investment in Associates/Joint Venture @ | 146.50 |
| | Extent of Holding (%) | 21.70% |
| 3 | Description of how there is significant influence | Holding 21.70% of shares and participation in management |
| 4 | Reason why the associate/joint venture is not consolidated | N.A. |
| 5 | Networth attributable to Shareholding as per latest audited Balance Sheet | 218.82 |
| 6 | Profit / Loss for the year * | |
| i. | Considered in Consolidation | 9.95 |
| ii. | Not Considered in Consolidation | Nil |

@ Under the Right Issue Offer of Energy Efficiency Services Limited (EESL), the Company has applied for 7,16,00,000 shares of Energy Efficiency Services Limited (EESL) for a consideration of Rs. 71.60 crores on 8th April 2019.

* The figures are based on the unaudited standalone financial statements of the Joint Venture

**(1) Names of associates or joint ventures which are yet to commence operations.**

Twelve associate companies, namely Dinchang Transmission Limited, Udupi Kasargode Transmission Limited, Chandil Transmission Limited, Koderma Transmission Limited, Dumka Transmission Limited, Mandar Transmission Limited, Bhind Guna Transmission Limited, Ajmer Phagi Transco Limited, Jam Khambaliya Transco Limited, Khetri Transco Limited, WRSS XXI(A) Transco Limited and Lakadia Banaskantha Transco Limited are yet to commence operations as at 31st March 2019.

**(2) Names of associates or joint ventures which have been liquidated or sold during the year.**

The following associates have been sold during the year, as a part of business process:

| Name of Associates | Date of Sale |
|---|---|
| Ghatampur Transmission Limited | 19.06.2018 |
| Jawaharpur Firozabad Transmission Limited | 21.12.2018 |

For and on behalf of the Board

**J.S. Amitabh**
GM & Company Secretary

**Sanjeev Kumar Gupta**
Director (Technical)
DIN - 03464342

**Ajeet Kumar Agarwal**
CMD and Director (Finance)
DIN - 02231613

In terms of our Audit Report of even date

**For G.S. Mathur & Co.**
Chartered Accountants
Firm Reg. No.: 008744N

**S.C. Choudhary**
Partner
M.No. : 082023

**For A.R. & Co.**
Chartered Accountants
Firm Reg. No.: 002744C

**Priyanshu Jain**
Partner
M.No. : 530262

Place: New Delhi
Date: 24th May 2019

# ANNEXURE TO BE ENCLOSED WITH CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2019

**(As prescribed by Reserve Bank of India)**

(Particulars as required in terms of Paragraph 18 of Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, in so far as they are applicable to REC Ltd.)

(₹ in Crores)

| | Particulars | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|---|
| | | Amount Outstanding | Amount Overdue | Amount Outstanding | Amount Overdue | Amount Outstanding | Amount Overdue |
| | **LIABILITIES SIDE:** | | | | | | |
| **(1)** | **Loans and advances availed by the NBFC** | | | | | | |
| | inclusive of interest accrued thereon but not paid: | | | | | | |
| | (a) Debentures/ Bonds : | | | | | | |
| | - Secured | **49,398.19** | **-** | 60,692.05 | - | 62,084.73 | - |
| | - Unsecured | **1,41,361.86** | **-** | 1,18,055.08 | - | 89,333.36 | - |
| | (b) Deferred Credits | **-** | **-** | - | - | - | - |
| | (c) Term Loans | | | | | | |
| | - Secured Loans from Financial Institutions | **207.33** | **-** | 414.82 | - | 776.66 | - |
| | - Unsecured Loans from Govt. of India | **5,121.84** | **-** | - | - | - | - |
| | - Unsecured Loans from Banks | **18,555.08** | **-** | - | - | - | - |
| | - Unsecured Loans from Financial Institutions | **1,000.00** | **-** | - | - | - | - |
| | (d) Inter-corporate Loans and Borrowing | **-** | **-** | - | - | - | - |
| | (e) Commercial Paper | **7,975.00** | **-** | 3,250.00 | - | - | - |
| | (f) Other Loans | **-** | **-** | - | - | - | - |
| | - Foreign Currency Borrowings | **17,705.96** | **-** | 18,584.29 | - | 21,155.72 | - |
| | - FCNR (B) Loans | **4,327.72** | **-** | 3,812.07 | - | - | - |
| | - Loans Repayable on Demand | **-** | **-** | - | - | - | - |
| | - Finance Lease Obligations | **0.11** | **-** | 0.11 | - | 0.13 | - |

| | | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|---|
| | **ASSETS SIDE :** | | | |
| **(2)** | **Break-up of Loans and Advances including bills receivables** | | | |
| | (a) Secured | **2,05,679.19** | 1,88,536.81 | 1,62,535.61 |
| | (b) Unsecured | **64,127.98** | 40,442.23 | 31,478.31 |
| **(3)** | **INVESTMENTS :** | | | |
| | Current Investments: | | | |
| | Unquoted: | | | |
| | (i) Shares : Equity | | | |
| | Long Term Investments: | | | |
| | **Quoted:** | | | |
| | (i) Shares : Equity | **640.81** | 712.37 | 592.52 |
| | (ii) Debentures and Bonds | **1,556.87** | 1,500.62 | 1,500.62 |
| | **Unquoted:** | | | |
| | (i) Shares : Equity | **179.63** | 172.63 | 285.32 |
| | (ii) Debentures and Bonds | **32.11** | 414.42 | 384.59 |
| | (iii) Units of mutual funds | **6.18** | 6.26 | 6.30 |
| | (iv) Government Securities | **47.16** | 141.48 | 235.80 |

## (4) Borrower Group-wise classification of assets financed in (2) above :

(₹ in Crores)

| Particulars | AMOUNT NET OF PROVISIONS | | |
|---|---|---|---|
| | **Secured** | Unsecured | Total |
| **As at 31st March 2019** | | | |
| **1. Related Parties** | | | |
| (a) Subsidiaries | **-** | - | - |
| (b) Companies in the same Group | **-** | - | - |
| (c) Other related Parties | **-** | 0.46 | 0.46 |
| **2. Other than Related Parties** | **2,05,679.19** | 64,127.52 | 2,69,806.71 |
| **Total** | **2,05,679.19** | **64,127.98** | **2,69,807.17** |
| **As at 31st March 2018** | | | |
| **1. Related Parties** | | | |
| (a) Subsidiaries | **-** | - | - |
| (b) Companies in the same Group | **-** | - | - |
| (c) Other related Parties | **-** | 0.56 | 0.56 |
| **2. Other than Related Parties** | **1,88,536.81** | 40,441.67 | 2,28,978.48 |
| **Total** | **1,88,536.81** | **40,442.23** | **2,28,979.04** |
| **As at 1st April 2017** | | | |
| **1. Related Parties** | | | |
| (a) Subsidiaries | **-** | - | - |
| (b) Companies in the same Group | **-** | - | - |
| (c) Other related Parties | **0.02** | 0.51 | 0.53 |
| **2. Other than Related Parties** | **1,62,535.59** | 31,477.80 | 1,94,013.39 |
| **Total** | **1,62,535.61** | **31,478.31** | **1,94,013.92** |

## (5) Investor group-wise classification of investments (current and long term) in shares and securities (both quoted and unquoted) :

(₹ in Crores)

| Category | As at 31.03.2019 | | As at 31.03.2018 | | As at 01.04.2017 | |
|---|---|---|---|---|---|---|
| | **Market Value / Break up or fair value or NAV** | **Book Value (Net of Provisions)** | Market Value / Break up or fair value or NAV | Book Value (Net of Provisions) | Market Value / Break up or fair value or NAV | Book Value (Net of Provisions) |
| **1. Related Parties** | | | | | | |
| (a) Subsidiaries | **-** | **-** | - | - | - | - |
| (b) Companies in the same Group | **-** | **-** | - | - | - | - |
| (c) Other related Parties | **179.63** | **179.63** | 172.63 | 172.63 | 176.07 | 176.07 |
| 2. Other than Related Parties | **2,283.13** | **2,283.13** | 2,775.15 | 2,775.15 | 2,829.08 | 2,829.08 |
| **Total** | **2,462.76** | **2,462.76** | **2,947.78** | **2,947.78** | **3,005.15** | **3,005.15** |

## (6) Other Information

(₹ in Crores)

| Particulars | As at 31.03.2019 | As at 31.03.2018 | As at 01.04.2017 |
|---|---|---|---|
| **(i) Gross Credit-impaired Assets** | | | |
| (a) Related Parties | **-** | - | - |
| (b) Other than related Parties | **20,348.44** | 17,128.43 | 4,872.69 |
| **(ii) Net Credit-impaired Assets** | | | |
| (a) Related Parties | **-** | - | - |
| (b) Other than related Parties | **10,649.49** | 8,637.90 | 2,223.74 |
| **(iii) Asset acquired in satisfaction of debts** | **-** | - | - |

For and on behalf of the Board

| | | |
|---|---|---|
| **J.S. Amitabh** | **Sanjeev Kumar Gupta** | **Ajeet Kumar Agarwal** |
| GM & Company Secretary | Director (Technical) | CMD and Director (Finance) |
| | DIN - 03464342 | DIN - 02231613 |

In terms of our Audit Report of even date

| | |
|---|---|
| **For G.S. Mathur & Co.** | **For A.R. & Co.** |
| Chartered Accountants | Chartered Accountants |
| Firm Reg. No.: 008744N | Firm Reg. No.: 002744C |
| **S.C. Choudhary** | **Priyanshu Jain** |
| Partner | Partner |
| M.No. : 082023 | M.No. : 530262 |

Place : New Delhi
Date : 24th May 2019

# INDEPENDENT AUDITORS' REPORT

To,

The Members of REC Limited
(Formerly Rural Electrification Corporation Limited)

## Report on the Audit of the Consolidated Ind AS Financial Statements

### Opinion

We have audited the accompanying consolidated Ind AS financial statements of **REC Limited (formerly Rural Electrification Corporation Limited)** (hereinafter referred to as "the Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group") and jointly controlled entity, which comprise the Consolidated Balance Sheet as at 31st March, 2019, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies (hereinafter referred to as "the Consolidated Ind AS Financial Statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Companies Act, 2013, ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of their consolidated state of affairs of the Group and its jointly controlled entity as at 31st March, 2019,of consolidated profit (including other comprehensive Income), consolidated changes in equity and its consolidated cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by ICAI, and we have fulfilled our other ethical responsibilities in accordance with the provisions of the Act, 2013. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements of the current period. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the following matters described below to be the key audit matters to be communicated in our report:

| Sr No. | Key Audit Matter | Auditor's Response |
|---|---|---|
| 1. | **Impairment of Loan Assets – Expected Credit loss**<br>(Refer Note no. 53.1.3 to the consolidated Ind AS Financial Statements read with accounting policy No. 3.12)<br>The Company follows a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:<br>• Stage 1 includes loan assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date.<br>• Stage 2 includes loan assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment.<br>• Stage 3 includes loan assets that have objective evidence of impairment at the reporting date.<br>The Expected Credit Loss (ECL) is measured at 12-month ECL for Stage 1 loan assets and lifetime ECL for Stage 2 and Stage 3 loan assets. ECL is the product of the Probability of Default, Exposure at Default and Loss Given Default, defined as follows: | **Our Audit Procedure:**<br>We have obtained an understanding of the guidelines as specified in Ind AS 109 "Financial Instruments", various regulatory updates and the Company's internal instructions and procedures in respect of the expected credit loss on and adopted the following audit procedures:<br>Evaluation and testing of the key internal control mechanisms with respect to the loan assets monitoring, assessment of the loan impairment including testing of relevant data quality, and review of the real data entered<br>Verification / review of the documentations, operations / performance and monitoring of the loan asset accounts, on test check basis of the large and stressed loan assets, to ascertain any overdue, unsatisfactory conduct or weakness in any loan asset account.<br>• Review of the reports of the internal audit and any other audit / inspection mechanisms to ascertain the loan assets having any adverse indication / comments, and review of the control mechanisms of the Company to ensure the proper classification of such loan assets and expected credit loss thereof. |

| Sr No. | Key Audit Matter | Auditor's Response |
|---|---|---|
| 1. | **Impairment of Loan Assets – Expected Credit loss (Contd.)**<br>**Probability of Default (PD) -** The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.<br>**Loss Given Default (LGD)** – LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type, and preference of claim and availability of collateral or other credit support.<br>Further, where REC and PFC(Holding company) are in Consortium for Stage III Loan accounts, LGD is taken on the following basis:<br>• In cases where either REC or PFC is a lead lender, LGD % calculated by the lead lender is adopted.<br>• In cases where neither REC nor PFC is lead lender, higher of the LGD % worked out by REC and PFC is adopted.<br>**Exposure at Default (EAD)** – EAD is based on the amount of outstanding exposure as on the assessment date on which ECL is computed including undisbursed amounts in respect of Letters of Comfort.<br>**Key assumptions used in measurement of ECL**<br>• The Company considers the date of initial recognition as the base date from which significant increase in credit risk is determined.<br>• Cost Overrun and time delay in commissioning is considered for computing credit rating for under construction projects<br>• Turnover Cap and Parent support is considered for assigning final ratings<br>• Since the Company has a right to cancel any sanctioned but undrawn limits to any of its borrowers, EAD is assumed to be outstanding balance as on the reporting date.<br>The assumptions underlying the expected credit loss are monitored and reviewed on an ongoing basis.<br>In the event of any improper application of assumptions mentioned as above the carrying value of loan assets could be materially misstated either individually or collectively and in view of the significance of the amount of loan assets in the Consolidated Ind AS Financial Statements i.e. 90.62% of total assets, the impairment of loan assets thereon has been considered as Key Audit Matter in our audit. | **Our Audit Procedure:** |
| 2. | **Fair valuation of derivative financial instruments**<br>(Refer Note no. 8 to the consolidated Ind AS Financial Statements read with accounting policy No. 3.11)<br>REC Limited being NBFC-IFC has primary business of lending funds to power sector. For the same, REC raises the funds through the mix of various instruments such as Institutional Bonds, Capital Gain Exemption Bonds, Term Loans, Commercial Paper, Foreign Currency Term Loans/Bonds, FCNR(B), ODA Loans etc depending upon various maturities based on the annual market borrowing programme approved by Board of Directors of REC. | **Our Audit Procedure:**<br>Assessing the design, implementation and operating effectiveness of management's key internal controls over classification, valuation, and valuation models of derivative instruments.<br>Obtained details of various financial derivative contracts as outstanding/ pending for settlement as on March 31, 2019 from management. |

| Sr No. | Key Audit Matter | Auditor's Response |
|---|---|---|
| 2. | **Fair valuation of derivative financial instruments (Contd.)**<br>Further, in respect of foreign currency borrowings, REC is exposed to foreign exchange risk and interest rate risk arising from foreign currency transactions, primarily with respect to the US Dollar, EURO and JPY.<br>To mitigate the Company's exposure to foreign currency risk and interest rate risk, non-INR cash flows are monitored and derivative contracts are entered into in accordance with the Company's board approved risk management policies and RBI guidelines.<br>The derivatives are accounted for on fair value (mark to market) in the books of account as prescribed by Ind AS.<br>We identified assessing the fair value of derivatives as a key audit matter because of the degree of complexity involved in valuing certain derivative instruments | **Our Audit Procedure:**<br>We involved our team to review the management's underlying assumptions in estimating the fair valuation arrived at for those financial derivative contracts and the possible outcome of the underlying contracts accruing any profit or loss to the company. Our team also considered general market practices and other underlying assumptions in arriving at such fair valuation of the financial derivative contracts as outstanding/ pending for settlement as on March 31, 2019.<br>We also obtained counterparty confirmation (which in this case were mostly banks with whom such financial derivative contracts have been entered into and independently compared the valuation so arrived at by the contracting banks.<br>Additionally, we considered the effect of such fair valuation (marked to market) being charged to the Statement of Profit and Loss of the company in the near future.<br>Assessing whether the financial statement disclosures appropriately reflect the Company's exposure to derivatives valuation risks with reference to the requirements of the prevailing accounting standards and Reserve Bank of India Guidelines. |

## Information Other than the Consolidated Ind AS Financial Statements and Auditor's Report thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in Board's Report and annexures to Board Report but does not include the Consolidated Ind AS financial statements and our auditor's report thereon. The Board's Report and annexures to Board's Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated Ind AS financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated Ind AS financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Board's Report and annexures to the Board's Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in term of the requirements of the Companies Act,2013 that give a true and fair view of the consolidated financial position, consolidated financial performance (including other comprehensive income), consolidated changes in equity and consolidated cash flows of the Group including its Jointly controlled entity in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ,("Ind AS") and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group and of Jointly controlled entity are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group & its jointly controlled entity and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the Consolidated Ind AS Financial Statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group and its jointly controlled entity are responsible for assessing the ability of the Group and jointly controlled entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and its jointly controlled entity are responsible for overseeing the financial reporting process of the Group and its jointly controlled entity.

## Auditor's Responsibilities for the Audit of the Consolidated Ind AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its jointly controlled entity to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its jointly controlled entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its jointly controlled entity to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated Ind AS financial statements of which we are the independent auditors. For the other entities included in the consolidated Ind AS financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Matters

(a) We did not audit the financial statements of two subsidiaries and whose financial statements reflect total assets of ₹ 841.33 Crores (₹ 826.98 Crores as at 31 March 2018 and ₹ 371.90 crores as at 1 April 2017) as at 31 March 2019, total revenues of ₹ 200.22 Crores (Previous year ₹ 260.06 Crores) and net cash flows amounting to ₹ 2.62 Crores (Previous year ₹ 33.87 Crores) for the year ended on that date, as considered in the Consolidated Ind AS Financial Statements. The Consolidated Ind AS Financial Statements also include the subsidiary's share of net profit after tax of ₹ 50.94 crores (Previous Year ₹ 69.86 crores) and total comprehensive income of ₹ 50.94 crores (Previous Year ₹ 69.86 crores) as considered in the Consolidated Ind AS Financial Statements. These financial statements have been audited by other auditors whose reports have been

furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.

(b) The Consolidated Ind AS Financial Statements also include the jointly controlled entity's share of net profit after tax of ₹ 9.95 crores (Previous Year ₹ 10.67 crores) and total comprehensive income of ₹ 9.90 crores (previous years ₹ 12.10 crores) using equity method for the year ended 31 March 2019 as considered in the Consolidated Ind AS Financial Statements. This financial information have been furnished to us by the Management and our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of the jointly controlled entity, and our report in terms of sub-sections (3) and sub section (11) of Section 143 of the Act in so far as it relates to the aforesaid jointly controlled entity, is based solely on such financial information. In our opinion and according to the information and explanations given to us by the Management, the jointly controlled entity's share of net profit and total comprehensive income and disclosures included in respect of this joint venture in these consolidated Ind AS financial statements is not material to the Group.

Our opinion on the consolidated Ind AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/financial information certified by the Management.

**Report on Other Legal and Regulatory Requirements**

As required by section 143(3) of the Act, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid Consolidated Ind AS Financial Statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated Ind AS Financial Statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

(c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, Consolidated Changes in Equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the Consolidated Ind AS Financial Statements.

(d) In our opinion, the aforesaid Consolidated Ind AS Financial Statements comply with the Accounting Standards specified under Section 133 of the Act.

(e) Vide Notification No. G.S.R. 463(E) dated 5th June, 2015 issued by Ministry of Corporate Affairs, Government Companies have been exempted from applicability of the provisions of Section 164(2) of the Companies Act, 2013.

(f) with respect to the adequacy of the internal financial controls over financial reporting of the Group and Jointly controlled entity and the operating effectiveness of such controls, refer to our separate report in "Annexure-A"; and

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of report of the other auditors on separate Ind AS financial statements as also the other financial information of the subsidiaries and joint venture:

i) The Consolidated Ind AS Financial Statements disclose the impact of pending litigations on the consolidated financial position of the Group and its jointly controlled entity- Refer Note 48.1 to the Consolidated Ind AS Financial Statements;

ii) The Group and its jointly controlled entity do not have any material foreseeable losses on long term contracts including derivative contracts.

iii) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies and its jointly controlled entity incorporated in India.

**For G.S. Mathur & Co.**
Chartered Accountants
Firm Regn No. 008744N

**S.C. Choudhary**
Partner
M. No. 082023

**For A.R. & Co.**
Chartered Accountants
Firm Regn. No. 002744C

**Priyanshu Jain**
Partner
M. No. 530262

Place : New Delhi
Date : 24 May 2019

# ANNEXURE-A TO THE INDEPENDENT AUDITORS' REPORT OF EVEN DATE ON THE CONSOLIDATED IND AS FINANCIAL STATEMENTS OF REC LIMITED (FORMERLY RURAL ELECTRIFICATION CORPORATION LIMITED)

## Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended 31 March 2019, we have audited the internal financial controls over financial reporting of REC Limited (Formerly Rural Electrification Corporation Limited) (hereinafter referred to as "the Holding Company") and its subsidiary companies and jointly controlled entity, which are companies incorporated in India, as of that date.

## Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, its subsidiary companies and its jointly controlled entity, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Group and its jointly controlled entity considering the essential components of internal control stated in the "Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI)". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

## Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors of the subsidiaries, incorporated in India, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to consolidated Ind AS financial statements.

## Meaning of Internal Financial Controls over Financial Reporting

A Group's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Group's internal financial control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Group;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Group; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Group's assets that could have a material effect on the financial statements.

### Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, the holding company, its subsidiaries and jointly controlled entity, which are companies incorporated in India, have, in all material aspects, an adequate internal financial controls system except (i) strengthening of procedures for monitoring of utilization of funds disbursed to the borrowers, (ii) rotation of duties amongst some of the staff as per HR Policy to be implemented, (iii) improvement in the system of allocation of common expenses by subsidiaries to its associates (SPV's) , (iv) procedure to obtain periodical balance confirmation and timely obtaining Internal Audit Report and compliances thereon by subsidiaries, over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31 March 2019, based on the internal control over financial reporting criteria established by the Group considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the areas of improvement identified which needs further strengthening as reported above in determining the nature, timing, and extent of audit tests applied in our audit of the 31st March 2019 Consolidated Ind AS financial statements of the Group and its jointly controlled entity. However, these areas of improvement do not affect our opinion on the operating effectiveness of the Internal Financial Control over financial reporting of the Group and its jointly controlled entity.

### Other Matters

Our aforesaid reports under Section 143(3) (i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to two subsidiary companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

Our aforesaid reports under Section 143(3) (i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one jointly controlled entity, which is a company incorporated in India, whose financial information is unaudited and our opinion on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated Ind AS financial statements of the Group is not affected as the Group's share of net profit (including Other Comprehensive Income) and disclosures included in respect of this jointly controlled entity in these consolidated Ind AS financial statements are not material to the Group.

Further, we have considered the disclosure reported above in determining the nature, timing and extent of audit tests applied in our report of the financial statements of the Group, and the above disclosure does not affect our opinion on the operating effectiveness of the Internal Financial Control over financial reporting of the Group.

**For G.S. Mathur & Co.**
Chartered Accountants
Firm Regn No. 008744N

**S.C. Choudhary**
Partner
M. No. 082023

**For A.R. & Co.**
Chartered Accountants
Firm Regn. No. 002744C

**Priyanshu Jain**
Partner
M. No. 530262

Place : New Delhi
Date : 24 May 2019

# COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF REC LIMITED FOR THE YEAR ENDED 31 MARCH 2019

The preparation of Consolidated Financial Statements of REC Limited for the year ended 31 March 2019 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 (Act) is the responsibility of the Management of the company. The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139(5) read with Section 129(4) of the Act are responsible for expressing opinion on the financial statements under Section 143 read with Section 129(4) of the Act, based on independent audit in accordance with the Standards on Auditing prescribed under Section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated 24 May 2019.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the Consolidated Financial Statements of REC Limited for the year ended 31 March 2019, under Section 143(6)(a) read with Section 129(4) of the Act. We conducted a supplementary audit of the financial statements of REC Limited, but did not conduct supplementary audit of the financial statements of REC Transmission Projects Company Limited, REC Power Distribution Company Limited and Energy Efficiency Services Limited for the year ended on that date. 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 Auditors and Company personnel and a selective examination of some of the accounting records.

On the basis of my supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to Statutory Auditors' report under Section 143(6)(b) of the Act.

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

**(Raj Kumar)**
**Principal Director of Commercial Audit &**
**Ex-officio Member, Audit Board-III, New Delhi**

**Place : New Delhi**
**Date : 16 July 2019**

# MANAGEMENT TEAM



Dr. Sunita Singh
Chief Vigilance Officer



Shri Ashok Awasthi
Executive Director
(Administration &
Estate)



Shri Sanjiv Garg
Executive Director
(Finance-I)



Ms. Debjani
Chakrabarti
Executive Director
(State Operations-I/HR)



Shri R. Lakshmanan
Executive Director
(State Operations-II)



Shri T.S.C. Bosh
Executive Director
(Programme
Management
Division-I)



Shri G.S. Bhati
Executive Director
(Programme
Management
Division-II)



Shri V.K. Singh
Executive Director
(Private Sector Project
Management)



Shri Ajoy Choudhury
Executive Director
(Finance-II)



Shri S.N. Gaikward
Executive Director
(Project Monitoring/
RECIPMT)



Shri J.S. Amitabh
Executive Director and
Company Secretary



Shri C.P. Bhatia
General Manager
(Internal Audit)



Shri R.P. Vaishnaw
General Manager &
CFO-RECPDCL



Shri Fuzail Ahmed
General Manager
(P&C / PM-III)



Shri S.L. Batta
General Manager
(Legal) & PIO-RTI



Shri G. Veera Mahendar
General Manager
(Entity Appraisal)



Shri P. Baburaj
General Manager
(Stressed Asset Management)



Shri Salil Kumar
General Manager
(Vigilance)



Shri P.K. Mukhopadhyay
General Manager (IT)



Shri Rajiv Sood
General Manager
(Loan Disbursement/ PCM)



Ms. Malathi Sundararajan
General Manager
(Recovery/ALM)



Shri P.K. Singhal
General Manager
(Administration & Estate-I)



Ms. Valli Natarajan
General Manager
(Renewable Energy)



Shri S.K. Sahu
General Manager &
Additional Director,
RECIPMT



Ms. Taruna Gupta
General Manager
(CPMi)



Shri Harsh Baweja
General Manager
and Sr. CPM-Jaipur



Shri Sanjay Kumar
General Manager
(CAT/ECB/FC)



Shri Kuldeep Rai
General Manager
(T&D)



Shri K.K. Ram
General Manager
(Project Monitoring Group)



Shri S.C.Garg
General Manager
(Estate-II)



Shri Vijay Kumar
General Manager
(Bonds/Banking)



Shri N.Venkatesan
General Manager
& Sr. CPM-
Vijayawada



Shri N.K. Maurya
General Manager
& Sr. CPM-Lucknow



Shri Surendra
Pradhan
General Manager
(Finance)



Shri D.S. Khatri
General Manager
(Retail Bonds/FC)



Shri A.K. Tyagi
General Manager
(PSPM/Generation)



Shri Hemant Kumar
General Manager
(Project Monitoring-II)



Shri P.S. Hariharan
General Manager
(PSPM/Transmission)



Shri Jaidev Banerjee
General Manager
& Sr. CPM- Kolkata



Shri Saurabh Rastogi
General Manager
(HR/Rajbhasha
& CC/PR)



Shri P.P. Singh
General Manager
& Sr. CPM- Panchkula



Shri Sanjay
Kulshrestha
General Manager
(Generation-State &
Coordination-CMD Sectt.)

## ADDRESS OF REC OFFICES

| Sl. No. | Name of Office | Span of Control | Location | Address | Contact/Fax No. | E-mail ID |
|---|---|---|---|---|---|---|
| | Registered & Corporate Office | All India | New Delhi | Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi- 110003 | 011-43091500<br>011-43091501<br>011-24360644 (Fax) | reccorp@recl.in |
| 1 | Regional Office (West) | Maharashtra, Gujarat and Daman & Diu | Mumbai | 51-B, Mittal Tower, 5th Floor, Nariman Point, Mumbai - 400021 | 022-22830985<br>022-22833068<br>022-22833055<br>022-22831004 (Fax) | zmmumbai@recl.in |
| | | State Office (Gujarat) | Vadodara | Plot No. 585, T.P. Scheme No.2, Behind Pusti Complex, Atma Jyoti Ashram Road, Subhanpura, Vadodara - 390023 | 0265-2397487<br>0265-2397652 (Fax) | povadodara@recl.in |
| 2 | Regional Office (North) | Punjab, Haryana & Himachal Pradesh | Panchkula | BAY No. 7-8, Sector-2, Panchkula - 134112 | 0172-2563864<br>0172-2563822<br>0172-2563863<br>0172-2580476<br>0172-2567692 (Fax) | popanchkula@recl.in |
| | | State Office (Himachal Pradesh) | Shimla | Pt. Padamdev Commercial Complex, Phase- II, First Floor, The Ridge, Shimla - 171001 | 0177-2653411<br>0177-2804077 (Fax) | poshimla@recl.in |
| 3 | Regional Office (J&K) | Jammu & Kashmir | Jammu | 157-A, Gandhi Nagar, Behind Apsara Cinema, Jammu - 180004 | 0191-2450800<br>0191-2450868 (Fax) | pojammu@recl.in |
| 4 | Regional Office (North East) | Assam, Mizoram, Nagaland, Meghalaya, Manipur, Arunachal Pradesh | Guwahati | "SRADDHA" M G Path – G S Road Crossing (Sohum/SBI Point), Christian Basti, Guwahati - 781005 | 0361-2343713<br>0361-2343714<br>0361-2343712 (Fax) | poguwahati@recl.in |
| | | State Office (Meghalaya) | Shillong | JANLYN VILLA, Hopkinson's Road, Lower Lachumiere, Shillong - 793001 | 0364-2210190<br>0364-2225687 (Fax) | poshillong@recl.in |
| | | State Office (Arunachal Pradesh) | Itanagar | Dikiling Apartment (Below Bungalow No. 11 C/o Topiete) Ward No. 8, Niti Vihar, VIP Road, Itanagar - 791111 | 0360-2291624 | rec.arunachal@gmail.com |
| | | Regional Office (Manipur) | Imphal | Opposite to Seventh Day Adventist Chruch, 2nd Floor, Chingmeirong mamang Leikai Imphal-Dimapur Road, Imphal East, Imphal - 795001 | 0385-2421651<br>+91-9436733689 | romanipur@gmail.com |
| 5 | Regional Office (North Central) | Uttar Pradesh & Uttarakhand | Lucknow | 19/8, Indira Nagar Extension, Ring Road, Lucknow - 226016 | 0522-2716324<br>0522-2717376<br>0522-4074944<br>0522-2716815 (Fax) | zmlucknow@recl.in |
| | | State Office (Uttarakhand) | Dehradun | 7, New Road, Opposite MKP College, Dehradun - 248001 | 0135-2650766<br>0135-2650799 (Fax) | sodehradun@recl.in<br>recsoddn@gmail.com |
| | | Sub Office (Varanasi) | Varanasi | N-8/239J, Newada, Sunderpur Near Ksheer Sagar, Varanasi - 221005 | +91-9795178616 | recvaranasi@gmail.com |

| Sl. No. | Name of Office | Span of Control | Location | Address | Contact/Fax No. | E-mail ID |
|---|---|---|---|---|---|---|
| 6 | Regional Office (Madhya Pradesh) | Madhya Pradesh | Bhopal | Hall No.-3, West Block, 2nd Floor, Metro Walk, Bittan Market, Bhopal - 462016 | 0755-2460006<br>0755-2460008 (Fax) | reccentralzone@yahoo.com<br>recbhopal@recl.in |
| 7 | Regional Office (Chhattisgarh) | Chhattisgarh | Raipur | F-6 & F-7, Block B-1, 1st Floor, Pujari Chambers, Commercial Complex, Panchpedi Naka, Raipur - 492001 | 0771-2241055<br>0771-2241055 (Fax) | recraipur@recl.in<br>recraipur@yahoo.com |
| 8 | Regional Office (East) | West Bengal, Sikkim, Tripura Andaman & Nicobar | Kolkata | I B-186, Sector-III Salt Lake City, Kolkata - 700106 | 033-23356989<br>033-23356994<br>033-23326998<br>033-23356900 (Fax) | zmkolkata@recl.in |
| 9 | Regional Office (Rajasthan) | Rajasthan | Jaipur | J-4-A, Jalana Dungari Institutional Area, Jaipur - 302004 | 0141-2707840<br>0141-2700161<br>0141 2706986 (Fax) | pojaipur@recl.in<br>recrojpr@gmail.com |
| 10 | Regional Office (Kerala) | Kerala & Lakshadweep | Thiruvanan-thapuram | O-5, 4th Floor, "Saphallyam" Commercial Complex, TRIDA Building Palayam, Thiruvananthapuram - 695034 | 0471-2328662<br>0471-2328579 (Fax) | potrivandrum@recl.in<br>cpmchennai@yahoo.com |
| 11 | Regional Office (Tamil Nadu) | Tamil Nadu & Puducherry | Chennai | No. 12 & 13, T.N.H.B. Complex, 180 Luz Church Road, Mylapore, Chennai - 600004 | 044-24672376<br>044-24670595 (Fax) | pochennai@recl.in |
| 12 | Regional Office (Karnataka) | Karnataka & Goa | Bengaluru | No.1/5, Ulsoor Road, Bangalore - 560042 | 080-25598244<br>080-25550240<br>080-25598243 (Fax) | zobangalore@recl.in |
| 13 | Regional Office (Telangana) | Telangana | Hyderabad | Shivrampally, NPA Post, Near Aramghar X road, Hyderabad - 500052 | 040-29805034<br>040-29804520<br>040-29806745<br>040-29604235 (Fax) | zmhyderabad@recl.in<br>reclpohyd@gmail.com |
| 14 | Regional Office (Andhra Pradesh) | Andhra Pradesh | Vijayawada/ Amaravathi | 54-15-13,BSR Hill View, 2nd Floor, Srinivasa Nagar Bank Colony, Vijayawada - 520008 | 0866-2973405<br>0866-2973406 (Fax) | recro-vijay@recl.in<br>recro.vijayawada@gmail.com |
| 15 | Regional Office (Odisha) | Odisha | Bhubaneswar | Deen Dayal Bhawan, 5th Floor, Ashok Nagar, Janpath, Bhubaneswar-751009 | 0674-2393206<br>0674-2536649<br>0674-2536669 (Fax) | pobhubaneswar@recl.in<br>repo.bbsr@yahoo.co.in |
| 16 | Regional Office (Bihar) | Bihar | Patna | 'Maurya Lok' Complex Block - C, 4th Floor, New Dak Bangalow Road, Patna - 800001 | 0612-2224596<br>0612-2221131 | popatna@recl.in<br>popatna@yahoo.co.in |
| 17 | Regional Office (Jharkhand) | Jharkhand | Ranchi | 101 & 104, Om Shree Encalve, Beside Loyola School, Airport Road Hinoo, Ranchi - 834002 | 0651-2253123<br>0651-2251320 (Fax) | poranchi@recl.in<br>rec_ranchi@yahoo.com |
| 18 | Training Centre | REC Institute of Power Management & Training (RECIPMT) | Hyderabad | Shivrampally, NPA Post, Near Aramghar X Road, Hyderabad - 500052 | 040-29880851<br>040-29805901<br>040-29885851<br>040-29805896 (Fax) | recipmt@recl.in<br>recipmt@gmail.com |

# REC LIMITED

(Formerly Rural Electrification Corporation Limited)

**Regd. Office :** Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003 **CIN:** L40101DL1969GOI005095
**Tel.:** +91 11 2436 5161 **Fax:** +91 11 2436 0644 **Email:** complianceofficer@recl.in **Website:** www.recindia.com

## ATTENDANCE SLIP

**50TH ANNUAL GENERAL MEETING TO BE HELD ON THURSDAY, AUGUST 29, 2019 AT 11:00 A.M.**
**AT MANEKSHAW CENTRE, PARADE ROAD, DELHI CANTONMENT, NEW DELHI – 110010**

| | |
|---|---|
| NAME OF THE ATTENDING MEMBER (IN BLOCK LETTERS) | |
| *Folio No. | |
| DP ID No. | |
| Client ID No. | |
| No. of Shares held | |
| NAME OF PROXY (IN BLOCK LETTERS)<br>to be filled in, if the proxy attends instead of the member | |

I/We, hereby record my/our presence at the 50th Annual General Meeting of the Company held on **Thursday, August 29, 2019 at 11:00 A.M. at Manekshaw Centre, Parade Road, Delhi Cantonment, New Delhi - 110 010.**

*Applicable in case of shares held in Physical form.

Signature of Member/ Proxy

**NOTES:**

1. The attendance slip should be signed as per the specimen signature registered with Karvy Fintech Private Limited, Registrar & Transfer Agent (R&TA)/Depository Participant (DP). Such duly completed and signed Attendance Slip(s) should be handed over at the R&TA counter(s) at the venue against which R&TA will provide Entry Slip. Entry to the hall will be strictly on the basis of Entry Slip as provided by R&TA. Members in person and Proxy holders may please carry photo-ID card for identification/verification purposes. 2. Shareholder(s) present in person or through registered proxy shall only be entertained. 3. Due to strict security reasons, mobile phones, briefcases, eatables and other belongings are not allowed inside the Auditorium. Shareholder(s)/Proxy holder(s) will be required to take care of their belonging(s). 4. No gifts/coupons will be distributed at the Annual General Meeting.


# REC LIMITED

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**Regd. Office :** Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003 **CIN:** L40101DL1969GOI005095
**Tel.:** +91 11 2436 5161 **Fax:** +91 11 2436 0644 **Email:** complianceofficer@recl.in **Website:** www.recindia.com


## PROXY FORM (FORM NO. MGT-11)

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

| | |
|---|---|
| Name of the Member(s): | Folio No./ DP ID-Client Id: |
| Registered Address: | |
| No. of Shares held: | E-mail Id: |

I/We, being the member(s) of …… shares of the above named Company, hereby appoint:

| | | | |
|---|---|---|---|
| 1. | Name: | | |
| | Address: | Signature: | |
| | E-mail Id: | | |
| or failing him/her | | | |
| 2. | Name: | | |
| | Address: | Signature: | |
| | E-mail Id: | | |
| or failing him/her | | | |
| 3. | Name: | | |
| | Address: | Signature: | |
| | E-mail Id: | | |

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 50th Annual General Meeting of the Company, to be held on **Thursday, August 29, 2019 at 11:00 A.M. at Manekshaw Centre, Parade Road, Delhi Cantonment, New Delhi – 110 010** and at any adjournment thereof in respect of such businesses as are indicated overleaf:

| EVEN (E-VOTING EVENT NUMBER) | USER ID | PASSWORD / PIN |
|---|---|---|
| | | |




| Sl. No. | Particulars |
|---|---|
| **ORDINARY BUSINESS** | |
| 1. | To receive, consider, approve and adopt the audited standalone & consolidated financial statements of the Company for the financial year ended March 31, 2019 along with the Reports of the Board of Directors and Auditors thereon. |
| 2. | To confirm the payment of Interim Dividend for the financial year 2018-19. |
| 3. | To appoint a Director in place of Shri Ajeet Kumar Agarwal (DIN: 02231613), who retires by rotation and being eligible, offers himself for re-appointment. |
| 4. | To fix the remuneration of Statutory Auditors for the financial year 2019-20. |
| **SPECIAL BUSINESS** | |
| 5. | To accord approval for Private Placement of securities. |
| 6. | To accord approval for Related Party Transactions proposed to be entered by the Company. |

Signed this ..... day of ..... 2019.

Affix Revenue Stamp ₹ 1

Signature of Shareholder _____ Signature of Proxy holder(s) _____

**Notes:**

1. This form of proxy, in order to be effective, should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. A Proxy need not be a member of the Company.
3. A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company. A member holding more than ten percent of the total share capital of the Company may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.




असीमित ऊर्जा, अनन्त संभावनाएं
Endless energy. Infinite possibilities.

# REC Limited

(Formerly 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, CIN: L40101DL1969GOI005095

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