IMPORTANT NOTICE

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The Offering Circular has not been and will not be registered, produced or made available to all as an offer document (whether a prospectus in respect of a public offer or an information memorandum or private placement offer letter or other offering material in respect of any private placement under the Companies Act, 2013 or any other applicable Indian laws) with the Registrar of Companies of India or the Securities and Exchange Board of India or any other statutory or regulatory body of like nature in India.

NOTE OFFERING CIRCULAR

Rural Electrification Corporation Limited

(incorporated with limited liability in the Republic of India)

Issue of
U.S.$300,000,000 4.625 per cent. Notes due 2028
issued pursuant to the
U.S.$3,000,000,000
Medium Term Note Programme

The U.S.$300,000,000 4.625 per cent. Notes due 2028 (the **Notes**) will be issued by Rural Electrificaton Corporation Limited (the **Issuer** or **REC**), pursuant to its U.S.$3,000,000,000 Medium Term Note Programme (the **Programme**). The Notes will bear interest at the rate of 4.625 per cent. per annum from and including 22 March 2018 up to and including 22 March 2028 and interest will be payable semi-annually on 22 September and 22 March of each year, commencing on 22 September 2018 (the **Offering**). The Notes will mature on 22 March 2028. Prior to maturity, the Notes may be redeemed by the Issuer, in whole, but not in part, in the event of certain changes in Indian tax law. See "*Terms and Conditions of the Notes*".

The Notes will constitute the direct, unconditional and (subject to Condition 4) unsecured obligations of the Issuer and will rank pari passu, without any preference among themselves with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

Application will be made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's International Securities Market (**ISM**). The ISM is not a regulated market for the purposes of Directive 2004/39/EC.

The ISM is a market designated for professional investors. Notes admitted to trading on the ISM are not admitted to the Official List of the UKLA. The London Stock Exchange has not approved or verified the contents of the Offering Circular.

Application will be made to the Singapore Exchange Securities Trading Limited (the **SGX-ST**). Final permission to list the Notes will be granted when the Notes have been admitted to the Official List of the SGX-ST (the **SGX Official List**). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the SGX Official List of the SGX-ST and quotation of the Notes on the SGX-ST are not to be taken as an indication of the merits of the Issuer or the Notes. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 or its equivalent in other currencies.

Investing in the Notes involves risks. See "*Risk Factors*" in the Original Offering Circular (as defined herein) for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes have been rated BBB- by Fitch Ratings Limited and Baa3 by Moody's. Such ratings of the Notes do not constitute a recommendation to buy, sell or hold the Notes and may be subject to revision or withdrawal at any time by either such rating organisation. Each such rating should be evaluated independently of any other rating of the Notes, of the Issuer's other securities or of the Issuer.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) and may not be offered or sold in the United States unless the Notes are registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available. The Notes will not be transferable except in accordance with the restrictions described under "*Transfer Restrictions*" in the Original Offering Circular.

The Notes offered outside the United States in reliance on Regulation S (the **Regulation S Notes**) will be evidenced by a Regulation S Global Note (as defined in the Original Offering Circular) deposited with a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**), and registered in the name of a nominee of such common depositary.

It is expected that delivery of the Regulation S Global Note will be made on 22 March 2018 or such later date as may be agreed (the **Closing Date**) by the Issuer and the Joint Lead Managers.

The Classification of Financial Instrument (**CFI**) code assigned to the Notes is DTZXFB. The Financial Instrument Short Name (**FISN**) code assigned to the Notes is RURAL ELECTRIFI/4.625EMTN 20280322.

For the purposes of the Notes only, this offering circular (the **Note Offering Circular**) is supplemental to, and should be read in conjunction with, the offering circular dated 28 February 2018 (the **Original Offering Circular**) (the Original Offering Circular together with this Note Offering Circular, the **Offering Circular**).

Words and expressions defined in the Original Offering Circular shall have the same meanings where used in this Note Offering Circular unless the context otherwise requires or unless otherwise stated herein.

Joint Lead Managers

ANZ **BARCLAYS** **HSBC** **Mizuho Securities** **MUFG**

The date of this Note Offering Circular is 15 March 2018.

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ABOUT THIS DOCUMENT

In the event of any conflict between the description of the Notes in this Note Offering Circular and the description of the Notes in the Original Offering Circular, the description of the Notes in this Note Offering Circular shall prevail.

The Issuer accepts responsibility for the information contained in this Note Offering Circular. Having taken all reasonable care to ensure that such is the case, the information contained in this Note Offering Circular is, to the best of the Issuer's knowledge, in accordance with the facts and contains no omission likely to affect its import.

Furthermore, the issuance of the Notes which would be eligible for electronic settlement, is in accordance with all applicable Indian laws and is duly authorised by the Issuer's constitutional documents as well as other applicable statutory and other consents.

There has been no significant change in the financial or trading position of the Issuer or of the Issuer and its subsidiaries on a consolidated basis (the **Group**) since the date of the most recently published figures for the nine months ended 31 December 2017 and no material adverse change in the financial position or prospects of the Issuer or of the Group since the date of the most recently published audited accounts as at 31 March 2017.

There are no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened) of which the Issuer is aware in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or of the Group.

As at the date of this Note Offering Circular, there are no potential conflicts of interest between any duties owed to the Issuer by the directors of the Issuer and the private interests and/or other duties owed by these individuals and there are no arrangements, known to the Issuer, the operation of which may at a subsequent date result in a change in control of the Issuer.

Furthermore, as of the date of this Note Offering Circular, there are no material contracts that have been entered into outside the ordinary course of the Issuer's business, which could result in any group member being under an obligation or entitlement that would be material to the Issuer's ability to meet its obligation under the Notes to the Noteholders.

RECENT DEVELOPMENTS

Further to hedging activities undertaken by REC in January in respect of the U.S.$400,000,000 3.068 per cent. Notes due 2020 issued by it in December 2017, as at the date hereof, 79.81% of the ECBs have been hedged until maturity.

USE OF PROCEEDS

The net proceeds of the Notes will be applied to finance projects in the power infrastructure sector in India, in accordance with the ECB Guidelines.

PRICING SUPPLEMENT

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

15 March 2018

Rural Electrification Corporation Limited
Legal entity identifier (LEI): 335800B4YRYWAMIJZ374

Issue of U.S.$300,000,000 4.625 per cent. Notes due 2028
under the U.S.$3,000,000,000
Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 28 February 2018 (the **Offering Circular**). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

1.	Issuer:		Rural Electrification Corporation Limited
2.	(a)	Series Number:	01
	(b)	Tranche Number:	01
	(c)	Date on which the Notes will be consolidated and form a single Series:	Not Applicable
3.	Specified Currency or Currencies:		U.S. dollars (**U.S.$**)
4.	Aggregate Nominal Amount:		
	(a)	Series:	U.S.$300,000,000
	(b)	Tranche:	U.S.$300,000,000
5.	Issue Price:		98.506 per cent. of the Aggregate Nominal Amount
6.	(a)	Specified Denominations:	U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof
	(b)	Calculation Amount (and in relation to calculation of interest in global form see Conditions):	U.S.$1,000
7.	(a)	Issue Date:	22 March 2018

	(b)	Interest Commencement Date:	Issue Date
8.	Maturity Date:		22 March 2028
9.	Interest Basis:		4.625 per cent. Fixed Rate (further particulars specified below)
10.	Redemption/Payment Basis:		Redemption at par
11.	Change of Interest Basis or Redemption/Payment Basis:		Not Applicable
12.	Put/Call Options:		Not Applicable
13.	(a)	Status of the Notes:	Senior
	(b)	Date of board approval for issuance of Notes obtained:	24 March 2017
	(c)	Date of regulatory approval/consent for issuance of Notes obtained:	Letter no. CO.FED.ECBD.2871/03.02.153/2017-18 dated 29 September 2017 from the Reserve Bank of India and Letter no. CO.FED.ECBD.7726/03.02.101/2017-18 dated 15 March 2018 from the Reserve Bank of India
14.	Listing:		Singapore Exchange Securities Trading Limited and the International Securities Market of the London Stock Exchange
15.	Method of distribution:		Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions:		Applicable
	(a)	Rate(s) of Interest:	4.625 per cent. per annum payable semi-annually in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	22 March and 22 September in each year commencing 22 September 2018 up to and including the Maturity Date
	(c)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	U.S.$23.125 per Calculation Amount
	(d)	Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	Not Applicable
	(e)	Day Count Fraction:	30/360
	(f)	Determination Date(s):	Not Applicable

	(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	None
17.	Floating Rate Note Provisions:		Not Applicable
18.	Zero Coupon Note Provisions:		Not Applicable
19.	Index Linked Interest Note Provisions:		Not Applicable
20.	Dual Currency Interest Note Provisions:		Not Applicable

PROVISIONS RELATING TO REDEMPTION

21.	Issuer Call:	Not Applicable
22.	Investor Put:	Not Applicable
23.	Final Redemption Amount:	U.S.$1,000 per Calculation Amount
24.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required):	U.S.$1,000 per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:		Registered Notes: Registered Global Note (U.S.$300,000,000 nominal amount) registered in the name of a nominee for a common depositary for Euroclear and Clearstream
26.	Additional Financial Centres:		Not Applicable
27.	Talons for future Coupons to be attached to Definitive Notes in bearer form (and dates on which such Talons mature):		No
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:		Not Applicable
29.	Details relating to Instalment Notes:		Not Applicable
	(a)	Instalment Amount(s):	Not Applicable

	(b)	Instalment Date(s):	Not Applicable
30.	Permitted Security Interest Date:		15 March 2018 (See Condition 4)
31.	Other terms or special conditions:		Not Applicable

DISTRIBUTION

32.	(a)	If syndicated, names of Managers:	Australia and New Zealand Banking Group Limited Barclays Bank PLC, Singapore Branch The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch Mizuho Securities Asia Limited MUFG Securities EMEA plc
	(b)	Stabilizing Manager(s) (if any):	Australia and New Zealand Banking Group Limited Barclays Bank PLC, Singapore Branch The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch Mizuho Securities Asia Limited MUFG Securities EMEA plc
33.	If non-syndicated, name of relevant Dealer:		Not Applicable
34.	Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:		TEFRA not applicable
35.	Whether Category 1 or Category 2 applicable in respect of the Notes offered and sold in reliance on Regulation S:		Category 1 *(Notes offered in reliance on Category 1 must be in registered form)*
36.	Additional selling restrictions:		Not Applicable

OPERATIONAL INFORMATION

37.	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	Not Applicable
38.	Delivery:	Delivery against payment
39.	Additional Paying Agent(s) (if any):	Not Applicable
ISIN:		XS1791439257
Common Code:		179143925

LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.$3,000,000,000 Medium Term Note Programme of Rural Electrification Corporation Limited.

RESPONSIBILITY

We accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: _______________________

Duly authorized

By: _______________________

Duly authorized

TAXATION

Investors should carefully consider the following as well as the other information contained in this Note Offering Circular prior to making an investment in the Notes. The following section should be read in conjunction with the "Taxation" section in the Original Offering Circular.

The information provided below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, the information does not consider any specific facts of circumstances that may apply to a particular purchaser. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.

Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposal of Notes, including the effect of any state or local taxes, under the tax laws applicable in each country of which they are residents or countries of purchase, holding or disposal of the Notes. Additionally, in view of the number of jurisdictions where local laws may apply, this Offering Circular does not discuss the local tax consequences to a potential holder, purchaser, seller arising from the acquisition, holding or disposal of the Notes. Prospective investors must therefore inform themselves as to any tax, exchange control legislation or other laws and regulations in force relating to the subscription, holding or disposal of Notes at their place of ordinance, and the countries of which they are citizens or countries of purchase, holding or disposal of Notes.

In the event of any conflict between the descriptions under "Taxation" in this Note Offering Circular and the descriptions under "Taxation" in the Original Offering Circular, the following descriptions in this Note Offering Circular shall prevail.

Singapore Taxation

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines issued by the Monetary Authority of Singapore (the ***MAS****) in force as at the date of this Note Offering Circular and are subject to any changes in such laws or administrative guidelines, or the interpretation of those laws or guidelines, occurring after such date, which changes could be made on a retroactive basis. Neither these statements nor any other statements in this Note Offering Circular are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Holders and prospective holders of the Notes are advised to consult their own tax advisors as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Joint Lead Managers and any other persons involved in the issue of the Notes accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.*

1. Interest and Other Payments

Australia and New Zealand Banking Group Limited, Barclays Bank PLC, Singapore Branch, The Hongkong and Shanghai

Banking Corporation Limited, Singapore Branch, Mizuho Securities Asia Limited and MUFG Securities EMEA plc are the distributors of the Notes. Australia and New Zealand Banking Group Limited, Barclays Bank PLC, Singapore Branch and The Hongkong and Shanghai Banking Corporation Limited, Singapore Branch are each a Financial Sector Incentive (Standard Tier) Company for the purposes of the Income Tax Act (Chapter 134 of Singapore) (the **Income Tax Act**).

As the Notes are issued on or before 31 December 2018 and if more than half of the Notes are distributed by a Financial Sector Incentive (Capital Market) Company, a Financial Sector Incentive (Standard Tier) Company or a Financial Sector Incentive (Bond Market) Company, each as defined under the Income Tax Act, the Notes would be **qualifying debt securities** and subject to certain conditions having been fulfilled (including the furnishing of a return on debt securities in respect of the Notes in the prescribed format within such period as the relevant authorities may specify to the MAS), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the **Qualifying Income**) from the Notes derived by any company or body of persons (as defined in the Income Tax Act) in Singapore is subject to income tax at a concessionary rate of 10 per cent. (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates).

However, notwithstanding the foregoing:

(A) if during the primary launch of the Notes, the Notes are issued to less than four persons and 50 per cent. or more of the issue of such Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Notes would not qualify as “qualifying debt securities”; and

(B) even though the Notes are “qualifying debt securities”, if, at any time during the tenure of such Notes, 50 per cent. or more of the issue of such Notes is held beneficially or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from such Notes held by:

(i) any related party of the Issuer; or

(ii) any other person where the funds used by such person to acquire such Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the concessionary rate of tax as described above.

The term **related party**, in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

For the purposes of the Income Tax Act and this Singapore tax disclosure:

(a) **break cost** means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

(b) **prepayment fee** means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

(c) **redemption premium** means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

All foreign-sourced income received in Singapore on or after January 1, 2004 by Singapore tax-resident individuals will be exempt from income tax, provided such foreign-sourced income is not received through a partnership in Singapore.

Any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Notes is not exempt from Singapore income tax shall include such income in a return of income made under the Income Tax Act.

2. Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply Singapore Financial Reporting Standard 39 – Financial Instruments: Recognition and Measurement (**FRS 39**) or FRS 109 – Financial Instruments (FRS 109) may, for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39 or FRS 109. Please see the section below on "*Adoption of FRS 39 and FRS 109 Treatment for Singapore income tax purposes*".

3. Adoption of FRS 39 and FRS 109 for Singapore income tax purposes

Section 34A of the Income Tax Act provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and "opt-out" provisions) to taxpayers who are required to comply with FRS 39 for financial reporting purposes. The IRAS has also issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 – Financial Instruments: Recognition and Measurement" and an eTaxGuide entitled "Income Tax : Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments".

FRS 109 is mandatorily effective for annual periods beginning on or after 1 January 2018, replacing FRS 39. Section 34AA of the Income Tax Act requires taxpayers who comply or who are required to comply with FRS 109 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109, subject to certain exceptions. The "opt-out" provisions available under the FRS 39 tax regime will not be similarly available under the new FRS 109 tax regime.

Holders of the Notes who may be subject to the tax treatment under Section 34A or 34AA of the Income Tax Act should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

4. Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008

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असीमित ऊर्जा, अनन्त संभावनाएं
Endless energy. Infinite possibilities.

RURAL ELECTRIFICATION CORPORATION LIMITED

ANNEX A

OFFERING CIRCULAR DATED 28 FEBRUARY 2018

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The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently the Dealers (as defined in the Offering Circular), nor any person who controls each of them nor any director, officer, employee nor agent of each of them or affiliate of any such person, do not accept any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Dealer.

The Offering Circular has not been and will not be registered, produced or made available to all as an offer document (whether a prospectus in respect of a public offer or an information memorandum or private placement offer letter or other offering material in respect of any private placement under the Companies Act, 2013 or any other applicable Indian laws) with the Registrar of Companies of India or the SEBI or any other statutory or regulatory body of like nature in India.

In addition, holders and beneficial owners shall be responsible for compliance with restrictions on the ownership of the Rupee Denominated Notes imposed from time to time by applicable laws or by any regulatory authority or otherwise. In this context, holders and beneficial owners of Rupee Denominated Notes shall be deemed to have acknowledged, represented and agreed that such holders and beneficial owners are eligible to purchase the Rupee Denominated Notes under applicable laws and regulations and are not prohibited under any applicable law or regulation from acquiring, owning or selling the Rupee Denominated Notes. Potential investors should seek independent advice and verify compliance with Financial Action Task Force (**FATF**) Requirements prior to any purchase of the Rupee Denominated Notes. Multilateral financial institutions and regional financial institutions from FATF compliant countries can purchase Rupee Denominated Notes.

The holders and beneficial owners of Rupee Denominated Notes shall be deemed to confirm that for so long as they hold any Rupee Denominated Notes, they will meet the FATF Requirements and will not be an offshore branch of an Indian bank.

Further, all Noteholders represent and agree that the Rupee Denominated Notes will not be offered or sold on the secondary market to any person who does not comply with the FATF Requirements or which is an offshore branch of an Indian bank.

OFFERING CIRCULAR

Rural Electrification Corporation Limited

(incorporated with limited liability in the Republic of India)

U.S.$3,000,000,000
Medium Term Note Programme

Under this U.S.$3,000,000 Medium Term Note Programme (the **Programme**), Rural Electrification Corporation Limited (our **Company**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between us and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively, **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.$3,000,000,000 (or its equivalent in other currencies calculated as described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Summary of the Programme*" and any additional Dealer appointed under the Programme from time to time by us (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an on-going basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Notes.

Approval-in-principle has been granted for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the Singapore Exchange Securities Trading Limited (the **SGX-ST**). Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST (the **Official List**). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List and quotation of any Notes on the SGX-ST are not to be taken as an indication of our merits, the Programme or the Notes. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "*Terms and Conditions of the Notes*") of Notes will be set out in a pricing supplement (the **Pricing Supplement**) which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST on or before the date of issue of the Notes of such Tranche.

The Programme provides that Notes may be listed on such other or further stock exchange(s) as may be agreed between us and the relevant Dealer. We may also issue unlisted Notes.

We may agree with any Dealer and the Principal Paying Agent (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event (in the case of Notes intended to be listed on the SGX-ST) a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**).

Each Tranche of Bearer Notes of each series (as defined in "*Form of the Notes*") will initially be represented by either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note** and, together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a **Bearer Global Note**) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes of the same Series.

Registered Notes sold in an "offshore transaction" within the meaning of Regulation S (**Regulation S**) under the U.S. Securities Act of 1933, as amended (the **Securities Act**), which will be sold outside the United States (the **U.S.**) and, in certain circumstances, only to non-U.S. persons (as defined in Regulation S), will initially be represented by a global note in registered form, without receipts or coupons, (a **Registered Global Note**) deposited with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of such common depositary. Prior to expiry of the distribution compliance period (as defined in Regulation S) (the **Distribution Compliance Period**) (if any) applicable to each Tranche of Notes, beneficial interests in a Registered Global Note may not be offered or sold to, or for the account or benefit of, a U.S. person, save as otherwise provided in the Terms and Conditions of the Notes and may not be held otherwise than through Euroclear or Clearstream, Luxembourg.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable for definitive Bearer Notes in certain limited circumstances.

This Offering Circular has not been and will not be registered as a prospectus or a statement in lieu of a prospectus in respect of a public offer, information memorandum or private placement offer letter or any other offering material with the Registrar of Companies in India in accordance with the Companies Act, 1956, as amended and replaced from time to time, the Companies Act, 2013, as amended and other applicable Indian laws for the time being in force. This Offering Circular has not been and will not be reviewed or approved by any regulatory authority in India, including, but not limited to, the Securities and Exchange Board of India, any Registrar of Companies or any stock exchange in India. This Offering Circular and the Notes are not and should not be construed as an advertisement, invitation, offer or sale of any securities whether to the public or by way of private placement to any person resident in India. The Notes have not been and will not be, offered or sold to any person resident in India. If you purchase any of the Notes, you will be deemed to have acknowledged, represented and agreed that you are eligible to purchase the Notes under applicable laws and regulations and that you are not prohibited under any applicable law or regulation from acquiring, owning or selling the Notes. See "*Subscription and Sale*".

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or with any securities regulatory authority of any state or other jurisdiction of the United States and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or, in certain circumstances, to U.S. persons (as defined in Regulation S under the Securities Act). See "*Subscription and Sale*".

Joint Arrangers

Barclays **MUFG**

Dealers

Barclays **MUFG**

The date of this Offering Circular is 28 February 2018.

We accept responsibility for the information contained in this Offering Circular. To the best of our knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything that would make the statements therein, in light of the circumstances under which they were made, misleading. We, having made all reasonable enquiries, confirm that this Offering Circular contains or incorporates all information which is material in the context of the Programme and the Notes, that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. We accept responsibility accordingly.

No person is or has been authorised by us to give any information or to make any representation other than those contained in this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made by any other person, such information or representations must not be relied upon as having been authorised by us, the Joint Arrangers, the Dealers or the Principal Paying Agent.

Neither the Joint Arrangers, the Dealers nor the Principal Paying Agent (as defined herein) has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and, to the fullest extent permitted by law, no responsibility or liability is accepted by the Joint Arrangers or the Dealers, the Principal Paying Agent or any of them as to the accuracy or completeness of the information contained or incorporated in this Offering Circular, or for any other statement, made or purported to be made by the Joint Arrangers or the Dealers or on their behalf in connection with us or the Programme or any other information provided by us in connection with the Programme. The Joint Arrangers, the Dealers and the Principal Paying Agent accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Offering Circular or any such statement.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation by us, the Joint Arrangers or the Dealers or the Principal Paying Agent that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of us. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of our Company, the Joint Arrangers or the Dealers or the Principal Paying Agent to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning us is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Arrangers, the Dealers and the Principal Paying Agent expressly do not undertake to review the financial condition or affairs of our Company during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Offering Circular when deciding whether or not to purchase any Notes.

MiFID II product governance/target market – The Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance", which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, **MiFID II**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Joint Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a **retail investor** means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. Our Company, the Joint Arrangers, the Dealers and the Principal Paying Agent do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by our Company, the Joint Arrangers, the Dealers or the Principal Paying Agent which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom, Italy and the Netherlands), India, Singapore, Japan and Hong Kong, see "*Subscription and Sale*".

None of our Company, the Joint Arrangers, the Dealers and the Principal Paying Agent makes any representation to any investor in the Notes regarding the legality of its investment under any applicable laws. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

There are restrictions on the offer and sale of the Notes in the United Kingdom. All applicable provisions of the Financial Services and Market Act 2000 (**FSMA**) with respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom must be complied with. See "*Subscription and Sale*".

In connection with the offering of any series of Notes, each Dealer is acting or will act for us in connection with the offering and will not be responsible to anyone other than us for providing the protections afforded to clients of that Dealer nor for providing advice in relation to any such offering.

For a description of other restrictions, see "*Subscription and Sale*".

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We maintain our financial books and records and prepare our financial statements in Rupees in accordance with generally accepted accounting principles in the Republic of India (Indian GAAP) which differ in certain important respects from International Financial Reporting Standards (IFRS). For a discussion of the principal differences between Indian GAAP and IFRS as they relate to us, see "*Summary of Significant Differences Between Indian GAAP And IFRS*". Unless otherwise stated, all financial data contained herein is that of our Company on a non-consolidated basis. The consolidated and non-consolidated financial statements for the years ended 31 March 2015, 2016 and 2017 and the financial statements for the nine months ended 31 December 2017, on a non-consolidated basis, included in this Offering Circular have been audited or reviewed as appropriate, by the auditors as set out in paragraph 7 of the section entitled "*General Information*".

CERTAIN DEFINITIONS

In this Offering Circular, references to **India** are to the Republic of India, references to the **Government** or **GoI** are to the Government of India and references to the **RBI** are to the Reserve Bank of India. References to specific data applicable to particular subsidiaries or other consolidated entities are made by reference to the name of that particular entity. References to **Fiscal** or **Fiscal Year** are to the year ended March 31.

Unless the context otherwise indicates, all references to the **Issuer**, **REC**, **our Company** or **the Company** are to Rural Electrification Corporation Limited on a non-consolidated basis.

Industry and market share data in this Offering Circular are derived from data prepared by the Central Electricity Authority (the **CEA**) which is the nodal government agency for planning, advising and monitoring the Indian power sector, the Ministry of Power, the Government of India (the **MoP**), the Planning Commission of India and from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that the industry data used in this Offering Circular is reliable and take responsibility for the accurate extraction of such data from publicly available sources, it has not been independently verified by us, the Joint Arrangers, the Dealers or the Principal Paying Agent.

As used in this Offering Circular, the terms, **10th Plan**, **11th Plan**, **12th Plan** and **13th Plan** refer to the five-year plans of the Government, and mean the Tenth Five Year Plan covering the period fiscal 2002-2007, the Eleventh Five Year Plan covering the period fiscal 2007-2012, the Twelfth Five Year Plan covering the period 2012-2017 and the Thirteenth Five Year Plan covering the period 2017-2022, respectively.

All references in this Offering Circular to **U.S. dollars**, **U.S.$** and **USD** refer to United States dollars, to **Rupee**, **Rupees**, **Rs.** and **₹** refer to Indian Rupees and to **SGD** refers to Singapore dollars. In addition, references to **Sterling** refers to pounds sterling and to **euro**, **EUR** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Community, as amended.

References to **lakhs** and **crores** in our financial statements are to the following:

One lakh	100,000 (one hundred thousand)
One crore	10,000,000 (ten million)
Ten crores	100,000,000 (one hundred million)
One hundred crores	1,000,000,000 (one thousand million or one billion)

In this Offering Circular, where information has been presented in millions or billions of units, amounts may have been rounded, in the case of information presented in millions, to the nearest ten thousand or one hundred thousand units or, in the case of information presented in billions, one, ten or one hundred million units. Accordingly, the totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

FORWARD-LOOKING STATEMENTS

We have included statements in this Offering Circular which contain words or phrases such as “will”, “would”, “aimed”, “is likely”, “are likely”, “believe”, “expect”, “expected to”, “will continue”, “will achieve”, “anticipate”, “estimate”, “intend”, “plan”, “contemplate”, “seek to”, “seeking to”, “target”, “propose to”, “future”, “objective”, “goal”, “projected”, “should”, “can”, “could”, “may” and similar expressions or variations of such expressions, that are “forward-looking statements”. Actual results may differ materially from those suggested by the forward-looking statements due to certain risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes relating to the power sector in India and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, including our ability to complete our capacity expansion plans, technological changes, our exposure to market risks, general economic and political conditions in India which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic and foreign laws, regulations and taxes and changes in competition in the our industry.

For a further discussion on the factors that could cause actual results to differ, see the discussion under “*Risk Factors*” contained in this Offering Circular.

ENFORCEMENT OF FOREIGN JUDGMENTS IN INDIA

Our Company is a limited liability public company incorporated under the laws of India. All of our directors and executive officers named herein are residents of India and all or a substantial portion of our assets and such persons are located in India. As a result, it may not be possible for investors to effect service of process on us or such persons in jurisdictions outside of India, or to enforce against it judgments obtained in courts outside of India predicated upon civil liabilities of our Company or such directors and executive officers under laws other than Indian law.

India is not a signatory to any international treaty in relation to the recognition or enforcement of foreign judgments. The statutory basis for recognition and enforcement of foreign judgments is provided for under section 13 and section 44A of the Indian Code of Civil Procedure, 1908 as amended (the **Civil Code**).

Section 13 of the Civil Code provides that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon except: (i) where it has not been pronounced by a court of competent jurisdiction; (ii) where it has not been given on the merits of the case; (iii) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognise the law of India in cases where such law is applicable; (iv) where the proceedings in which the judgment was obtained were opposed to natural justice; (v) where it has been obtained by fraud; or (vi) where it sustains a claim founded on a breach of any law in force in India.

Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court (as defined in such section) in any country or territory outside India which the GOI has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. Under the Civil Code, a court in India will upon the production of any document purporting to be a certified copy of a foreign judgment, presume that the judgment was pronounced by a court of competent jurisdiction, unless the contrary appears on record but such presumption may be displaced by proving want of jurisdiction. However, section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty and is not applicable to arbitration awards, even if such awards are enforceable as a decree or judgment.

The United Kingdom has been declared by the GOI to be a reciprocating territory and the High Courts in England as the relevant superior courts for the purposes of section 44A of the Civil Code. Accordingly, a judgment of a superior court in the United Kingdom may be enforceable by proceedings in execution, and a judgment not of a superior court, by a new suit resulting in a judgment or order. The United States has not been declared by the GOI to be a reciprocating territory for the purposes of section 44A of the Civil Code. Accordingly, a judgment by a court in the United States may be enforced only by a new suit upon the judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce a foreign judgment if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain approval from the RBI under the Foreign Exchange Management Act, 1999 to repatriate outside India any amount recovered pursuant to execution. Any judgment in a foreign currency would be converted into Rupees on the date of the judgment and not on the date of the payment. Also, a party may file suit in India against our Company, our directors or our executive officers as an original action predicated upon the provisions of the federal securities laws in the United States.

GLOSSARY OF TERMS USED IN THIS OFFERING CIRCULAR

Below are certain terms used in this Offering Circular.

Company-related terms the Company/our Company/REC	Rural Electrification Corporation Limited, a public limited company incorporated under the Companies Act, 1956. The corporate identification number of our Company is L40101DL1969GOI005095
we/us/our	Our Company together with our subsidiaries, associates and our joint venture on a consolidated basis
Articles/Articles of Association......	Articles of Association of our Company as amended from time to time
Board/Board of Directors...............	Board of Directors of our Company unless otherwise specified
Shares	Equity Shares of our Company of the face value of ₹10 each unless otherwise specified
Memorandum/ Memorandum of Association......................................	Memorandum of Association of our Company as amended from time to time

Conventional and General Terms or Abbreviations

₹ or **Rs**. or **Rupees**	Indian Rupees (the lawful currency of India)
$** or **US$ or **U.S.$** or **USD**...............	United States dollar (the lawful currency of the United States of America)
€ or **Euro** or **EUR**	Euro (the official and lawful currency of European Union, which consists of 19 of the 28 member states i.e. Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain)
Companies Act...............................	Companies Act, 2013, as amended
AGM	Additional General Manager
AS..	Accounting Standards as notified under the Companies Act and as applicable to the Company
Bankruptcy Code...........................	The Insolvency and Bankruptcy Code, 2016, as amended
BPL	Below Poverty Line
BSE	BSE Limited
CARE..	CARE Ratings
CBDT..	Central Board of Direct Taxes
CEO	Chief Executive Officer

CERC	Central Electricity Regulatory Commission
CGSL	Classic Global Securities Limited
CHF	Swiss franc (the currency and legal tender of Switzerland and Liechtenstein)
CoR	Certificate of Registration
CPSE	Central Public Sector Enterprise
CPSU	Central Public Sector Undertaking
CPUs	Central Power Utilities
CRAR	Capital to Risk Weighted Assets Ratio
CRISIL	CRISIL Limited
CSPDCL	Chhattisgarh State Power Distribution Company Limited
CSR	Corporate Social Responsibility
DDG	Decentralised Distributed Generation
Debt Recovery Act	The Recovery of Debts Due to Banks and Financial Institutions Act, 1993, as amended
Depositories Act	The Depositories Act, 1996
Depository(ies)	CDSL and NSDL
DIN	Director Identification Number
DPE	Department of Public Enterprises, Ministry of Heavy Industries & Public Enterprises
DRT	Debt Recovery Tribunal
DSIJ	Dalal Street Investment Journal
EESL	Energy Efficiency Services Limited
ERP	Enterprise Resource Planning
ESCOs	Energy Service Companies
F&A	Finance and Accounts
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999, as amended
FII	Foreign Institutional Investor

FIMMDA..	Fixed Income Money Market and Derivative Association of India
Fin	Finance
Financial Year/Fiscal/FY	Period of 12 months ended 31 March of that particular year
GDP..	Gross Domestic Product
Gen	Generation
GST Act	The Good and Services Tax Act, 2017, as amended
GoI or Government	Government of India
HDFC..	HDFC Bank Limited
HR	Human Resources
HRM	Human Resource Management
HVDS	High Voltage Distribution Systems
IA...	Internal Audit
ICRA	ICRA Limited
IEX	Indian Energy Exchange Limited
Income Tax Act/IT Act..................	Income Tax Act, 1961
India	Republic of India
Indian GAAP	Generally accepted accounting principles followed in India
IPO	Initial Public Offer
IRDA	Insurance Regulatory and Development Authority
IREDA	Indian Renewable Energy Development Agency Limited
IRRPL..	India Ratings and Research Private Limited
IT	Information Technology
ITAT	Income Tax Appellate Tribunal
JICA..	Japan International Cooperation Agency
KfW...	Kreditanstalt fur Wiederaufbau
kV	Kilo Volt
kWh...	kilowatt hour

KYC	Know Your Customer
LIBOR	London Inter-Bank Offer Rate
LIC	Life Insurance Corporation of India
Listing Agreement	The agreement for listing of equity and debt securities on the Stock Exchange
MCA	Ministry of Corporate Affairs, Government of India
MoF	Ministry of Finance, Government of India
MoP	Ministry of Power, Government of India
MoU	Memorandum of Understanding
MTL	Medium Term Loan
NBFC	Non-Banking Financial Company, as defined under applicable RBI guidelines
NBFC-ND	Non-Deposit Taking NBFC
NBFC-ND-SI	Systemically Important Non-Deposit Taking NBFC
NEF	National Electricity Fund
NRI	Non-Resident Indians i.e. a Person resident outside India, as defined under FEMA, and who is a citizen of India or a Person of Indian origin and such term as defined under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended
NSE	National Stock Exchange of India Limited
NTP	National Tariff Policy
PAT	Profit After Tax
PFC	Power Finance Corporation Limited
PGCIL	Power Grid Corporation of India Limited
PSE	Public Sector Enterprise
RBI	Reserve Bank of India
RECPDCL	REC Power Distribution Company Limited
RECTPCL	REC Transmission Projects Company Limited
RGGVY	Rajeev Gandhi Grameen Vidyutikaran Yojna

RMC	Risk Management Committee
RoC	Registrar of Companies, National Capital Territory of Delhi and Haryana
RTI	Right to Information
SARFAESI/Securitisation Act	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as amended
SBF	Small is Beautiful Fund
SBI	State Bank of India
SEBI	Securities and Exchange Board of India
SEBI Debt Regulations	SEBI (Issue and Listing of Debt Securities) Regulations, 2008, as amended
SLR Bonds	Bonds that qualify under statutory liquidity ratio to be maintained by banks/other institutions as prescribed by the RBI from time to time
STL	Short Term Loan
STUs	State Transmission Utilities
T&D	Transmission and Distribution
TFL	Transitional Finance Loan
u/s	under Section
UCX	Universal Commodity Exchange Limited
USA	United States of America

Business/Industry-Related Terms

ADB	Asian Development Bank
ALCO	Asset Liability Management Committee
APDRP	Accelerated Power Development and Reform Programme
AT&C	Aggregate Technical and Commercial
CAGR	Compounded Annual Growth Rate
CEA	Central Electricity Authority
CIRE	Central Institute for Rural Electrification Corporation
CKms	Circuit Kilometres

DISCOM/Discom	Distribution Company
DPE	Department of Public Enterprises, Government of India
DDUGJY	Deen Dayal Upadhaya Gram Jyoti Yojana
ECBs	External Commercial Borrowings
GENCO	Generation Company
IFC	Infrastructure Finance Company
IPP...	Independent Power Producer
ISO	International Organization for Standardization
ITP	Independent Transmission Project(s)
MNRE...	Ministry of New and Renewable Energy
MW	Mega Watts
NHPC..	NHPC Limited
NPAs	Non-Performing Assets
NTPC	NTPC Limited
PSU	Public Sector Undertaking
PV..	Photovoltaic
R-APDRP	Restructured Accelerated Power Development and Reform Programme
SEB(s)	State Electricity Boards
SERC	State Electricity Regulatory Commission
SPU	State Power Utility(ies)
SPV	Special Purpose Vehicle
TRANSCO......................................	Transmission Company
UMPP	Ultra Mega Power Project

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) our most recently published audited consolidated and non-consolidated annual financial statements and, if published later, the most recently published audited or reviewed, as the case may be, our interim non-consolidated financial results of, (see "*General Information*" for a description of the financial statements currently published by us); and

(b) all supplements or amendments to this Offering Circular circulated by us from time to time.

Any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular.

We will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to us at our office set out at the end of this Offering Circular. In addition, such documents will be available free of charge from the principal office of the principal paying agent in London (which for the time being is The Bank of New York Mellon, London Branch) (the **Principal Paying Agent**) for the Notes listed on the SGX-ST.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, to an extent which is material in the context of the Programme, a new offering circular will be prepared.

GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, we may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between us and the relevant Dealer prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*".

This Offering Circular and any supplement will only be valid for listing Notes on the SGX-ST in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.$3,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

(a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be determined, at our discretion, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by us on the relevant day of calculation;

(b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and

(c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by us for the relevant issue.

The offering of the Notes will be made entirely outside India. This Offering Circular may not be distributed directly or indirectly in India or to residents of India and the Notes are not being offered or sold and may not be offered or sold directly or indirectly in India or to, or for the account or benefit of, any resident of India.

Each purchaser of Notes will be deemed to represent that it is neither located in India nor a resident of India and that it is not purchasing for, or for the account or benefit of, any such person, and understands that the Notes may not be offered, sold, pledged or otherwise transferred to any person located in India, to any resident of India or to, or for the account of, such persons, unless determined otherwise in compliance with applicable law.

We will issue Notes under the Programme in accordance with the ECB Guidelines.

The Government does not provide any guarantee or financial support in relation to any payment or obligation in respect of the Notes and has no commitment or obligation whatsoever in relation to any payment or obligation in respect of the Notes.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this summary.

Issuer:	Rural Electrification Corporation Limited
Issuer Legal Entity Identified (LEI):	335800B4YRYWAMIJZ374
Investment Considerations:	There are certain factors that may affect our ability to fulfil our obligations under Notes issued under the Programme. These are set out under "*Risk Factors*" below. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "*Risk Factors*" and include certain risks relating to the structure of a particular Series of Notes and certain market risks.
Description:	Medium Term Note Programme
Joint Arrangers:	Barclays Bank PLC MUFG Securities EMEA plc
Dealers:	Barclays Bank PLC MUFG Securities EMEA plc and any other Dealers appointed in accordance with the Programme Agreement (as defined under "*Subscription and Sale*").
Certain Restrictions:	Each issue of Notes in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see "*Subscription and Sale*") including the following restrictions applicable at the date of this Offering Circular.
Principal Paying Agent:	The Bank of New York Mellon, London Branch
Transfer Agent:	The Bank of New York Mellon SA/NV, Luxembourg Branch
Registrar:	The Bank of New York Mellon SA/NV, Luxembourg Branch
Programme Size:	U.S.$3,000,000,000 (or its equivalent in other currencies calculated as described under "*General Description of the Programme*") in aggregate nominal amount of Notes outstanding at any time. We may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

Currencies:	Subject to any applicable legal or regulatory restrictions, any currency agreed between us and the relevant Dealer.
Maturities:	Such maturities as may be agreed between us and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to us including but not limited to the minimum maturity period specified under the ECB Guidelines or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer and/or registered form as described in "*Form of the Notes*".
Fixed Rate Notes:	Fixed interest will be payable at such rate or rates in arrear and on such date or dates as may be agreed between us and the relevant Dealer, subject to any regulatory requirement (including but not limited to the ECB Guidelines) and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between us and the relevant Dealer, subject to any regulatory requirement (including but not limited to the ECB Guidelines).
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate, subject to any regulatory requirement including but not limited to the ECB Guidelines, determined: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as of the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between us and the relevant Dealer. The margin (if any) relating to such floating rate will be agreed between our Company and the relevant Dealer for each Series of Floating Rate Notes, subject to any regulatory requirement (including but not limited to the ECB Guidelines). Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as we and the relevant Dealer may agree, subject to any regulatory requirement (including but not limited to the ECB Guidelines).

Other provisions in Floating Rate Notes and Index Linked Interest Notes:	Floating Rate Notes and Index Linked Interest Notes may also have a relation to maximum interest rate, a minimum interest rate or both, subject to any regulatory requirement including but not limited to the ECB Guidelines. Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by us and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between our Company and the relevant Dealer.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as we and the relevant Dealer may agree, subject to any regulatory requirement (including but not limited to the ECB Guidelines).
Partly Paid Notes	We may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as we and the relevant Dealer may agree.
Zero Coupon Notes:	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
Other Notes	We may agree with any Dealer and the Principal Paying Agent that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.
Redemption:	Unless otherwise indicated in the applicable Pricing Supplement, the relevant Notes cannot be redeemed prior to their stated maturity other than (i) in specified instalments, if applicable, (ii) for taxation reasons, (iii) following a Change in Control (as defined in Condition 7.3) or (iv) following an Event of Default (as defined in Condition 10.1). Please note that any redemption of the Notes prior to their average stated maturity will require the prior approval of the AD Bank or the RBI under the ECB Guidelines. The applicable Pricing Supplement may provide that Notes may be redeemable in separate instalments in such amounts and on such dates as are indicated in the applicable Pricing Supplement, subject to any regulatory requirement including but not limited to the ECB Guidelines.
Denomination of Notes:	Notes will be issued in such denominations as may be agreed between us and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.
Taxation:	All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction (as defined in Condition 8), subject as provided in Condition 8. In the event that any such deduction is made, we will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

Without prejudice to our obligation to pay additional amounts as described above, all payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to fiscal and other laws, as provided in Condition 8.8.

Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Default:	The terms of the Notes will contain a cross default provision as further described in Condition 10.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and, subject to the provisions of Condition 4, our unsecured obligations of and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all of our other unsecured obligations (other than subordinated obligations, if any), from time to time outstanding.
Listing:	Approval-in-principle has been granted for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between our Company and the relevant Dealer in relation to each Series. If the application to the SGX-ST to list a particular series of Notes is approved, such Notes listed on the SGX-ST will be traded on the SGX-ST in a minimum board lot size of at least SGD200,000. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and construed in accordance with, English law.
Clearing System:	Euroclear, Clearstream, Luxembourg (each as defined in Condition 1) and/or any other clearing system, as specified in the applicable Pricing Supplement (see "*Form of the Notes*").
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes under the Prospectus Directive and in the United States, the United Kingdom, Italy, the Netherlands, Japan, India, Hong Kong and Singapore and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see "*Subscription and Sale*").
United States Selling Restrictions:	Regulation S, Category 1 or 2. TEFRA C or D, or TEFRA not applicable as specified in the applicable Pricing Supplement.

FORM OF THE NOTES

The Notes of each Series will either be in bearer form, with or without interest coupons (**Coupons**) attached (**Bearer Notes**), or registered form, without interest coupons attached (**Registered Notes**). The Notes will be issued outside the United States and, in certain instances, only to non-U.S. persons, in reliance on Regulation S.

Notes to be listed on the SGX-ST will be accepted for clearance through Euroclear Bank SA/NV as operator of the Euroclear System (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**).

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will initially be represented by either a temporary bearer global note (a **Temporary Bearer Global Note**) or a permanent bearer global note (a **Permanent Bearer Global Note** and, together with a Temporary Bearer Global Note, the **Bearer Global Notes**, and each a **Bearer Global Note**) as indicated in the applicable Pricing Supplement, which, in either case, will be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg. While any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the Temporary Bearer Global Note only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which, for each Tranche in respect of which a Temporary Bearer Global Note is issued, is 40 days after the Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) definitive Bearer Notes (**Definitive Bearer Notes**) of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above, unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Global Note or for Definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the Permanent Bearer Global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event.

For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) we have been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor or alternative clearing system is available or (iii) we have or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. We will promptly give notice to the Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, we may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Pricing Supplement:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a **Registered Global Note**).

Registered Global Notes will be deposited with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form (**Definitive Registered Notes**).

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of our Company, any Paying Agent or the Registrar (each as defined under "***Terms and Conditions of the Notes***") will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Definitive Registered Notes will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for Definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event (as defined under "*Form of the Notes – Bearer Notes*").

We will promptly give notice to the Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) of the definition of Exchange Event under "*Form of the Notes – Bearer Notes*", we may also give notice to the

Registrar requesting exchange. Any such exchange shall occur not later than ten days after the date of receipt of the first relevant notice by the Registrar.

Transfer of Interests

Interests in a Registered Global Note may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such interest in another Registered Global Note. No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

General

Pursuant to the Agency Agreement (as defined under "***Terms and Conditions of the Notes***"), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN number which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the Distribution Compliance Period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

For so long as any of the Notes is represented by a Bearer Global Note or a Registered Global Note (each a **Global Note**) held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear and/or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Principal Paying Agent, our Company and their agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Principal Paying Agent, our Company and their agents as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the Agency Agreement and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note, then the Global Note will become void as from 8.00 p.m. (London time) on the day immediately following such day. At the same time, holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against our Company on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of the Notes.

If the applicable Pricing Supplement specifies any modification to the Terms and Conditions of the Notes as described herein, it is envisaged that, to the extent that such modification relates only to Conditions 1, 5, 6, 7 (except Condition 8.2), 11, 12, 13 and/or 14 (insofar as such Notes are not listed or admitted to trade on any stock exchange), they will not necessitate the preparation of a supplement to this Offering Circular. If the Terms and Conditions of the Notes of any Series are to be modified in any other respect, a supplement to this Offering Circular will be prepared, if appropriate.

So long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that the Global Note representing such Notes is exchanged for definitive Notes. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[**MiFID II product governance/Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[IMPORTANT – EEA RETAIL INVESTORS – If the Pricing Supplement in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a **retail investor** means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[*Date*]

Rural Electrification Corporation Limited
Legal entity identifier (LEI): 335800B4YRYWAMIJZ374

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$3,000,000,000
Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 28 February 2018 [and the supplements] to it dated [●] and [●]] (the **Offering Circular**). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular.

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [*original date*]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated *[current date],* save in respect of the Conditions which are extracted from the Offering Circular dated *[original date]* and are attached hereto.]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement*.]

1.	Issuer:		Rural Electrification Corporation Limited
2.	(a)	Series Number:	[ ]
	(b)	Tranche Number:	[ ] (*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible*)
	(c)	Date on which the Notes will be consolidated and for a single Series:	The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the m Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [●] below, which is expected to occur on or about [*date*]] [Not Applicable]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	(a)	Series:	[ ]
	(b)	Tranche:	[ ]
5.	(a)	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*[[*(in the case of fungible issues only, if applicable)*]
	(b)	[Net proceeds:	[ ]]
6.	(a)	Specified Denominations:	[ ] *(N.B. Notes must have a minimum denomination of €100,000 or equivalent) (Note - where Bearer Notes with multiple denominations above [€100,000] or equivalent are being used with respect to Bearer Notes, the following sample wording should be followed*: "*[€100,000] and integral multiples of* [*€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]*.") *(N.B. If an issue of Notes is: (i) NOT admitted to trading on a European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €100,000 minimum denomination is not required.*) *(In the case of Registered Notes, this means the minimum integral amount in which transfers can be made.)*

	(b)	Calculation Amount (and in relation to calculation of interest in global form see Conditions):	[ ] (*If only one Specified Denomination, insert the Specified Denomination.* *If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations*.)
7.	(a)	Issue Date:	[ ]
	(b)	Interest Commencement Date:	[*Specify*/Issue Date/Not Applicable] *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8.	Maturity Date:		[*Fixed rate – specify date/Floating rate - Interest Payment Date falling in or nearest to* [*specify month and year*]]
9.	Interest Basis:		[[ ] per cent. Fixed Rate] [[LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate] [Zero Coupon] [Index Linked Interest] [Dual Currency Interest] [*specify other*] (further particulars specified below)
10.	Redemption/Payment Basis:		[Redemption at par] [Index Linked Redemption] [Dual Currency Redemption] [Partly Paid] [Instalment] [*specify other*]
11.	Change of Interest Basis or Redemption/Payment Basis:		[Applicable/Not Applicable] (*if applicable, specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis) (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes*)
12.	Put/Call Options:		[Investor Put] [Change of Control Put] [Issuer Call] [(*further particulars specified below*)]
13.	(a)	Status of the Notes:	[Senior/[Dated/Perpetual] Subordinated]
	(b)	Date of board approval for issuance of Notes obtained:	[ ] [and [ ], respectively]]/[None required] *(N.B. Only relevant where regulatory (or similar) approval or consent is required for the particular tranche of Notes)*
	(c)	Date of regulatory approval/consent for issuance of Notes obtained:	[ ]/[None required] *(N.B. Only relevant where regulatory (or similar) approval or consent is required for the particular tranche of Notes)*
14.	Listing:		[Singapore/*specify* other/None]

		(N.B. Consider disclosure requirements under the EU Prospectus Directive applicable to securities admitted to an EU regulated market)
15.	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.	Fixed Rate Note Provisions:		[Applicable/Not Applicable]
			(If not applicable, delete the remaining subparagraphs of this paragraph)
	(a)	Rate(s) of Interest:	[ ] per cent. per annum payable in arrear on each Interest Payment Date
	(b)	Interest Payment Date(s):	[ ] in each year up to and including the Maturity Date (*Amend appropriately in the case of irregular coupons*)
	(c)	Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[ ] per Calculation Amount
	(d)	Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions):	[[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]][Not Applicable]
	(e)	Count Fraction:	[Actual/Actual (ICMA)]; [30/360]; [Actual/365 (Fixed)] [*specify other*]
	(f)	Determination Date(s):	[[ ] in each year][Not Applicable] (*Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon*)
	(g)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[None/*Give details*]
17.	Floating Rate Note Provisions:		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Specified Period(s)/ Specified Interest Payment Dates:	[ ][, subject to adjustment in accordance with the Business Day Convention set out in (b) below/not subject to any adjustment, as the Business Day Convention in (b) below is specified to be not applicable.]

(b)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention*/[specify other*]]
(c)	Additional Business Centre(s):	[ ]
(d)	Manner in which the Rate of Interest and Interest Amount is to be determined:	[Screen Rate Determination/ISDA Determination/[Not Applicable]/[specify *other*]]
(e)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent):	[ ]
(f)	Screen Rate Determination:	
	• Reference Rate:	[ ] month [LIBOR/EURIBOR/specify other Reference Rate] *(Either LIBOR, EURIBOR or other, although additional information required if other, including fallback provisions in the Agency Agreement).*
	• Interest Determination Date(s):	[ ] *(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
	• Relevant Screen Page:	[ ] *(In the case of EURIBOR, if not Reuters EURIBOR 01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
(g)	ISDA Determination:	
	• Floating Rate Option:	[ ]
	• Designated Maturity:	[ ]
	• Reset Date:	[ ] *(in the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*

(*N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time*)

	(h)	Margin(s):	[+/-] [●] per cent. per annum
	(i)	Minimum Rate of Interest:	[ ] per cent. per annum
	(j)	Maximum Rate of Interest:	[ ] per cent. per annum
	(k)	Day Count Fraction:	[Actual/Actual (ISDA)] [Actual/Actual] Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 [30/360], [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [30E/360 (ISDA)] [*specify other*] (*See Condition 5 for alternatives*)
18.	Zero Coupon Note Provisions:		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Accrual Yield:	[ ] per cent. per annum
	(b)	Reference Price:	[ ]
	(c)	Any other formula/ basis of determining amount payable:	[ ]
	(d)	Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365] [*specify other*]
19.	Index Linked Interest Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Index/Formula:	[*give or annex details*]
	(b)	Calculation Agent:	[*give name*]
	(c)	Calculation Agent	[ ]

		responsible for calculating the interest due:	
	(d)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[ ] *(Need to include a description of market disruption or settlement disruption events and adjustment provisions)*
	(e)	Specified Period(s)/ Specified Interest Payment Dates:	[ ]
	(f)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention/*specify other*]
	(g)	Additional Business Centre(s):	[ ]
	(h)	Minimum Rate of Interest:	[ ] per cent. per annum
	(i)	Maximum Rate of Interest:	[ ] per cent. per annum
	(j)	Day Count Fraction:	[ ]
20.	Dual Currency Interest Note Provisions:		[Applicable/Not Applicable] *(If not applicable, delete the remaining subparagraphs of this paragraph)*
	(a)	Rate of Exchange/ method of calculating Rate of Exchange:	[*give details*]
	(b)	Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent):	[ ]
	(c)	Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[ ]

	(d)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

21.	Issuer Call:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount and method, if any, of calculation of such amount(s):	[ ] per Calculation Amount/*specify other/*see Appendix]
	(c)	If redeemable in part:	
		(i) Minimum Redemption Amount:	[ ]
		(ii) Maximum Redemption Amount:	[ ]
	(d)	Notice period (if other than as set out in the Conditions):	[ ] (*N.B. If setting notice periods, the Company is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of five clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between our Company and the Principal Paying Agent*)
22.	Investor Put:		[Applicable/Not Applicable] (*If not applicable, delete the remaining subparagraphs of this paragraph*)
	(a)	Optional Redemption Date(s):	[ ]
	(b)	Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s):	[[ ] per Calculation Amount/*specify other/*see Appendix]
	(c)	Notice period (if other than as set out in the Conditions):	[ ] (*N.B. When setting notice periods, the Company is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a*

		minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between our Company and the Principal Paying Agent)
23.	Final Redemption Amount:	[ ] per Calculation Amount
24.	Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if requires):	[[ ] per Calculation Amount/*specify other/*see Appendix]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	[Bearer Notes: [Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for Definitive Bearer Notes upon an Exchange Event] [Temporary Bearer Global Note exchangeable for Definitive Bearer Notes on and after the Exchange Date] [Permanent Bearer Global Note exchangeable for Definitive Bearer Notes upon an Exchange Event] *(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. The option for an issue of Notes to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect*: *"[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000]".* [Registered Notes: Registered Global Note ([ ] nominal amount) registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg (*specify nominal amounts*)]
26.	Additional Financial Centres:	[Not Applicable/give *details]* *(Note that this item relates to the date of payment and not Interest Period end dates to which items 17(c) and 19(f) relate)*
27.	Talons for future Coupons to be attached to Definitive Notes in bearer form (and dates on which such Talons mature):	[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details. N.B. a new form of Temporary Bearer Global Note and/or Permanent Bearer Global Note may be required for Partly Paid issues*]
29.	Details relating to Instalment Notes:	[*Not Applicable*]
	(a) [Instalment Amount(s):	[*give details*]]
	(b) [Instalment Date(s):	[*give details*]]
30.	Permitted Security Interest Date:	[ ] *(See Condition 4)*
31.	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

32.	(a) If syndicated, names of Managers:	[Not Applicable*/give names*]
	(b) Stabilisation Manager(s) (if any):	[Not Applicable*/give name(s)*]
33.	If non-syndicated, name of relevant Dealer:	[●]
34.	Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	[TEFRA D/TEFRA C/TEFRA not applicable]
35.	Whether Category 1 or Category 2 applicable in respect of the Notes offered and sold in reliance on Regulation S:	[Category 1/Category 2] *(Notes offered in reliance on Category 1 must be in registered form)*
36.	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] (*If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified*.)
37.	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

38.	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
39.	Delivery:	Delivery [against/free of] payment
40.	Additional Paying Agent(s) (if any):	[ ]
ISIN:		[ ]
Common Code:		[ ]
FISN:		[ ]/Not Applicable
CFI		[ ]/Not Applicable
		(*If the CFI and/or FISN is not required, requested or available, it/they should be specified as "Not Applicable"*)

[**LISTING APPLICATION**

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.$3,000,000,000 Medium Term Note Programme of Rural Electrification Corporation Limited.]

RESPONSIBILITY

We accept responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ______________________________

Duly authorised

TERMS AND CONDITIONS OF THE NOTES

The following, subject to alteration and except for the paragraphs in italics, are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Rural Electrification Corporation Limited (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

(i) in relation to any Notes represented by a global Note (a **Global Note**), units of the lowest Specified Denomination in the Specified Currency;

(ii) any Global Note in bearer form (a **Bearer Global Note**);

(iii) any Global Note in registered form (a **Registered Global Note**);

(iv) definitive Notes in bearer form (**Definitive Bearer Notes**, and together with Bearer Global Notes, the **Bearer Notes**) issued in exchange for a Bearer Global Note; and

(v) definitive Notes in registered form (**Definitive Registered Notes**, and together with Registered Global Notes, the **Registered Notes**), whether or not issued in exchange for a Registered Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an amended and restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 28 February 2018 and made between the Issuer, The Bank of New York Mellon, London Branch as principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and The Bank of New York Mellon SA/NV, Luxembourg Branch as transfer agent (the **Transfer Agent**, which expression shall include any substitute or any additional transfer agents appointed in accordance with the Agency Agreement) and registrar (the **Registrar**, which expression shall include any successor registrar and together with the Paying Agents and Transfer Agents, the **Agents**).

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Bearer Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Pricing Supplement for this Note (or the relevant provisions thereof) is attached to or endorsed on this Note and supplements these Terms and Conditions (**Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these

Conditions for the purposes of this Note. References to the **applicable Pricing Supplement** are to the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose names the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and Series means a Tranche of Notes together with any further Tranche or Tranches of Notes which (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions which are the same in all respects save for the amount and date of first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Principal Paying Agent (being, at One Canada Square, E14 5AL, United Kingdom). Copies of the applicable Pricing Supplement are obtainable during normal business hours at the specified office of the Principal Paying Agent and the corporate office of the Issuer save that, if this Note is an unlisted Note of any Series, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, and are bound by, all the provisions of the Agency Agreement and the applicable Pricing Supplement which are applicable to them. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes may be in bearer form (**Bearer Notes**) and/or in registered form (**Registered Notes**) as specified in the applicable Pricing Supplement and, in the case of definitive Notes, will be serially numbered, in the currency (the Specified Currency) and the denominations (the **Specified Denomination(s)**), specified in the applicable Pricing Supplement. Save as provided in Condition 2, Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement, which Interest Basis shall be as per the applicable laws including but not limited to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations 2000 and circulars issued thereunder by the Reserve Bank of India (the **RBI**) including the Master Direction on External Commercial Borrowing, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers dated 1 January 2016, as amended and the Master Direction on Reporting under Foreign Exchange Management Act, 1999, dated 1 January 2016, as amended from time to time (the **ECB Guidelines**).

This Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery. Title to Registered Notes will pass upon registration of transfers in the books of the Registrar in accordance with the provisions of the Agency Agreement. The Issuer, the Principal Paying Agent, any Paying Agent, the Registrar and the Transfer Agent will (except as otherwise ordered by a court of competent jurisdiction or required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and any person in whose name a Registered Note is registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held by a common depositary on behalf of Euroclear Bank S.A./N.V. (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream**), each person (other than Euroclear or Clearstream) who is for the time being shown in the records of Euroclear or Clearstream as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, any Paying Agents, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer or registered holder of the relevant Global Note shall be treated by the Issuer, any Paying Agent, the Registrar and the Transfer Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, as the case may be. References to Euroclear and/or Clearstream shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of Interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be exchangeable for Registered Notes in definitive form or for a beneficial interest in another Registered Global Note only in the authorised denominations set out in the applicable Pricing Supplement and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

2.2 Transfers of Registered Notes Generally

Registered Notes may not be exchanged for Bearer Notes and vice versa.

Holders of Definitive Registered Notes may exchange such Definitive Registered Notes for interests in a Registered Global Note of the same type at any time.

Upon the terms and subject to the conditions set forth in the Agency Agreement, a Definitive Registered Note may be transferred in whole or in part (in the authorised denominations set out in the applicable Pricing Supplement). In order to effect any such transfer: (i) the holder or holders must (a) surrender the Definitive Registered Note for registration of the transfer of the Definitive Registered Note (or the relevant part of the Definitive Registered Note) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (b) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (ii) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, being satisfied with the documents of title and the identity of the person making the request and subject to such reasonable regulations as the Issuer, the Registrar, or as the case may be, the relevant Transfer Agent from time to time may prescribe (such initial regulations being set out in Schedule 4 to the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations) authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by mail to such address as the transferee may request, a new Definitive Registered Note of a like aggregate nominal amount to the Definitive Registered Note (or the relevant part of the Definitive Registered Note) transferred. In the case of the transfer of part only of a Definitive Registered Note, a new Definitive Registered Note in respect of the balance of the Definitive Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of Transfer upon Partial Redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or a part Registered Note, called for partial redemption.

2.4 Costs of Registration

Registration of transfers will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent, but upon payment (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to it provided that the Issuer shall not be responsible for any documentary stamp tax payable on the transfer of Notes effected in the Republic of India (**India**) unless the Issuer is the counterparty directly liable for that documentary stamp tax.

3. STATUS

The Notes and any relative Receipts and Coupons are direct, unconditional and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and (subject to the provisions of Condition 4) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

4. NEGATIVE PLEDGE

4.1 Negative Pledge

So long as any of the Notes remains outstanding, the Issuer will ensure that no Relevant Indebtedness (as defined below) of the Issuer or any of its Material Subsidiaries (as defined below) will be secured by any Security Interest (as defined below) upon, or with respect to, any of the present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer or any of its Material Subsidiaries, except for any Permitted Security Interest, unless the Issuer, in the case of the creation of the Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

(a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Principal Paying Agent; or

(b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) as is approved by an Extraordinary Resolution (which is defined in the Agency Agreement as a resolution duly passed by a majority of not less than three-fourths of the votes cast thereon) of the Noteholders.

4.2 Interpretation

For the purposes of these Conditions:

(a) **Indebtedness** means any obligation (whether present or future, actual or contingent, secured or unsecured, as principal or surety or otherwise) for the payment or repayment of money;

(b) **Material Subsidiary** means at any time a Subsidiary of the Issuer:

(i) whose net profit before tax and extraordinary items (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, are equal to) not less than 5 per cent. of the consolidated net profit before tax and extraordinary items of the Issuer, or, as the case may be, consolidated total assets, of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries, provided that:

(A) if the then latest audited consolidated accounts of the Issuer and its Subsidiaries show a net loss before tax and extraordinary items for the relevant financial period then there shall be substituted for the words "net profit before tax and extraordinary items" the words "total income" for the purposes of this definition; and

(B) in the case of a Subsidiary of the Issuer acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Issuer and its

Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Issuer;

(ii) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately prior to such transfer is a Material Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (ii) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or

(iii) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Issuer and its Subsidiaries relate, generate net profit before tax and extraordinary items equal to) not less than 5 per cent. of the consolidated net profit before tax and extraordinary items of the Issuer, or represent (or, in the case aforesaid, are equal to) not less than 5 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (i) above, provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate net profit before tax and extraordinary items equal to) not less than 5 per cent. of the consolidated net profit before tax and extraordinary items of the Issuer, or its assets represent (or, in the case aforesaid, are equal to) not less than 5 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (i) above, and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this subparagraph (iii) on the date on which the consolidated accounts of the Issuer and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (i) above or, prior to or after such date, by virtue of any other applicable provision of this definition.

(c) **Permitted Security Interest** means:

(i) any Security Interest existing as at the permitted security interest date (the **Permitted Security Interest Date**) specified in the applicable Pricing Supplement and disclosed in writing in a letter dated on or before the Permitted Security Interest Date from the Issuer and which secures only Relevant Indebtedness outstanding as at the Permitted Security Interest Date;

(ii) any Security Interest securing any Indebtedness denominated in Rupees and obtained in the domestic markets in India;

(iii) any Security Interest securing indebtedness denominated in a currency other than Rupees and obtained solely from any international funding agency including any governmental export credit agency;

(iv) any Security Interest securing any Indebtedness denominated in any currency and due for repayment within 12 months from the date of incurring such Indebtedness, and in respect of which no commitment, obligations or arrangement exists to renew, rollover, refinance or otherwise extend the term of such Indebtedness;

(v) any lien arising by operation of law and in the ordinary course of its trading activities in respect of any obligation which is less than thirty (30) days overdue or is being contested in good faith and by appropriate means;

(vi) any Security Interest securing Financial Indebtedness which does not at any time exceed an aggregate amount of one hundred million U.S. dollars (US$100,000,000) (or its equivalent in other currencies) provided however that such Financial Indebtedness is raised by a Subsidiary (other than a Material Subsidiary) and which is without any recourse to the Issuer; and

(vii) any Security Interest that has been approved by the Noteholders giving prior written consent to the Issuer (such consent not to be unreasonably withheld);

(d) **Relevant Indebtedness** means (i) any present or future indebtedness (whether being principal, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any loan or other borrowed money or any liability under or in respect of any acceptance or acceptance credit (together, **Indebtedness for Borrowed Money**) which (a) by their terms are payable in a currency other than Rupees or are denominated in Rupees and more than 50 per cent. of the aggregate principal amount of which is initially distributed outside of India by or with the authorisation of the Issuer and (b) are for the time being, or are intended to be, or capable of being quoted, listed or ordinarily dealt in on any stock exchange, over-the- counter or other securities market and (ii) any guarantee or indemnity of any such indebtedness;

(e) **Security Interest** means any mortgage, charge, pledge, lien or other security interest; and

(f) **Subsidiary** means, in relation to the Issuer, any company (i) in which the Issuer holds a majority of the voting rights or (ii) of which the Issuer is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which the

Issuer is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer.

5. INTEREST

All interest payable on the Notes shall be subject to applicable laws including but not limited to the ECB Guidelines and in accordance with any specific approval received by the Issuer from the RBI or any other regulatory authority.

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the nominal amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest is required to be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Each Fixed Rate Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines) or any specific approval received by the Issuer from the RBI or any other regulatory authority.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

(a) if **Actual/Actual (ICMA)** is specified in the applicable Pricing Supplement:

(i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

(B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year;

(b) if **30/360** is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360; or

(c) if **Actual/365 (Fixed)** is specified in the applicable Pricing Supplement, the actual number of days in the Accrual Period divided by 365.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

(i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or

(ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement. The Rate of Interest shall be in accordance with Indian regulatory requirements (including the ECB Guidelines) or any specific approval received by the Issuer from the RBI or any other regulatory authority.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent under an interest rate swap transaction if the Principal Paying Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as of the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

(A) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(C) the relevant Reset Date is the day specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

(A) the offered quotation; or

(B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as of 11.00 a.m. (London time, in case of LIBOR, or Brussels, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent or such other party specified in the applicable Pricing Supplement. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as of the time specified in the preceding paragraph.

(c) Minimum and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

The Rate of Interest shall not exceed the rate of interest as specified under the ECB Guidelines or any specific approval received by the Issuer from the RBI or any other regulatory authority.

(d) Determination of Rate of Interest and Calculation of Interest Amounts

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same. If required to be calculated by it, the Principal Paying Agent or, as the case may be, the Calculation Agent shall cause the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Issuer, each of the Paying Agents, the Noteholders and, if the Notes are listed on a stock exchange and the rules of such stock exchange or other relevant authority so require, the Issuer will notify such stock exchange or other relevant authority as soon as practicable after it is notified of the same by the Calculation Agent.

The Principal Paying Agent or the Calculation Agent, as the case may be, will calculate the amount of interest (the Interest Amount) payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

(A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Each Floating Rate Note or Index Linked Interest Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines) or any specific approval received by the Issuer from the RBI or any other regulatory authority.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

(i) if **Actual/Actual (ISDA)** or **Actual/Actual** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

(ii) if **Actual/365 (Fixed)** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;

(iii) if **Actual/365 (Sterling)** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

(iv) if **Actual/360** is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;

(v) if **30/360**, **360/360** or **Bond Basis** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{([360 \times (\text{Y2} - \text{Y1})] + [30 \times (\text{M2} - \text{M1})] + (\text{D2} - \text{D1}))}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(vi) if **30E/360** or **Eurobond Basis** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30; and

(vii) if **30E/360 (ISDA)** is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{([360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1))}{360}$$

where:

Y1 is the year, expressed as a number, in which the first day of the Interest Period falls;

Y2 is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M1 is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M2 is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D1 is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D2 is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and the Issuer will cause the Rate of Interest and each Interest Amount for each Interest Period to be notified to any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression London Business Day means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(f) Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5, whether by the Principal Paying Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith, manifest error or proven error) be binding on the Issuer, the Principal Paying Agent, the Registrar, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

Each Dual Currency Interest Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines) or any specific approval received by the Issuer from the RBI or any other regulatory authority.

5.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

Each Partly Paid Note shall have an interest rate which shall be in accordance with Indian regulatory requirements (including but not limited to the ECB Guidelines) or any specific approval received by the Issuer from the RBI or any other regulatory authority.

5.5 Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from and including the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

5.6 Definitions

In these Conditions, if a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

(A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

(B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or

(C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means:

a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre specified in the applicable Pricing Supplement; and either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor system (the **TARGET2 System**) is open.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

(a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland); and

(b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

6.2 Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of Definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Definitive Bearer Notes, and payments of interest in respect of Definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America and its possessions).

Payments of Instalment Amounts (if any) in respect of Definitive Bearer Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 5.1 above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Bearer Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the Definitive Bearer Note to which it appertains. Receipts presented without the Definitive Bearer Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any Definitive Bearer Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive bearer form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any Definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant Definitive Bearer Note.

6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Bearer Notes represented by any Bearer Global Note will (subject as provided below) be made in the manner specified above in relation to Definitive Bearer Notes or otherwise in the manner specified in the relevant Bearer Global Note against presentation or surrender of such Bearer Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Bearer Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Bearer Global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

6.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by wire transfer in the Specified Currency on the Business Day in the city where the specified office of the Registrar is located immediately preceding the relevant due date to the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a Business Day) before the relevant due date (the **Record Date**) at his address shown in the Register on the Record Date and at his risk. Upon application of the holder to the specified office of the Registrar not less than three business days in the city where the specified office of the Registrar is located before the due date for any payment of interest in respect of a Registered Note, the payment may be made by transfer on the due date in the manner provided in the preceding paragraph. Any such application for transfer shall be deemed to relate to all future payments of interest (other than interest due on redemption) and instalments of principal (other than the final instalment) in respect of the Registered Notes which become payable to the holder who has made the initial application until such time as the Registrar is notified in writing to the contrary by such holder. Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to such holders by the Registrar in respect of any payments of principal or interest in respect of the Registered Notes.

None of the Issuer or the Registrar or any Paying Agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, as the case may be, for his share of each payment so made by the Issuer in respect of such Global Note to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States only if:

(a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;

(b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and

(c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 10) is:

(a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(i) in the case of Notes in definitive form only, the relevant place of presentation; and

(ii) any Additional Financial Centre specified in the applicable Pricing Supplement; and

(b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.7 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 8;

(b) the Final Redemption Amount of the Notes;

(c) the Early Redemption Amount of the Notes;

(d) the Optional Redemption Amount(s) (if any) of the Notes;

(e) in relation to Notes redeemable in instalments, the Instalment Amounts;

(f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.4); and

(g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

6.8 Payments Subject to Fiscal and Other Laws

Payments will be subject in all cases, to (i) any fiscal or other laws and regulations applicable thereto, but without prejudice to the provisions of Condition 8, in the place of payment, and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for Tax Reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if the Notes are neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Note) or on any Interest Payment Date (if the Notes are either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

(a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes for such Series; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent to make available at its specified office (during the hours of 9:30 am to 3 pm, Mondays to Fridays (except public holidays)) to the Noteholders (1) a certificate signed by an authorised officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (2) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.4 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

*ECB Guidelines require the Issuer to obtain the prior approval of the RBI or designated authorised dealer bank appointed in accordance with the ECB Guidelines (**AD Bank**), as the case may be, before providing notice for or effecting such a redemption prior to the Maturity Date and such approval may not be forthcoming.*

7.3 Redemption upon Change of Control

Within 15 days following any Change in Control, the Issuer will give notice to the Noteholders and the Principal Paying Agent in accordance with Condition 14 stating that a Change in Control has occurred.

Following the occurrence of a Change in Control, each Noteholder will have the right to require the Issuer to redeem any of the Notes held by such Noteholder at their principal amount outstanding together with interest (including additional amounts pursuant to Condition 8 if any) accrued to (but excluding) the date of redemption.

To exercise the right to require redemption of any Notes, the holder of the Notes must deliver such Notes at the specified office of any Paying Agent, in the case of Bearer Notes, or of any Transfer Agent or the Registrar, in the case of Registered Notes, on any business day (being, in relation to any place, a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in that place) at the place of such specified office falling within the notice period, accompanied by a duly signed and completed notice of exercise in the form (for the time being current and which may, if this Note is held in a clearing system, be any form acceptable to the clearing system delivered in a manner acceptable to the clearing system) obtainable from any specified office of any Paying Agent, Transfer Agent or the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this paragraph accompanied by such Notes or evidence satisfactory to the relevant Paying Agent, Transfer Agent or the Registrar, as the case may be, that such Notes will, following the delivery of the Put Notice, be held to its order or under its control.

Subject to the receipt of RBI approvals, the Issuer is obliged to redeem any such Notes on the first business day in the place where such redemption notice is deposited falling 30 days after such deposit.

A Put Notice given by a holder of any Note shall be irrevocable and no Note deposited with a Paying Agent, Transfer Agent or the Registrar pursuant to this Condition 7.3 may be withdrawn without the prior written consent of the Issuer.

The right of any Noteholder to require the Issuer to redeem any Note upon a Change in Control is not conditional upon a Change in Control notice having been given by the Issuer, but will, if such notice is given by the Issuer, be exercised by such Noteholder within 45 days of the giving of such notice.

A **Change in Control** will have occurred if the Government of India will at any time cease to own, directly or indirectly, more than 50 per cent. of the voting securities of the Issuer.

In this Condition 7.3, **voting securities** means stock (or equivalent interests) having voting power for the election of directors, commissioners, managers or trustees of a company (or otherwise the power to control the management and policies of such corporation or other entity).

ECB Guidelines require the Issuer to obtain the prior approval of the RBI or the AD Bank, as the case may be, before providing notice for or effecting such a redemption prior to the Maturity Date and such approval may not be forthcoming.

7.4 Early Redemption Amounts

For the purpose of Conditions 7.2 and 7.3 above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

(a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;

(b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Pricing Supplement or, if no such amount or manner is so specified in the applicable Pricing Supplement, at its nominal amount; or

(c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP x } (+\text{AY})^{\text{y}}$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365),

or on such other calculation basis as may be specified in the applicable Pricing Supplement.

7.5 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.4 above.

7.6 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

7.7 Purchases

The Issuer or any Subsidiary (as defined in the Agency Agreement) of the Issuer may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer surrendered to any Paying Agent and/or the Registrar for cancellation in accordance with applicable laws.

7.8 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.7 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent (which shall notify the Registrar of such cancelled Notes in the case of Registered Notes) and may not be reissued or resold.

7.9 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Conditions 7.1, 7.2 or 7.3 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.4(c) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

(i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and

(ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Note has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

8.1 Payment without Withholding

All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction (the **Additional Amounts**); except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or

(b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an Additional Amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.6); or

(c) presented for payment by or on behalf of a holder of such Note, Receipt or Coupon who, at the time of such presentation, is able to avoid such withholding or deduction by making a declaration of non-residence or other similar claim for exemption and does not make such declaration or claim; or

(d) where such withholding or deduction is required pursuant to agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Section 1471 through 1474 of the Code, any regulation or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

Any payments made by the Issuer are required to be within the all-in-cost ceilings prescribed under the ECB Guidelines and in accordance with any specific approvals from the RBI in this regard.

8.2 Interpretation

As used herein:

(i) **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent or, as the case may be, the Registrar on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14; and

(ii) **Tax Jurisdiction** means India or any political subdivision or any authority thereof or therein having power to tax in respect of payments made by the Issuer of principal and interest in respect of the Notes, Receipts and Coupons.

9. PRESCRIPTION

The Notes (whether bearer or registered form), Receipts and Coupons will become void unless presented for payment within a period of seven years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Events of Default

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing and subject to receipt of prior RBI or AD Bank approval:

(a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them; or

(b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 business days following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or

(c) if (i) any Indebtedness for Borrowed Money of the Issuer or any of its Subsidiaries becomes capable of being declared due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer or any of its Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment; (iii) any security given by the Issuer or any of its Subsidiaries for any Indebtedness for Borrowed Money becomes enforceable; or (iv) default is made by the Issuer or any of its Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person; provided that no event described in this subparagraph 10.1(c) shall constitute an Event of Default unless the relevant amount of Indebtedness for Borrowed Money or other relative liability due and unpaid, either alone or when aggregated (without duplication) with other amounts of Indebtedness for Borrowed Money and/or other liabilities due and unpaid relative to all (if any) other events specified in (i) to (iv) above, amounts to at least U.S.$100,000,000 (or its equivalent in any other currency); or

(d) if any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any of its Material Subsidiaries, save for the purposes of reorganisation on terms approved in writing by an Extraordinary Resolution of the Noteholders; or

(e) if the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation on terms approved in writing by an Extraordinary Resolution of the Noteholders, or the Issuer or any of its Material Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or

(f) if (i) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them, and (ii) in any such case (other than the appointment of an administrator) unless initiated by the relevant company is not discharged within 30 business days; or

(g) if the Issuer or any of its Material Subsidiaries (or their respective directors or shareholders) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or

(h) if any government authority or agency condemns, seizes, compulsorily purchases or expropriates all or any material part of the assets or shares of the Issuer or any of its Material Subsidiaries without fair compensation; or

(i) if at any time the Government of India ceases to own (directly or indirectly) more than 50.0 per cent. of the voting securities of the Issuer; or

(j) a moratorium (which expression shall not include any deferral of principal originally contemplated and made in accordance with the terms of any loan or other financing related agreement) is agreed or declared by the Issuer in respect of any Indebtedness for Borrowed Money (including any obligations arising under guarantees) of the Issuer or any of its Material Subsidiaries; or

(k) if the Issuer or any of its Material Subsidiaries is or becomes entitled or subject to, or is declared by law or otherwise to be protected by, immunity (sovereign or otherwise) and Condition 18.4 is held to be invalid or unenforceable; or

(l) it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or

then any holder of a Note may, by written notice to the Issuer at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Notes held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

ECB Guidelines require the Issuer to obtain the prior approval of the RBI or the AD Bank, as the case may be, before effecting a redemption of Notes prior to their stated maturity even in case of an event of default and such approval may not be forthcoming.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced subject to applicable laws, regulations and relevant stock exchange regulations at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Principal Paying Agent may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. PAYING AGENTS, REGISTRAR AND TRANSFER AGENTS

The names of the initial Paying Agents, the initial Registrar and the other initial Transfer Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of the Principal Paying Agent, Paying Agent, Registrar or Transfer Agent and/or appoint additional or other Paying Agents, Registrar or Transfer Agents and/or approve any change in the specified office through which any Agent acts, provided that:

(a) there will at all times be the Principal Paying Agent and a Registrar;

(b) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent, which may be the Principal Paying Agent, and Transfer Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or any other relevant authority); and

(c) so long as the Notes are listed on the SGX-ST, if the Notes are issued in definitive form, there will at all times be a Paying Agent in Singapore unless the Issuer obtains an exemption from the SGX-ST.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Notice of any variation, termination, appointment or change in Paying Agents will be given promptly to the Noteholders by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Paying Agents, Registrar and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

Notices to holders of Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an overseas address) by air mail to them at their respective addresses as recorded in the Register and will be deemed to have been validly given on the fourth day after the date of such mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading daily newspaper of general circulation in Asia or such other English language daily newspaper with general circulation in Asia. It is expected that such publication will be made in the Asian Wall Street Journal. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange (or any other relevant authority) on which the Notes are for the time being listed including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, be substituted for such publication in such newspaper(s) or such websites or such mailing the delivery by electronic mail of the relevant notice by the Principal Paying Agent to Euroclear and/or Clearstream for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by the rules of that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the holders of the Notes on the day on which the said notice was given to Euroclear and/or Clearstream.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, as the case may be, may approve for this purpose.

Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to Noteholders in accordance with this Condition 14.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than 5 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Principal Paying Agent) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

(i) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which, in the opinion of the Issuer, is not prejudicial to the interests of the Noteholders; or

(ii) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing law

The Agency Agreement, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

18.2 Submission to jurisdiction

(a) Subject to Condition 18.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons (a **Dispute**) and all Disputes will be submitted to the exclusive jurisdiction of the English courts.

(b) For the purposes of this Condition 18.2(c), the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

(c) This Condition 18.2(c) is for the benefit of the Noteholders, the Receiptholders and the Couponholders only. To the extent allowed by law, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

18.3 Appointment of Process Agent

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at its specified office for the time being at Fifth Floor, 100 Wood Street, London EC2V as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

18.4 Waiver of Immunity

To the fullest extent permitted by law, the Issuer irrevocably and unconditionally:

(a) submits to the jurisdiction of the English courts in relation to any Dispute and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts in relation to any Dispute (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf;

(b) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any other jurisdiction in relation to any Dispute and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts or the courts of any other jurisdiction in relation to the recognition of any such judgment or court order and agrees to ensure that no such claim is made on its behalf; and

(c) consents to the enforcement of any order or judgment made or given in connection with any Dispute and the giving of any relief in the English courts and the courts of any other jurisdiction whether before or after final judgment including, without limitation: (i) relief by way of interim or final injunction or order for specific performance or recovery of any property; (ii) attachment of its assets; and (iii) enforcement or execution against any property, revenues or other assets whatsoever (irrespective of their use or intended use) and waives and agrees not to claim any sovereign or other immunity from the jurisdiction of the English courts or the courts of any other jurisdiction in relation to such enforcement and the giving of such relief (including to the extent that such immunity may be attributed to it), and agrees to ensure that no such claim is made on its behalf.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by us to finance power projects or refinance existing ECBs in accordance with the approvals granted by the RBI from time to time and in accordance with the ECB Guidelines.

CAPITALISATION

The following table sets forth our audited non-consolidated indebtedness and capitalisation as of 31 March 2017. This table should be read in conjunction with our audited non-consolidated financial statements as of 31 March 2017 and the schedules and notes presented elsewhere herein.

	As of 31 March 2017	
	(Rs. in million)	**(U.S.$ in million)[2]**
Debt:		
Current liabilities[1]		
– Short-term borrowings	-	-
– Other current liabilities	243,260.40	3,751.78
– Short-term provisions	1,942.20	29.95
Total current liabilities	245,202.60	3,781.73
Non-current liabilities		
– Long-term borrowings	1,494,893.30	23,055.61
– Deferred tax liabilities (net)	402.60	6.21
– Other long-term liabilities (net)	123.80	1.91
– Long-term provisions	18,484.20	285.08
Total non-current liabilities	1,513,903.90	23,348.81
Shareholders' funds:		
Share capital[3]	19,749.20	304.59
Reserves and surplus	313,506.70	4,835.19
Total capital and reserves	333,255.90	5,139.78
Total capitalisation	2,092,362.40	32,270.32

Our contingent liabilities as of 31 March 2017 amounted to Rs.2,590.4 million (U.S.$39.95 million).

Notes:

(1) Current liabilities are liabilities payable within the 12 months following 31 March 2017.

(2) U.S. dollar translations have been made using the exchange rate of U.S.$1.00 = Rs.64.8386 as of 31 March 2017, based on the reference rate of the RBI prevailing at that date.

(3) As of 31 March 2017, our authorised capital was Rs.50,000.0 million comprising 5,000 million ordinary shares of Rs.10.00 each, of which 1,974.9 million shares were issued.

(4) There has been no significant change to our total non-consolidated capitalisation and indebtedness since 31 March 2017.

RISK FACTORS

In purchasing the Notes, investors assume the risk that our Company may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in our Company becoming unable to make all payments due. It is not possible to identify all such factors or to determine which factors are most likely to occur, as our Company may not be aware of all relevant factors and certain factors which we currently deem not to be material may become material as a result of the occurrence of events beyond our control. We have identified in this Offering Circular a number of factors which could materially adversely affect our business and ability to make payments due.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO OUR BUSINESS

Our business, and the industry where we profess our business, are dependent on the policies and support of the Government and we are susceptible to changes to such policies and the level of support we receive. If the changes in Government policies are not in favour of our business, then the same are likely to adversely affect our business, financial condition and results of our operations.

We are a Government owned company operating in a regulated industry. Our business and our industry are dependent, directly and indirectly, on the policies and support of the Government in many significant ways, including, the cost of our capital, the financial strength of our borrowers, the management and growth of our business, our industry and our overall profitability.

Historically, we have been able to reduce our cost of capital and reliance on commercial borrowings because of various forms of assistance received from the Government. Currently, we have been receiving tax concessions with respect to certain types of our bonds that enable us to price such bonds at a lower rate of interest than would otherwise be available to us. We also benefit from certain direct tax benefits provided by the Government.

The Government also influences the nature of our business in a number of ways. In particular, the Government establishes the schemes in which we and our borrowers participate. Like any other public sector undertaking, the Government can also influence or determine key decisions about our Company including dividends and the appointment of our Directors. Additionally, the Government may implement policies which may not be consistent with our business objectives. For example, although we intend to continue to diversify our asset portfolio and continue to increase our power generation-related lending activity, our lending capacity is not unlimited and the Government could seek refocusing of our lending capacity on transmission and distribution projects in rural areas.

As the Government regulates the industry in which our borrowers operate, our borrowers may also be significantly impacted by the policies of the Government in a variety of ways. For example, the Government has established a number of schemes and provided incentives that provide benefits to power projects that have enhanced the financial viability of the projects and the financial position of our borrowers. Additionally, the Government has, in the past, assisted us in procuring the repayment of our loans from our borrowers. Furthermore, the growth of our business is dependent upon the continued growth of the power sector and the overall Indian economy, which may significantly be impacted by the policies of the Government. Any unfavourable change in Government policies or any variation in the level of direct or indirect support to us, as provided by the Government, in these or other areas could have a material adverse effect on our business, financial condition and results of our operations.

In November 2015, the Government launched the Ujwal DISCOM Assurance Yojana (**UDAY**), a scheme for the operational and financial turnaround of distribution companies (**DISCOMs**). The scheme aims to improve the operational efficiency of DISCOMs, reduce the cost of power and improve the financial health of DISCOMs by charging reduced interest rates. A significant number of incentives under the UDAY scheme would be beneficial to all DISCOMs and states that opt for it. The UDAY scheme focuses on both liquidity improvement and provides a sharp reduction in losses by lowering the interest burden of DISCOMs. Under the UDAY scheme, state governments, which own the DISCOMs, take over 75 per cent. of the debt as of 30 September 2015, and pay back lenders by selling bonds with lower interest rates. For the remaining 25 per cent. of the debt, DISCOMs issue state-backed bonds, whose interest rates are lower than the rates at which the loans were disbursed to them by our Company. The scheme has resulted in pre-payment and/or re-pricing of our loans provided to companies in the distribution sector. Our inability to redeploy, at similar or higher rates, funds received through prepayments under similar schemes may adversely affect our margins in the near future, which could have a material adverse effect on our business, financial condition and results of our operations.

We have a significant concentration of outstanding loans to certain borrowers and if the loans to these borrowers become non-performing, the quality of our asset portfolio may be adversely affected.

We are a power sector-specific public financial institution. This sector has a limited number of borrowers, primarily comprising public sector utilities (State Power Utilities (**SPUs**) and State Electricity Boards (**SEBs**)), many of which are loss-making and may not have the liquidity to repay their borrowings. Our past exposure has been, and future exposure is anticipated to be, concentrated towards these borrowers.

As of 31 December 2017, we had aggregate loans outstanding to state sector borrowers of Rs.1,913,966.4 million, which constituted about 85.44 per cent. of our total loans outstanding. Historically, state sector utilities have had a relatively weak financial position and have also defaulted on their indebtedness in the past. Consequently, we have had to restructure loans sanctioned to certain SPUs and SEBs, which resulted in our having to reschedule their loans and waive a part of their interest dues because of such restructuring. There can be no assurance that the applicable SEBs and SPUs will be able to perform under the terms of the rescheduled loans.

As of 31 December 2017, our single borrower having the largest amount of outstanding loans accounted for 5.9 per cent. of our total outstanding loans and the borrower group to which we had the largest amount of outstanding loans in the aggregate accounted for 13.34 per cent. of our total outstanding loans. As of 31 December 2017, the top ten individual borrowers to whom we had the largest amount of outstanding loans in the aggregate accounted for 37.6 per cent. of our total outstanding loans and the top ten borrower groups to which we had the largest amount of outstanding loans in the aggregate accounted for 73.26 per cent. of our total outstanding loans. For further details, see the section titled ''*Business*'' in this Offering Circular. In addition to our exposure to borrowers resulting from our outstanding loans, we may also have exposures to borrowers, including the top ten individual borrowers and borrower groups referred to above, in the form of unfunded loan sanctions.

Any negative trends or financial difficulties, particularly among the borrowers and borrower groups to whom we have the greatest exposure, including SEBs and SPUs, could increase the level of non-performing assets (**NPA**) in our portfolio and that may make us unable to service our outstanding indebtedness. For the foreseeable future, we expect to continue to have a significant concentration of loans to certain borrowers, including SEBs and SPUs. Credit losses on the individual borrowers or borrower groups to whom, as well as the projects in respect of which, we have the greatest exposure could have a material adverse effect on our business, financial condition and results of our operations.

Furthermore, as we continue to increase our exposure to generation projects, our individual loan size is expected to increase, thereby increasing our exposure with respect to individual projects.

There are a number of legal and tax-related proceedings involving us. Any unfavourable development in these proceedings or in other proceedings in which we become involved could have a material adverse effect on our business, financial condition and results of operation.

We are involved in certain legal and tax-related proceedings. These proceedings are pending at different levels of adjudication before various courts, tribunals and appellate authorities.

The legal proceedings generally arise because we seek to recover our dues from our borrowers or because customers seek claims against us. The majority of these cases arise in the normal course of business and we believe, based on the facts of the cases and consultation with counsel, that these cases generally do not involve the risk of a material adverse impact on our financial performance. In certain instances, present and former employees have instituted legal and other proceedings against us alleging irregularities. We make necessary provisions when it is probable that an outflow of resources will be required to settle certain obligations arising out of the legal proceedings and a reliable estimate of the amount of the obligation can be made. We determine the amount of necessary provisions based on our estimate of the amount required to settle the obligation at the balance sheet date, supplemented by our experience in similar situations. When there is only a remote risk of loss, we do not recognise a provision nor do we include a disclosure in our consolidated financial statements in relation to such legal proceedings.

Litigation or arbitration could result in substantial costs to, and a diversion of effort by, our Company and/or subject our Company to significant liabilities to third parties. There can be no assurance that the results of such legal proceedings will not materially harm our Company's business, reputation or standing in the market or that our Company will be able to recover any losses incurred from third parties, regardless of whether the Company is at fault. There can be no assurance that losses relating to litigation or arbitration will be covered by insurance, that any such losses would not have a material adverse effect on the results of the Company's business, operations or financial condition, or that provisions made for litigation and arbitration related losses will be sufficient to cover the Company's ultimate loss or expenditure.

For further details, see the section titled ''*Business – Legal Proceedings*'' in this Offering Circular.

Our competitive efficiency is dependent on our ability to maintain a low and effective cost of funds; if we are unable to do, so it could have a material adverse effect on our business, financial condition and results of our operations.

Our ability to compete effectively is dependent on our ability to maintain a low and effective cost of funds. Historically, our access to funds has been enhanced and our cost of funds has been reduced by equity financing and loans received directly from the Government, as well as tax concessions with respect to, and guarantees of, certain types of our bonds and borrowings that enable us to price such borrowings at a lower rate of interest than would have been otherwise available to us. For further details, see the section titled ''*Business*'' in this Offering Circular. Further, competition in our industry depends on, among other things, the on-going evolution of the Government and state government policies relating to the power and finance industries, the entry of new participants into the industry and the extent to which existing participants in our industry seek to expand their exposure to the power sector.

There can be no assurance as to the level of direct or indirect support as may be provided to us by the Government. If there are any unfavourable changes in the policies of the Government in future, the same could materially increase the cost of funds available to us. In particular, the Government has not provided us any direct funding since 2001. Similarly, the Government has not allowed us to issue SLR Bonds since Fiscal 1999. In addition, since January 2007, the Government has limited the amount of our capital gain tax exemption bonds issued under Section 54EC of the Income Tax Act that an individual investor can utilise to offset capital gains to Rs.5.0 million, which has reduced the amount of bonds that we have been able to offer for subsequent periods. Consequently, our dependency on funding from debt capital markets and commercial borrowings has increased significantly. Further, the allocation of amount in respect of tax-free bonds is subject to the CBDT notification issued by the Ministry of Finance (the **MoF**) and we may not be able to issue such bonds prospectively. As a result of these and other factors, our Company's cost of funds, during nine months ended on 31 December 2017 was 7.79 per cent. which may increase during subsequent periods. While we generally have been able to pass the increased cost of funds onto our customers over this period, we may not be able to continue to do so in future. In particular, financially stronger SPUs and private sector borrowers may seek to source their funds directly from the market if our loan products are not competitively priced and where our ability to price our products depends on our cost of capital.

Our ability to continue to obtain funds from the debt capital markets and through commercial borrowings on acceptable terms will depend on various factors including, in particular, our ability to maintain our credit ratings (which are based upon several factors and many of which are beyond our control, including the economic conditions in the power sector and the Indian economy, and the liquidity in the domestic and global debt markets). There can be no assurance as to whether we will be able to maintain our existing ratings or be able to obtain funds on acceptable terms, or at all. Any deterioration of our ratings (if any) could materially increase the cost of funds available to us, particularly from debt capital markets and commercial borrowings. Furthermore, certain of our existing commercial borrowings require us to pay increased rates of interest and/or to repay the loan in its entirety in the event of a ratings downgrade. Our borrowing costs have been competitive in the past due to direct and indirect benefits, including financing we have received from the Government in future and as a result of our strong credit ratings, which may also be dependent on our relationship with the Government. If we are unable to access funds at an effective cost that is comparable to, or lower than, our competitors, whether due to a change in the Government's policy, a reduction in our credit rating or due to other factors, we may not be able to offer competitive interest rates to our borrowers. This is a significant challenge for our Company, as there are limits to the extent to which higher costs of funds can be passed on to borrowers, thus potentially affecting our Company's net interest income. All of the above factors could adversely affect our profitability and growth and which in turn would have an adverse effect on our business, financial condition and results of operations.

If we are unable to maintain a low effective cost of funds, we may be unable to competitively price our loans. Accordingly, we may not be able to maintain the profitability or growth of our business, which could have a material adverse effect on our business, financial condition and results of operations.

Our statutory auditors have made an observation in their annexure to auditor's reports on our audited financial statements for Fiscal 2016.

Our statutory auditors have made certain observations in their annexure to the auditors' reports on our audited financial statements for Fiscal 2016 and included a matter of emphasis in the auditors' reports on our audited financial statement for Fiscal 2016. Please see the Independent Auditors' Report on standalone financial statements for Fiscal 2016, note no. 11.2.7 and note no. 13.2.7 of our Company's consolidated financial statements for Fiscal 2016, on pages F-190 and F-249 of this Offering Circular, respectively.

Our Company could be subject to similar observations in the future, which could have material adverse impact on our financial conditions, profitability, operations and profit.

We may face asset liability mismatches, which could affect our liquidity and consequently have a material and adverse effect on our business, financial performance and results of operations.

We may face potential liquidity risks due to varying periods over which our assets and liabilities mature. We currently fund our business in significant part through the use of borrowings that have shorter maturities than the maturities of all of our new substantial loan assets. In particular, in recent years we have obtained funding through the issuance of capital gain tax exemption bonds issued under Section 54EC of the Income Tax Act. These bonds are subject to tax concessions for the benefit of bondholders that enable us to price such bonds at a lower rate of interest than would otherwise be available to us and thereby reduce our cost of capital. However, these bonds require a holding period of three years from the date of allotment for the bondholders to receive the benefit of these tax concessions and are automatically redeemed at the end of three years from allotment. On 1 February 2018, the MoF approved the extension of the holding period of capital gain tax exemption bonds from three years to five years. For additional information with respect to our issuances of long-term tax exemption bonds issued under Section 54EC of the Income Tax Act, see the section titled ''*Business*'' in this Offering Circular. Our term loans, which constitute the largest component of our loan assets, typically have a maturity of more than ten years. As of 31 March 2017, we had long-term borrowings outstanding of Rs.1,675,173.9 million, which constituted 84.5 per cent. of our outstanding long term loan assets. Additionally, our other financial products may have maturities that exceed the maturities of our borrowings.

Furthermore, our Company's inability to effectively manage our funding requirements and the financing our Company provides may also be aggravated if our Company's borrowers pre-pay or are unable to repay any amount due under the financing facilities granted by our Company. Our Company's asset-liability management framework categorises all interest rate sensitive assets and liabilities into various time period categories according to contracted residual maturities or anticipated re-pricing dates, as maybe relevant in each case. The difference between the value of assets and liabilities maturing, or being re-priced, in any time period category provides the measure to which our Company is exposed to the risk of potential changes in the margins on new or re-priced assets and liabilities. Despite the existence of such measures, our Company's liquidity position could be adversely affected by the development of an asset-liability mismatch, which could have a material adverse effect on our Company's business, prospects, results of operations and financial condition. To the extent we fund our business through the use of borrowings that have shorter maturities than the loan assets we disburse, our loan assets will not generate sufficient liquidity to enable us to repay our borrowings as they become due, and we will be required to obtain new borrowings to repay our existing indebtedness. There can be no assurance that new borrowings will be available on favourable terms or at all. In particular, we are increasingly reliant on funding from debt capital markets and commercial borrowings. The market for such funds is competitive and our ability to obtain funds on acceptable terms will depend on various factors including, in particular, our ability to maintain our credit ratings, which are based upon several factors, many of which are outside our control including the economic conditions in the power sector and the Indian economy, and the liquidity in the domestic and global debt markets.

Any inability to obtain new borrowings, on favourable terms or otherwise, may negatively impact the profitability and growth of our business, which could have an adverse effect on our business, financial condition and results of operations.

If we are unable to manage our growth effectively, our business and financial results could be adversely affected.

Our business has experienced meaningful growth in scope and size since we began operations in 1969. We began financing projects outside the area of rural transmission and distribution much later in our Company's history. Since 2001, funding for generation projects has constituted an increasingly larger portion of our business. The size of the projects that we finance has increased. Further, in its letter dated 17 September 2010, the RBI has further categorised us as an infrastructure finance company (**IFC**). As a result, our Company can now increase its exposure to private sector borrowers.

We intend to continue to grow our business in both scope and size, particularly with respect to generation projects, which could place significant demands on our operational, credit, financial and other internal risk controls. In addition, in September 2009, our mandate was further extended to include financing other activities with linkages to power projects, such as coal and other mining activities, fuel supply arrangements for the power sector and other power-related infrastructure.

We expect that our asset growth will be primarily funded by the issuance of new debt. We may have difficulty in obtaining funding on attractive terms. Adverse developments in the Indian credit markets, such as increases in interest rates, may increase our debt service costs and the overall cost of our funds and impair our ability to manage our recent growth or to continue to grow our business.

Any inability to manage our growth effectively could have a material adverse effect on our business, financial condition and results of operations. Furthermore, because of our recent growth and the long gestation period for power sector investments, our historical financial statements may not be an accurate indicator of our future financial performance.

We are currently engaged in foreign currency borrowings and we are likely to do so at increased levels in the future, which will expose us to fluctuations in foreign exchange rates and if we are unable to hedge the risk effectively, it could adversely affect our business, financial condition and results of operations.

As of 31 December 2017, we had foreign currency borrowings outstanding equal to Rs.249,330.0 million out of which 32.15 per cent. of our total borrowings are unhedged. We are likely to obtain additional foreign currency borrowings in the future. Although we believe that our foreign currency hedging with respect to our existing foreign currency borrowings is effective, there can be no assurance that it will remain effective or that we will enter into effective hedging with respect to any new foreign currency borrowings. We expect to increase our foreign currency borrowing in the future and therefore may be further exposed to fluctuations in foreign currency rates. Volatility in foreign exchange rates and our inability, if any, to hedge the risk effectively could adversely affect our business, financial condition and results of operations.

We are susceptible to the volatility in interest rates in our operations and therefore may be adversely affected due to the fluctuation in interest rates.

We are susceptible to the volatility in interest rates in our operations. Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political and other conditions and other factors. Due to these factors, interest rates in India have historically experienced, and may continue to experience, a relatively high degree of volatility.

A substantial portion of our loan assets, including all of our long-term loans, permits the borrowers to seek re-pricing of their loans after three or ten years. As of 31 December 2017, we had long-term loan assets outstanding of Rs.2,186,737.7 million. When interest rates decline, our borrowers may increasingly seek re-pricing of our loans to them based on the terms of their loan agreements or due to commercial considerations resulting from competitive conditions, which would result in us realising a lower rate of return on our capital committed to the re-priced loans and would adversely affect our profitability, particularly if we did not have the ability to re-price our borrowings. Additionally, if we are unable or unwilling to competitively re-price our loans, we may have to face greater levels of prepayments on our loans. In a decreasing interest rate environment, prepayments may also result in a lower rate of return because we may not be able to redeploy the capital in assets yielding similar rates of return, and any prepayment premium we receive may not fully offset these lower rates of return.

When interest rates rise, we may be more susceptible to such increases than our competitors that have access to lower cost funds, particularly if we have a higher portion of floating rate borrowings or borrowings with shorter durations than that of our competitors.

Further, most of our borrowings are fixed rate borrowings and in a falling interest rate scenario, this may impact our results of operations and financial condition.

Our Company’s results of operations are therefore dependent on various factors that are indirectly affected by the prevailing interest rate and lending environment, including disbursement and repayment schedules for our Company’s loans, the terms of such loans including interest rate reset terms as well as the currency of such loans and any exchange gains or losses relating thereto. In addition, the value of any interest rate hedging instruments our Company may enter into in the future may be affected by changes in interest rates. There can be no assurance that our Company will be able to adequately manage our interest rate risk and be able to effectively balance the proportion and maturity of our interest earning assets and interest bearing liabilities in the future.

Our treasury operations are also susceptible to volatility in interest rates and any adverse movement in interest rates, though not quantifiable, may adversely impact the value of our treasury operations, and consequently may have an adverse effect on our business prospects, financial condition and results of operations.

The Government holds a majority of our Shares and therefore it can determine the outcome of shareholder voting and influence our operations.

As of 31 December 2017, the Government owns 58.32 per cent. of our paid-up share capital. Consequently, the Government, acting through the MoP, will continue to control us and will have the power to elect and remove our directors and therefore determine the outcome of most of our proposals for corporate action requiring approval of our Board or shareholders, including with respect to the payment of dividends. The Government may take or block actions with respect to our Company's business, which may conflict with our Company's interests or the interests of our Company's minority shareholders. In addition, as long as the Government continues to exercise control over our Company, it may influence the material policies of our Company in a manner that could conflict with the interest of our Company's other shareholders and creditors and may take positions with which our Company or our Company's other shareholders and creditors may not agree. In addition, the Government influences our operations through its various departments and policies. Under our Articles of Association, the Government may issue directives with respect to the conduct of our business or our affairs or impose other restrictions on us. In particular, given the importance of the power industry to the economy, the Government could require us to take actions designed to serve the public interest in India and not necessarily to maximise our profits.

The Government may sell all or part of its shareholding in us that may result in a change in control of our Company.

While the Government's shareholding in our Company equals or exceeds 51.00 per cent., we will continue to be classified as a government company and will be subject to various regulations, regulatory exemptions and benefits generally applicable to public sector companies in India. As of the date of this Offering Circular, there is no legislation that places a mandatory requirement on the Government to hold a minimum 51.00 per cent. shareholding in us. Therefore the Government may sell all or part of its shares in our Company, which may result in a change in control of our Company and which may, in turn, disqualify us from benefiting from certain regulatory exemptions and other benefits that may be applicable to our Company due to us being a public sector company. If a change of control were to occur, we cannot assure investors that we will have sufficient funds available at such time to pay the purchase price of any outstanding Notes, as the source of funds for any such purchase will be its available cash or third party financing which we may not be able to obtain at the time.

We take advantage of certain tax benefits available to us as a lending institution. If these tax benefits were reduced or are no longer available to us, it would adversely affect our profitability.

We have received, and we are currently receiving, certain tax benefits by virtue of our status as a lending institution, including as a result of our lending within the infrastructure sector, which have enabled us to reduce our effective tax rate. For Fiscal 2015, Fiscal 2016 and Fiscal 2017, our Company's effective tax liability as a percentage (computed by dividing our Company's current standalone tax by profit before tax, according to our Company's standalone financial statements) was 30.05 per cent., 30.80 per cent. and 29.41 per cent., respectively, compared to statutory corporate tax rates (including surcharge and cess) of 33.99 per cent., 34.61 per cent. and 34.61 per cent. in Fiscal 2015, Fiscal 2016 and Fiscal 2017, respectively. The availability of these tax benefits is subject to the policies of the Government, among other things, and there can be no assurance as to the amount of tax benefits that we will receive in the future, if any.

If the laws or regulations regarding these or other tax benefits were to change further, our taxable income and tax liability may increase, which may adversely affect our financial condition and results of operations.

We may not have obtained sufficient security and collateral from our borrowers, or we may not be able to recover or enforce, or there may be a delay in recovering or enforcing, the expected value from any security and collateral.

We have historically granted certain loans to our borrowers where the value of the security for the loan may be less than the amount of the loan, where we have funded the loan prior to obtaining security or where the loans have been granted without security. As of 31 March 2017, we had total loan assets outstanding of Rs.2,019,286.8 million, of which Rs.1,702,010.9 million, or 84.3 per cent., were secured by charges on assets, Rs.251,555.0 million, or 12.5 per cent. which were backed by way of state government guarantee including loans to state governments and Rs.65,720.9 million, or 3.3 per cent., were unsecured loan assets. Although legislation in India is now effective enough to strengthen the rights of creditors to obtain faster realisation of collateral in the event of loan default, we may nonetheless not be able to realise the full value of our collateral due to certain factors, including delays occasioned by the fact that the loan was granted by us as a part of consortium of lenders or delays in us taking immediate action in bankruptcy foreclosure proceedings, market downturns that affect the value of the collateral, defects in the perfection of collateral and fraudulent transfers by borrowers. Further, upon the occurrence of certain events, a specialised regulatory agency may obtain jurisdiction over the assets of our borrowers, which may delay actions on behalf of the borrower's creditors. Any failure to recover the expected value of collateral security could expose us to a potential loss.

The RBI from time to time provides circulars and directions with respect to corporate debt restructuring, and the resolution of stressed assets for banks and NBFCs well as revisions to the framework and directions in respect of identification of stressed assets, implementation of resolution plans, permitted methods, conditions and timing of restructuring or resolution of assets, prudential norms and supervisory review by the RBI as well as enforcement under the insolvency or other laws of India. In situations where other lenders own more than a requisite specified percentage of the debt of one of our borrowers, we could be required by the other lenders to agree to restructure the debt or take enforcement proceedings, regardless of our preferred method of settlement. We may also be a part of a syndicate of lenders wherein the majority elect to pursue a different course of action than the course of action favourable to us, whether or not such debt is subject to the RBI guidelines. Any such debt restructuring or enforcement could lead to an unexpected loss that could adversely affect our business, financial condition and results of operations.

The escrow account mechanism for the payment obligations of our state sector borrowers may not be effective, which may reduce our recourse in the event of defaulted loans and could have a material adverse effect on our business, financial condition and results of operations.

We have a mechanism of creating escrow accounts with most of our borrowers in the state sector. This mechanism provides that certain predetermined amounts from the payments received by such borrowers from their respective customers are deposited in an escrow account. The deposited amount is available for use by the borrower, except in the case of a default on account of non-payment to us by the borrower. In such case, the escrow agent is required to make the default amount available to us on our demand.

The escrow agreement mechanism is effective only if the customers of our borrowers, including DISCOMs and end users of power (such as power traders, industrial, commercial, household and agricultural consumers) make payment to our borrowers and such payment is deposited into the escrow facilities in an amount sufficient to repay the borrower's obligations to us. We do not have any arrangement in place to ensure that this occurs, which limits the effectiveness of the escrow mechanism. In the event the customers of our borrowers do not make payments to our borrowers, the escrow mechanism will not ensure the timely repayment of our loans, which may adversely affect our business, financial condition and results of operations. In addition, as our Company diversifies our loan portfolio and enters into new business opportunities, our Company may not be able to implement such or similar quasi-security mechanisms or arrangements and there can be no assurance that even if such mechanisms and arrangements are implemented, they will be effective.

We have granted loans to the private sector on a non-recourse or limited recourse basis, which may increase the risk of non-recovery and could expose us to significant losses.

As of 31 December 2017, Rs.326,171.3 million, or 14.56 per cent., of our loans assets outstanding were to borrowers that are private sector power utilities (including project-specific special purpose vehicles). Our exposure to private sector power utilities may increase in the future. The ability of private sector power utility borrowers and in particular project-specific special purpose vehicles to perform their obligations will depend primarily on the financial condition of the projects, which may be affected by many factors beyond the borrowers' control, including competition, as well as other risks such as those relating to operating costs and regulatory issues. If borrowers with non-recourse or limited recourse loans were to be adversely affected by these or other factors and were unable to meet their obligations, the value of the underlying assets available to repay the loans may be insufficient to pay the full principal and interest on the loans, which could expose us to significant losses. Any significant losses could have an adverse effect on our business, financial condition and results of operations.

Certain SEBs which were our borrowers have been restructured and we may not have transferred the liabilities associated with our loans to the newly formed entities, which may affect our ability to enforce the applicable provisions of the original loan agreements.

We have granted certain long-term loans to various SEBs of various states. Pursuant to amendments in the Electricity Act, the state governments of these states have restructured their SEBs into separate entities formed for the generation, transmission and/or distribution of electricity. As part of the restructuring, all liabilities and obligations of a restructured SEB were transferred by a notification process to the applicable state government, which in turn transferred them to the newly formed, state government-owned transmission, distribution and/or generation companies. However, under the restructuring notification, the transfer of liabilities and obligations under loans granted by us is to be documented by a transfer agreement between our Company, the applicable state government and the applicable newly formed company. Although we have entered into transfer agreements with the separate entities formed as a result of the restructuring of the certain SEBs, we are yet to execute transfer agreements with the separate entities formed as a result of the restructuring of the SEBs of certain states. There can be no assurance that we will be able to enter into transfer agreements within a reasonable period to ensure that the terms of our original loan agreements will continue with the new entities.

Our contingent liabilities could adversely affect our financial condition.

As of 31 March 2017, our Company had, on a standalone basis, non-funded contingent liabilities not provided for of Rs.2,590.4 million (as disclosed in our standalone financial statements) as follows:

	Contingent liabilities not provided for	**Amount (Rs. in million)**
Contingent Liabilities not provided for in respect of:		
(a)	Claim against the Company not acknowledged as debts	856.8
(b)	Others	
	– Letters of Comfort	1,733.6
Total	....	2,590.4

Note:

(1) We have issued letters of comfort (**LoCs**) to some of our borrowers against loan amounts sanctioned to them. These LoCs are basically used by borrowers to give comfort to LC issuing banks for procurement of power equipment or otherwise similar facilities during execution of contracts.

If these contingent liabilities were to fully materialise or materialise at a level higher than we expect, our financial condition could be adversely affected. For further details on our contingent liabilities, see the section titled ''*Index to Financial Statements*'' of this Offering Circular.

Our cash flow reflects negative cash flows from operations in view of presentation of borrowings and lending in different categories. There is no assurance that such negative cash flow from operations shall not recur in future Fiscal periods and in case it recurs then it may adversely affect our business.

In view of the opinion of a committee of the Institute of Chartered Accountants of India, our outward cash flows relating to disbursement of loans and advances (net of any repayments we receive) is reflected in cash flow from our operating activities whereas the inward cash flows from external funding taken (net of any repayments of such funding) to disburse these loans and advances are reflected in our cash flows from financing activities. Consequently, cash flow of our Company (on a standalone basis) reflects negative net cash flow from operating activities of Rs.239,917.7 million, Rs.132,049.6 million for Fiscal 2015 and Fiscal 2016, respectively. However, if we classify both borrowings as well as lending under cash flow from operating activities, the said position may not remain the same. The cash flow for Fiscal 2017 reflects positive net cash flow from operating activities of Rs.67,941.9 million, owing to pre-payments under UDAY. For further details on our Company's standalone cash flows, see the section titled "*Index to Financial Statements*" of this Offering Circular.

Our success depends largely upon our management team and skilled personnel. Our ability to attract and retain such persons and disassociation of our key personnel could adversely affect our business and our ability to pursue our growth strategies.

Our future performance depends on the continued service of our experienced management team and skilled personnel. We also face a continuous challenge to recruit and retain a sufficient number of suitably skilled personnel, particularly as we continue to grow our business. There is competition for management and other skilled personnel in our industry, and it may be difficult for us to attract and retain the personnel we need in the future. The loss of key personnel, or our inability to attract and retain new personnel, may have an adverse effect on our business, results of operations, financial condition and our ability to grow.

Our borrowers' insurance of assets may not be adequate to protect them against all potential losses to which they may be subject, which could affect our ability to recover the loan amounts due to us from them.

The terms and conditions of our loan agreements require our borrowers to maintain insurance on their charged assets as collateral for the loan granted by us. However, we have not historically monitored our borrower's compliance with their obligation to maintain insurance. Our borrowers may not have the required insurance coverage, or may not renew the insurance policies, or the amount of insurance coverage may be less than the replacement cost of the relevant assets and therefore the amount of insurance coverage may be insufficient to cover all financial losses that our borrowers may suffer as a result of any uninsured event. In the event the assets charged in our favour are damaged or our borrowers otherwise suffer a loss because of insufficient insurance to offset the borrower's losses, it may affect our ability to recover the loan amounts due to us from the borrower.

We are subject to restrictive covenants under our credit facilities that limit our flexibility in managing our business. Such restrictive covenants may restrict our operations or ability to expand and may adversely affect our business.

There are restrictive covenants in the agreements we have entered into with certain banks and financial institutions for our borrowings. These restrictive covenants require us to maintain certain financial ratios, our existing credit rating and to seek the prior permission of these banks and financial institutions for various activities, including, among others, change in capital structure, issue of equity, preferential capital or debentures, raising any deposits, selling or transferring any part of our business, effecting any scheme of acquisition, merger, amalgamation or reconstitution, implementing a new scheme of expansion or creation of a subsidiary. Such restrictive covenants may restrict our operations or ability to expand and may adversely affect our business. Further, these restrictive covenants may also affect some of the rights of our shareholders, including the payment of the dividends in case of any default in debt to such lenders. Additionally, these banks and financial institutions also have the powers to appoint a nominee director on our Board, with the prior approval of the Government, in case of any default on our part in payment of interest or principal towards some of our borrowings. Furthermore, we may not have received the consent from some of our lenders for raising new loans or debentures.

The power sector financing industry is becoming increasingly competitive and our profitability and growth will depend on our ability to compete effectively and maintain a low effective cost of funds so as to maintain our interest income and grow our portfolio of assets.

Our interest rate margins are determined by the cost of our funding relative to the pricing of our loan products. The cost of our funding and the pricing of our loan products are determined by a number of factors, many of which are beyond our control. Our cost of funds raised during Fiscal 2017 is 8.13 per cent. However, we may not be able to maintain the same during subsequent periods without raising funds from debt market through various concessional debt issues. While we have generally been able to pass on the increased cost of funds to our customers over this period, we may not be able to continue to do so in future. In the event we were to suffer a decline in interest rate margins, we would be required to increase our lending activity in order to maintain our then current profit level. However, there can be no assurance that we will be able to do so and we may suffer reduced profitability or losses. In the event our interest rate margins decrease, the same may adversely affect our business, financial condition and results of operations.

In addition, competition in our Company's industry depends on, among other factors, the ongoing evolution of the Government policies relating to the industry, the entry of new participants into the industry and the extent to which there is consolidation among banks, financial institutions and NBFCs in India. Our Company's primary competitors are public sector infrastructure finance companies, public sector banks, private banks (including foreign banks), financial institutions and other NBFCs. Many of our Company's competitors may have larger resources or balance sheet sizes than our Company and may have considerable financing resources. In addition, since our Company is a non-deposit taking NBFC, our Company may have restricted access to funds in comparison to banks and deposit taking NBFCs. Our growth will depend in large part on our ability to respond in an effective and timely manner to the said competitive pressures. In particular, the Electricity Act provides for opportunities in the private sector involvement in the Indian power sector.

Many of our existing and future competitors may have greater and more inexpensive resources than we do. Therefore, our ability to compete effectively is dependent on our ability to maintain a low effective cost of funds.

Power projects carry certain risks that, to the extent they materialise, could adversely affect our business, financial condition and results of operations.

Our business mainly consists of lending to power sector projects in India. Power sector projects carry project-specific as well as general risks. These risks are generally outside of our control and include:

- non-conversion of letter of assurance and/or Memorandum of Understanding by coal suppliers into binding fuel supply agreement;
- delays in development of captive coal mines;
- political, regulatory, fiscal, monetary and legal actions and policies that may adversely affect the viability of projects to which we lend;
- changes in government and regulatory policies relating to the power sector;
- delays in construction and operation of projects to which we lend;

- adverse changes in demand for, or the price of, power generated or distributed by the projects to which we lend;
- the willingness and ability of consumers, aggregators or DISCOMs to pay for the power produced by projects to which we lend;
- shortages of, or adverse price developments for, raw materials and key inputs for power production including domestic and imported coal and natural gas;
- delays in inviting bids for procurement of power by state sector state power utilities and DISCOMS;
- delay in obtaining forest clearance, land acquisition, right of way clearance and other relevant clearances;
- adverse geological conditions;
- effectiveness of current technology and its obsolescence in renewable energy;
- increased project costs due to environmental challenges and changes in environmental regulations;
- potential defaults under financing arrangements of project companies and their equity investors;
- failure of co-lenders with us under consortium lending arrangements to perform on their contractual obligations;
- failure of third parties such as contractors, fuel suppliers, sub-contractors and others to perform their contractual obligations in respect of projects to which we lend;
- adverse developments in the overall economic environment in India;
- adverse fluctuations in liquidity, interest rates or currency exchange rates;
- economic, political and social instability or occurrences of events such as natural disasters, armed conflict and terrorist attacks, particularly where projects are located or in the markets they are intended to serve;
- delays in the implementation of Government policies and initiatives;
- environmental concerns and environmental regulations applicable to power sector projects that our Company finances, including, for example, relevant coal mining areas being classified as "no-go" areas;
- extent and reliability of power sector infrastructure in India;
- strikes, work stoppages or increased wage demands by employees or any other disputes with employees that affect the project implementation schedule or operations of the projects that our Company finances;
- disruption of projects due to explosions, fires, earthquakes and other natural disasters, breakdown, failure or substandard performance of equipment, improper installations or operation of equipment, accidents, operational problems, transportation interruptions, other environmental risks and labour disputes;
- changes in credit ratings of our Company's borrowers affecting their ability to finance projects;

- failure to supply power to the market due to unplanned outages of any projects that our Company finances, failure in transmission systems or inter-regional transmission or distribution systems;
- inherent risk relating to signing, execution and honouring of power purchase agreements and non-permissibility of pass through or escalation in the cost in the dynamic environment;
- rehabilitation, resettlement and local public agitation on project sites/resources;
- low demand and power offtake, resulting in non-conformity with the agreed power purchase agreement and/or power sale agreement signed with DISCOMs;
- the low selling price of merchant power; and
- constraints in power transmission corridors.

Power sector projects may be exposed to unplanned interruptions caused by catastrophic events such as floods, earthquakes, fires, major plant breakdowns, pipeline or electricity line ruptures or other disasters. Operational disruption, as well as supply disruption, could adversely affect the cash flows available from these projects. Furthermore, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged interruption may result in a permanent loss of customers, substantial litigation or penalties and/or regulatory or contractual non-compliance. To the extent these or other risks relating to the power projects we finance materialise, the quality of our asset portfolio and our profitability may be adversely affected. Furthermore, as we continue to increase our exposure to generation projects, our individual loan size is likely to increase in size, thereby increasing our exposure with respect to individual projects. Accordingly, the potential for adverse effects on our business, financial condition and results of operations may arise in the event these risks relating to the power projects we finance were to materialise.

Negative trends in the Indian power sector or the Indian economy could adversely affect our business, financial condition and results of operations.

We were founded with the objective of developing the power infrastructure in rural areas. For the foreseeable future, we expect to continue to be a sector-specific public financial institution with a focus on the Indian power sector. Any negative trends or financial difficulties in the Indian power sector could adversely affect our business and financial performance.

We believe that the further development of India's power sector is dependent on regulatory framework, policies and procedures that facilitate and encourage private and public sector investment in the power sector. Many of these policies are evolving and their success will depend on whether they properly address the issues faced and are effectively implemented.

Additionally, these policies will need continued support from stable and experienced regulatory regimes throughout India that not only stimulate and encourage the continued movement of capital into power development, but also lead to increased competition, appropriate allocation of risk, transparency and more efficient power supply and demand management to the end consumer.

The allocation of capital and the continued growth of the power sector are also linked to the continued growth of the Indian economy generally. In particular, the growth of the power industry will be affected by consumers' income levels and the extent to which they would be willing to pay or can be induced to pay for power.

If the central and state governments' initiatives and regulations in the power sector do not proceed to improve the power sector as intended, or if there is any downturn in the macroeconomic environment in India or in the power sector, our business, financial condition and results of operations could be adversely affected.

Additionally, it is generally believed that demand for power in India will increase in connection with expected increases in India's GDP. However, there can be no assurance that demand for power in India will increase to the extent we expect, or at all. In the event demand for power in India does not increase as we expect, the extent to which we are able to grow our business by financing the growth of the power sector would be limited and this could have a material adverse effect on our business, financial condition and results of operations.

Material changes in the regulations that govern us and our borrowers could cause our business to suffer.

Our Company is under the administrative control of the MoP. We are regulated by the Companies Act and some of our activities are subject to supervision and regulation by statutory authorities including the RBI, SEBI and the Stock Exchanges. For details, see the section titled ''*Regulations and Policies*'' in this Offering Circular. Additionally, our borrowers in the power sector are subject to supervision and regulation by the Central Electricity Regulatory Commission (**CERC**) and State Electricity Regulatory Commission (**SERC**). Further, we are subject to changes in Indian law, as well as to changes in regulation and government policies and accounting principles. We also receive certain benefits and take advantage of certain exemptions available to our classification as a public financial institution u/s 2 (72) of the Companies Act and as an IFC NBFC – ND SI.

The statutory and regulatory framework for the Indian power sector has changed in many important ways in recent years and the impact of these changes is yet to be seen. The Electricity Act provides for a framework for reforms in the sector. There could be additional changes in the manner of determination of tariff and other policies and licensing requirements for, and tax incentives applicable to, companies in the power sector. Presently, our Company is not aware of the nature or extent of any future review and amendment of the Electricity Act and rules and policies issued thereunder, and it is possible that any amendments may have an adverse impact on our Company's business, financial condition and results of operations.

For further details on the Electricity (Amendment) Bill, 2014, please see the section titled ''*Regulation and Policies*''. The above laws and other regulations governing our borrowers and our Company could change in the future and any such changes could adversely affect our business, financial condition and results of operations.

We may fail to obtain certain regulatory approvals in the ordinary course of our business in a timely manner or at all, or to comply with the terms and conditions of our existing regulatory approvals and licences, which may have a material adverse effect on the continuity of our business and may impede our effective operations in the future.

We usually require certain regulatory approvals, sanctions, licences, registrations and permissions for operating our businesses. We may not receive or be able to renew such approvals in the time frames anticipated by us or at all, which could adversely affect our business. If we do not receive, renew or maintain such regulatory approvals required to operate our business, the same may have a material adverse effect on the continuity of our business and may impede our effective operations in the future. Additionally, any historical or future failure to comply with the terms and conditions of our existing regulatory or statutory approvals may cause us to lose or become unable to renew such approvals.

We have been granted exemption from the applicability of certain prudential norms by the RBI. We cannot assure you that such exemption shall continue to be granted by the RBI which may affect our business.

Based on paragraph No. 2 (3) of the RBI's Master Directions on Non-Banking Financial Company Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 (the Systemically Important NBFC Directions), our Company, being a government company, continues to be exempted from the applicability of Systemically Important NBFC Directions. However, the RBI, in its letters dated 25 July 2013 and 4 April 2014, has conveyed to our Company that it shall comply with the prudential norms of the RBI by 31 March 2016 and follow the instructions contained in the RBI circular dated 23 January 2014 issued in its Notification No. DNBS (PD) No. 271/CGM (NSV)-2014, in respect of restructuring of assets. Subsequently, the RBI, in its letter dated 11 June 2014, has allowed an exemption to our Company from the RBI restructuring norms until 31 March 2017, for its transmission and distribution, renovation and modernisation and life extension projects and also the hydro projects in the Himalayan region or affected by natural disasters. In accordance with clarification from RBI dated 10 August 2017, transmission, distribution, renovation and modernisation and life extension projects as well as the hydro projects in Himalayan region or affected by natural disaster will be regulated by RBI restructuring norms with effect from 1 April 2017. Further, in response to our Company's letter dated 13 May 2016, RBI by its letter No. DNBR.PD.CO.No. 2184/03.10.001/2015-16 dated 16 June 2016, has exempted our Company, from applicability of RBI's concentration of credit or investment norms, in respect of its exposure to Central or State Government entities up to 31 March 2022.

The RBI, in its letter dated 17 September 2010, had categorised our Company as an IFC according to the instructions contained in the Systemically Important NBFC Directions. As an IFC, the total permissible exposure for lending in the private sector is 25 per cent. of owned funds, in the case of single borrower, and 40 per cent. in the case of a single group of borrowers and exposure for lending and investing taken together can be up to 30 per cent. and 50 per cent. of owned funds, respectively. Our Company is also required to maintain a capital to risk weighted assets ratio (**CRAR**) of 15 per cent. (with a minimum Tier I capital of 10 per cent.). Accordingly, we have modified the prudential norms with the approval of our Board on 25 September 2010. In view of the exemption granted by the RBI through the letter dated 16 June 2016, to our Company from concentration norms in respect of exposure to central and state entities in the power sector until 31 March 2022, our maximum credit exposure limits to such utilities varies from 50 per cent. to 250 per cent. of our net worth, depending on the entity appraisal and status of unbundling of the respective state utilities.

If the RBI does not extend the exemptions as mentioned above, we may have to comply with the prevailing RBI prudential norms with respect to restructuring and exposure norms which may affect our business and profitability.

We are required to follow revised provisions of the RBI prudential norms for the classification of assets under the NPA category. Following such provisions may adversely affect the profitability of our business.

Based on the Systemically Important NBFC Directions, the RBI, in the interest of harmonising the asset classification norms for NBFCs, has in a phased manner changed the criteria for classification of NPAs from overdue for a period of ‘six months or more’ to ‘three months or more’. The period of ‘six months or more’ shall be ‘five months or more’ for the financial year ended 31 March 2016, ‘four months or more’ for the financial year ending 31 March 2017 and ‘three months or more’, for the financial year ending 31 March 2018 and thereafter. Our Company had approached the RBI for an exemption until 31 March 2017 from the applicability of these directions in respect of all existing loans. The RBI, in its letter dated 5 October 2015, has granted an exemption from the foregoing. Thus, all existing loans as of 31 March 2015 may continue to be regulated by our existing asset classification norms for NPAs of 180 days until 31 March 2017. However, for all new loans sanctioned, including loans sanctioned under consortium with effect from 1 April 2015, our Company shall follow the asset classification norms for NPAs as prescribed under the Systemically Important NBFC Directions. Accordingly with effect from 1 April 2017, our Company is following the revised norms of three months for classifying assets as NPA.

The implementation of the above revised provisions for recognition of a loan as an NPA may adversely affect the future profitability of our business. If our Company is not able to prevent increases in the level of our NPAs, our Company’s business and future financial condition could be adversely affected.

We are subject to stringent labour laws and trade union activity and any work stoppage could have an adverse material effect on our business, financial condition and results of operations.

India has stringent labour legislation, which protects the interests of workers, including legislation which sets forth detailed procedures for employee removal, dispute resolution and imposes financial obligations on employers upon employee layoffs. This makes it difficult for us to maintain flexible human resource policies, discharge employees or downsize, which although not quantifiable, may adversely affect our business and profitability.

Moreover, we are one of the few Government enterprises which have a registered trade union under the Indian Trade Unions Act, 1926. Although we consider our relations with our unionised employees to be stable and have not lost any time on account of strikes or labour unrest as of the date of this Offering Circular, our failure to effectively renegotiate wage revisions or other legitimate union activity could result in work stoppages. Any such work stoppage, though not quantifiable, could have an adverse effect on our business, financial condition and results of operations.

Some of our immovable properties may have certain irregularities in title, as a result of which our operations may be impaired.

We own or lease properties for the purposes of our offices (registered office, corporate office and project offices) and for residential purposes for our employees. Some of these properties may not have been constructed or developed in accordance with local planning and building laws and other statutory requirements. In addition, there may be certain irregularities in title in relation to some of our owned or leased properties. For example, some of the agreements for such arrangements may not have been duly executed and/or adequately stamped or registered in the land records of the local authorities or the lease deeds may have expired or are yet to be renewed. Our business may be adversely affected if we are unable to continue to utilise these properties as a result of any irregularity of title or otherwise.

Further, the registration of conveyance deed with respect to the land acquired by our Company for the purpose of a construction staff colony at sector 57, Gurugram, Haryana is yet to be executed.

We have invested in debt instruments that may carry interest at a lower rate than the prevailing market rate.

As of 31 December 2017, our Company has made investments aggregating to an amount of approximately Rs.26,673.7 million on a standalone basis, of which Rs.19,924.9 million is in debt instruments. While we believe that our debt investments carry interests at prevailing market rates, when invested, these rates can change due to various factors that may affect the value of our investments. Consequently, these instruments may carry interest at a lower rate than the prevailing market rate.

Changes in legislation (including tax legislation) or policies applicable to us could adversely affect our results of operations.

Our business and operations are governed by various laws and regulations. Our business and financial performance could be materially adversely affected by any change in laws or interpretations of existing laws, or the promulgation of new laws, rules and regulations applicable to our business. Unfavourable changes in or interpretations of existing, or the promulgation of new, laws, rules and regulations including foreign investment laws governing our Company's business, operations and group structure may result in our Company being deemed to be in contravention of such laws. The Government or state governments could implement new regulations and policies, which could require us to obtain approvals and licences from the Government and other regulatory bodies or impose onerous requirements and conditions on our operations. Our Company may incur increased costs and other burdens relating to compliance with such new requirements, which may also require significant management time and other resources. Any such changes and the related uncertainties with respect to the implementation of the new regulations as well as any failure to comply may have a material adverse effect on our business, prospects, financial condition and results of operations. Uncertainty in the applicability, interpretation or implementation of any amendment to, or change in, governing law, regulation or policy, including by reason of an absence, or a limited body of administrative or judicial precedent may be time consuming as well as costly for it to resolve and may impact the viability of our Company's current business or restrict its ability to grow its business in the future.

Tax and other levies imposed by the central and state governments in India that affect our Company's tax liability include: central and state taxes and other levies, income tax, stamp duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. Moreover, the central and state tax scheme in India is extensive and subject to change from time to time. Any tax amendments from time to time may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Additional tax exposure could adversely affect our Company's business and results of operations.

At present, our Company has the benefit of the deductions under Sections 36(1) (viia)(c) and 36(1) (viii) of the Income Tax Act. The Government is decreasing the corporate tax rate for the companies over the years, and this process of reduction has to be necessarily accompanied by rationalisation and removal of various kinds of tax exemptions and incentives for corporate taxpayers. Non-availability of deduction under Sections 36(1)(viia)(c) and 36(1)(viii) of the Income Tax Act may increase our tax liability.

We are subject to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**SEBI LODR Regulations**), which was notified by the Securities and Exchange Board of India on 2 September 2015. The SEBI LODR Regulations have brought into effect changes to the framework governing listed companies, including the introduction of certain additional requirements such as the disclosure of material events or information, and making prior notifications of certain proposals to raise funds. The requirement for compliance with such applicable regulations presents a number of risks, particularly in areas where applicable regulations may be subject to varying interpretations. Further, if the interpretations of the regulators and authorities are different, we may be subject to penalties and our business could be adversely affected. Furthermore, to ensure compliance with the requirements of the SEBI LODR Regulations, we may need to allocate additional resources, which may increase our regulatory compliance costs and divert management attention.

With the implementation of GST in India from 1 July 2017, while there is a general expectation of overall reduction in prices and related costs to us (given that 50 per cent. of the GST paid on procurements by us are a cost) in the long run, the said benefits may not accrue immediately. In the short term, given that the GST rates in relation to the value added tax rates have overall been higher in most products, the tax costs to our Company may increase until the base price of products and services are reduced by the vendors (this being on account of the efficiencies accruing to the vendor by introduction of GST). Also, the compliance costs for our Company have overall increased on account of compliances under multiple registrations as against the earlier centralised registration. Separately, where the earlier benefits like deemed exports, concessional rate of duties for power sector are not reinstated in the GST law, the costs for power sector may overall increase entailing higher demand for loans from our Company.

The General Anti-Avoidance Rules (**GAAR**) have been made effective from 1 April 2017. The said rules are a part of the Income Tax Act and are in nature of anti-abuse provisions which denies the tax benefits to the parties involved in the arrangement so entered. The tax consequences of the GAAR provisions being applied to an arrangement could result in denial of tax benefit among other consequences. The monetary limit to invoke GAAR provisions is Rs.30 million per taxpayer in an arrangement. In addition, GAAR provisions cannot be invoked in every case and can be done only after seeking the approval of tax authorities in India. In the absence of any precedents on the subject, the application of these provisions is uncertain. If the GAAR provisions are made applicable, it may have an adverse tax impact on our Company and investors. Further, the provisions of GAAR may restrict the benefits available to a non-resident under the tax treaty entered into by India with such country of which the concerned non-resident is the resident if the tax benefits are not duly addressed by the limitation of benefit clause in the relevant tax treaty.

As the taxation system undergoes changes, the effect of such changes on the financial system may not be determined and there can be no assurance that such effects would not adversely affect our business, prospects, financial condition and results of operations.

***Our insurance may not be adequate to protect us against all potential losses to which we may be* subject.**

We maintain insurance for our physical assets, such as our office and residential properties, against standard fire and special perils (including earthquakes). In addition, we maintain a group personal accident insurance as well as directors' and officers' insurance policies. However, the amount of our insurance coverage may be less than the replacement cost of such property and the same may not be sufficient to cover all financial losses that we may suffer should a risk materialise. If we were to incur a significant liability for which we were not fully insured or a loss in excess of our insured limits, it could have a material adverse effect on our operations.

In addition, in the future, we may not be able to maintain insurance of the types or in the amounts which we deem necessary or adequate or at premiums which we consider acceptable. The occurrence of an event for which we are inadequately or insufficiently insured or the successful assertion of one or more large claims against us that exceed available insurance coverage, or changes in our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have a material and adverse effect on our business, financial condition, results of operations and cash flows.

Any cross default of financial indebtedness may trigger payment to all other borrowings made by our Company, thereby adversely affecting the liquidity position of our Company, and which may adversely affect our financial condition.

Our Company has given a cross default covenant in certain of its borrowings. If our Company defaults in any of its obligations under those loans, the loans which contain the cross default covenant will also become payable even if there is no breach of covenant or default of payment on such loans. The occurrence of any such default would have an impact on our Company's liquidity.

We have entered, and may enter, into certain transactions with related parties, which may not be on an arm's length basis or which may lead to conflicts of interest.

We have entered and may enter into transactions with related parties, including our directors. There can be no assurance that we could not have achieved more favourable terms on such transactions had they not been entered into with related parties. Furthermore, it is likely that we will enter into related party transactions in the future. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our financial condition and results of operations. The transactions we have entered into, and any future transactions we will enter into, with related parties have involved, or could potentially involve, conflicts of interest.

Our directors may have interests in companies or entities similar to ours, which may result in a conflict of interest that may adversely affect future financing opportunity referrals.

Some of our directors have interests in other companies that are in businesses similar to our Company. This may result in potential conflicts of interest. For further information with respect to directorships of certain of our directors, see the section titled ''*Management*'' in this Offering Circular. Accordingly, potential conflicts of interest may arise out of common business objectives shared by us and our directors and there can be no assurance that these or other conflicts of interest will be resolved in an impartial manner.

Any downgrading of our debt rating or India's sovereign rating by a credit rating agency could have a negative impact on our business.

Any adverse revisions of our credit rating or India's sovereign credit ratings for domestic and international debt by credit rating agencies may adversely impact our ability to raise additional financing, the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our business and financial performance and our ability to obtain financing for lending operations.

The security of our Company's IT systems may fail and adversely affect our Company's business, operations, financial condition and reputation.

Our Company is dependent on the effectiveness of its information security policies, procedures and capabilities to protect its computer and telecommunications systems and the data such systems contain or transmit. An external information security breach, such as a hacker attack, fraud, a virus or worm, or an internal problem with information protection, such as a failure to control access to sensitive systems, could materially interrupt our Company's business operations or cause disclosure or modification of sensitive or confidential information. Our Company's operations also rely on the secure processing, storage and transmission of confidential and other information in its computer systems and networks. Our Company's computer systems, software and networks may be vulnerable to unauthorised access, computer viruses or other malicious code and other events that could compromise data integrity and security. Although our Company maintains procedures and policies to protect its IT systems, such as a data back-up system, disaster recovery and a business continuity system, any failure of our Company's IT systems could result in business interruption, material financial loss, regulatory actions, legal liability and harm to our Company's reputation. Furthermore, any delay in implementation or disruption of the functioning of our Company's IT systems could disrupt its ability to track, record, process financial information or manage creditors/debtors or engage in normal business activities.

This Offering Circular includes certain unaudited financial information in relation to our Company. Reliance on such information should, accordingly, be limited.

This Offering Circular includes unaudited standalone financial results in relation to our Company, for the nine months ended 31 December 2017, in respect of which M/s G.S. Mathur & Co., Chartered Accountants and M/s A.R. & Co., Chartered Accountants, the joint statutory auditors of our Company for Fiscal 2018 have issued their limited review report dated 6 February 2018 for the nine-month period ended 31 December 2017. As this financial information has been subject only to limited review as required by the stock exchanges, in accordance with the Listing Agreement, and not subject to an audit, any reliance by prospective investors on such unaudited standalone financial information for the nine months ended 31 December 2017 should, accordingly, be limited. Moreover, our financial results for any given fiscal quarter or period, including the nine months ended 31 December 2017, may not be directly comparable with our financial results for any full fiscal or for any other fiscal quarter or period. Accordingly, prospective investors in the Notes are advised to read such unaudited standalone financial information for the nine months ended 31 December 2017 in conjunction with the audited financial information starting on page F-3 of this Offering Circular.

The effects of the planned convergence with IFRS and the adoption of ''Indian Accounting Standards converged with IFRS'' are uncertain.

In March 2016, the Ministry of Corporate Affairs notified the road map for the implementation of Indian Accounting Standards converged with International Financial Reporting Standards or Ind-AS for NBFCs. NBFCs will be required to prepare Ind-AS based financial statements (consolidated and individual) in two phases. Under Phase I, NBFCs that have a net worth of Rs.5 billion or more, including our Company, and their holding, subsidiary, joint venture or associate companies are required to prepare Ind-AS based financial statements for accounting periods beginning from 1 April 2018 onwards with comparatives for the periods ending 31 March 2018 or thereafter. Under Phase II, NBFCs whose equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India and have a net worth less than Rs.5 billion, NBFCs that are not listed and have a net worth of more than Rs.2.5 billion but less than Rs.5 billion, and their respective holding, subsidiary, joint venture or associate companies are required to prepare Ind-AS based financial statements for accounting periods beginning from 1 April 2019 onwards with comparatives for the periods ending 31 March 2019 or thereafter. NBFCs that have a net worth below Rs.2.5 billion shall continue to apply the accounting standards specified in the Annexure to the Companies (Accounting Standards) Rules, 2006.

As there is a significant lack of clarity on the adoption of Ind-AS and there is not yet a significant body of established practice from which to draw upon when forming judgements regarding its implementation and application, we have not determined with any degree of certainty the impact that such adoption will have on our financial reporting. The new accounting standards will change our methodology for estimating allowances for probable loan losses. New accounting standards may require us to calculate provision for loan losses as the expected shortfall in cash flows from the loan, including from the possible liquidation of collateral, discounted at the loan's effective interest rate. Further, it would require us to adjust this estimate by considering future economic conditions. This may result in our Company recognising higher allowances for probable loan losses in the future. Therefore, there can be no assurance that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially worse under Ind-AS than under Indian GAAP. In our transition to Ind-AS reporting, we may encounter difficulties in the on-going process of implementing and enhancing our management information systems. Moreover, there is increasing competition for the small number of available Ind-AS/IFRS-experienced accounting personnel as more Indian companies begin to prepare Ind-AS financial statements. Accordingly, there can be no assurance that our adoption of Ind-AS will not adversely affect its reported results of operations or financial condition.

If the level of non-performing assets in our loan portfolio were to increase, our financial condition would be adversely affected.

Our Company's gross NPAs are Rs.13,353.8 million, Rs.42,435.7 million, Rs.48,726.9 million and Rs.67,064.3 million, which constitute 0.74 per cent., 2.11 per cent., 2.41 per cent. and 2.99 per cent. of our total loan assets as of 31 March 2015, 2016 and 2017 and 31 December 2017, respectively. The provisioning has been made in terms of the prudential norms approved by our Board. We may, from time to time, amend our policies and procedures regarding asset classification of our loans, which may increase our level of NPAs.

In November 2014, the RBI issued guidelines on the ''Revised Regulatory Framework for NBFCs'', under which NBFCs have been required to bring down the NPA classification norms from six months to three months over a period of three years starting from Fiscal 2016 to Fiscal 2018. Accordingly with effect from 1 April 2017, our Company is following the revised norms of three months for classifying the asset as non-performing. If we are not able to prevent increases in our level of NPAs, our business and our future financial condition could be adversely affected.

The RBI has recently issued a guideline on "Resolution of Stressed Assets – Revised Framework" dated 12 February 2018 (the **Stressed Assets Framework**). The Stressed Assets Framework is applicable to All Scheduled Commercial Banks (excluding regional rural banks and All-India Financial Institutions (such as Export Import Bank of India, National Bank for Agriculture and Rural Development, National Housing Bank and Small Industries Development Bank of India) and thus per se are not applicable to our Company, being a NBFC. Under the Stressed Assets Framework, the current instructions on resolution of stressed assets such as the framework for revitalising distressed assets, corporate debt restructuring scheme, flexible structuring of existing long term project loans, strategic debt restructuring scheme (**SDR**), change in ownership outside SDR, and scheme for sustainable structuring of stressed assets are withdrawn with immediate effect. The Stressed Assets Framework is applicable to all accounts, including such accounts where any of the above schemes have been invoked but not yet implemented. Although the Stressed Assets Framework is not directly applicable to our Company but where our Company is part of a consortium and other lenders in the consortium being banks and/or All-India Financial Institutions, the Stressed Assets Framework may impact (i) the provisioning requirements as the accounts restructured under the Stressed Assets Framework will attract provisioning as per the asset classification category in RBI master circular on "Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances" dated 1 July 2015; (ii) the asset quality as the Stressed Assets Framework provides for early identification and reporting of stress which may lead to decrease in asset quality; (iii) the early identification and reporting of stress could lead to increase in provisioning which may impact the resultant profitability of our Company; and (iv) the timing of any enforcement and terms of loan recovery may be affected, each of which may affect our asset quality and the profitability.

Depreciation of the Rupee against foreign currencies may have an adverse effect on our Company's results of operations and financial conditions.

As of 31 December 2017, our Company had outstanding foreign currency borrowing of approximately JPY5,271.08 million, U.S.$3,735.0 million and EUR99.12 million. Approximately 67.85 per cent. of total foreign currency borrowings are hedged by a mix of derivative instruments. All of our Company's revenues are denominated in Rupees.

Since October 2017, global economic activity has been gaining momentum through the final quarter of the year, driven mainly by advanced economies. Growth in the United States remained largely resilient and grew at the highest pace in the past three years in the third quarter of 2017, with positive contributions from private consumption, investment activity and net exports. The unemployment rate fell to 4.1 per cent in October, the lowest in the last 17 years. In the Euro region, economic activity expanded, underpinned by accommodative monetary policy and strong job gains. The Japanese economy also continued to grow in the third quarter of 2017, largely supported by external demand, which helped compensate for the slowing of domestic consumption. Among major emerging market economies, the services sector remained the main driver of growth in China in the third quarter of 2017. However, weakness in real estate and construction activity remained a drag on growth. In Brazil, incoming data suggest that the recovery gained further momentum in the third quarter of 2017, with unemployment touching an intra-year low in September. Business and consumer confidence rose in October. Economic activity in Russia moderated in the third quarter of 2017 due to weakness in industrial production. Crude oil prices touched a two-and-a-half-year high in early November 2017 on account of the Organisation of the Petroleum Exporting Countries' efforts to rebalance the market. Bullion prices have been under some selling pressure on account of the rising U.S. dollar. Weak non-oil commodity prices and subdued wage dynamics have kept inflation contained in many advanced economies, while the inflation scenario remains diverse in major emerging market economies.

The volatility of the Rupee against U.S. dollar and other major currencies may increase the Rupee cost to our Company of servicing and repaying its foreign currency borrowing. Although our Company has made suitable hedging arrangements for a major part of its foreign currency exposure that may not fully protect our Company from foreign exchange fluctuations. Any drastic depreciation of the Rupee against foreign currencies may have an adverse effect on our Company's results of operation and financial conditions.

A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could have an adverse impact on us. A rapid decrease in reserves would also create a risk of higher interest rates and a consequent slowdown in growth.

India's foreign exchange reserves stood at U.S.$421,914.9 million as of 2 February 2018. Flows to foreign exchange reserves can be volatile, and past declines may have adversely affected the valuation of the Rupee. There can be no assurance that India's foreign exchange reserves will not decrease again in the future. Further decline in foreign exchange reserves, as well as other factors, could adversely affect the valuation of the Rupee and could result in reduced liquidity and higher interest rates that could adversely affect our business, financial condition and results of operations.

Our Company may in the future conduct additional business through joint ventures and strategic partnerships, exposing our Company to certain regulatory and operating risks.

Our Company intends to continue to pursue suitable joint venture and strategic partnership opportunities in India, in particular with companies or firms whose resources, capabilities and strategies are likely to enhance and diversify our Company's business operations in the power sector. Our Company may not be able to identify suitable joint venture or strategic partners, that may complete transactions on terms commercially acceptable to our Company, or which may not complete transactions at all. Our Company may not be able to successfully form such alliances and ventures or realise the anticipated benefits of such alliance and joint ventures. Furthermore, such partnerships may be subject to regulatory approvals, which may not be received in a timely manner, or at all. Furthermore, the success of the joint venture is dependent upon the cooperation of the Company's joint venture partners. The joint venture is subject to the risk of non-performance by our Company's joint venture partners of their obligations, including their financial obligations, in respect of the joint venture. Joint venture partners may have business interests or goals that may differ from our Company's business interests or goals, or those of our Company's shareholders. Any disputes that may arise between our Company and its joint venture partners may cause delays in completion or the suspension or abandonment of the venture. Although the joint venture confers rights on our Company, its joint venture partners have certain decision-making rights that may limit tour Company's flexibility to make decisions relating to such business, and may cause delays or losses. In addition, our Company's expected strategic benefits or synergies of any future partnerships may not be realised. Furthermore, such investments in strategic partnerships may be long-term in nature and may not yield returns in the short- to medium-term. Such initiatives will place significant strains on our Company's management, financial and other resources and any unforeseen costs or losses could adversely affect our business, profitability and financial condition.

RISKS RELATING TO THE POWER SECTOR AND POWER SECTOR FINANCING IN INDIA

Private participation in the power sector in India is dependent on the continued growth of the Indian economy and regulatory developments in India. Any adverse change in policy, implementation or industry demand may adversely affect us.

Although the power sector is a rapidly growing sector in India, we believe that further development of this sector is dependent upon the formulation and effective implementation of regulations and policies that facilitate and encourage private sector investment in power projects. Many of these regulations and policies are evolving and their success will depend on whether they are designed to adequately address the issues faced and whether they are effectively implemented. In addition, these regulations and policies will need continued support from stable and experienced regulatory regimes that not only stimulate and encourage the continued investment of private capital into power projects, but also lead to increased competition, appropriate allocation of risk, transparency and effective dispute resolution. The availability of private capital and the continued growth of the private power sector in India are also linked to the continued growth of the Indian economy. Many specific factors in the power sector may also influence the success of power projects, including changes in policies, regulatory frameworks and market structures. Any adverse change in the policies relating to the power sector may leave us with unutilised capital and interest and debt obligations to fulfil. If the central and state governments' initiatives and regulations in the power sector do not proceed in the desired direction, or if there is any downturn in the macroeconomic environment in India, our business, prospects, results of operations and financial condition could be adversely affected. In addition, it is generally believed that demand for power in India will increase in connection with expected increases in India's GDP. However, there can be no assurance that the demand for power in India will increase to the extent we expect, or at all. In the event the demand for power in India does not increase as anticipated, the extent to which we are able to grow our business by financing the growth of the power sector would be limited and this could have a material adverse effect on our business, financial condition and results of operations.

Setting up and operating power projects in India requires a number of approvals and permits, and the failure to obtain or renew them in a timely manner may adversely affect the operations of our borrowers and in turn adversely affect the quality of the our loans.

Setting up and operating power projects requires a number of approvals, licences, registrations and permissions. Some of these approvals are subject to certain conditions, the non-fulfilment of which may result in revocation of such approvals. Moreover, some of the conditions may be onerous and may require our customers to incur substantial expenditure, specifically with respect to compliance with environmental laws. Furthermore, certain of our borrowers' contractors and other counterparties are required to obtain approvals, licences, registrations and permits with respect to the services they provide to our borrowers. Our borrowers, their contractors or any other party may not be able to obtain or comply with all necessary licences, permits and approvals required for the power projects in a timely manner to allow for the uninterrupted construction or operation of the power plants, or at all. Any failure to renew the approvals that have expired or apply for and obtain the required approvals, licences, registrations or permits, or any suspension or revocation of any of the approvals, licences, registrations and permits that have been or may be issued to our borrowers, may adversely affect our operations. This in turn could adversely affect the quality of our loans, may put our customers in financial difficulties (which could increase the level of non-performing assets in our portfolio) and may adversely affect our business and financial condition.

Shortages in the supply of crude oil, natural gas or coal (domestic and imported) could adversely affect the Indian economy and the power sector projects to which we have exposure.

India imports majority of its requirements of crude oil. Crude oil prices are volatile and are subject to a number of factors, such as the level of global production, and political factors such as war and other conflicts, particularly in the Middle East, where a substantial proportion of the world's oil and natural gas reserves are located. Future increases in oil prices could affect the Indian economy, including the power sector, and the Indian banking and financial system. High oil prices could also add to inflationary pressures in the Indian economy. Additionally, increases in oil prices may have a negative impact on the power sector and related industries. This could adversely affect our business, including our ability to grow, the quality of our asset portfolio, our financial performance and our ability to implement our strategy.

In addition, natural gas is an important input for power projects. India has experienced interruptions in the availability of natural gas, which has caused difficulties in these projects in the past. Continued difficulties in obtaining a reliable and consistent supply of natural gas could adversely affect some of the projects we finance and could impact the quality of our asset portfolio and our financial performance.

Furthermore, the Indian power sector has been suffering generation loss due to a shortage of coal (domestic and imported). Continued shortages of fuel could adversely affect some of the projects we finance and could impact the quality of our asset portfolio, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to project execution and construction delays faced by domestic power companies.

Domestic power companies face significant project execution and construction delay risks which could adversely affect projects financed by us. Power companies could experience longer than expected construction periods due to delays in obtaining environmental permits and infrastructure related delays in connecting with the grid. Accessing offtake and finalising fuel supply agreements could cause further delays.

Changes in environment standards in relation to power projects impose significant risks to our Company's business.

With the change in requirements and adoption of stricter norms by borrower power projects in order to bring projects in line with global parameters of environmental standards and climate conservation, there may be delays in the execution of such projects. Any delay in the implementation of the projects of our Company's borrowers may in turn lead to delay or impediments to future sanctions, disbursements and recovery from such sectors, which may adversely affect our Company's business and financial condition.

RISKS RELATING TO INDIA

A slowdown in economic growth in India could adversely impact our business. Our performance and the growth of our business are necessarily dependent on the performance of the overall Indian economy.

Any slowdown in the Indian economy or in the growth of the industry to which we provide financing or future volatility in global commodity prices could adversely affect our borrowers and the growth of our business, which in turn could adversely affect our business, results of operations and financial condition.

India's economy could be adversely affected by a general rise in interest rates, currency exchange rates, adverse conditions affecting agriculture, commodity and electricity prices or various other factors. Further, conditions outside India, such as slowdowns in the economic growth of other countries, could have an impact on the growth of the Indian economy, and government policy may change in response to such conditions.

The Indian economy and financial markets are also significantly influenced by worldwide economic, financial and market conditions. Any financial turmoil, especially in the United States of America, Europe or China, may have a negative impact on the Indian economy. Although economic conditions differ in each country, investors' reactions to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. A loss in investor confidence in the financial systems, particularly in other emerging markets, may cause increased volatility in Indian financial markets.

The global financial turmoil in 2008, an outcome of the sub-prime mortgage crisis which originated in the USA, led to a loss of investor confidence in worldwide financial markets. Indian financial markets also experienced the effect of the global financial turmoil, which was evident from the sharp decline in indexes of stock exchanges. On 23 June 2016, the United Kingdom held a referendum on its membership of the European Union and voted to leave (**Brexit**). There is significant uncertainty at this stage as to the impact of Brexit on general economic conditions in the United Kingdom and the European Union and any consequential impact on global financial markets. For example, Brexit could give rise to increased volatility in foreign exchange rate movements and the value of equity and debt investments. A lack of clarity over the process for managing the exit and uncertainties surrounding the economic impact could lead to a further slowdown and instability in financial markets. This and any prolonged financial crisis may have an adverse impact on the Indian economy, thereby resulting in a material adverse effect on our business, financial condition and results of operations.

Political instability or changes in the Government could delay the liberalisation of the Indian economy and adversely affect economic conditions in India generally.

We are incorporated in India, derive our revenues from operations in India and all of our assets are located in India. Consequently, our performance may be affected by interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India.

The Government has traditionally exercised, and continues to exercise, a significant influence over many aspects of the economy. Our business, and the market price and liquidity of the Notes, may be affected by changes in the Government's policies, including taxation.

Since 1991, successive governments have pursued policies of economic liberalisation and financial sector reforms. However, there can be no assurance that such policies will be continued and any significant change in the Government's policies in the future could affect business and economic conditions in India in general. In addition, any political instability in India or geo-political instability affecting India will adversely affect the Indian economy and the Indian securities markets in general.

Difficulties faced by other financial institutions or the Indian financial sector generally could cause our business to suffer.

We are exposed to the risks resulting from our participation in the Indian financial sector. This sector in turn may be affected by financial difficulties and other problems faced by Indian financial institutions. Certain Indian financial institutions have experienced difficulties during recent years, and some co-operative banks have also faced serious financial and liquidity difficulties. Any major difficulty or instability experienced by the Indian financial sector could create adverse market perception, which in turn could adversely affect our business, financial condition and results of operations. As the Indian financial system operates within an emerging market, it faces risks of a nature and extent not typically faced in more developed economies.

Our ability to raise foreign funds may be constrained by Indian law.

As an Indian company, we are subject to regulatory approvals and exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources for our power projects under development and hence could constrain our ability to obtain financings on competitive terms and refinance existing indebtedness. In addition, we cannot assure that the required approvals will be granted to us without onerous conditions, or at all. The limitations on foreign debt may have an adverse effect on our business, financial condition and results of operations.

Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets.

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets in which our securities trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and eventually adversely affect our business. Any deterioration in relations between India and its neighbouring countries may result in actual or perceived regional instability. Events of this nature in the future could have a material adverse effect on our ability to develop our operations. As a result, our business, prospects, results of operations and financial condition could be materially adversely affected by any such events.

Natural calamities could have a negative impact on the Indian economy and our business.

India has experienced natural calamities such as earthquakes, tsunamis, floods and droughts in the past few years. For example, there were floods in Uttrakhand and earthquakes Sikkim in 2011. In Fiscal 2015, the agricultural sector was adversely affected by unseasonal rains and hailstorms in northern India in March 2015. As a result, the gross value added, which is the value of output less the value of intermediate consumption, in the agricultural sector decreased by 0.2 per cent. in Fiscal 2015 as compared to 4.2 per cent. growth in Fiscal 2014. Prolonged power outages, spells of below normal rainfall in the country or other natural calamities could have a negative impact on the Indian economy, affecting our business and potentially causing the trading price of the Notes to decrease. The extent and severity of these natural disasters determine their impact on the Indian economy. Such unforeseen circumstances of sub-normal rainfall and other natural calamities could have a negative impact on the Indian economy, especially on the rural areas, which could adversely affect our business, financial condition and results of operations.

An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could have a material adverse effect on our business, financial condition and results of operations.

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concern, such as swine influenza, around the world could have a negative impact on economies, financial markets and business activities worldwide and which in turn could have a material adverse effect on our business, financial condition and results of operations. Since 2012, an outbreak of the Middle East respiratory syndrome corona virus has affected several countries, primarily in the Middle East. Although we have not been adversely affected by such out breaks yet, we can give no assurance that a future outbreak of an infectious disease among humans or animals (if any) or any other serious public health concern will not have a material adverse effect on our business, financial condition and results of operations.

Any downgrade of India's sovereign rating by a credit rating agency could have a negative impact on our business, financial condition and results of operations.

Any adverse revisions to India's sovereign credit ratings for domestic and international debt by credit rating agencies may adversely impact the interest rates and other commercial terms at which such financing is available to us. Consequently, if India's sovereign credit rating downgrades, we may not be able to competitively price our loans and, accordingly, we may not be able to maintain the profitability or growth of our business. Additionally, if we are unable to competitively price our loans, we would be subjected to greater levels of prepayments on our loans as borrowers would seek loans from competitors that are priced lower because of the lower cost of capital. Accordingly, any adverse revisions to our credit rating or to India's sovereign credit rating could have a material adverse effect on our business, financial condition and results of operations, as well as our ability to obtain financing for lending operations.

Direct capital market access by our borrowers could adversely affect us.

The Indian capital market is developing and maturing at a good pace, which may cause a shift in the pattern of power sector financing. In particular, financially stronger SPUs might source their fund requirement directly from the market. We have a large exposure to SPUs and such changes may have an adverse impact on our profitability and growth, which would have a negative effect on our business, financial condition and results of our operations.

Certain global economic conditions have been unprecedented and challenging and have had, and continue to have, an adverse effect on the Indian financial markets and the Indian economy in general.

Certain global market and economic conditions have been unprecedented and challenging, with tighter credit conditions and recessions in most major economies. Continued concerns about the systemic impact of potential long-term and wide-spread recession, energy costs, geopolitical issues, the availability and cost of credit, and the global housing and mortgage markets have contributed to increased market volatility and diminished expectations for western and emerging economies as well as for the United States and international capital and credit markets. These conditions, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have contributed to volatility of unprecedented levels.

As a result of these market conditions, the cost and availability of credit has been, and may continue to be, adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counter parties specifically has led many lenders and institutional investors to reduce and, in some cases, cease to provide credit to businesses and consumers. These factors have led to a decrease in spending by businesses and consumers alike and corresponding decreases in global infrastructure spending and commodity prices. Continued turbulence in the United States and international markets and economies and prolonged declines in business consumer spending may adversely affect our liquidity and financial condition and the liquidity and financial condition of our customers, as well as our ability to refinance maturing liabilities and access the capital markets to meet liquidity needs. These global market and economic conditions have had, and continue to have, an adverse effect on the Indian financial markets and the Indian economy in general, which in turn may continue have a material adverse effect on our business and our financial performance.

There may be less company information available in Indian securities markets than in securities market in other more developed countries.

There is a difference between the level of regulation, disclosure and monitoring of the Indian securities market and the activities of investors, brokers and other participants and that of markets in the United States and other more developed economies. The SEBI is responsible for ensuring and improving disclosure and other regulatory standards for the Indian securities markets. The SEBI has issued regulations and guidelines on disclosure requirements, insider trading and other matters. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in more developed economies.

As a result, investors may have access to less information about our business, results of operations and financial conditions, and those of the competitors, that are listed on the BSE and the NSE and other stock exchanges in India on an on-going basis than you may find in the case of companies subject to reporting requirements of other more developed countries. There is a lower level of regulation and monitoring of the Indian securities market and the activities of its investors, brokers and other participants than in certain Organisations for Economic Cooperation and Development (**OECD**) countries. The SEBI received statutory powers in 1992 to assist it in carrying out its responsibilities for improving disclosure and other regulatory standards for the Indian securities market. Subsequently, the SEBI has prescribed certain regulations and guidelines in relation to disclosure requirements, insider dealing and other matters relevant to the Indian securities markets. However, there may still be less publicly available information about Indian companies than is regularly made available by public companies in certain OECD countries.

The risks to financial stability could adversely affect our business.

The gross non-performing assets in the Indian banking system have grown, while stressed advances, including standard restructured loans, have risen since September 2014. This deterioration in asset quality is expected to continue into the next few quarters, however, profitability measured by return on assets and return on equity remained around the same level during the last two years. In addition, the banking stability map suggests that the overall risks to the banking sector have moderated marginally. Nonetheless, concerns remain over the continued weakness in asset quality and profitability.

Our Company has little or no control over any of these risks or trends and may be unable to anticipate changes in economic conditions. Adverse effects on the Indian banking system could impact our Company's funding and adversely affect our business, operations and financial condition and the market price of the Notes.

Investors in the Notes may not be able to enforce a judgment of a foreign court against our Company.

All of the directors of our Company and key managerial personnel named in this Offering Circular are residents of India. Further, all the assets of our Company are located in India. As a result, it may be difficult for investors to effect service of process upon our Company or to enforce judgments obtained against our Company. The recognition and enforcement of foreign judgments in India is governed by Sections 13 and 44A of the Civil Code, which provide that a suit must be brought in India within three years from the date of the judgment sought to be enforced. Generally, there are considerable delays in the disposal of suits by Indian courts.

It is unlikely that a court in India would award damages on the same basis as a foreign court if an action were to be brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if that court was of the view that the amount of damages awarded was excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain prior approval from the RBI under the Foreign Exchange Management Act, 1999 to repatriate any amount recovered. For further details, see "*Enforcement of foreign judgments in India*".

The insolvency laws of India may differ from other jurisdictions with which holders of the Notes are familiar.

As our Company is incorporated under the laws of India, an insolvency proceeding relating to our Company, even if brought in another jurisdiction, would likely involve Indian insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of another jurisdiction.

RISKS RELATING TO AN INVESTMENT IN THE NOTES

Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Notes, the merits and risks of investing in the relevant Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the relevant Notes and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The Notes are unsecured obligations and will rank subordinated to all of our present and future secured indebtedness.

The Notes are our unsecured obligations and will rank subordinated to all of our present and future secured indebtedness. In the daily course of our operations, as is customary for companies operating in our industry, a portion of our domestic loans, bonds and other financial indebtedness are secured by our assets. As at 31 March 2017, our Company had total Rupee-denominated borrowings of Rs.1,464,368.40 million, of which Rs.604,677.10 million, or 36.1 per cent., were secured by charges on assets. The Notes will rank subordinated to this secured indebtedness. In addition, the amount of our secured indebtedness may fluctuate over time and, to the extent it increases, the Notes will be subordinated to an even greater amount. As a result, upon any distribution to creditors in a bankruptcy, liquidation, or similar proceeding relating to us, the holders of our secured indebtedness will be entitled to be paid to the extent of the value of such secured assets before any payment would be made with respect to the Notes.

The Notes are not guaranteed by the Republic of India.

The Notes are not the obligations of, or guaranteed by, the Republic of India. Although the Government owns 58.32 per cent. of our issued and paid up share capital as of 31 December 2017, the Government is not providing a guarantee in respect of the Notes. In addition, the Government is under no obligation to maintain our solvency. Therefore, investors should not rely on the Government to ensure that we fulfil our obligations under the Notes.

Early redemption of the Notes (including Rupee Denominated Notes) prior to its stated average maturity may require the prior approval of the RBI or other approvals in accordance with the ECB Guidelines.

Any early redemption of the Notes (including Rupee Denominated Notes) (whether due to certain tax events described in Condition 7.2 or due to change of control events described in Condition 7.3 or due to an Event of Default as specified in Condition 10 or otherwise) will be subject to limitations on our ability to redeem the Notes (including Rupee Denominated Notes) prior to their stated maturity date, including obtaining the prior written approval of the RBI or any other approval, and maintaining compliance with any conditions that the RBI or other relevant Indian authorities may impose in accordance with ECB Guidelines at the time of such approval. Prior approval of the RBI may be required by us for the payment of withholding tax in any Tax Jurisdiction (as defined in Condition 8) other than India in a foreign currency. There can be no assurance that the RBI or other relevant Indian authorities will provide such approval in a timely manner, or at all.

Remittances of funds outside India pursuant to indemnification by us in relation to the Notes require prior RBI approval.

Remittance of funds outside India by us pursuant to indemnity clauses under the Terms and Conditions of the Notes, the Agency Agreement or any other agreements in relation to the Notes requires prior RBI approval. Any approval, if and when required, for the remittance of funds outside India is at the discretion of the RBI and there can be no assurance that we will be able to obtain such approvals.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Modification, waivers and substitution.

The Terms and Conditions of the Notes and the Agency Agreement contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to (i) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Receipts, the Coupons or the Agency Agreement which, in the opinion of the Issuer, is not prejudicial to the interests of the Noteholders; or (ii) any modification of the Notes, the Receipts, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

The Notes are subject to the risk of change in law.

The Terms and Conditions of the Notes are based on English law in effect as of the date of issue of the relevant Notes. No assurance can be given, as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the relevant Notes, and any such change could materially and adversely impact the value of any Notes affected by it.

The price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals of new investments, strategic alliances and/or acquisitions and interest rates could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the volume and price at which the Notes will trade. There can be no assurance that these developments will not occur in the future.

The Notes may have limited liquidity.

The Notes constitute a new issue of securities for which there is no existing market.

Approval-in-principle has been granted for the listing and quotation of the Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. The offer and sale of the Notes is not conditioned on obtaining a listing of the Notes on the SGX-ST or any other exchange.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Notes. If an active trading market for the Notes does not develop or is not maintained, the market price and liquidity of the Notes may be adversely affected. If such a market were to develop, the Notes could trade at prices that may be higher or lower than the price at which the Notes are issued, depending on many factors, including:

- prevailing interest rates;
- our results of operations and financial condition;
- political and economic developments in and affecting India;

- the market conditions for similar securities; and
- the financial condition and stability of the Indian power sector.

Investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Notes where denominations involve integral multiples: definitive Notes.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination (as specified in the applicable Pricing Supplement) plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

Noteholders are required to rely on the procedures of the relevant clearing system and its participants while the Notes are cleared through the relevant clearing system.

Notes issued under the Programme will be represented on issue by one or more Global Notes that may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, we will discharge our payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. We have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

If definitive Notes are issued, holders should be aware that definitive Notes that have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Noteholders' right to receive payments is junior to certain tax and other liabilities preferred by law.

The Notes are unsecured obligations of our Company and will rank subordinated to certain liabilities preferred by law, such as claims of the Government on account of taxes and certain liabilities incurred in the ordinary course of our business, and will be effectively subordinated to our secured obligations. In particular, in the event of bankruptcy, liquidation or winding-up, our assets will be available to pay obligations on the Notes only after all of the above liabilities that rank senior to these Notes have been paid (including liabilities which have the benefit of security). In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due on the Notes.

Decisions may be made on behalf of all Noteholders that may be adverse to the interests of individual Noteholders.

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Some of the information included in this Offering Circular has been prepared by third parties and may be inaccurate or out-dated.

This Offering Circular includes information on the Republic of India, the Indian economy and the Indian power industry taken from third parties, which we believe to be reliable. However, the information taken from third parties and included in this Offering Circular may be inaccurate and out-dated, and we make no representation or warranty, express or implied, as to the accuracy or completeness of this information. Statements from third parties that involve estimates are subject to change, and actual amounts may differ materially from those included in this Offering Circular. We also cannot provide any assurance that the third parties have used correct or sound methodology to prepare the information included in this Offering Circular.

The Notes are subject to selling restrictions and restrictions on transfer, and may be transferred only to a limited pool of investors, which may adversely affect their liquidity and the price at which they may be sold.

The Notes cannot be issued to and subscribed or held by investors which are overseas branches of Indian banks. We are not obligated to, and do not intend to, register the Notes under the Securities Act or the securities laws of any other jurisdiction and, unless so registered, the Notes may not be offered or sold except pursuant to an exemption from, or a transaction not subject to the registration requirements of, the Securities Act and any other applicable laws. As a result, the Notes can only be transferred to a limited group of investors, which may adversely affect their liquidity and the price at which they may be sold. See ''*Subscription and Sale – India*''

RISKS RELATED TO THE MARKET GENERALLY

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

Payments of principal and interest are subject to exchange rate risks and exchange controls.

Our Company will pay principal and interest on the Notes in the currency specified (the **Settlement Currency**). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the Investor's Currency) other than the Settlement Currency. These include the risk that exchange rates may significantly change (including changes due to the devaluation of the Settlement Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Settlement Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes, and (iii) the Investor's Currency-equivalent market value of the Notes.

Investment in the Notes is subject to interest rate risks.

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

RISKS RELATED TO THE STRUCTURE OF A PARTICULAR ISSUE OF NOTES.

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

Notes subject to optional redemption

An optional redemption feature of Notes is likely to limit their market value. During any period when we may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

We may be expected to redeem Notes when our cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which would further adversely affect the market value of those Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate or from a floating rate to a fixed rate. Where we have the right to effect such a conversion, this will affect the secondary market and the market value of the Notes, since we may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If we convert from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If we convert from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than the then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined under the Terms and Conditions, this may (i) if ISDA Determination applies, be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) if Screen Rate Determination applies, result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, that are designed for specific investment objectives or strategies or that have been structured to meet the investment requirements of limited categories of investors. These types of Notes would generally have a more limited secondary market and more price volatility than would conventional debt securities. Illiquidity may have a severe adverse effect on the market value of Notes.

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

We will pay principal and interest on the Notes in the currency specified in the relevant Pricing Supplement (the **Specified Currency**). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal at all.

Changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

Ratings of Notes

Credit ratings assigned to us or any Notes may not reflect all the risks associated with an investment in those Notes.

One or more independent credit rating agencies may assign credit ratings to us or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (1) Notes are legal investments for it; (2) Notes can be used as collateral for various types of borrowing; and (3) other restrictions that apply to the purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Risks relating to an investment in Rupee Denominated Notes

Rupee Denominated Notes are subject to selling restrictions and may be transferred only to a limited pool of investors.

Rupee Denominated Notes can only be issued to and held by investors resident in jurisdictions which are a member of the FATF or a member of a FATF-style regional body and in compliance with certain other conditions. For further details, see the section titled ''*Regulations and Policies - Issuance of Overseas Rupee Denominated Notes*'' in this Offering Circular.

Rupee Denominated Notes are subject to exchange rate risks and exchange controls.

India maintains a managed floating exchange rate system under which market forces determine the exchange rate for the Rupee. Under the RBI's policies, the RBI may intervene in the market to maintain orderly market conditions and limit sharp fluctuations in the exchange rate. Interventions by the RBI have taken the form of transparent measures and have included clearly delineated periods and amounts involved, as well as the explanations for these actions. The RBI's foreign exchange policy objectives include maintaining price stability, promoting and maintaining monetary stability and the convertibility of the Rupee and protecting its international reserves during times of impending or on-going exchange crises or national emergencies.

Rupee Denominated Notes are denominated in Rupee and payable in foreign currency. This entails risks which are not associated with a similar investment in a foreign currency denominated security. Such risks include, without limitation, the possibility of significant changes in the exchange rate between Rupee and the relevant foreign currency if such currency risk is unhedged and the possibility of imposition or modification of exchange controls by the RBI. Such risks are usually dependent on various economic and political events over which our Company has no control. Recently, exchange rates have been volatile and such volatility is expected in the near future as well, so the risk pertaining to exchange rate fluctuation persists. However, the recent fluctuations in exchange rates are not indicative in nature. If INR depreciates against the relevant foreign currency, the effective yield on the Rupee Denominated Notes will decrease below the interest rate on the global bonds, and the amount payable on maturity may be less than the investment made by the investors. This could result in a total or substantial loss of the investment made by the investor towards the Rupee Denominated Notes. Rates of exchange between the foreign currency and Rupee may be significantly varied over time. However, historical trends do not necessarily indicate future fluctuations in rates and should not be relied upon as indicative of future trends. Political, economic or stock exchange developments in India or elsewhere could lead to significant and sudden changes in the exchange rate between the Rupee and the relevant foreign currency.

Furthermore, the overseas investors are eligible to hedge the above-mentioned exchange rate risk only by way of permitted derivative products with: (i) AD Category – I banks in India; (ii) the offshore branches or subsidiaries of Indian banks; or (iii) branches of foreign banks having a presence in India.

Rupee Denominated Notes are not freely convertible.

The Rupee is not a freely convertible currency. The convertibility of a currency is dependent, inter alia, on international and domestic political and economic factors, and on measures taken by the Government and central banks. Such measures include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency, alteration of the exchange rate or exchange characteristics by revaluation or revaluation of a currency, or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency. The taking of any one or more of such measures could adversely affect the value of the Notes as well as any amount which may be payable upon redemption of the Rupee Denominated Notes.

BUSINESS

In this section, unless the context otherwise requires, a reference to ***the Company*** *or* ***our Company*** *is a reference to Rural Electrification Corporation Limited and, unless the context otherwise requires, a reference to* ***we****,* ***us*** *or* ***our*** *refers to Rural Electrification Corporation Limited and its subsidiaries, joint ventures and associate company, as applicable in the relevant fiscal period, on a consolidated basis. Unless stated otherwise, the financial data in this section is based on our standalone financial information.*

OVERVIEW

We are a public financial institution in the Indian power infrastructure sector. We are engaged in the financing and promotion of transmission, distribution and generation, including renewable energy projects throughout India. We believe our organisation occupies a key position in the Government's plans for the growth of the Indian power sector.

We assist our clients in formulating and implementing a broad array of power projects and finance those projects. Our clients primarily include Indian public sector power utilities both at the central and state levels and private sector power utilities. We service our clients through a network of regional offices spread across India and one national level training centre at Hyderabad. Our regional offices play an integral role in the development of our relationships with our clients, in the operation and promotion of our business and in our loan appraisal, loan sanction and post-sanction monitoring processes. Our primary financial product is project-based long-term loans. We fund our business with market borrowings of various maturities, including bonds and term loans. Because our sources enable us to raise funds at competitive costs, we are able to price our financial products competitively.

We commenced our operations in 1969 for the purpose of developing the power infrastructure in rural areas. We have contributed to the development of rural India and India's agriculture through our funding of transmission and distribution projects in rural areas. Our mandate has evolved in accordance with the development priorities of the Government and, since Fiscal 2003, has permitted us to finance all segments of the power sector, including generation, transmission and distribution, throughout the country.

Our Company is one of only 16 Indian public sector undertakings to have been granted the "*Navratna*" status by the Department of Public Enterprise by virtue of our operational efficiency and financial strength. The Government has continuously rated our performance as "excellent" since Fiscal 1994. We have also been ranked among the top ten public sector undertakings in India by the Ministry of Heavy Industries and Public Enterprises for Fiscal 2000, Fiscal 2001, Fiscal 2002, Fiscal 2004 and Fiscal 2005.

Domestically, we hold the highest credit rating of "AAA" for long-term borrowing domestic credit rating from CARE, CRISIL, ICRA and IRRPL and, on an international basis, our long-term borrowing ratings from Fitch and Moody's are BBB- and Baa3, respectively.

As of 31 December 2017, the President of India, acting through the MoP, holds 58.32 per cent. of the issued and paid up equity capital of our Company. The Government, acting through the MoP, oversees our operations and has power to appoint directors to our Board.

We have experienced growing demand for our financial products, and therefore have demonstrated consistent growth in our business.

- Our yearly loan disbursements have grown from Rs. 278,205.0 million in Fiscal 2012 to Rs. 580,386.1 million in Fiscal 2017.

- For Fiscal 2017, we sanctioned Rs. 838,708.1 million of loans, including Rs. 282,089.3 million relating to generation projects, Rs. 20,897.7 million relating to renewable energy projects, Rs. 409,531.1 million relating to transmission and distribution projects and Rs. 126,190.0 million under STLs, MTLs and other loan assistance.

- For Fiscal 2017, we disbursed Rs. 580,386.1 million of loans, including Rs. 233,153.1 million relating to generation projects, Rs. 268,333.4 million relating to transmission and distribution projects and Rs. 78,899.6 million under STLs, MTLs and transitional finance loans.

- Our Company's loan assets have grown from Rs. 1,014,262.8 million in Fiscal 2012 to Rs. 2,019,286.7 million in Fiscal 2017, based on our standalone financial statements.

- Our Company's profit after tax, based on our standalone financial statements, for Fiscals 2015, 2016 and 2017 and for the nine months ended 31 December 2017 was Rs. 52,598.7 million, Rs. 56,276.6 million, Rs. 62,457.6 million and Rs. 38,122.1 million, respectively. Our Company's profit after tax, based on our consolidated financial statements, for Fiscals 2015, 2016 and 2017 was Rs. 53,444.2 million, Rs. 56,914.2 million and Rs. 63,133.7 million, respectively.

- As of 31 December 2017, our Company had total loan assets of Rs. 2,240,137.7 million and a net worth of Rs. 365,665.7 million, based on our standalone financial statements.

KEY FINANCIAL PARAMETERS

Some of our key financial parameters based on standalone and consolidated financials are as follows:

	Figures on a standalone basis			
Parameters	**Fiscal 2015**	**Fiscal 2016**	**Fiscal 2017**	**Nine Months Ended 31 December 2017**
	(in Rs. million, except in percentages and ratios)			
Net worth	248,570.3	286,177.6	333,255.9	365,665.7
Total Debt	1,510,241.2	1,691,063.8	1,675,173.9	1,823,417.7
of which – Non-Current Maturities of Long-Term Borrowing	1,311,683.2	1,387,894.3	1,494,893.3	N.A.[(1)]
– Short-Term Borrowing	7,340.0	63,499.3	-	28,575.5
– Current Maturities of Long-Term Borrowing	191,218.0	239,670.2	180,280.6	N.A.
Net Fixed Assets	813.2	1,503.2	1,812.6	2,309.5
Non-Current Assets	1,655,470.4	1,603,629.4	1,804,601.1	N.A.
Cash and Cash Equivalents	5,225.4	17,281.9	44,880.4	16,945.1
Current Investments	4,386.6	1,491.6	1,491.6	N.A.
Current Assets	176,279.9	459,900.3	287,761.3	N.A.
Current Liabilities	259,991.1	375,915.0	245,202.6	N.A.
Asset Under Management	N.A.	N.A.	N.A.	N.A.
Off Balance Sheet Assets	N.A.	N.A.	N.A.	N.A.
Interest Income	200,720.8	234,706.6	229,356.1	163,043.6
Finance Costs	118,446.1	142,831.2	137,751.2	102,041.9
Net interest income	82,274.7	91,875.4	91,604.9	61,001.7
Provisioning and Write-offs	8,029.6	10,898.5	11,094.7	8,582.9
PAT	52,598.7	56,276.6	62,457.6	38,122.1
Gross NPA (%)	0.74%	2.11%	2.41%	2.99%
Net NPA (%)	0.54%	1.60%	1.60%	2.03%
Tier I Capital Adequacy Ratio (%)	16.52%	17.48%	18.43%	18.59%
Tier II Capital Adequacy Ratio (%)	3.04%	2.90%	2.75%	2.63%
Total Loan Assets (net)	1,792,814.9	2,002,650.2	2,002,933.3	2,218,471.0
Capital Adequacy ratio (%)	19.56%	20.38%	21.18%	21.22%
Net interest margin (Annualised)	5.04%	4.90%	4.65%	4.18%
Yield on Loan Assets (Annualised)	12.30%	12.51%	11.64%	11.07%
Cost of funds (Annualised)	8.36%	8.50%	8.13%	7.79%
Return on Net worth (average) (Annualised)	23.11%	21.05%	20.17%	14.92%
Debt equity ratio (times)	6.08	5.91	5.03	4.99
Total Assets	1,831,750.3	2,063,529.7	2,092,362.4	2,284,897.2
Return on Assets (Average) (Annualised)	3.13%	2.89%	3.01%	2.32%

Parameters	Figures on a consolidated basis		
	Fiscal 2015	Fiscal 2016	Fiscal 2017
Net worth	250,725.8	288,934.0	336,705.6
Total Debt	1,509,790.6	1,692,116.4	1,678,516.4
of which – Non-Current Maturities of Long-Term Borrowing	1,311,232.6	1,387,838.5	1,496,808.9
– Short-Term Borrowing	7,340.0	64,607.7	1,109.8
– Current Maturities of Long-Term Borrowing	191,218.0	239,670.2	180,597.7
Net Fixed Assets	1,197.8	3,321.3	5,204.4
Non-Current Assets	1,655,773.5	1,604,403.5	1,806,986.6
Cash and Cash Equivalents	5,589.2	18,165.6	45,803.4
Current Investments	4,388.1	1,494.1	1,843.6
Current Assets	178,785.6	465,045.7	295,462.6
Current Liabilities	261,107.0	379,145.8	249,906.6
Asset Under Management	N.A.	N.A.	N.A.
Off Balance Sheet Assets	N.A.	N.A.	N.A.
Interest Income	200,720.8	234,706.6	229,356.1
Finance Costs	118,395.9	142,823.5	137,863.6
Net interest income	82,324.9	91,883.1	91,492.5
Provisioning and Write-offs	8,061.8	10,961.8	11,103.1
PAT	53,444.2	56,914.2	63,133.7
Gross NPA (%)	0.74%	2.11%	2.41%
Net NPA (%)	0.54%	1.60%	1.60%
Tier I Capital Adequacy Ratio (%)	N.A.	N.A.	N.A.
Tier II Capital Adequacy Ratio (%)	N.A.	N.A.	N.A.
Total Loan Assets (net)	1,792,814.9	2,002,650.2	2,002,933.3
Capital Adequacy ratio (%)	N.A.	N.A.	N.A.
Net interest margin	5.04%	4.90%	4.65%
Yield on Loan Assets	12.30%	12.51%	11.64%
Cost of funds	8.36%	8.50%	8.13%
Return on Net worth (average)	23.30%	21.09%	20.18%
Debt equity ratio (times)	6.02	5.86	4.99
Total Assets	1,834,559.1	2,069,449.2	2,102,449.2
Return on Assets (Average)	3.18%	2.92%	3.03%

Note: Not available for the period.

MAJOR EVENTS AND MILESTONES

Calendar Year	Event
1969	Incorporation of our Company.
1970	Commenced lending operations to SEBs.
1974	Authorised by the Ministry of Irrigation and Power to finance rural electrification under the ‘Minimum Needs Programme’.
1979	CIRE set up in Hyderabad.
1988	Launch of “Kutir Jyoti” and “Jal Dhara” programmes for rural electrification.
1992	Declared a public financial institution under Section 4A of the Companies Act.
1993	Entered into a memorandum of understanding (**MoU**) with the MoP for the years 1993 and 1994 for the first time to achieve certain performance-related targets.

Calendar Year	Event
1998	Registered as an NBFC under Section 45(IA) of the RBI Act.
2001	• Allowed to issue capital gains tax exemption bonds under Section 54 EC of the IT Act. • Upgraded from a Schedule 'B' to a Schedule 'A' corporation.
2002	Grant of "Mini Ratna-I" status.
2005	Appointed as the nodal agency for the RGGVY scheme.
2006	Entered into agreement with the Japan International Cooperation Agency for availing a loan facility of JPY20,629 million. Entered into agreement with KfW, Frankfurt am Main for availing a loan facility of EUR70 million.
2008	• Launch of an initial public offer and dilution of promoter's shareholding from 100 per cent. to 81.82 per cent. Gross proceeds from IPO was Rs.8,196.3 million. • Listed Shares of our Company on NSE and BSE. • Accorded "*Navratna*" status by the Department of Public Enterprise, GoI for our operational efficiency and financial strength, which affords greater operational freedom and autonomy in decision making.
2009	Received 'LAAA' rating from ICRA in relation to Rs.250,000 million long-term borrowing programme for Fiscal 2010.
2010	• Follow-on issue of Shares resulting in (a) raising Rs.26,475.3 million of gross proceeds through fresh issue and (b) the Government reducing its ownership to 66.80 per cent. • RBI categorised our Company as an IFC. Our Company was included in the MSCI emerging marketing index.
2011	Our Company successfully priced a U.S.$500 million 4.25 per cent. 5-year Regulation S senior unsecured notes transaction. Our Company was the first Indian NBFC-IFC to enter into the international debt market.
2012	• Our Company was appointed as a nodal agency for the implementation of the National Electricity Fund scheme. • Our Company issued a tax-free bond of Rs.30,000 million under Section 10(15)(iv)(h) of the IT Act in Fiscal 2012. • Our Company issued CHF200 million in aggregate principal amount of CHF-denominated bonds which are listed on the SIX Swiss Exchange, Switzerland. • Our Company entered into an agreement with KfW, Germany to avail of official development assistance (**ODA**) under a loan facility of EUR100 million (approximately Rs.6,750 million).

Calendar Year	Event
2013	Our Company issued tax-free bonds of Rs.26,484.1 million under Section 10(15)(iv)(h) of the Income Tax Act.
2014	Our Company issued tax-free bonds of Rs.60,000 million under Section 10(15)(iv)(h) of the Income Tax Act. Appointed as the nodal agency for the DDUGJY scheme.
2015	Our Company issued tax-free bonds of Rs.10,000 million under Section 10(15)(iv)(h) of the Income Tax Act, 1961.
2016	• Our Company successfully set up a U.S.$ 1,000 million Medium Term Note Programme, listed on Singapore Stock Exchange • Our Company was appointed as the nodal agency for the implementation of the Outage Management System and 11kV Rural Feeder Management System
2017	• Our Company was appointed as a nodal agency for the implementation of the "Saubhagya" scheme • Our Company's performance was rated as "Excellent" for Fiscal 2017, in terms of the MoU signed with Government, for the 24th year in succession since Fiscal 1994 when the first MoU was signed. • Our Company raised U.S.$450 million through the issuance of green bonds with a tenor of ten years, which are listed on the Singapore Stock Exchange and the International Securities Market of the London Stock Exchange.

OUR STRENGTHS

We believe that the following are our primary strengths:

Our financial position is strong and our business is profitable.

We have operated our financing business profitably for 17 consecutive years, including a profit after tax on a standalone basis of Rs. 52,598.7 million, Rs. 56,276.6 million, Rs. 62,457.6 million and Rs. 38,122.1 million for Fiscals 2015, Fiscal 2016 and 2017 and for the nine months ended 31 December 2017. We have paid dividends each year since Fiscal 1998. As of 31 December 2017, our Company had a net worth of Rs. 365,665.7 million based on our standalone financial statements. Our Company's annualised return on average net worth for 31 December 2017 was 14.92 per cent. based on our standalone financial statements.

Our projects portfolio for loans sanctioned is also diversified by sector and customer base. For the nine months ended, 57.1 per cent. of our loan sanctions are related to generation projects (which includes generation and renewable energy projects), 36.8 per cent. related to transmission and distribution projects and 6.1 per cent. related to other sanctions relating to STLs. As of 31 December 2017, gross non-performing loan assets constituted 2.99 per cent. of our gross loan assets. As of 31 December 2017, our exposure in the form of outstanding loan assets to our top ten borrowers is 37.6 per cent. of our total outstanding loan assets, and the largest borrower holding is 5.9 per cent. of our outstanding loans.

We fund our business with market borrowings of various maturities, including bonds and term loans. Our relationship with the Government currently provides us with access to lower cost funding and has additionally enabled us to source foreign currency loans from bi-lateral and multi-lateral agencies, such as the JICA and KfW. Domestically, we hold the highest credit rating for long-term borrowing domestic credit rating from CARE, CRISIL, ICRA and IRRPL and, on an international basis, our long-term borrowing ratings from Fitch and Moody's, are BBB- and Baa3, respectively. Our Company's cost of funds mobilised during the nine months ended 31 December 2017 based on our standalone financial statements was 7.79 per cent. per annum. As our sources enable us to raise funds at competitive costs, we believe we are able to price our financial products competitively. Our net interest margins have remained stable with our net interest margin for Fiscal 2017 being 4.65 per cent.

We are uniquely positioned to access and appraise borrowers in the Indian power sector.

We have been involved in the Indian power sector since 1969 and were the first financial institution to exclusively focus on financing the Indian power sector. Since our inception in 1969, we have developed extensive power sector knowledge, relationships with power sector borrowers and the ability to appraise and extend financial assistance to a wide variety of projects.

Our knowledge of the Indian power sector drives our client relationships and the marketing of our financial products. Our clients seek our involvement in their power projects to obtain the benefit of the technical knowledge we can provide for the design and implementation of their power projects. Our experience and knowledge of over 40 years enables us to provide solutions to various problems faced by power sector borrowers by providing technical guidance from project design through completion. To help ensure that our loan products remain an integral part of our clients' financing plans, we also assist our clients in developing detailed five-year plans addressing their anticipated technical and financial needs. We service our clients through a network of twenty two regional offices, one sub office and one state office spread across India. Our regional offices play a critical role in the development of our relationship with our clients, operation and promotion of our business and our loan appraisal, loan sanctioning and post-sanction monitoring processes. Our proximity to our clients enables us to service our clients on a local level, to keep abreast of local issues and to monitor closely the projects we finance.

We occupy a key strategic position in the Government's plans for growth of the power sector.

We are one of a limited number of government-owned companies that focus exclusively on financing the development of the power sector in India. We have consistently benefited from the Government's power infrastructure plans since 1969 and the Government has ensured that our mandate has evolved in accordance with its development priorities. We believe that we will continue to occupy a key strategic position in the Government's on–going plans to develop the Indian power sector.

Historically, we were primarily focused on the electrification of rural India, consistent with the GoI's objective to electrify all rural villages under a variety of schemes that were ultimately merged into RGGVY in Fiscal 2006. The RGGVY scheme has been subsumed into the DDUGJY scheme launched in December 2014. We continue to be the nodal agency for the DDUGJY scheme, and we continue to finance rural electrification and transmission and distribution projects. The Government has a number of stated priorities in the areas of rural electrification and transmission and distribution, including feeder separation and reduction of aggregate technical and commercial losses; and we believe we will be strategically central to these priorities.

Additionally, over the past decade, the Government has become increasingly focused on the power supply shortage in India and the need for increased investment in power generation. In Fiscal 2003, the Government enacted the Electricity Act, which, among other things, aims at creating a sufficient power supply in India to meet demand through private sector investment in the power generation sector. In that same year, the Government broadened our mandate to permit us to finance all segments of the power sector throughout India, which has enabled us to also occupy a key strategic position in the growth of the power generation sector.

Annually, we enter into an MoU with the Government that provides guidelines for our activities that are closely aligned with the Government's own five-year policy initiatives. Under our current MoU, we have extended our commitment to the Government for a number of important measures that we believe will facilitate the development of our business, reduce the risks we face and provide for our continued involvement in the Government's power sector development plans. The objectives of the current MoU include facilitating the Government's flagship rural electrification program including, among others, electrification of unelectrified villages, intensive electrification of villages, providing free electricity connections to BPL households, feeder segregation and commissioning of substations, aimed at providing universal electrification to boost productivity from rural areas, to ensure inclusive development along with social security and to enhance the efficiency of the power distribution system.

Because of our strategic importance to the Government, we receive direct and indirect benefits, including tax concessions for some of our bonds that enable us to maintain low cost of funds. We also benefit from direct tax benefits as provided by the Government.

We have an experienced management team with sector expertise.

We are managed by experienced and highly qualified professionals. Our key managerial personnel have an established track record in managing public financial institutions in India and bear a considerable knowledge of the power sector in India. For example, most of our key managerial personnel have over 30 years of relevant experience in India and have been employed with prominent companies in the power sector. For further details in relation to our Company's management, see the section titled "*Management*" in this Offering Circular.

OUR STRATEGY

The key elements of our business strategy are as follows:

Continue to fund the increased investment in the Indian power sector

India has long suffered from a shortage of power supply, as well as low per capita power consumption, which will be exacerbated by, and ultimately constrain, the growth of the Indian economy unless met by substantially increased investment. Consequently, the Government has prioritised investment into the power sector in a number of ways, including through the implementation of the Electricity Act in June 2003, in order to address systemic deficiencies in the Indian power sector and attract capital for large-scale power projects; the notification of the National Electricity Policy in February 2005, in order to accelerate the development of the power sector, the implementation of RGGVY from April 2005; the launch of the DDUGJY scheme (subsuming the on-going RGGVY scheme) in order to increase the pace of rural electrification and to provide access to electricity to all rural households; the launch of the Integrated Power Development Scheme (**IPDS**) for urban areas primarily aimed at strengthening the sub-transmission and distribution network; and the metering of feeders, distribution transformers, and/or consumers and IT in order to provide sustained loss reduction to India's transmission and distribution infrastructure. The earlier on-going scheme of R-APDRP has been subsumed in IPDS. Both the schemes i.e. DDUGJY and IPDS were launched in December 2014. In 2017, the Government launched a Rs. 163,500 million household electrification scheme, Pradhan Mantri Sahaj Bijli Har Ghar Yojana (translated as the Prime Minister's program to provide easy electricity access to all households), or '*Saubhagya*' with the objective of providing energy access to all by last mile connectivity and electricity connections to all remaining unelectrified households in rural as well as urban areas estimated to be around 39.6 million households. The continued prioritisation of the power sector will need to be met by increased funding to the sector. As a consequence of the Government's focus on increased funding for the power sector, our loan disbursements have grown from Rs. 428,184.6 million in Fiscal 2015 to Rs. 580,386.1 million in Fiscal 2017. We intend to continue to provide the funding necessary for the Government to meet its policy goals for the power sector and believe that our business will continue to be a prime beneficiary from the increased growth of, and investment into, the Indian power sector.

Maintain the diversity of our asset portfolio and seek higher yielding loan assets

Our mandate permits us to finance all types of power projects, including transmission, distribution and generation and renewable energy projects throughout the country, irrespective of size or location. As of 31 December 2017, our loan assets comprised 50.7 per cent. transmission and distribution-related loans. We have utilised our broad mandate to capture the higher rates of return available in the generation sector and diversify our loan asset portfolio. As of 31 December 2017, 46.9 per cent. of our loan asset portfolio was comprised of generation-related loans. Going forward, we believe that the breadth of our mandate will continue to afford us flexibility to manage our business and our asset portfolio in a manner that enables us to diversify the risk associated with any one area of the power sector, as well as to focus on higher yielding loan assets in response to market conditions.

Our involvement in consortium lending and private sector participation in the Indian power sector

During the nine months ended 31 December 2017, all of the total loan sanctions of Rs. 17,750 million to private sector generation projects was under consortium financing. We aim to continue to capitalise on the increasing private sector participation in the Indian power sector. We believe that we are well-positioned to continue to benefit from increased private participation in a number of ways. We believe broad-based public and private and overseas lenders look at us as a key member of lending consortia in order to capitalise on our industry-specific knowledge and experience. To this end, we have entered into several memoranda of understanding with various financial institutions to ensure that we are well positioned to provide speedy consortium financing for large power infrastructure projects.

We believe our participation in consortium lending will continue to involve us in financing increasingly larger and more complex power projects that accompany private sector involvement, and that our industry experience and knowledge, as well as our broad mandate, will enable us to do so successfully, which will further diversify our asset portfolio. We are also acting as the lead financial institution in consortium lending of various generation projects.

Increase our fee-based income

We intend to continue to seek high margin income streams that do not require balance sheet fund commitment. For example, in order to capitalise commercially on our specialised knowledge, we have incorporated REC Transmission Projects Company Limited and REC Power Distribution Company Limited for the purpose of providing consultancy services with respect to transmission and distribution systems, respectively.

THE PROJECTS WE FUND

The table below shows our loan sanctions by type of project and the percentage such amount represented of our total loan sanctions for all projects for the periods indicated.

	Fiscal						Nine Months Ended	
	2015		2016		2017		31 December 2017	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)							
Transmission and distribution[(1)]	250,311.4	40.75	236,276.1	36.09	409,531.2	48.82	350,196.9	36.84
Generation[(2)]	227,262.3	37.00	307,941.6	47.03	302,987.0	36.13	542,479.1	57.07
Other[(3)]	136,640.0	22.25	110,493.3	16.88	126,190.0	15.05	57,850.0	6.09
Total	**614,213.7**	**100.00**	**654,711.0**	**100.00**	**838,708.2**	**100.00**	**950,526.0**	**100.00**

Notes:

(1) Transmission and distribution consists of transmission and distribution MTLs, TFLs, debt refinancing and bridge loans.

(2) Generation consists of generation and renewable projects.

(3) Includes STLs.

The table below shows our loan disbursements by type of project and the percentage such amount represented of our total loan disbursements for all projects for the periods indicated.

	Fiscal						Nine Months Ended	
	2015		2016		2017		31 December 2017	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)							
Transmission and distribution[(1)]..	264,451.5	61.76	307,022.3	66.71	299,483.0	52.60	182,705.0	46.34
Generation[(2)]	141,233.1	32.98	131,236.0	28.51	233,153.1	40.17	159,517.8	40.46
Other[(3)]	22,500.0	5.25	22,000.0	4.78	477,50.0	8.23	52,044.0	13.20
Total	**428,184.6**	**100.00**	**460,258.3**	**100.00**	**580,386.1**	**100.00**	**394,266.8**	**100.00**

Notes:

(1) Transmission and distribution consists of transmission and distribution, international cooperation and development, TFL, MTL, DDG and RGGVY.

(2) Generation consists of generation and renewable projects.

(3) Includes STLs, debt refinancing and bridge loans.

The table below shows our loan amount outstanding by the type of project and the percentage such amount represented of our total loan amounts outstanding for all projects as of the respective dates indicated.

	As of 31 March						As of 31 December	
	2015		2016		2017		2017	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)							
Transmission and distribution[(1)].....	1,021,618.0	56.87	1,159,390.6	57.60	1,025,149.2	50.77	1,136,066.9	50.72
Generation[(2)]	763,881.5	42.52	834,170.4	41.44	958,249.1	47.45	1,050,670.9	46.90
Other[(3)]	10,969.9	0.61	19,222.0	0.96	35,888.5	1.78	53,400.0	2.38
Total	**1,796,469.4**	**100.00**	**2,012,782.9**	**100.00**	**2,019,286.8**	**100.00**	**2,240,137.8**	**100.00**

Notes:

(1) Transmission and distribution consists of transmission and distribution, international cooperation and development, TFL, MTL, DDG and DDUGJY/RGGVY.

(2) Generation consists of generation and renewable projects.

(3) Includes STLs, debt refinancing and bridge loans.

Transmission and Distribution Projects

Within transmission, the principal projects we finance are for the evacuation of power from new power generation stations and the augmentation or strengthening of existing transmission systems, including the construction of new sub-stations and associated lines. In distribution, the principal projects we finance include infrastructure required for system improvement and the creation of new distribution systems, including sub-stations and lines in order to reduce aggregate technical and commercial losses (**AT&C losses**), to cater for increased load growth and for the purchase of distribution equipment.

Transmission projects: Transmission projects relate to the transmission of electricity at higher voltages (132 kV and above) over relatively long distances, generally from generation facilities to sub-stations or between sub-stations. We finance projects related to transmission systems, sub-transmission systems, power evacuation lines and transmission links.

Distribution projects: Distribution projects relate to the distribution of electricity at relatively lower voltages (66 kV and below) over shorter distances, generally from sub-stations to end-users or between sub-stations. The distribution projects involve creating additional infrastructure through the erection of new sub-stations and lines and the improvement of existing distribution systems by upgrading existing sub-stations and lines to increase capacity and reduce losses. Distribution projects also include the modernisation of distribution systems to reduce losses and to improve performance efficiency of power utilities. In distribution, the principal projects for which we provide funding are system improvement projects, which include:

(a) projects to strengthen existing infrastructure through new sub-stations and lines and the replacement of damaged and out-dated equipment;

(b) conversion of low voltage distribution systems to high voltage distribution systems (**HVDS**) in order to reduce AT&C losses; and

(c) creation of new distribution systems to provide power to end-users and to introduce new technologies; setting up bulk loan schemes for the procurement and installation of equipment such as metres, transformers and capacitors.

We also provide counterpart funding for R-APDRP projects under this category, and finance distribution infrastructure required for extending the facility to all class of consumers such as agricultural, domestic, commercial and industrial customers.

Generation Projects

During the nine months ended 31 December 2017, our Company sanctioned generation, renovation and modernisation projects, including additional loan assistance, with a total financial outlay of Rs. 493.837.8 million (excluding renewable power generation projects). These included consortium financing with other financial institutions. We disbursed Rs. 394,266.8 million for the on-going generation projects.

Thermal power generation projects

We currently finance thermal energy power generation projects in the public sector, joint sector and private sector. Thermal energy power generation projects include coal-based power plants, gas-based combined cycle power plants and captive co-generation power plants.

Hydro power generation projects

We provide financing to hydro energy power generation in the public sector, joint sector and private sector. Hydro energy power generation projects include projects of varying sizes, from large hydro to small hydro and mini hydro power plants.

Renewable power generation projects

We also provide financing for grid-connected power projects based on renewable sources such as solar, wind, biomass, bagasse and small hydro-power projects. During the nine months ended 31 December 2017, our Company sanctioned loan assistance of Rs. 48,641.3 million to 19 new, grid-connected renewable energy projects with installed generation capacity aggregating to 689 MW which included seven solar photo-voltaic projects aggregating to 235 MW, two bagasse projects of 38 MW, three small hydro projects of 64 MW and two wind projects of 352 MW. The total cost of these projects aggregated to Rs. 71,598.2 million. Furthermore, during the same period, total disbursement under renewable energy was Rs. 26,691.2 million.

Renovation, modernisation and life-extension

We provide financing for the renovation, modernisation and life-extension of old power generation and transmission assets. Such renovation and modernisation allows these assets to operate more efficiently, safely, economically and in a more environment-friendly manner.

AWARDS AND ACCREDITATIONS

Calendar Year	Awards/Accreditations
1990	Awarded the Indira Gandhi Memorial Award for Excellence in Public Sector Undertakings for the year 1989-1990.
1994	Received rating of "Excellent" by the Government, for the first time, for fulfilling the targets pursuant to the MoU entered into the MoP for the year 1993-1994[(1)].
2000	Declared to be among the top ten public sector enterprises by the Government[(2)].
2008	Accorded "*Navratna*" status by the Department of Public Enterprise, Government for our operational efficiency and financial strength, which affords greater operational freedom and autonomy in decision making.
2009	• Received the Award for Excellence in Rural Electrification for Rural India Connect in India Pride Awards organised by Dainik Bhaskar. • Received certifications from Det Norske Veritas Certification B.V. for conforming to the quality management system standard ISO 9001:2008, at our various offices. • Received certifications from BSI Management Systems for conforming to the quality management system standard ISO 9001:2000, at our various offices. • Received SCOPE Meritorious Award under the category of the Best Managed Bank, Financial Institution or Insurance Company.
2010	• Received the Dalal Street Investment Journal (**DSIJ**), PSU Award 2010, for "The Best Wealth Creator". • Received the India Pride Award 2010 "The Best NBFC". • Received the Asia Pacific HRM Congress Award 2010 for "Organizational Development and Leadership".
2011	• Received the DSIJ PSU Award 2011 for "Speed King" for fastest growing PSUs across Maharatnas, Navratnas and Miniratnas. • Featured in Dun & Bradstreet's India Top PSUs.
2012	• Received the "Best Listed CPSE Award" from the Department of Public Enterprises, of the Government for Fiscal 2010. • Conferred with the "Best Company to work for 2012" and ranked among the top 50 companies hiring up to 1,000 employees by Great Place to Work Institute India in association with The Economic Times.
2013	• Received the DSIJ PSU Award, 2012 for "Fastest Growing Operational Metrics" in Non-Manufacturing Navratna Category.

Calendar Year	Awards/Accreditations
	• Received the CIDC Vishwakarma Award 2013 in the category of "Achievement Award for Industry Doyen". • Received the IPE-CSR Corporate Governance Award from IPE, Hyderabad. • Received the Award in the category of "Banking Financial Services" by India Pride Awards, Dainik Bhaskar and DNA.
2014	• Received the 13th ICSI National Awards for Excellence in Corporate Governance, 2013. • Received the Award in "Energy & Power Sector" from India Pride Awards, Dainik Bhaskar and DNA. • Our Company was rated amongst the best employers in India by Aeon Hewitt. • Received the DSIJ PSU Award 2013 for "Best Value creating Navratna with a balance sheet of more than Rs.1 lakh crore". • Our Company has been rated excellent for Fiscal 2014 in terms of MoU signed with GoI for the 21st year in succession since Fiscal 1994 when the first MoU was signed.
2015	• Received the PSE Excellence Award 2014 as "Company of the Year" award for "Operational Performance Excellence". • Received the award for operational excellence in financial services from India Pride Awards, Dainik Bhaskar and DNA. • Received the "Fastest Growing Navratna PSU" award from India Today.
2016	• Received the Central Board of Irrigation and Power award for Best Power Financing Company. • Received a certificate of recognition for its contribution in Transforming REC by the Governance Now group (SAB TV). • Awarded the "SCOPE Excellence Award for outstanding contribution to the Public Sector Management - Institutional Category I (Maharatna & Navrtatna)" and "SCOPE Meritorious Award for Best Managed Bank, Financial Institution Category" at the Standing Conference of Public Enterprises (SCOPE) Awards on the 8th Public Sector Day function.
2017	• Received the Dainik Bhaskar India Pride Award 2017 for being the leading Financial Services NBFC in the Central PSU category. • Received the Central Board of Irrigation and Power award for Best Power Financing Company. • Received the first prize for "Brand Building through Inclusive Growth Initiatives" at the Corporate Communication Excellence Awards 2017 organised by the SCOPE.

Notes:

(1) In recognition of our performance and our consistent achievement of targets negotiated under the MoU entered into with the Government on an annual basis, we have received the rating of "Excellent" by the Government in relation to our performance for fulfilling the targets pursuant to the MoU, from Fiscal 1994 to 2017.

(2) We have also been ranked among the top ten public sector undertakings for Fiscals 2000, 2001, 2002, 2004 and 2005 by the Ministry of Heavy Industries and Public Enterprises, the Government.

OUR PRODUCTS

Our principal products are long-term loans and STLs. Additionally, we may offer debt-refinancing and bridge loans from time to time. All of our financial products are denominated in Rupees.

The table below sets forth the total loan amount outstanding for each of our financial products and the percentage of such amount against our total loan amounts outstanding for all financial products as of the respective dates indicated.

	As of 31 March						As of 31 December	
	2015		2016		2017		2017	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)							
Long-term loans	1,785,113.5	99.37	2,004,812.3	99.60	1,983,266.0	98.22	2,186,692.1	97.61
Short-term loans	10,969.9	0.61	7,720.0	0.39	35,888.5	1.78	53,400.0	2.38
Other[(1)]	386.0	0.02	250.6	0.01	132.3	0.01	45.6	0.01
Total	**1,796,469.4**	**100.00**	**2,012,782.9**	**100.00**	**2,019,286.8**	**100.00**	**2,240,137.7**	**100.0**

Notes:

(1) Includes debt refinancing and bridge loans.

Long-term Loans

We offer our long-term loans to central-sector power utilities, state-sector power utilities, joint-sector power utilities, state power departments, private sector power utilities and rural electricity cooperatives. Our long-term loans are generally sanctioned with respect to a specific power-related project at project inception or as bulk loans for the procurement of equipment. In the transmission and distribution sector, we generally provide long-term loans up to 90 per cent. of the project cost for state sector projects and up to 50 per cent. of the project cost for private sector projects. In the generation sector, we generally provide long-term loans up to 100 per cent. of the debt component in state sector projects and small private projects of up to 100MW. For all other projects, we provide long-term loans of up to 50 per cent. of the project cost for private sector borrowers and 80 per cent. for government sector borrowers.

In the transmission and distribution sector, our long-term loans typically have a maturity of up to 13 years from the date of the first disbursement, inclusive of a three-year moratorium period on the payment of principal. In the generation sector, our long-term loans have a maturity of up to 20 years, inclusive of a moratorium period of up to five years on payment of principal.

The long-term loans typically bear fixed interest rates that are determined on each date of disbursement pursuant to our then prevailing interest rates. Our long-term loans also provide for re-pricing mechanisms, usually effective after three or ten years, to adjust for changes in interest rates. Our long- term loans also typically provide for pre-payment penalties, as well as the payment of additional interest in the case of default (or, historically, rebates in the case of timely payment).

Our long-term loans to the public sector for transmission and distribution projects typically require the borrower to obtain a state government guarantee of the loan and/or hypothecate a portion of its existing assets or hypothecate all of its project assets to secure the loan. The percentage of guarantee and hypothecation of assets differs on a case-to-case basis. Our long-term loans to the private sector for transmission and distribution projects typically require the borrower, which is typically an SPV, to pledge substantially all of its assets to secure the loan and secure a pledge of the project promoters' shares in the SPV.

Our long-term loans to the public sector for generation projects typically require the borrower to obtain a state government guarantee of the loan and/or pledge substantially all of its assets to secure the loan. The percentage of guarantee and hypothecation of assets differs on a case-by-case basis. Our long-term loans to the private sector for generation projects require the borrower, which is typically an SPV, to pledge substantially all of its assets to secure the loan and secure a pledge of the promoters' shares in the SPV.

Short-term Loans

We offer STLs generally to our state sector borrowers to meet their immediate working capital requirements, including the purchase of fuel for power plants, the conduct of system and network maintenance, including transformer repairs and the purchase of power, materials and minor equipment.

We offer our STLs with a maturity of up to one year. Our current STLs also contain a roll-over provision that permits the borrower to extend the term of the loan, subject to our approval. Our STLs facilities bear either a floating or fixed interest rate. Interest on STLs is payable monthly and principal may be repaid in monthly instalments or in a lump sum at maturity, at the option of the borrower.

Our STLs permit the borrower to provide one or more of the following types of any of the security: a pledge of assets; a state-government guarantee; a bank guarantee and/or a corporate guarantee. In addition, a suitable escrow arrangement is typically required unless a bank guarantee covering the full loan amount is provided.

Other

Debt Refinancing*:* We may offer a debt refinancing scheme for borrowers who have borrowed funds from other lending institutions at a higher rate of interest. The refinancing facility is available generally for commissioned projects. We offer our debt refinancing products on the same interest rate terms as our long-term loans; however, the maturity of our debt refinancing products is generally not later than the maturity of the refinanced indebtedness.

Bridge Loans*:* We may provide short-term bridge loan financing for borrowers that have been sanctioned financial assistance from or through us, primarily in the form of grants or long-term loans, and have received a sanction letter for the funding but are awaiting disbursements pending formalities or clearances.

Short-term Loans to Equipment Manufacturers*:* We may offer STLs to manufacturers of equipment or materials. To be eligible to receive these loans, the equipment manufacturers must have been awarded a firm order for executing contracts in power projects in India by power utilities. We do not currently have any such loans outstanding.

Equipment Leasing*:* We may offer lease financing to fund the purchase of major capital equipment and machinery essential for power and associated infrastructure projects. We do not currently have any such financing arrangements outstanding.

Medium-term Loans*:* We offer our MTLs to central and state government power utilities and state government, which are not in default. Our MTLs are generally sanctioned to provide borrowers with financing facilities to purchase fuel for power plants, to conduct system and network maintenance including transformer repairs, to purchase power or any other requirement due to inadequate tariff revision, to repay any loan obligations and to overcome any delay in receipt of support from the government. The grant of loans to the borrower is subject to our prudential norms and, in accordance with our policy for MTLs, the maximum exposure of our Company for all power utilities in a state shall not exceed Rs.30,000 million, if all the utilities in the state are graded as either A+ or A and shall not exceed Rs.20,000 million if all the utilities in the state are not graded as A+/A.

Our MTLs typically have a maturity of more than one year and up to three years. The MTLs typically bear fixed interest rates that are determined on each date of disbursement pursuant to our then prevailing interest rates. Our MTLs also typically provide for a pre-payment option, which may be considered by our Company on the request of the borrower and subject to the terms decided by our Company.

Our MTLs to the central and state government power utilities typically require the borrower to obtain a central or state government guarantee of the loan (as the case may be) and/or hypothecate a portion of its existing assets or hypothecate all of its project assets to secure the loan, the bank guarantee and/or the corporate guarantee as acceptable to our Company.

Loans for Power Purchase through Indian Energy Exchange*:* In December 2009, our Board approved a new scheme pursuant to which we intend to finance power purchases made through the India Energy Exchange, which is one of two energy exchanges operating in India. It is currently intended that these power purchase loans may be offered to our existing public sector borrowers for the purpose of non-speculative purchases of power through the exchange with a maturity of 90 days from disbursement. Power purchase loans will be secured by escrow arrangements or bank guarantees at the discretion of the borrower.

Transitional Finance Loans*:* We provide transitional financing to DISCOMS in the states of Punjab, Haryana, Uttar Pradesh, Rajasthan, Andhra Pradesh and Tamil Nadu for providing financial support to meet the temporary liquidity crunch being faced by these DISCOMS due to various reasons, including lack of adjustment of fuel surcharge, inadequate government support to meet the cash and/or revenue gap and insufficient capacity addition so as to enable these DISCOMS to improve their financials over a specified period.

Our Lending Policies

Our Company has well-developed policies and/or guidelines in order to streamline the funding process. Regular review based on prevailing market practices, formulation of new policies and guidelines are also being carried out from time to time to strengthen the funding process. Some of the major lending guidelines and/or policies formulated by our Company are:

(i) entity appraisal guidelines;

(ii) conventional generation project appraisal guidelines;

(iii) renewable energy project appraisal guidelines;

(iv) guidelines for transmission and distribution schemes;

(v) guidelines for renewable energy projects;

(vi) guidelines for generation Renovation & Modernisation Projects;

(vii) guidelines for system improvement (**SI**);

(viii) policy for STL;

(ix) policy for MTL;

(x) project monitoring guidelines for generation and SI projects;

(xi) guidelines for financing coal mining projects;

(xii) guidelines on the framework for projects under implementation and monitoring of stressed assets based on RBI notifications;

(xiii) guidelines on project financing framework for flexible structuring based on the RBI notifications;

(xiv) guidelines on refinancing of project loans based on the RBI notifications;

(xv) policy for funding against regulatory assets (excluding return on equity component) of power utilities;and

(xvi) policy for post commercial operation date timely payment interest rate rebate.

While specific terms and conditions may vary for different types of loans provided to different sectors of borrowers, project financing will generally follow the following processes:

Loan Application: The prospective borrower provides a set of information and the funding requirements in the pre-specified formats. There are different kinds of formats for different kind of projects or loans.

The appraisal guidelines for all the projects have been divided into two parts - entity appraisal and project appraisal.

Entity Appraisal: Entity appraisal is basically a credit appraisal of the identified promoters for assessing their creditworthiness, equity infusion ability and their ability to manage and implement the project.

Project Appraisal: Project appraisal consists of technical and financial appraisal of the projects indicating technical feasibility and financial viability and debt servicing capability of the project, along with the project execution abilities of the management. During the project appraisal process, our Company identifies the risks and quantifies them in order to decide the grading of projects so as to determine the exposure as well as the lending rates. The key instruments used at this stage are:

(a) due diligence on various project parameters such as the technology used, the status of various approvals and clearances, the fuel supply arrangement, the water supply arrangement, the power supply arrangements, transportation arrangement and the power evacuation system;

(b) the project grading matrix;

(c) the financial model; and

(d) the site visit report.

Loan Sanction: Once the decision on funding is approved by the competent authority, the quantum of funding, the stipulation of pre-commitment conditions, pre-disbursement and post-disbursement conditions are determined and communicated to the borrower through the issue of a sanction letter. Along with the terms and conditions, our Company prepares a list of key parameters that could trigger re-appraisal and re-grading of the account. This list is being developed based on the results of the sensitivity analysis.

Loan Documentation: After the sanction of a loan, the process of loan documentation and execution of different agreements such as, among others, the trust and retention agreement, the security trustee agreement and other financing and security documents are done.

Funding: After the documentation and funding requirement are received from the borrowers at different stages of the project and after reviewing the pre-disbursement conditions, the funds are disbursed to the borrower for the development and/or construction of power projects.

Monitoring and Review: Since the conditions prevailing at the time of the appraisal cannot be expected to remain the same throughout the life of the project, there is a need for the periodic review of the status and progress. The key parameters for monitoring are developments with respect to licences, key contracts and events having an impact on the project, deviations with respect to compliance to terms and conditions and collateral securities and variance with respect to key risk parameters.

Re-grading of the Project: Re-grading of the project can be initiated, if there is significant variance on key parameters relating to:

(a) the pre-commissioning stage such as a status change in statutory licences, major developments in acquisition of land, developments of key contracts, changes to project implementation schedule and time and cost overrun in the project; and

(b) the operation and maintenance stage such as the commissioning of units, actual operating parameters and developments with respect to financial parameters.

Re-appraisal of the Project: Re-appraisal of the project may be initiated either by our Company or at the request of the borrower. The details are as follows:

(a) re-appraisal may be initiated by our Company when there are developments with respect to time durations between loan sanction and disbursement, significant changes to project costs, major events such as natural disasters and policy-related changes, changes to collateral securities and changes in the project stage; and

(b) in the instance when the borrower requests additional funding or the lowering of the interest rates. Depending upon the changes in the integrated rating of the borrower, after the re-appraisal, the terms and conditions may be revised, further disbursements may be stopped, the loan may be rescheduled and the loan may be restructured.

Our Company's interest rates are linked to the grades assigned to the private sector projects and state power utilities. Our Company, along with PFC, assist the MoP in bringing out integrated ratings for state power distribution utilities and adopt the ratings as revised by the MoP from time to time to ensure uniformity in approach by various banks and/or FIs. The grading of state power utilities is an on-going process based on various parameters such as financial, technical, tariff, regulatory measures, government support and management. Our Company has also instituted an escrow mechanism with SPUs to ensure payments in case of default.

Our Company's status as a public finance institution provides access to the SARFAESI Act, 2002 which grants certain special rights to banks and financial institutions to enforce their security interests without the intervention of the courts. Further, the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 (the **Debt Recovery Act**) provides for the establishment of debt recovery tribunals for the expeditious adjudication and recovery of debts due to any bank or public financial institution or to a consortium of banks and public financial institutions. Under the Debt Recovery Act, the procedures for recoveries of debt have been simplified and time frames have been fixed for speedy disposal of cases. Upon the establishment of the debts recovery tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by the Debt Recovery Act, except for the higher courts in India in certain circumstances.

THE SECTORS OF OUR BORROWERS

We sanction and disburse loans to central and state public sector, joint sector and private sector borrowers, as well as to rural electricity cooperatives.

The table below sets forth our loan sanctions by the borrower's sector and the percentage of such amount against our total loan sanctions for all sectors for the periods indicated.

	Fiscal						Nine Months Ended	
	2015		2016		2017		31 December 2017	
Sector	Amount	%	Amount	%	Amount	%	Amount	%
	(in Rs. million, except in percentages)							
Public sector	539,609.5	87.85	627,399.7	95.83	771,202.9	91.95	916,922.5	96.46
Private sector	74,604.2	12.15	27,311.3	4.17	67,505.3	8.05	33,603.5	3.54
Total	**614,213.7**	**100.00**	**654,711.0**	**100.00**	**838,708.2**	**100.00**	**950,526.0**	**100.0**

The table below sets forth our loan disbursements by the borrower's sector and the percentage of such amount against our total loan disbursements for all sectors for the periods indicated.

	Fiscal						Nine Months Ended	
	2015		2016		2017		31 December 2017	
Sector	Amount	%	Amount	%	Amount	%	Amount	%
	(in Rs. million, except in percentages)							
Public sector	344,974.8	80.57	376,670.1	81.84	491,146.2	84.62	338,975.8	85.97
Joint sector	2,870.1	0.67	30,606.1	6.65	31,437.3	5.42	34,015.2	8.63
Private sector	80,339.7	18.76	52,982.1	11.51	57,802.6	9.96	21,275.8	5.40
Total	**428,184.6**	**100.00**	**460,258.3**	**100.00**	**580,386.1**	**100.00**	**394,266.8**	**100.00**

The table below sets forth our loan amount outstanding by the borrower's sector and the percentage of such amount against our total loan amounts outstanding for all sectors as of the respective dates indicated.

	As of 31 March						Nine Months Ended	
	2015		2016		2017		31 December 2017	
Sector	Amount	%	Amount	%	Amount	%	Amount	%
	(in Rs. million, except in percentages)							
Public sector	1,483,353.2	82.57	1,542,393.6	76.6	1,519,750.3	75.27	1,721,169.1	76.83
Joint sector	33,193.3	1.85	165,063.0	8.2	167,279.2	8.28	192,794.3	8.61
Private sector	279,872.7	15.58	305,287.0	15.2	332,254.2	16.45	326,171.3	14.56
Rural electricity cooperatives..	50.2	0.00	39.3	0.0	3.0	0.00	3.0	0.00
Total	**1,796,469.4**	**100.00**	**2,012,782.9**	**100.00**	**2,019,286.7**	**100.00**	**2,240,137.7**	**100.00**

GEOGRAPHICAL CLASSIFICATION OF OUR TOP TEN BORROWERS

The table below sets forth the geographical classification of the top ten borrowers based on the amount outstanding on 31 December 2017:

S. No.	Name of Borrower	Amount Outstanding (in Rs. million)	% Exposure of total loan amounts outstanding
1.	Maharashtra State Power Generation Company Limited	132,005.2	5.89
2.	Maharashtra State Electricity Distribution Company Limited	123,731.0	5.52
3.	Rajasthan Rajya Vidyut Utpadan Nigam Limited	103,355.2	4.61
4.	Tamil Nadu Generation and Distribution Corporation	87,620.1	3.91
5.	Nabinagar Power Generating Co. Pvt Ltd	74,127.0	3.31
6.	Uttar Pradesh Power Transmission Corporation Limited	72,669.5	3.24
7.	Tamil Nadu Transmission Corporation	70,467.7	3.15
8.	Andhra Pradesh Power Generation Corporation	66,160.3	2.95
9.	Andhra Pradesh Southern Power Distribution Company Limited	58,199.4	2.60
10.	Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited	54,203.3	2.42

LOANS CLASSIFIED AS NON-PERFORMING

The table below shows the NPAs by our Company based on the total amount outstanding as of 31 December 2017:

S. No.	Name of Borrower	Classification	Outstanding as of 31 December 2017 (in Rs. million)
1.	ATN International Limited	Loss Asset	94.5
2.	Classic Global Limited	Loss Asset	29.1
3.	Lynx India Limited	Loss Asset	19.6
4.	Silicon Valley Infotech Limited	Loss Asset	29.1
5.	Shree Maheshwar Hydel Power Corporation Ltd	Doubtful	2,500.0
6.	Konaseema Gas Power Limited	Doubtful	2,231.8
7.	Corporate Power Limited	Doubtful	8,117.4
8.	Jas Infrastructure & Power Limited	Doubtful	332.4
9.	Prakash Industries Limited	Doubtful	2,656.2
10.	Lanco Teesta Hydro Pvt Ltd	Doubtful	2,368.0
11.	FACOR Power	Doubtful	5,109.8
12.	Essar Power M.P. Limited	Doubtful	13,450.0
13.	Srikanth Energy Pvt Ltd	Doubtful	85.4
14.	Bhavnagar Biomass Power Projects Pvt. Ltd	Doubtful	250.0
15.	Ind-Barath Power (Madras) Limited	Doubtful	4,162.1
16.	Lanco Vidarbha Thermal Power Ltd	Sub-Standard	5,395.6
17.	Amritjal Power Ventures	Sub-Standard	57.8
18.	Lanco anpara power private limited	Sub-Standard	12,405.6
19.	Ind-Barath Energy (Utkal) Limited(1)	Restructured Doubtful	7,770.0

Note:

(1) Classified as NPAs due to the restructuring and/or non-achievement of date of commencement of commercial operations.

OUR PARTICIPATION IN GOVERNMENT PROGRAMMES

The Government has initiated a number of programmes aimed at accelerating the growth and development of the power sector. We play a key role in implementing the following programmes.

SAUBHAGYA - Pradhan Mantri Sahaj Bijli Har Ghar Yojana

The Government is committed to provide “24x7 Power For All” in India in a timely manner. There are approximately 40 million households which do not have electricity connections and providing electricity access and connections to these remaining households is a prerequisite to achieve “Power For All”. The ongoing DDUGJY scheme builds infrastructure in rural areas and provides free electricity connections to BPL households. Similarly, in urban areas, while infrastructure is being built under the IPDS, a substantial number of households still do not have electricity connections.

To achieve universal household electrification in India by March, 2019, the Government launched the Saubhagya scheme with a total cost of Rs. 163,200 million including gross budgetary support of Rs. 123,200 million from the Government during the entire implementation period.

The scheme includes:

(a) providing electricity connections to all unelectrified households in rural areas. Above poverty line households will be provided electricity connections upon payment of Rs. 500 (with ten equal monthly instalments);

(b) providing solar photo voltaic based standalone system for unelectrified households located in remote and inaccessible villages / habitations, where grid extension is not feasible or cost effective; and

(c) providing electricity connections to all remaining economically poor unelectrified households in urban areas. Non-poor urban households are excluded under this scheme.

Under the Saubhagya scheme, beneficiary households will be identified using Socio Economic and Caste Census (**SECC**) 2011 data. Households not found eligible as per SECC data would also be provided electricity connections upon payment of Rs. 500 recoverable in ten instalments through electricity bills. All DISCOMs including private sector DISCOMS, state power departments and rural electrification cooperative societies are eligible for financial assistance. Gram Panchayat/public institutions are authorised to collect application forms, distribute bills, collect revenues and perform other related activities. A dedicated web portal for has been developed for the scheme to capture the information and progress of household electrification.

Our Company is the nodal agency for the operationalisation of the Saubhagya scheme.

Electrification of Unelectrified Villages

The remaining 18,452 unelectrified villages are located in highly inaccessible areas (thick forest, mountainous regions, among others), with tough terrain and inclement weather, areas facing right of way issues or areas plagued by insurgency and left wing extremism. Keeping in view these challenges, the MoP has taken up the electrification of villages program on a fast track and priority basis.

A new monitoring mechanism was set up to accelerate the progress of village electrification. A dedicated web portal and a mobile application, GARV, were designed and developed.

The salient features of GARV are real-time dashboard, paperless working, capturing village-wise milestones, uploading photographs/global positioning system coordinates, timely highlighting of implementation hurdles, if any, habitation-wise infrastructure, offline data entry, tracking of delay in implementation of works, segregation of uninhabited villages, state-wise snapshots, adoption of villages/districts/states and viewing their respective customised dashboard and provision of feedback and suggestions from users.

Out of 18,452 unelectrified villages as of 1 April 2015, approximately 15,981 villages have been electrified as of 31 December 2017 (1,079 villages are uninhabited and 22 villages are categorised as grazing reserve). The remaining 1,370 unelectrified villages are targeted for electrification by 31 March 2018.

Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)

DDUGJY is an integrated scheme covering all aspects of rural power distribution. Under the scheme, 60 per cent. of the project cost (85 per cent. for special states, i.e. all northeastern states in India including Sikkim, Jammu and Kashmir, Himachal Pradesh and Uttarakhand) is provided as a grant by the Government and an additional grant of up to15 per cent. (5 per cent. for special states) is provided by the Government upon achievement of prescribed milestones. All erstwhile RE schemes (including Rajiv Gandhi Grameen Vidyutikaran Yojana) have been subsumed in DDUGJY. Our Company is the nodal agency for the operationalisation of DDUGJY.

The main objectives of the scheme are to provide electricity access to all rural households and to reduce AT&C losses as per trajectory (DISCOM-wise) finalised in consultation with the states by the MoP so as to achieve 24x7 power supply for non-agricultural consumers and adequate power supply for agricultural consumers through the following project components:

(a) separation of agriculture and non-agriculture feeders facilitating improved quality power supply to non-agricultural consumers and adequate power supply to agricultural consumers in the rural areas;

(b) strengthening and augmentation of sub-transmission and distribution infrastructure in rural areas;

(c) metering of distribution transformers/feeders/consumers; and

(d) rural electrification works (including those under the erstwhile RGGVY scheme).

In DDUGJY, earlier population criteria for eligibility of villages/hamlets have been removed and all the villages and habitations are eligible, without any population criteria.

In order to realise the objectives of this scheme, participation of all the stakeholders, particularly public representatives, has already been institutionalised through the constitution of district electricity committees (now DISHA) under the chairmanship of the most senior member of parliament. DISHA has also been empowered to monitor and review the implementation of DDUGJY.

Performance during Fiscal 2017

Under the erstwhile rural electrification program, as of 31 December 2017, 1,432 projects with a total outlay of Rs. 659,470 million, including providing electricity access to rural households in 594,581 villages, providing electricity connections to 39.9 million BPL households, commissioning of 2,986 substations (including augmentation of 2,119 substations), installation of 1.11 million distribution transformers and laying out of 1.39 million CKms of low tension and high tension lines, have been sanctioned.

As of 31 December 2017, under the DDUGJY, 4,503 projects with a total outlay of Rs. 425,650 million, including providing electricity access to rural households in 185,883 villages, providing electricity connections to 3.83 million BPL households, commissioning of 4,006 substations (including augmentation of 2,181 substations), installation of 0.39 million distribution transformers, laying out of 41.9 million CKms of low tension and high tension lines and installation of 15.57 million energy meters in consumer premises, distribution transformers and feeders, have been sanctioned. Most of the states involved have awarded the projects and works are in progress.

Cumulative performance up to 31 December 2017

In relation to the rural electrification component, as of 31 December 2017, Rs. 477.7 million has been released to the states, electricity access has been provided to rural households in 456,458 villages, free electricity connections have been provided to 27.02 million BPL households, 1,768 substations (including augmentation of 1,051 substations) have been commissioned, 0.58 million distribution transformers have been installed and 0.70 million CKms of LT & HT lines have been laid out.

As of 31 December 2017, Rs. 51,890 million subsidy from the Government has been released to the states. Electricity access has been provided to rural households in 21,341 villages, free electricity connections have been provided to 0.90 million BPL households, 353 substations (including augmentation of 207 substations) have been commissioned, 20,333 distribution transformers have been installed, 39,880 CKms of LT & HT Lines have been laid out and 2.43 million energy meters have been installed in consumer premises, distribution transformers and feeders.

Integrated Power Development Scheme (IPDS)

Sanction of the President of India was conveyed for the launch and implementation of an "Integrated Power Development Scheme" (**IPDS**) with the following components:

(a) strengthening of sub-transmission and distribution networks in the urban areas;

(b) metering of distribution transformers, feeders and consumers in the urban areas; and

(c) IT enablement of the distribution sector and strengthening of the distribution network, according to the CCEA approval dated 21 June 2013, for the completion of the targets laid down under R-APDRP for the 12th Plan and 13th Plan by carrying forward the approved outlay for R-APDRP to IPDS.

The components mentioned in (a) and (b) above will have an estimated outlay of Rs.326,120 million, including a budgetary support of Rs.253,540 million from the Government during the entire implementation period.

The scheme of R-APDRP, as approved by CCEA for continuation in the 12th Plan and 13th Plan will get subsumed in this scheme as a separate component relating to IT enablement of the distribution sector and strengthening of the distribution network, mentioned in (c) above, for which CCEA has already approved the scheme cost of Rs.440,110 million, including a budgetary support of Rs.227,270 million.

Accelerated Generation and Supply Programme (AG&SP)

In Fiscal 1998, the Government launched the AG&SP, which provides interest subsidies for projects involving the renovation, modernisation and life-extension of coal, thermal and hydro power plants, the completion of on-going generation projects, construction of transmission links, system improvements and grants for various studies, subject to the fulfilment of certain conditions. During Fiscal 2002, the scheme was modified to restrict it to renovation, modernisation and life-extension schemes and generation projects. We began to participate in the AG&SP in Fiscal 2003 and oversee and operate this scheme with respect to generation projects on behalf of the Government with other government companies.

Pursuant to this scheme, the Government subsidises our normal lending rates on loans to SPUs. The subsidy is paid in advance into a separate account maintained by us for purposes of the scheme. We receive disbursements from the account against our borrower's interest liability as it arises.

The AG&SP has not been extended to the 11th Plan period. Hence, no AG&SP-related sanctions have been made after Fiscal 2007 and no AG&SP subsidy has been received after Fiscal 2007.

National Electricity Fund

The National Electricity Fund (Interest Subsidy Scheme) (**NEF**) scheme has been set up by the MoP to provide an interest subsidy on loans disbursed to the DISCOMS – both in the public and private sectors, to improve the infrastructure in the distribution sector. The interest subsidy would be provided based on the reform parameters for capital investment in distribution infrastructure, provided that the proposed works have not been funded through the R-APDRP or RGGVY schemes.

The guidelines stipulating the detailed criteria for financial assistance under the NEF scheme, which include the categorisation of states, the preconditions for eligibility, the criteria for assigning the scores based on baseline parameters (reduction in AT&C losses, and the ACS-ARR gap) and other conditions, have been issued by the MoP. Under the NEF scheme, states have been categorised as "special category and focused states" and "states other than special category and focused states". The preconditions for eligibility are linked to reform measures taken by the states and the amount of interest subsidy is linked to the progress achieved in reforms-linked parameters.

The NEF would provide an interest subsidy aggregating to Rs.84,660 million spread over 14 years for loan disbursements amounting to Rs.250,000 million for distribution schemes sanctioned during the years 2012 to 2014. Our Company is the nodal agency for the scheme with a mandate to operationalise the scheme through which the interest subsidy will be provided, with the approval of the steering committee constituted for the NEF scheme. As a nodal agency, our Company will receive a fee against service charges at the rate of 0.5 per cent. of the total loan amount approved by the steering committee. The major objective of the scheme is to expedite capital expenditures in the distribution projects. Since our Company is a major player in the financing of distribution sector projects in India, this would give an opportunity to our Company to enhance our business prospects in the power distribution sector.

During Fiscals 2013 and 2014, our Company approved project loan proposals amounting to Rs. 262,600 million (out of overall project loans of Rs. 264,067.7 million approved under NEF) to various DISCOMs for taking benefits under the NEF scheme. The respective state DISCOMs will start availing themselves of benefits of the subsidy (3 per cent. to 5 per cent. in states other than special category and focused states and 5 per cent. to 7 per cent. in special category and focused states) on interest rate, based on their achievement mainly on two major efficiency benchmark parameters, i.e. the reduction of AT&C losses and the reduction in revenue gap. Eligible power utilities would be assigned marks based on the achievements against benchmark parameters. As of 31 December 2017, total loan disbursements by lenders were Rs. 147,915.6 million and the amount of interest paid by DISCOMs was Rs. 36,691.8 million. As of 31 December 2017, the NEF Steering Committees approved an interest subsidy amounting to Rs. 593.4 million based on the performance criterion evaluated by independent evaluators.

INTERNATIONAL COOPERATION AND DEVELOPMENT

In Fiscal 2005, we set up our International Cooperation and Development division to coordinate with bilateral and multilateral agencies for project-based funds and to forge partnerships with international agencies.

Our Company tied up five lines of credit under Official Development Assistance (**ODA**) from bilateral agencies, comprising two lines of credit from the Japan International Cooperation Agency and three lines of credit from KfW, the development arm of the government of Germany.

JICA. In Fiscal 2006, we entered our first loan agreement with JICA which provides for financial assistance of JPY20,629 million, which was restated to Rs.16,949.38 million with effect from 29 August 2012, to be utilised for the implementation of the Rural Electricity Distribution Backbone Project, which provides loan assistance for the improvement of sub-transmission systems, reduction of transmission and distribution losses and the expansion of access to electricity for unelectrified households for different economic activities through the construction of sub-stations and associated distribution lines in the states of Andhra Pradesh, Maharashtra and Madhya Pradesh.

In Fiscal 2008, we entered into a second loan agreement with JICA for financial assistance of JPY20,902 million, which was restated to JPY13,000 million with effect from 18 February 2012 and was further restated to JPY11,809 million with effect from 31 March 2016, to be utilised for the implementation of the Haryana Transmission System Project.

KfW. Our International Cooperation and Development division has also arranged three lines of credit from KfW under the Indo-German Bilateral Cooperation for our Energy Efficiency Programme.

In Fiscal 2007, we entered into our first loan agreement with KfW which provides for financial assistance of EUR70 million to be utilised for the implementation of HVDS projects. The objective of these projects is to reduce line losses, improve voltage drops and provide reliable power supply in selected districts of Andhra Pradesh. Pursuant to this loan agreement, we also entered into an agreement with KfW for a grant contribution of EUR500,000 which is to be used exclusively for strengthening our position and the position of the power distribution companies to whom we grant a loan pursuant to our first loan agreement with KfW.

In Fiscal 2009, we entered into our second loan agreement with KfW which provides for financial assistance of EUR70 million to be utilised for implementation of HVDS projects in selected districts of Haryana. Simultaneously, we entered into a second financing agreement with KfW for a maximum amount of EUR500,000 which is to be used exclusively for strengthening our position and the position of the power distribution companies to whom we grant a loan pursuant to our second loan agreement with KfW.

In Fiscal 2012, we entered into our third loan agreement with KfW which provides for financial assistance of EUR100 million to be utilised for renewable energy projects under "Clean Energy for Rural Development".

As of 31 December 2017, our Company had JPY5,271.08 million outstanding under the JICA facilities and EUR99.12 million under the KfW facilities.

OUR SPECIALISED KNOWLEDGE

We have developed special technical expertise in distribution systems which we utilise to ensure the continual enhancement of the knowledge of our borrowers, including SPUs. In order to capitalise commercially on our specialised knowledge, we have incorporated REC Transmission Projects Company Limited and REC Power Distribution Company Limited.

CENTRAL INSTITUTE FOR RURAL ELECTRIFICATION

In Fiscal 1979, we established the Central Institute for Rural Electrification at Hyderabad, a training institute established for the purpose of designing and conducting training programmes on various aspects of power transmission and distribution systems and non-conventional energy systems. We have conducted training in a broad array of power-related areas, including best technical practices in transmission and distribution systems, legal aspects of power sector operations and power sector accounting. Commencing in Fiscal 2006, CIRE was enlisted to conduct training for foreign nationals.

OUR OFFICES

We service our clients through a network of twenty two regional offices, one sub office and one state office spread across India. Our regional offices play an integral role in the development of our relationships with our clients, the operation and promotion of our business and in our loan appraisal, loan sanction and post-sanction monitoring processes. Our regional offices are located in the cities of Mumbai, Bengaluru, Hyderabad, Guwahati, Patna, Vijaywada, Panchkula, Shimla, Jammu, Thiruvananthapuram, Shillong, Bhubaneswar, Jaipur, Chennai, Dehradun, Lucknow, Kolkata, Bhopal, Imphal, Itanagar, Raipur and Ranchi. Our sub-office and state office are located at Varanasi and Vadodara, respectively. Our proximity to our clients enables us to service our clients on a local level, keep abreast of local issues and to closely monitor the projects we finance.

Our regional offices are staffed with personnel trained to appraise and monitor projects and are headed by a chief project manager, who provides information about terms and conditions of financial products, rates of interest and other market conditions. The regional offices coordinate our programmes with our borrowers on a local level and facilitate the formulation and implementation of schemes and the granting of loan sanctions and loan disbursements for transmission and distribution projects, generation projects and projects under the RGGVY scheme.

In respect of requests for loans or sanctions, our regional offices receive detailed project reports formulated by our borrowers. The regional office generally performs the initial evaluation of the project and provides its recommendations to our corporate offices. In the event a loan is sanctioned, it is conveyed through our regional office along with the terms and conditions of the loan. The regional office is responsible for the execution of the legal documents for the loan, as well as the implementation of the security mechanism provided for by the terms and conditions stipulated in the sanction letter. Following disbursement of the loan, the regional office, together with our corporate office, is responsible for monitoring the scheme.

RESOURCE MOBILISATION

We generally fund our assets, primarily comprising loans to the power sector, with borrowings of various maturities in the domestic and international markets. Our market borrowings include bonds, STLs, MTLs, long-term loans and external commercial borrowings. As of 31 December 2017, we had total outstanding market borrowings of Rs. 1,823,417.7 million.

The following table sets forth our indebtedness classified by Rupee-denominated and foreign currency-denominated sources and the percentages such resources constituted of our total indebtedness as of the periods indicated. The Rupee equivalents of foreign currency-denominated debts (other than those that are already fully hedged) are translated with reference to rates of exchange prevailing as at the end of all the periods indicated.

	As of 31 March						As of 31 December	
	2015		2016		2017		2017	
Resource Denomination	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Rupee	1,269,959.2	84.09	1,471,826.6	87.04	1,464,368.4	87.42	1,574,087.7	86.33
Foreign currency	240,282.0	15.91	219,237.2	12.96	210,805.5	12.58	249,330.0	13.67
Total	**1,510,241.2**	**100.00**	**1,691,063.8**	**100.00**	**1,675,173.9**	**100.00**	**1,823,417.7**	**100.00**

For additional information on our financial indebtedness, see the section titled "*Assets and Liabilities*" in this Offering Circular.

INVESTMENT OPERATIONS

The primary objective of our investment policy is the prudent management of surplus funds so as to achieve optimal returns. We aim to use our treasury operations to manage our liquidity. Our investments of short-term surplus are primarily in bank deposits and debt-based schemes of public mutual funds for a period of one year beginning 9 July 2009 or the date of any modification of the guidelines issued by the Government for investment of surplus funds in debt-based schemes of public mutual funds, whichever is earlier.

COMPETITION

Our primary competitors are public sector banks, private banks (including foreign banks), multi-lateral development institutions and other financial institutions. For further details, see the section titled "*Industry Overview*" in this Offering Circular.

REGULATIONS AND POLICIES

We are a public limited company under the Companies Act and are notified as a public financial institution under Section 2 (72) of the Companies Act. We are also registered with the RBI as an NBFC. We are a government company within the meaning of Section 2(45) of the Companies Act and are exempted from applicability of provisions of the RBI Act, 1934 relating to the maintenance of liquid assets and creation of reserve funds and directions relating to the acceptance of public deposits. We are exempted from the RBI prudential norms. For further details, see the section titled "*Regulations and Policies*" in this Offering Circular.

EMPLOYEES

Our executives have experience and domain knowledge in different fields of the power sector, including project appraisal, project financing, international finance and domestic resource mobilisation. As of 31 December 2017, we had 533 employees, of which 418 were executives and 115 were non-executive employees. As a matter of practice, we recruit professionally qualified persons through open advertisements. Additionally, we also take officials from the Government, state governments and public sector undertakings on deputation at various levels for their expertise.

Our non-executive employees are all affiliated with the REC Employees union, which is duly registered under the Trade Unions Act, 1926 as a trade union. We believe that we have a good relationship with this union and have not lost any time on account of strikes or labour unrest.

We continued to be on good terms with our employees in Fiscal 2017. There was no loss of man-days on account of industrial unrest. Regular interactions were held with the REC Employees union and the REC Officers Association on issues of employee welfare. This has helped to build an atmosphere of trust and cooperation between our Company and our employees, resulting in a motivated workforce and continued improvement in business performance.

Training and Development

As a measure of capacity building, including the upgrading of employees' skill sets and to ensure a high delivery of performance, training and human resource development continued to receive priority during Fiscal 2018. The training and human resource policy of our Company aims at sharpening the business skills and competence required for better employee performance and provides all possible opportunities and support to the employees to improve their performance and productivity. Training was also provided to promote better understanding of professional requirements as well as to sensitise employees to the socio-economic environment in which the business of our Company is carried out.

SUBSIDIARIES AND JOINT VENTURES

REC Power Distribution Company Limited (RECPDCL)

RECPDCL, a 100 per cent. owned subsidiary of our Company, was incorporated on 12 July 2007 as a public limited company with its CIN as U40101DL2007GoI165779 and its registered office situated at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi 110 003, India. It received its certificate of commencement of business on 31 July 2007. RECPDCL is presently engaged, among others, in the business to promote, develop, construct, own, operate, distribute and maintain up to 66 kV voltage electrification, distribution, electric supply lines and distribution systems.

The board of directors of RECPDCL currently comprises:

- Dr. Penumaka Venkata Ramesh;
- Shri Ajeet Kumar Agarwal;
- Shri Sanjeev Kumar Gupta;
- Shri Sanjiv Garg.

REC Transmission Projects Company Limited (RECTPCL)

RECTPCL, a 100 per cent. owned subsidiary of our Company, was incorporated on 8 January 2007 as a public limited company with its CIN as U40101DL2007GoI157558 and its registered office situated at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi 110 003, India. It received its certificate of commencement of business on 5 February 2007. RECTPCL acts as "bid process coordinator" for the selection of transmission service providers for independent transmission projects allocated by the MoP from time to time, through a tariff-based competitive bidding process notified for inter-state transmission projects. In order to initiate development of each independent inter-state transmission project allocated by MoP, RECTPCL incorporates project-specific SPVs as its wholly owned subsidiary companies. The wholly owned subsidiaries of RECTPCL are also wholly owned subsidiaries of our Company according to Section 2(87) of the Companies Act, 2013. After the selection of the successful bidder through the tariff-based competitive bidding process, the respective project-specific SPV, along with all its assets and liabilities, is transferred to the successful bidder.

The board of directors of RECTPCL currently comprises:

- Dr. Penumaka Venkata Ramesh;
- Shri Sanjeev Kumar Gupta; and
- Shri Ajeet Kumar Agarwal.

Pursuant to the MoP's memorandum dated 30 August 2017, on 6 February 2018, the Board approved the scheme of amalgamation for RECTPCL, as transferor company, and RECPDCL, as transferee company, subject to receipt of the requisite approvals. The objective of the scheme is to improve operational efficiency and to obtain the benefits of a having a larger capital base and pooled resources.

As of 31 December 2017, RECTPCL had the following project specific SPVs as wholly-owned subsidiaries of RECTPCL and REC:

(1) ***Dinchang Transmission Limited***

Dinchang Transmission Limited was incorporated on 2 December 2015 as a public limited company with its CIN as U40300DL2015GOI288066 and its registered office situated at Core-4, SCOPE complex, 7, Lodhi Road, New Delhi-110003, India. Dinchang Transmission Limited is a project specific SPV. Upon completion of the bidding process for the project, the ownership of the SPV will be transferred to the winning bidder.

The board of directors of Dinchang Transmission Limited currently comprises:

- Smt. Valli Natarajan;
- Shri Daljeet Singh Khatri, and
- Smt. Harinder Kaur Chani.

(2) ***Ghatampur Transmission Limited***

Ghatampur Transmission Limited was incorporated on 2 December 2016 as a public limited company with its CIN as U40300DL2016GOI308788 and its registered office situated at Core-4, SCOPE complex, 7, Lodhi Road, New Delhi-110003, India. Ghatampur Transmission Limited is a project specific SPV. Upon completion of the bidding process for the project, the ownership of the SPV will be transferred to the winning bidder.

The board of directors of Ghatampur Transmission Limited currently comprises:

- Smt. Valli Natarajan;
- Shri Sanjay Shilendrakumar Kulshrestha; and
- Shri Arun Kumar Tyagi.

(3) ***ERSS XXI Transmission Limited***

ERSS XXI Transmission Limited was incorporated on 11 January 2017 as a public limited company with its CIN as U40300DL2017GOI310436 and its registered office situated at Core-4, SCOPE complex, 7, Lodhi Road, New Delhi-110003, India. ERSS XXI Transmission Limited is a project specific. Upon completion of the bidding process for the project, the ownership of the SPV will be transferred to the winning bidder.

The board of directors of ERSS XXI Transmission Limited currently comprises:

- Smt. Valli Natarajan;
- Shri Sanjay Shilendrakumar Kulshrestha; and
- Shri Mohan Lal Kumawat

However, pursuant to the Share Purchase Agreement signed on 12 January 2018, ERSS XXI Transmission Limited was transferred along with all its assets and liabilities to PGCIL and consequently, it ceased to be a subsidiary of RECTPCL & REC, with effect from the said date.

(4) ***WR-NR Power Transmission Limited***

WR-NR Power Transmission Limited was incorporated on 12 January 2017 as a public limited company with its CIN as U40100DL2017GOI310478 and its registered office situated at Core-4, SCOPE complex, 7, Lodhi Road, New Delhi-110003, India. WR-NR Transmission Limited is a project specific. Upon completion of the bidding process for the project, the ownership of the SPV will be transferred to the winning bidder.

The board of directors of WR-NR Power Transmission Limited currently comprises:

- Smt. Valli Natarajan;
- Shri Sanjay Shilendrakumar Kulshrestha; and
- Shri Mohan Lal Kumawat.

Details of Joint Ventures

Energy Efficiency Services Limited (EESL)

Our Company, along with three other PSUs, namely PGCIL, NTPC and PFC as partners, has formed a joint venture company named Energy Efficiency Services Limited (**EESL**) on 10 December 2009. As of 31 December 2017, the equity investment of our Company in EESL was 146,500,000 equity shares of Rs. 10.00 each. As of the same date, our Company holds 31.7 per cent. of the paid up equity share capital of EESL.

EESL was formed to create and sustain market access of energy efficient technologies particularly in public facilities such as municipalities, buildings, agriculture and industry and to implement several schemes of the Bureau of Energy Efficiency, MoP. EESL is also leading the market related activities of the National Mission for Enhanced Energy Efficiency, one of the eight national missions under the National Action Plan on Climate Change. The business verticals of EESL include implementing projects in energy service company mode in agriculture demand side management, municipal demand side management, distribution energy efficiency projects, building, small and medium enterprises, Perform, Achieve and Trade-Joint Implementation Plan (PAT-JIP) and CSRactivities, among others. Currently, EESL is implementing municipal street lighting projects with various municipal corporation and agriculture demand side management projects for the replacement of inefficient agricultural pump sets in the agriculture sector, Unnat Jyoti by Affordable LEDs for All (formerly Domestic Efficient Lighting Programme) in the domestic residential sector in ESCO mode with various utilities and CSR projects of various companies.

ENTITIES IN WHICH WE HAVE AN EQUITY INVESTMENT

Indian Energy Exchange Limited (IEX)

Pursuant to the approval of our Board in 2007, our Company acquired 5 per cent. (1,250,000 equity shares of face value of Rs. 10 each) of the then equity share capital of IEX.

IEX was incorporated on 26 March 2007 and received its certificate of commencement of business on 17 April 2007. IEX offers national level electronic platform to facilitate trading in electricity, subject to supervision of the CERC. Entities listed to undertake trading in electricity, distribution licensees and grid connected entities use the platform offered by IEX to purchase and sell electricity. Currently, IEX operates the Day-Ahead Market and the Term-Ahead Market in electricity as well as the Renewable Energy Certificate Market. The IEX provides a transparent, demutualised and automated platform enabling efficient price discovery and price risk management for participants. The equity shares of IEX are listed on the BSE and the NSE. As of 31 December 2017, REC holds 4.12 per cent. in the equity share capital of IEX.

Universal Commodity Exchange Limited (UCX)

Pursuant to a Board resolution dated 16 December 2011, our Company approved the acquisition of 16 per cent. of the initial capital of Rs. 1,000 million of UCX by paying a consideration of Rs. 160 million. Significant details of UCX are provided as follows:

UCX was incorporated on 25 February 2008. Its registered office is situated at Exchange House, Building No. 8 (105), Sector II, Millennium Business Park, Mahape, Navi Mumbai, Maharashtra 400 710. UCX is engaged in the business of commodity exchange.

The equity shares of UCX are not listed on any stock exchange. As of 31 December 2017, our Company holds a 16 per cent. shareholding in UCX.

'Small is Beautiful' Fund (SIB)

SIB is an Indian venture capital fund organised and settled as a contributory trust and registered with the SEBI as a venture capital fund. KSK Trust Private Limited is the trustee for SIB. SIB is engaged in the business of making investments in power generation and other allied projects in Indian power sector. Our Company invested Rs. 225.0 million in SIB in Fiscal 2004 along with other banks and financial institutions. Our Company's contribution amounted to 9.74 per cent. of the fund corpus. As of 31 December 2017, SIB has paid Rs. 163.5 million against redemption of investment and Rs. 57.4 million towards dividend payout. The outstanding principal amount of our Company in SIB is Rs. 61.5 million. The investment in SIB has given an internal rate of return of approximately 10.85 per cent as of 31 December 2017 without considering unrealised returns. The net asset value of SIB was Rs. 10.23 per unit as of 31 December 2017.

Lanco Teesta Hydro Power Limited

Our Company sanctioned Rs. 3,900 million to Lanco Teesta Hydro Power Limited with ICICI Bank as the lead lender, having an initial project scheduled commencement operation date in May 2012. However, due to the equity crunch on promoters, geological surprises and poor rock strata, the project has not been commissioned. In order to revive the project, the lenders' consortium decided to invoke the strategic debt restructuring (SDR) in the lenders' meeting held on 24 July 2015. Accordingly, our Company approved the SDR package on 24 September 2015 pursuant to the RBI circular issued in June 2015, for conversion of Rs. 1,020 million out of our Company's outstanding loan into equity at a face value of Rs. 10 per share towards effecting the change in management. As of the date of this Offering Circular, lenders are exploring a resolution plan to revive the project.

NHPC Limited (NHPC)

In April 2016, our Company invested in 260,542,050 equity shares of NHPC at Rs. 21.78 per share amounting to Rs. 5,675.0 million.

NHPC, a Government enterprise, was incorporated in 1975 to plan, promote and organise an integrated and efficient development of hydroelectric power. Subsequently, NHPC expanded its business purpose to include development of power in through conventional and non-conventional sources in India and abroad. At present, NHPC is a Miniratna Category I enterprise of the Government with an authorised share capital of Rs. 150,000 million and issued share capital of Rs.102,593.2 million. NHPC has been assigned a credit rating of AAA / stable by CRISIL.

In February 2017, our Company sold 76,530,185 equity shares in a buyback offer by NHPC. As of 31 December 2017, our Company holds 184,011,865 equity shares of NHPC or 1.79 per cent. of the total equity share capital of NHPC, with an investment amount of Rs. 4,008.0 million .

Housing & Urban Development Corporation Limited (HUDCO)

In May 2017, our Company invested in 347,429 equity shares of HUDCO at Rs. 60 per share amounting to Rs. 20.8 million.

HUDCO was incorporated on 25 April 1970 and is a 100 per cent. Government-owned entity. HUDCO was notified as a public financial institution under Section 4A of the Companies Act, 1956 on 9 December 1996 by the Department of Company Affairs, Ministry of Finance. HUDCO is a Miniratna Category I enterprise with “Excellent” MoU ratings for last three years. HUDCO has been assigned a credit rating of AAA for long term debt by CARE, IRRPL and ICRA.

PROPERTIES

Registered and corporate office. Our registered and corporate office is presently located at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi – 110 003. The office space covering an area of approximately 5,911.69 square metres has been allotted to us by the Standing Conference of Public Enterprises. We have an extension of our corporate office at Core-5, Vth floor, Scope complex and at Core-4 & 5 on the third floor of the MTNL Building, CGO Complex, Lodhi Road, New Delhi. These extended corporate offices covers an area of approximately 2,000 square metres and are occupied by executing lease agreements with CCI and MTNL respectively.

Regional offices. We have twenty two regional offices at Mumbai, Bengaluru, Hyderabad, Guwahati, Patna, Vijaywada, Panchkula, Shimla, Jammu, Thiruvananthapuram, Shillong, Bhubaneswar, Jaipur, Chennai, Dehradun, Lucknow, Kolkata, Bhopal, Imphal, Itanagar, Raipur and Ranchi

Sub-office. We have one sub-office at at Varanasi.

State office. We have one state office at Vadodara

Training centre. We have a Central Institute for Power Management and Training at Hyderabad.

Owned Properties. We own the premises occupied by five of our regional offices, brief details of which are as follows:

City	Regional Office	Area (in square metres)
Bengaluru	No. 1/5, Ulsore Road, Bengaluru – 560 042	579.71
Chennai	No. 12 and 13, T.N.H.B Complex, 180, Luz Church Road, Mylapore, Chennai – 600 004	376.71

City	Regional Office	Area (in square metres)
Hyderabad (including the area occupied by RECIPMT)	Shivramapally Post NPA, Near Aramghar, National Highway No. 7, Hyderabad – 500 052	59,063.86
Lucknow	19/8, Indira Nagar Extension, Ring Road, Lucknow – 226 016	1,179.76
Panchkula	Bay No. 7-8, Sector 2, Panchkula – 134 112	539.50

Company owned Leasehold Properties. We own the premises occupied by nine of our regional and state office, brief details of which are as follows:

Regional Office	Address	Area (in square metres)
Bhubaneswar	Deen Dayal Bhawan, 5th Floor, Ashok Nagar, New Capital, Bhubaneswar – 751 009	541.89
Mumbai – Our Company is in occupation of the three premises in Mumbai on the basis of an agreement for sale and not a lease deed	Premise No. 51 B, 5th Floor, "B" Wing, Mittal Tower, Nariman Point – 400 021	63.92
	Premise No. 52 B, 5th Floor, "B" Wing, Mittal Tower, Nariman Point – 400 021	68.65
	Premise No. 58 B, 5th Floor, "B" Wing, Mittal Tower, Nariman Point – 400 021	60.85
Jaipur	J-4-A, Jhalana Dungari, Institutional Area, Jaipur – 302 001	831.94
Jammu	157-A Gandhi Nagar, Behind Apsara Cinema, Jammu – 180 004	133.66
Patna	Premise 45-48 and Premise 59-62, 'Maurya Lok' Complex Block C, 4th Floor, New Dak Bangla Road, Patna – 800 001	470.32
Shimla	Shop No. 201, 202, 203 and 315, Pandit Padamdev Commercial Complex, Phase-II, First Floor, The Ridge, Shimla – 171 001	175.64
Thiruvananthapuram	No. 0-5, 4th Floor, "Saphallayam" Commercial Complex, Block B TRIDA Building Palayam, Thiruvananthapuram – 695 034	301.68
Vadodara	Plot No. 585, Sub-Plot No. 8, Subhanpura, Vadodara – 390 023	999.00
Kolkata	IB-186, Sector III, Salt Lake City, Kolkata – 700 106	761.21

Rented/short-term leased properties. We have certain rented or short-term leased properties that we utilise as offices, brief details of which are as follows:

Office	Address	Area (in square metres)
Dehradun	7 New Road, Opposite, MKP College, Dehradun – 248 001	102.60
Guwahati	Shraddha, Plot No. 20, M.G. Road, Christian Basti, Guwahati – 781 005	171.93
Imphal	2nd floor Chingmeirong Manang Leikai, Imphal-Dimapur road Imphal-795001	204.5
Itanagar	Dikling Apartment,Ward no.8, Niti vihar V.I.P road Itanagar-791111	278.8
Jammu	157-A Gandhi Nagar, Behind Apsara Cinema, Jammu – 180 004	133.66
Raipur	Block B-1,F-6&7, 1st Floor,Pujari Chambers, Commercial Complex, Pachpedi Naka Raipur-492103	111.9
Ranchi	Flat No. A-101 and D-104, First Floor, Om Shree Enclave, Airport Road, Hinoo, Ranchi – 834 002	296.40
Shillong	First floor, Plot No. 22, Upper Lachumiere, Patta No. 105, Shillong – 793 001	204.37
Varanasi	N-8/239 J, Newada, Sunderpur, Near Ksheer SagarVaranasi – 221 005	83.64
Vijayawada	54-15-13,B.S.R Hill View 2nd floor Srinivasa Nagar Bank Colony Vijaywada-520008 Andhra Pradesh	159.85

Residential Accommodation. We also possess certain residential properties on a leasehold or freehold basis at Bengaluru, Bhubaneswar, Lucknow, Hyderabad, Ghaziabad, Faridabad, Gurugram, Kolkata, Mumbai, New Delhi, Noida, Shimla, Panchkula and Thiruvananthapuram.

Proposed REC Corporate HQ Building. Construction work of the office building on Plot No. I-4, City Centre, Sector 29 Gurugram on having a total area of 16,890 square metres. is under progress since May 2015

Vacant land. We also own land in Gurugram and Wardha, brief details of which are as follows:

Location	**Area (in square metres)**
GH-0, Sector 57, Gurugram[(1)]	39,374.92
Land bearing Mojani No. 120, P.H. No. 2, Mouje Vela, Hinganghat, Wardha, Maharashtra	51,192.78

Note:

(1) Land for residential township allotted by the Haryana Urban Development Authority. Vacant possession of this land was received in May 2014. Construction of the boundary wall to enclose the township plot is completed.

LEGAL PROCEEDINGS

We are involved in certain legal and tax-related proceedings. These proceedings are pending at different levels of adjudication before various courts, tribunals and appellate authorities.

Income tax proceedings which are pending before various authorities in India with respect to the disallowance of certain tax deductions amounted to Rs. 932.07 million as of 31 December 2017, and the majority of the demands raised by the department have been paid and/or adjusted.

There are 38 civil cases filed against us, pending before various courts in India, including the Supreme Court of India. Out of these cases, claims in only 5 cases have been quantified which aggregate to approximately Rs.1.13 million. Claim amounts for the remaining 33 cases have not been quantified in the petition. The cases relate to (i) writ petitions in human resources matters regarding the termination of services of employees and disallowing the promotions, (ii) settlement of claims relating to Company’s capital gain tax exemption bonds following the demise of bondholders and (iii) garnishee cases where our Company is only a pro forma respondent.

There are eight cases filed by us pending before the DRTs, which are mostly claims made towards outstanding dues payable by our borrowers. The aggregate amount claimed by us in these eight cases is approximately Rs. 24,911 million. Out of these eight cases, a recovery certificate has been issued by the DRT in four cases for the recovery of an amount of approximately Rs. 210 million along with interest and costs thereon, and recovery proceedings are on-going before recovery officer, DRT. The cases include: (i) REC vs. Classic Global Securities Limited and others (O.A no. 344 of 1999); (ii) REC vs. Silicon Valley Infotech Limited and others, (O.A. No. 343 of 1999); (iii) REC vs. Lynx India Limited and others (O.A. No. 44 of 2001) and (iv) REC vs. ATN Arihant International Limited and others (O.A. No. 342 of 1999). In the other four cases, proceedings are at different stages of trial before presiding officers of the various DRTs at Delhi and Kolkata. The aggregate amount claimed in these cases is approximately Rs. 24,701 million. The cases include (i) REC vs. Facor Power Ltd (OA.No.146 of 2017), (ii) REC through ARCIL, vs. Corporate Power Limited (OA.No.705 of 2016), (iii) REC Vs. Jas Infrastructure & Power Limited (OA.No.608 of 2016) and REC and others Vs. Mukul Kasliwal and others (OA No. 648 of 2016).

ASSETS AND LIABILITIES

Asset Quality and Composition

Assets

Our total assets increased by 1.40 per cent. from Rs. 2,063.5 billion at 31 March 2016 to Rs. 2,092.4 billion as of 31 March 2017. During the period, our loan portfolio increased by 0.32 per cent. from Rs. 2,012.8 billion to Rs. 2,019.3 billion and investments increased by 9.32 per cent. from Rs. 24.7 billion to Rs. 27.0 billion. The following table sets out our assets as of the dates indicated:

Particulars	As of 31 March		
	2015	**2016**	**2017**
	(***Rs. million***)		
(1) Non-current Assets			
Fixed assets			
Tangible assets	725.0	1,178.3	1,206.8
Intangible assets	14.3	9.1	4.3
Capital work-in-progress	73.9	303.7	586.9
Intangible assets under development	-	12.1	14.6
	813.2	1,503.2	1,812.6
Non-current investments	11,748.1	23,174.6	25,472.9
Long-term loans and advances	1,642,137.8	1,577,941.0	1,773,489.6
Other non-current assets	771.3	1,010.6	3,826.0
Sub-total (1)	**1,655,470.4**	**1,603,629.4**	**1,804,601.1**
(2) Current Assets			
Current investments	4,386.6	1,491.6	1,491.6
Cash and bank balances	5,229.0	17,285.5	44,900.2
Short-term loans and advances	11,002.4	7,952.6	35,945.6
Other current assets	155,661.9	433,170.6	205,423.9
Sub-total (2)	**176,279.9**	**459,900.3**	**287,761.3**
Total (1+2)	**1,831,750.3**	**2,063,529.7**	**2,092,362.4**

Loan Portfolio

The following table sets forth our loan assets as of the dates indicated:

(Rs. million)

Particulars	As of 31 March					
	2015		**2016**		**2017**	
	Non-Current	**Current**	**Non-Current**	**Current**	**Non-Current**	**Current**
(A) Secured Loans						
(A1) Loans to State Power Utilities/State Electricity Boards/Corporations (secured by hypothecation and/or mortgage of materials/tangible assets)						
(c) Considered Good	959,706.2	89,817.5	1,095,697.0	151,944.3	1,258,113.4	110,149.0
(A2) Loans to others (secured by hypothecation and/or mortgage of tangible assets)						
(a) Considered Good	283,938.5	12,018.9	243,774.9	18,414.2	246,919.5	35,531.2
(b) Classified Doubtful	8,495.3	4,296.6	22,439.7	15,695.0	22,200.1	21,691.0
Less: Provision for bad and doubtful debts	2,086.7	1,005.9	2,576.5	3,255.2	3,838.9	7,678.7
	6,408.6	3,290.7	19,863.2	12,439.8	18,361.2	14,012.3
Sub-total (A1+A2)	**1,250,053.3**	**105,127.1**	**1,359,335.1**	**182,798.3**	1,523,394.1	159,692.5
(B) Unsecured Loans						
(B1) Loans guaranteed by respective State Governments						
(a) Considered Good	353,344.1	26,515.3	180,925.4	225,228.4	191,092.0	28,500.0
(B2) Loans to State Governments						
(a) Considered Good	28,782.9	3,772.4	24,672.9	8,867.8	26,479.0	3,512.2
(B3) Loans – others						
(a) Considered Good	9,340.0	4,909.9	12,105.0	995.1	31,787.3	2,587.8
(b) Classified Doubtful	561.9	–	–	4,301.0	51.8	4,784.0
Less: Provision for bad and doubtful debts	561.9	–	–	4,301.0	51.8	4,784.0
	–	–	–	–	-	-
Sub-total (B1+B2+B3)	391,467.0	35,197.6	217,703.3	235,091.3	249,358.3	34,600.0
Grand Total (A+B)	**1,641,520.3**	**140,324.7**	**1,577,038.4**	**417,889.6**	**1,772,752.4**	**194,292.5**

The largest borrower as of 31 December 2017 accounted for approximately 5.9 per cent. of our total outstanding loan assets. As of the same date, the ten largest individual borrowers in the aggregate accounted for approximately 37.6 per cent. of total outstanding loan assets.

Classification of Assets and Provisioning

Our Company is follows prudential norms prescribed by the RBI for NBFCs pursuant to the Non-Banking Financial Company-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, as amended from time to time.

We classify our loans and other assets as follows:

Standard assets

A standard asset is defined as an asset that is not an NPA, in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business.

Non-performing assets

An asset shall become an NPA if interest and/or instalment of principal remains overdue for a period of three months or more.

A loan for an infrastructure project shall be classified as NPA if it fails to commence commercial operations within two years from the original date of commencement of commercial operations (**DCCO**), even if it is regular as per record of recovery, unless it is restructured and becomes eligible for classification as a "standard asset". However, such restructured loan asset shall also be classified as an NPA if it fails to commence commercial operations within two years or up to three to four years (subject to certain conditions) from the original DCCO, as the case may be, depending upon the reasons for such delay.

In case of restructuring of loans other than under implementation projects, the accounts classified as "standard" shall be immediately downgraded as NPAs. Such asset may be upgraded only when all the outstanding loan or facilities in the account perform satisfactorily during the specified period in terms of RBI guidelines. Necessary provision is required to be made as applicable to such an asset till it is upgraded.

An NPA is an asset that is a substandard asset, a doubtful asset or a loss asset.

Substandard assets. A substandard asset is an asset which has been classified as NPA for a period not exceeding 12 months.

Doubtful assets. A doubtful asset is defined as an asset which remains a substandard asset for a period exceeding 12 months.

Loss assets. A loss asset is defined as:

- an asset which has been identified as a loss asset by us or our internal or external auditor or by the RBI, to the extent it is not written off by us; or

- asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.

Loans, advances and any other form of credit are classified as standard assets, sub-standard assets, doubtful assets and loss assets.

For the purpose of classification of assets into standard, sub-standard, doubtful and loss categories, facilities shall be classified borrower wise save for government sector loans, where cash flows from each project are separately identifiable and applied to the same project, and we classify such loans on a project-wise basis.

Provisioning against loans

Loans, advances and other credit facilities including bills purchased and discounted

The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted is as follows:

Loss assets

For loss assets, the entire asset is written off. In the event that the asset is permitted to remain on our books for any reason, provision is made for 100 per cent. of the outstanding asset.

Doubtful assets

(a) A provision of 100 per cent. is made to the extent to which the advance is not covered by the realisable value of the security to which we have a valid recourse. The realisable value is to be estimated on a realistic basis. Loans covered by a central or state government guarantee or a state government undertaking for deduction from the central plan allocation or loans to any state government shall be treated as secured.

(b) In addition to item (a) above, depending upon the period for which the asset has remained doubtful, a provision of 20 per cent. to 50 per cent. of the secured portion (i.e. estimated realisable value of the outstanding asset) is made on the following basis:

Period for which the asset has been considered as doubtful	Percentage of provision
Up to one year	20 per cent.
One year up to 3 years	30 per cent.
More than 3 years	50 per cent.

Sub-standard assets. A provision of 10 per cent. is made.

Standard assets.

Particulars	Provisioning requirement
For loans restructured and eligible for classification as "standard asset" as per RBI norms., if the original DCCO prescribed at the time of financial closure is extended beyond two years and up to:	A. In respect of the stock of outstanding loans as of 31 March 2015, provisioning requirement shall be as below:
(a) four years in case the reason for extension of DCCO is arbitration proceedings or a court case; and	(a) 2.75 per cent. with effect from 31 March 2015
(b) three years in case the reason for extension of DCCO is beyond the control of promoters (other than court cases).	(b) 3.50 per cent. with effect from 31 March 2016 (spread over four quarters of 2015-16)
	(c) 4.25 per cent. with effect from 31 March 2017 (spread over four quarters of 2016-17)
	(d) 5.00 per cent. with effect from March 31 2018 (spread over four quarters of 2017-18)
	B. In respect of new project loans restructured with effect from 1 April 2015, the provisioning requirement would be 5.00 per cent.
	The respective provisions under A and B above iare required from the date of restructuring till the revised DCCO or two years from the date of restructuring, whichever is later.
For standard assets other than those specified above	0.40 per cent.

As of 31 December 2017, Rs. 67,064.4 million of our loan assets have been categorised as non-performing. As of 31 December 2017, our gross NPAs as a percentage of gross loan assets were 2.99 per cent. and our net NPAs as a percentage of net loan assets was 2.03 per cent. We define net NPAs as gross NPAs less write-offs and its loan loss provisions. As of 31 December 2017, a provision of Rs. 21,666.7 million was created on gross NPAs.

The following table sets forth our NPAs as of the dates indicated:

	As of 31 March			**As of 31 December**
	2015	**2016**	**2017**	**2017**
	NPA as a % of loan assets			
Gross NPA Ratio[(1)]	0.74	2.11	2.41	2.99
Net NPA Ratio[(2)]..	0.54	1.60	1.60	2.03

Notes:

(1) For purposes of this table, our total gross loan assets and net loan assets represent the amount of principal outstanding.

(2) Net NPA ratio is the percentage of net NPA to gross loan assets.

The following table sets forth the classification of our gross loan assets as of the dates indicated below:

(Rs. million, except percentages)

	As of 31 March					
	2015		2016		2017	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Standard assets[(1)]	1,783,115.6	99.26	1,970,347.2	97.89	1,970,559.9	97.58
Non-performing assets[(1)]	13,353.8	0.74	42,435.7	2.11	48,726.8	2.42
Substandard assets	8,449.8	0.47	29,081.9	1.45	12,267.5	0.61
Doubtful assets	4,731.8	0.26	13,181.6	0.65	36,287.1	1.80
Loss assets	172.2	0.01	172.2	0.01	172.2	0.01
Total loan assets	1,796,469.4	100.00	2,012,782.9	100.00	2,019,286.7	100.00

(Rs. million, except percentages)

	As of 31 December	
	2017	
	Amount	Percentage
Standard assets[(1)]	2,173,073.3	97.01
Non-performing assets[(1)]	67,064.4	2.99
Substandard assets	17,859.0	0.80
Doubtful assets	49,033.1	2.19
Loss assets	172.3	0.01
Total loan assets	2,240,137.7	100.0

Note:

(1) For purposes of this table, our standard assets, NPAs and total loan assets represent the amount of principal outstanding, excluding interest accrued and due on loan assets.

Lease and hire purchase assets:

The provisioning requirements in respect of hire purchase and leased assets is as follows:

Hire purchase assets

(i) In respect of hire purchase assets, the total dues (overdue and future instalments taken together) as reduced by:

(a) the finance charges not credited to the profit and loss account and carried forward as unmatured finance charges; and

(b) the depreciated value of the underlying asset,

shall be provided for.

For the purpose of this paragraph:

(1) the depreciated value of the asset shall be notionally computed as the original cost of the asset to be reduced by depreciation at the rate of 20 per cent. per annum on a straight line method; and

(2) in the case of second hand assets, the original cost shall be the actual cost incurred for acquisition of such second hand asset.

NPA Management

We make provisions for NPAs in accordance with the REC prudential norms, which are generally in line with the RBI prudential norms. A loan is written off when all available options for recovery have failed and after due approval of our Board.

We have a system of monitoring the progress of all projects and under which all information relating to a project is available. In case of generation projects, a lender engineer is appointed who periodically provides all information relating to the progress of the project. We also have a mechanism of creating escrow accounts with most of our borrowers in the state sector. See "*Risk Factors – Risks relating to our Business – The escrow account mechanism for the payment obligations of our state sector borrowers may not be effective, which may reduce our recourse in the event of defaulted loans and could have a material adverse effect on our business, financial condition and results of operations*".

Rescheduled Assets

The following table sets forth our rescheduled assets as of the dates indicated below:

(Rs. million)

Rescheduled assets	**As of 31 March**		
	2015	**2016**	**2017**
Standard assets	350,240.3	228,298.8	277,848.0
Substandard assets	-	14,024.4	-
Doubtful assets	-	-	-
Total rescheduled assets	350,240.3	242,323.2	277,848.0

Investments

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

Treatment of grants received from the Government

Undisbursed funds of grant received by us are classified as current liabilities. Interest earned on such funds is either credited to the grant account if required by the terms of the grant or to "other income."

Provisions

A provision is recognised when we have a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined based on management's estimate of the amount required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the then current management estimates.

Prior period and prepaid adjustments. Interest income or expenditure for the earlier years ascertained and determined during the year is accounted for in the year in which it is so ascertained and determined. Other items not exceeding Rs.500,000 in each case are accounted for under natural heads of account. For the purposes of the financial statements included in this Offering Circular, such prepaid and prior period items have been adjusted in respective years.

Employee benefits. Our liability for employee benefits in respect of gratuity is ascertained on actuarial valuation and is provided and funded separately. Short-term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related services are rendered. Post-employment and other long-term employee benefits are recognised as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognised at the present value of the amounts payable determined based on actuarial valuation techniques. Actuarial gains and losses in respect of post-employment and other long-term benefits are charged to the statement of profit and loss.

Transaction in foreign currency. In respect of accounting periods commencing on or after 1 April, 2011, the exchange differences arising on reporting of long-term foreign currency monetary items (having a term of twelve months or more at the date of origination) at RBI reference rates prevailing at the end of each reporting period or where the RBI reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg, different from those at which they were initially recorded during the period, or reported in previous financial statements, are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortised over the balance period of such long term monetary item, by recognition as income or expense in each of such periods.

Short-term foreign currency monetary items (having a term of less than twelve months at the date of origination) are translated at RBI reference rates prevailing at the end of each reporting period or where the RBI reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg. The resultant exchange fluctuation is recognised as income or expense in each of such periods.

Enforcement of Security Interests under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act)

In 2002, the Indian Parliament passed the SARFAESI Act. This Act provides that a secured creditor may, in respect of loans classified as non-performing in accordance with the RBI guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets. The SARFAESI Act also provides for the setting up of asset reconstruction companies regulated by the RBI to acquire assets from banks and financial institutions. The RBI has issued guidelines for asset reconstruction companies in respect of their establishment, registration with and licensing by the RBI and their operations. The Asset Reconstruction Company (India) Limited, set up by ICICI Bank, Industrial Development Bank of India, State Bank of India and certain other banks and institutions, have registered with the RBI and commenced operation in August 2003. 100 per cent. of the FDI is now permitted in the equity capital of asset reconstruction companies and investment by foreign portfolio investments registered with the SEBI is permitted in security receipts issued by asset reconstruction companies, subject to certain conditions and restrictions.

Several petitions challenging the constitutional validity of the SARFAESI Act were filed before the Supreme Court of India. The Supreme Court, in April 2004, upheld the constitutionality of the SARFAESI Act, other than the requirement originally included in the SARFAESI Act that a borrower deposits 75.00 per cent. of the dues with the DRT as a pre-condition for appeal by the borrower against the enforcement measures.

In November 2004, the Government issued an ordinance amending the SARFAESI Act. The Indian Parliament has subsequently passed this ordinance as an Act. The SARFAESI Act, as amended, now provides that a borrower may make an objection or representation to a secured creditor after a notice is issued by the secured creditor to the borrower under such Act demanding the payment of dues. The secured creditor has to give reasons to the borrower for not accepting the objection or representation. The SARFAESI Act, as amended, also introduces a deposit requirement for borrowers if they wish to appeal against the decision of the DRT. Further, it permits a secured creditor to take over the business of a borrower under certain circumstances (unlike the provisions before amendment under which only assets could be taken over). On 27 August 1993, following the recommendations of the Narasimham Committee, the Debt Recovery Act was enacted. The Debt Recovery Act provides for the establishment of tribunals for speedy resolution of litigation and recovery of debts owed to banks or financial institutions. Under the Debt Recovery Act, tribunals are established before which banks or financial institutions can file a suit for recovery of the amounts due to them. However, if a scheme of reconstruction is pending before the Board for Industrial and Financial Reconstruction, under the Sick Industrial Companies (Special Provision) Act, 1985 (the **1985 Act**), no proceeding for recovery can be initiated or continued before the tribunals. This protection from creditor action ceases if the secured creditor takes action under SARFAESI Act. While presenting its budget for fiscal year 2002, the Government announced measures for the setting up of more debt recovery tribunals and the eventual repeal of the 1985 Act. However, the Government has implemented the Sick Industrial Companies (Special Provision) Repeal Act, 2003 with effect from 1 December 2016, which has repealed the 1985 Act.

The Enforcement of Security Interest and Recovery of Debt Laws and Miscellaneous Provisions (Amendment) Act, 2016 (the **Amendment Act**) was passed by the Indian parliament on 9 August 2016 and received the assent of the President of India on 12 August 2016. The Amendment Act shall come into force as and when notified by the central government. The Amendment Act amends four laws: (i) the Securitisation Act; (ii) the Debt Recovery Act; (iii) the Indian Stamp Act, 1899; and (iv) the Depositories Act, 1996. See the section titled "*Regulation and Policies*".

As of 31 December 2017, our Company had issued notices under SARFAESI Act to certain borrowers. In respect of one of the borrowers under the NPA category, our Company took over the management control of the aforesaid borrower company on 7 November 2017 under Section 13(4)(b) of the SARFAESI Act after issuing the necessary notice and publication. The above actions of the Company were challenged by the promoter of the borrower company in the Honourable DRT. The matter, which is being heard in the Honourable DRT, is currently sub-judice. As of the date of this Offering Circular, our Company does not expect the proceedings to have a material adverse effect on our business, financial condition and results of our operations.

Asset Reconstruction Companies

The SARFAESI Act provides the framework for establishing asset reconstruction companies in India to acquire NPAs at a mutually accepted price against the issue of security receipts. These entities seek to recover the outstanding debt through restructuring, settlement or enforcement of security, and use the amount recovered to redeem the security receipts.

In Fiscal 2017 and during the nine months ended 31 December 2017, we had not transferred any NPA to such asset reconstruction companies.

Funding and Liquidity

Our funding operations are designed to ensure stability of funding, minimise funding costs and effectively manage liquidity. We derive funding from capital and reserves and borrowing.

Equity

Equity from the Government was an important source of funding for us in the earlier years of our operations. Since Fiscal 2002, we have become more reliant on other sources of funding, such as borrowings. In March 2008, we went for our initial public offering of 156,120,000 equity shares which included a fresh issue of 78,060,000 equity shares and resulted in net proceeds to us of approximately Rs.8,009 million.

In February 2010, we went for a further public offering of 171,732,000 equity shares, which included an offer for sale of 42,933,000 equity shares by the Government, at a price determined through the alternate book building method in accordance with the SEBI Regulations. This resulted in a decrease of the Government's shareholding to 66.80 per cent. from 81.82 per cent., with the remaining 33.20 per cent. being held by the public.

In April 2014, the Government, as a part of its disinvestment program, launched a Central Public Sector Enterprises Exchange Traded Fund (**CPSE-ETF**). CPSE-ETF is a basket of top ten CPSE stocks, of which our Company is also a part. As a result, the Government's holding was reduced by 1.16 per cent. and stood at 65.64 per cent.

Our Promoter, the President of India acting through the MoP of the Government divested 5 per cent. of the total paid up capital of our Company through an offer for sale on 8 April 2015 and further divested 0.003 per cent. of the total paid up capital of our Company through an off-market transaction under the CPSE-ETF on 10 April 2015. Subsequently, the President of India acting through the MoP divested 1.28 per cent. and 0.5 per cent. of the total paid up capital of the Company on 25 January 2017 and 22 March 2017, respectively, through off market sale of shares under CPSE ETF.

In November 2017, the Government has divested 0.54 per cent of total paid up capital of the Company though "Bharat 22" exchange traded fund. Accordingly, as of the date of this Offering Circular, the President of India holds 58.32 per cent. of the paid up equity share capital of our Company.

Loan Funds

Our loan funds are comprised of secured and unsecured loans. As of 31 March 2017, our loan funds decreased by Rs. 15,889.9 million or 0.94 per cent., to Rs. 1,675,173.90 million from Rs.1,691,063.8 million as of 31 March 2016, due to lower funds raised primarily due to funds received under the UDAY scheme. As of 31 December 2017, our loan funds increased to Rs. 1,823,417.7 million. This increase was due to normal course of business. Our business consists of borrowing funds and on-lending such funds to our customers in the form of loan products. Consequently, growth in our business has been marked by an increase in our loan assets.

The following table sets forth the breakdown of our borrowings for the periods indicated:

(Rs. million, except percentages)

	Fiscal					
	2015		2016		2017	
Resource Denomination	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Rupee	1,269,959.2	84.09	1,471,826.6	87.04	1,464,368.4	87.42
Foreign currency	240,282.0	15.91	219,237.2	12.96	210,805.5	12.58
Total	1,510,241.2	100.00	1,691,063.8	100.00	1,675,173.9	100.00

(Rs. million, except percentages)

	Nine Months Ended 31 December	
	2017	
Resource Denomination	**Amount**	**%**
Rupee	1,574,087.7	86.33
Foreign currency	249,330.0	13.67
Total	1,823,417.7	100.00

Domestic Borrowings

In terms of domestic resources, a significant proportion of our Rupee denominated funds are raised through privately placed bond issues in the domestic market. We have a diverse investor base of banks, financial institutions, mutual funds, insurance companies, provident fund trusts, gratuity fund trusts and superannuation trusts and individuals.

The following table sets forth our outstanding Rupee-denominated indebtedness by type and the percentage such indebtedness constituted of our total Rupee-denominated indebtedness as of 31 March 2015, 2016 and 2017 and 31 December 2017:

(Rs. million, except percentages)

	As of 31 March					
	2015		2016		2017	
Rupee Denominated	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Taxable bonds	970,681.8	76.43	10,96,775.4	74.53	1,134,493.9	77.47
54EC long-term tax exemption bonds	155,909.4	12.28	1,71,643.9	11.66	194,774.0	13.30
Infrastructure bonds	3,763.2	0.30	2,423.9	0.16	1,116.4	0.08
Tax-free bonds	116,484.1	9.17	1,26,484.1	8.59	126,484.1	8.64
Term loans/WCDL	23,090.0	1.82	18,499.3	1.26	7,500.0	0.51
Government loans	30.7	1.82	–	–	-	-
Commercial paper	–	–	56,000.0	3.80	-	-
Total	1,269,959.2	100.00	14,71,826.6	100.00	1,464,368.4	100.00

(Rs. million, except percentages)

	As of 31 December	
	2017	
Rupee Denominated	**Amount**	**%**
Taxable bonds	1,213,140.3	77.06

54EC long-term tax exemption bonds	213,557.0	13.57
Infrastructure bonds	1,116.3	0.07
Tax-free bonds	126,484.1	8.04
Term loans/WCDL	19,790.0	1.26
Government loans	-	-
Commercial paper	-	-
Total..	1,574,087.7	100.00

Taxable bonds. We issue secured and unsecured, non-convertible, non-cumulative, redeemable, taxable, senior and subordinate bonds typically with a maturity of three to ten years from the date of issuance and bearing a fixed interest rate that depends upon market conditions at the time of issuance.

54EC long term tax exemption bonds. We began issuing 54 EC – capital gain tax exemption bonds in Fiscal 2001 according to Section 54EC of the IT Act relating to exemption of taxes on long-term capital gains, if invested in these bonds, subject to limits and qualifications. We are, therefore, able to price such bonds at a lower rate of interest than would otherwise be available to us. In order to qualify for the tax exemption, these bonds must be held for not less than three years. Up to Fiscal 2007, these bonds have put dates or maturity dates at the end of three years from issuance and thereafter automatic redemption after the lock in period of three years. Since January 2007, the Government has limited the amount of our bonds which an individual investor can utilise to offset long-term capital gains to Rs.5.0 million in a financial year and this has reduced the amount of bonds we have been able to offer for subsequent periods. The 54EC – capital gain tax exemption bonds are offered on a domestic private placement basis and are not listed on any exchange.

Infrastructure bonds. We issued infrastructure bonds between Fiscals 2002 to 2005 under section 88 of the IT Act, and in Fiscals 2011 and 2012, issued such bonds under section 80CCF of the IT Act. Under provisions of Section 88 of the IT Act, deduction is allowed from the amount of income tax (as computed before allowing the deductions under Chapter VI) on an investor's total income from investment of these bonds. Under Section 80CCF of the IT Act, deduction is allowed from gross total income of an assessee on investment in these bonds and if terms of the issue were subject to Notification No 48/2010/F NO 149/84/2010- SO (TPL) issued by the CBDT.

Our infrastructure bonds typically have a maturity of ten and 15 years from the date of issuance and bear a fixed interest rate with put option after five and seven years. The infrastructure bonds were offered on a domestic private placement basis and the bonds are listed on the NSE and tradable after the stipulated lock in period.

Tax-free bonds. We issued tax-free bonds up to Fiscal 2002 and thereafter issued in Fiscal 2012, Fiscal 2014 and Fiscal 2016. Under the IT Act, interest on these bonds was tax exempt for bondholders and we were therefore able to price such bonds at a lower rate of interest than would otherwise have been available to us.

Term loans from commercial banks and financial institutions. Rupee denominated term loan facilities from commercial banks and financial institutions are obtained on commercial terms and have varying maturity dates and interest rates.

Loans from the Government. These loans were unsecured, had a maturity of 30 years and had a five-year moratorium on payment of principal. We have not made any new borrowings directly from the Government since Fiscal 2001. As of 31 December 2017, we had no unsecured loans from the Government.

Commercial Paper. We have mobilised funds through the issuance of commercial papers during various years. These are obtained on varying maturity dates and interest rates.

Foreign Currency Resources

We first began arranging for foreign currency borrowings during Fiscal 2007. As of 31 December 2017, our outstanding liability was Rs. 249,330.0 million.

*External commercial borrowings (**ECB**) in foreign currency*

In Fiscal 2015, we raised ECB as follows:

- Syndicated loan agreement through the State Bank of India and Mizuho Bank Limited for U.S.$250 million. The loan under this agreement bears variable interest at a spread of 170 basis points (**bps**) over six-month USD LIBOR and will mature in Fiscal 2020. As of 31 March 2017, this loan facility was fully drawn and U.S.$190 million hedged through principal only swap at 5.9160 per cent. per annum and the balance is unhedged. Out of this agreement, U.S.$ 192.50 million has been repriced by the existing lenders at a variable interest at a spread of 75 bps over six-month USD LIBOR. The balance of U.S.$ 57.50 million havs been prepaid through a fresh loan of balance maturity which bears a variable interest at a spread of 35 bps over six-month USD LIBOR and will mature in Fiscal 2020.

- Syndicated loan agreement through the State Bank of India, the Hong Kong and Shanghai Banking Corporation, The Bank of Tokyo-Mitsubishi UFJ, Bank of India, BNP Paribas and The Australia and New Zealand Banking Group Limited for U.S.$400 million. The loan under this agreement bears variable interest at a spread of 150 bps over six-month USD LIBOR and will mature in Fiscal 2020. As of 31 March 2017, this loan facility was fully drawn and hedged through principal only swap at 5.4157 per cent. per annum. This loan has been fully prepaid on 27 December 2017 through the proceeds of the three-year 3.068 per cent. U.S.$ 400 million Regulation S bonds. Also, the derivatives undertaken on the aforesaid loan have been unwinded.

- Syndicated loan agreement through Mizuho Bank Limited, the State Bank of India and Sumitomo Mitsui Banking Corporation for U.S.$400 million. The loan under this agreement bears variable interest at a spread of 117 bps over six-month USD LIBOR and will mature in Fiscal 2020. As of 31 March 2017, this loan facility was fully drawn and U.S.$300 million hedged through principal only swap at 4.8877 per cent. per annum and the balance is unhedged.

In Fiscal 2016, we raised ECB as follows:

- Syndicated loan agreement through Mizuho Bank, Ltd, the State Bank of India and the Bank of Baroda for U.S.$300 million. The loan under this agreement bears variable interest at a spread of 100 bps over six-month USD LIBOR and will mature in Fiscal 2021. As of 31 March 2017, this loan facility was fully drawn and the entire U.S.$300 million hedged through principal only swap at 4.9155 per cent. per annum.

- Syndicated loan agreement for U.S.$250 million through the Sumitomo Mitsui Banking Corporation, Mizuho Bank Ltd. and The Bank of Tokyo-Mitsubishi UFJ Ltd. to refinance the ECB of U.S.$250 million raised in Fiscal 2013, according to the approval of the RBI. The loan under this agreement bears variable interest at a spread of 70 bps over six-month USD LIBOR and will mature in Fiscal 2019. As of 31 March 2017, this loan facility was fully drawn and U.S.$50 million hedged through a principal only swap at 5.5295 per cent. per annum, U.S.$50 million hedged through call spread options at 4.4985 per cent. per annum and the balance of U.S.$150 million is unhedged.

- Syndicated loan agreement through the State Bank of India and HSBC Banks (Mauritius) Limited for U.S.$300 million. The loan under this agreement bears variable interest at a spread of 105 bps over six-month USD LIBOR and will mature in Fiscal 2021. As of 31 March 2017, this loan facility was fully drawn and U.S.$75 million hedged through principal only swap at 4.9760 per cent. per annum and U.S.$225 million hedged through call spread options at 4.0088 per cent. per annum.

- Syndicated loan agreement for U.S.$250 million through Mizuho Bank Ltd. and The Bank of Tokyo-Mitsubishi UFJ Ltd. to refinance the ECB of U.S.$250 million raised in Fiscal 2013, as per approval of RBI. The loan under this agreement bears variable interest at a spread of 65 bps over six-month USD LIBOR and will mature in Fiscal 2019. As of 31 March 2017, this loan facility was fully drawn and the entire U.S.$250 million hedged through call spread options at 4.1859 per cent. per annum.

- Syndicated loan agreement for U.S.$120 million through the Australia and New Zealand Banking Group Limited to part-refinance the ECB of U.S.$250 million raised in Fiscal 2013, according to the approval of the RBI. The loan under this agreement bears a variable interest at a spread of 95 bps over six-month USD LIBOR and will mature in Fiscal 2019. As of 31 March 2017, this loan facility was fully drawn and U.S.$75 million hedged through call spread options at 4.44 per cent. per annum.

In Fiscal 2017, we raised ECB as follows:

- Bilateral loan agreement for U.S.$ 100 million through The Bank of Tokyo-Mitsubishi UFJ Ltd. The loan under this agreement beasr a variable interest at a spread of 80 bps over three-month USD LIBOR and will mature in Fiscal 2022. As of March 31, 2017, this loan facility was fully drawn and entire U.S.$ 100 million hedged through call spread options at 4.3195 per cent. per annum.

- Syndicated loan agreement through The Bank of Tokyo-Mitsubishi UFJ Ltd., Mizuho Bank, Ltd., and Australia and New Zealand Banking Group Limited for USD 230 million. The loan under this agreement bears a variable interest at a spread of 80 basis points over one-month USD LIBOR and will mature in Fiscal 2022. As of March 31, 2017, this loan facility was fully drawn and entire U.S.$ 230 million hedged through call spread options at 3.5433 per cent. per annum.

Bilateral credit agreements. We also have five foreign currency loan facilities from external bilateral credit agencies.

- In Fiscal 2006, we entered into a loan agreement with JICA for financial assistance of JPY20,629 million restated to JPY16,949.38 million with effect from 29 August 2012. This agreement bears a fixed interest rate of 0.75 per cent. per annum and matures in Fiscal 2021. The Government has guaranteed borrowings under this facility for which we pay a guarantee fee. As of 31 December 2017, this loan facility had been fully drawn.

- In Fiscal 2007, we entered into a loan agreement with KfW for financial assistance of EUR70 million. The loan under this agreement bears a fixed interest rate of 3.73 per cent. per annum and matures in Fiscal 2019. The Government has guaranteed borrowings under this facility for which we pay a guarantee fee. As of 31 December 2017, this loan facility had been fully drawn.

- In Fiscal 2008, we entered into a second loan agreement with JICA for financial assistance of JPY20,902 million restated to JPY13,000 million with effect from 18 February 2012 and further restated to JPY11,809 million with effect from 31 March 2016. This agreement bears a fixed interest rate of 0.65 per cent. per annum and matures in Fiscal 2023. The Government has guaranteed borrowings under this facility for which we pay a guarantee fee. As of 31 December 2017, this loan facility had been fully drawn.

- In Fiscal 2009, we entered into a second loan agreement with KfW for financial assistance of EUR70 million. This agreement bears a fixed interest rate of 2.89 per cent. per annum and matures in 2020. The Government has guaranteed borrowings under this facility for which we pay a guarantee fee. As of 31 December 2017, this loan facility had been fully drawn.

- In Fiscal 2012, we entered into a third loan agreement with KfW for financial assistance of EUR100 million. This agreement bears a fixed interest rate of 1.86 per cent. per annum and matures in 2020. The Government has guaranteed borrowings under this facility for which we pay a guarantee fee. As of 31 December 2017, EUR 100 million had been fully drawn under this facility.

Investment operations

The primary objective of our investment policy is the prudent management of surplus funds so as to achieve optimal returns. We aim to use our treasury operations to manage our liquidity. Our investments of short-term surplus are primarily in bank deposits and debt-based schemes of public mutual funds for a period of one year beginning 9 July 2009 or the date of any modification of the guidelines issued by the Government for investment of surplus funds in debt-based schemes of public mutual funds, whichever is earlier.

The following table sets forth our investments as of the dates indicated:

(Rs. in million)

Particulars	As of 31 March					
	2015		2016		2017	
	Number	Amount	Number	Amount	Number	Amount
Valued at Cost						
(1) Non-Current Investments						
(A) Trade Investments						
Investment in Equity Instruments - Quoted						
- NHPC Limited	-	-	-	-	184,011,865	4,008.0
Investment in Equity Instruments – Unquoted						
- Subsidiaries						
- REC Power Distribution Company Limited	50,000	0.5	50,000	0.5	50,000	0.5
Equity shares of Rs.10 each, fully paid-up						
- REC Transmission Projects Company Limited	50,000	0.5	50,000	0.5	50,000	0.5
Equity shares of Rs.10 each, fully paid-up						
- Joint Ventures						
- Energy Efficiency Services Limited	22,500,000	225.0	47,500,000	475.0	146,500,000	1,465.0
Equity shares of Rs.10 each, fully paid-up						
- Others						
- India Energy Exchange Limited.................	1,250,000	12.5	1,250,000	12.5	1,250,000	12.5
Equity shares of Rs.10 each, fully paid-up						
- Universal Commodity Exchange Limited (UCX)...	16,000,000	160.0	16,000,000	160.0	16,000,000	160.0
Equity shares of Rs.10 each, fully paid-up						
Less: Provision for Diminution in Investment	–	-	–	(160.0)	–	(160.0)
Net Investment in UCX...		160.0		-		-
Investment in Government Securities						
- 8% Government of Madhya Pradesh Power Bonds-II	8	3,772.8	6	2,829.6	4	1,886.4
Maturing in equal half-yearly Instalments of one bond each, next instalment due on 1 October 2016 (Bonds of face value of Rs.471.6 million each)						
Investment in Venture Capital Funds						
–'Small is Beautiful' Fund....................................	7,682,816	76.8	6,152,200	61.5	6,152,200	61.5
Units at face value of Rs.10.00 per unit						
Investment in Debentures						
– 9.68% Bonds of UP Power Corporation Ltd.	75,000	7,500.0	38,050	3,805.0	30,385	3,038.5
Bonds of face value of Rs.0.10 million each						
– 11.15% Additional Tier-1 Perpetual Bonds of Indian Bank.	–	–	5,000	5,000.0	5,000	5,000.0
Bonds of face value of Rs.1.0 million each						
– 11.25% Additional Tier-1 Perpetual Bonds of Vijaya Bank.	–	–	5,000	5,000.0	5,000	5,000.0
Bonds of face value of Rs.1.0 million each						
– 11.25% Additional Tier-1 Perpetual Bonds of Syndicate Bank.	–	–	5,000	5,000.0	5,000	5,000.0
Bonds of face value of Rs.1.0 million each						
Share Application money pending allotment						
– Energy Efficiency Services Limited				990.0		-
Total – Non-Current Investments (1)..................		11,748.1		23,174.6		25,472.9

(Rs. in million)

Particulars	As of 31 March					
	2015		2016		2017	
	Number	Amount	Number	Amount	Number	Amount
(2) Current Investments						
(A) Investment in Equity Instruments						
–..Lanco Teesta Hydro Power Limited	–	–	102,000,000	1,020.0	102,000,000	1,020.0
Equity shares of Rs.10 each, fully paid-up						
(B) Investment in Government Securities						
–..8.57%-8.73% Government of Uttar Pradesh Special Bonds		3,915.0	–	–	–	–
–..8% Government of Madhya Pradesh Power Bonds-II	1	471.6	1	471.6	1	471.6
Maturing in equal half-yearly Instalments of one bond each, next instalment due on 1 October 2016 (Bonds of face value of Rs.471.6 million each)						
Total – Current Investments (2)		4,386.6		1,491.6		1,491.6
Total (1+2)		16,134.7		24,666.2		26,964.5

Capital Adequacy

Our capital adequacy ratio as of 31 December 2017 is 21.22 per cent. The calculation and composition of our Tier-l and Tier-II capital is as follows:

Particulars	Rs. million
1. Tier-I Capital	337,198
2. Tier-II Capital	47,669
3. Total capital (1+2)	384,867
4. Total Risk Weighted Assets	1,813,492
Capital adequacy ratio (3/4)	21.22 per cent.

Our direct loans to state government are assigned a risk weight of 0 per cent. and state government guaranteed loans which have not remained in default/which are in default for a period not more than 90 days are assigned a risk weightage of 20 per cent. However, if the loans guaranteed by the state government have remained in default for a period of more than 90 days, a risk weightage of 100 per cent. is assigned to such loans.

Pursuant to the RBI Master Direction RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated 1September 2016, our Company, being an IFCs is required to have a CRAR of 15 per cent. (with a minimum Tier-l capital of 10 per cent.).

RISK MANAGEMENT

Our Company has adopted a Compressive Risk Management Policy including the overarching framework for identifying, assessing, measuring, monitoring and mitigating/managing risks in all processes, products, activities as performed by all departments at Head office and project offices. The risks are classified under thre categories, namely, Credit Risk, Market Risk and Operational Risk. Market Risk Management consists of the asset liability management policy and hedging policy. The asset liability management policy includes, *inter alia*, liquidity risk management, interest rate risk management as well as risk testing methodologies and risk reporting mechanisms. Hedging policy covers the management and reporting of risks associated with foreign currency borrowings and derivative transactions entered into by our Company.

Risk Management Structure

Our Board is entrusted with the overall responsibility for the management of risks of our business and implements our risk management policies and sets limits for our liquidity, interest rate and foreign currency exchange rate tolerances.

Our Company has constituted an Asset Liability Management Committee (**ALCO**) which is functioning under the chairmanship of the Chairman and Managing Director, and it comprises the Director (Finance), Director (Technical), Executive Directors and General Managers from the finance and operating divisions of our Company as its members.

ALCO monitors risks related to liquidity, interest rates and currency rates. The liquidity risk is being monitored with the help of liquidity gap analysis and the committee manages the liquidity risk through a mix of strategies. The interest rate risk is monitored through an interest rate sensitivity analysis and managed through the review of lending rates, cost of borrowings and the term of lending and borrowing. Foreign currency risk associated with exchange rate and interest rate is managed through various derivative instruments.

Risk Management Committee (RMC)

Our Company has also constituted a RMC which is currently functioning under the chairmanship of a part-time non-official independent director along with another part-time non-official independent director, the Director (Finance) and Director (Technical) as other members for monitoring the credit risk and operational integrated risks of our Company. The main function of the RMC is to monitor various risks likely to arise and to initiate action for mitigation of risk arising in the operation and other related matters of our Company.

RISK MONITORED UNDER ALCO

Market Risk

Market risk is the potential loss arising from changes in market rates and market prices. Our primary market risk exposures result primarily from fluctuations in interest rates and foreign currency exchange rates.

Interest rate risk

Interest rate risk is the risk that is associated with the changes in market interest rates which may adversely affect our financial condition. The primary interest rate-related risks are from timing difference in the maturity of our fixed rate assets and liabilities (e.g. in an increasing interest rate environment, if our fixed rate liabilities mature prior to our fixed rate assets, it would require us to incur additional liabilities at a higher interest rate) and repricing risk, i.e. where there is an adverse mismatch between the repricing terms of our loan assets and our loan liabilities.

We have historically implemented and will in the future implement, interest rate risk management through the contractual terms of our loans, including pricing terms, maturities and prepayment and repricing provisions. Initially, all of our loans were on a fixed rate basis. We also include in our products certain provisions that allow us to reset the interest rate after three or ten years.

In order to mitigate the interest rate risk, we periodically review our lending rates based on our cost of borrowing. We then determine our lending rates based on prevailing market rates, our weighted average cost of funding and our post-tax margins.

In order to manage pre-payment risk, most of our contracts either prohibit pre-payment prior to an interest reset date or require a pre-payment premium if the loan is prepaid prior to an interest reset date. The interest rate reset dates typically occur at three-or-ten-year intervals. Additionally, the terms of most of our loans permit us to increase the interest rate on any undrawn portion of the overall sanction.

Under our interest rate risk management policies, we are instituting analytical techniques, such as gap analysis and duration gap analysis in order to measure our interest rate risk. Under our gap analysis technique, we group our interest rate sensitive assets and liabilities based on their respective maturities (or repricing dates) to determine our susceptibility, from an interest income perspective, to both increasing and decreasing interest rate environments within the time period.

Under our duration gap analysis technique (which we intend to fully implement in the future) we will further test to determine our susceptibility, from a balance sheet perspective, to both increasing and decreasing interest rate environments after giving effect to embedded options, e.g. pre-payment provisions, repricing terms, put and call options, contained in our assets, liabilities and off-balance sheet arrangements. We have begun conducting training in this technique and have hired outside consultants in order to ensure its effective implementation.

Under our policy, we intend to perform sensitivity analysis based on assumed interest rate scenarios to determine our susceptibility to sudden changes in the interest rate environment.

Our ALCO has agreed that our year-end mismatch of rate sensitive assets and rate sensitive liabilities may not exceed 40 per cent. of rate sensitive liabilities.

For additional information on our interest rate risk, see the relevant section in "*Risk Factors*" in this Offering Circular.

Foreign currency exchange rate risk.

Foreign currency exchange risk involve exchange rate movements among currencies that may adversely impact the value of foreign currency-denominated assets, liabilities and off-balance sheet arrangements. We have foreign currency borrowings that could expose us to foreign currency exchange rate risk and we expect to increase our foreign currency-denominated borrowings in the future. As of 31 December 2017, our total foreign currency liabilities outstanding are JPY5,271.08 million, U.S.$ 3,735.0 million and EUR 99.12 million. As of 31 December 2017, we have not engaged in foreign currency denominated lending.

Our Company manages foreign currency risk associated with exchange rate and interest rate through various derivative instruments. For this, our Company has put in place a hedging policy to manage risk associated with foreign currency borrowings. Foreign currency risk associated with exchange rate and interest rate is managed through various derivate instruments.

Our ALCO has agreed that the net open exposure position shall not be more than 35 per cent. of our net worth at any point of time for exchange rate risk and not more than 20 per cent. of our net worth for interest rate risk.

For additional information on our foreign currency risk, see the relevant section in "*Risk Factors*" in this Offering Circular.

Liquidity Risk

Liquidity risk is the risk of our potential inability to meet our 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 through forward-looking resource mobilisation based on projected disbursements and maturing obligations.

Our ALCO has agreed that up to one month mismatch of assets and liabilities may not exceed 15 per cent. of cash outflow, the three months cumulative mismatch may not exceed 30 per cent. of aggregate cash outflow and the annual cumulative mismatch may not exceed 30 per cent. of aggregate cash outflow.

For additional information on our liquidity risk, see the relevant section in "*Risk Factors*" in this Offering Circular.

RISK MONITORED UNDER RMC

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.

We follow a systematic institutional and project appraisal process to assess and mitigate credit risk. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures. We use a wide range of quantitative as well as qualitative parameters as part of the appraisal process to make a sound assessment to the extent of the underlying credit risk in a project.

Our current policies look at the borrower's eligibility criteria, placing emphasis on financial and operational strength, capability and competence. We determine borrower creditworthiness within the public sector based, *inter alia*, on third party ratings of such borrowers that are made available to us. Lending policies are set out in the loan policy circulars and permit prioritisation in the form of differential interest rates and project credit limits. We evaluate the credit quality of the borrower by assigning risk weightings on the basis of the various financial and non-financial parameters. For additional information on our lending policies, see the section titled "*Business – Our Lending Policies*" in this Offering Circular.

For additional information on our credit risk, see the section titled "*Risk Factors*" in this Offering Circular.

Operational Risk

Operational risks are risks arising from inadequate or failed internal processes, people, systems or external events. We have continually strengthened our systems and procedures to recognise and reduce operational risk in our business. For this, our Company has the RMC which comprises the Director (Finance), the Director (Technical) and one independent director for managing the integrated risk of our Company.

Operational controls in project finance activities. We have operational guidelines and manuals that provide a detailed description of the systems and procedures to be followed in the course of appraisal, approval, disbursement and recovery of a loan.

Operational controls in treasury activities. Our investment policy provides policies for deployment of short-term surplus funds and a description of operations to be followed, with suitable exposure and counterparty limits. Compliance with our guidelines is monitored through internal control and external and internal audits.

MANAGEMENT

Board of Directors

The Board consists of eight directors out of which three are whole-time directors, one is a Government nominee director and four are independent directors including one woman director.

The following table sets out details regarding the Board as of 31 December 2017:

Name	Position	Other Directorships
Dr. P.V. Ramesh DIN 02836069	Chairman and Managing Director *Non-Independent Director*	• REC Transmission Projects Company Limited; and • REC Power Distribution Company Limited.
Shri Ajeet Kumar Agarwal DIN 02231613	Director (Finance) Whole-Time Director *Non-Independent Director*	• REC Transmission Projects Company Limited, • Indian Energy Exchange Limited; and • REC Power Distribution Company Limited.
Shri Sanjeev Kumar Gupta DIN 03464342	Director (Technical) Whole-Time Director *Non-Independent Director*	• REC Power Distribution Company Limited; and • REC Transmission Projects Company Limited.
Dr. Arun Kumar Verma DIN 02190047	Government Nominee Director *Non-Executive Director*	• Power Finance Corporation Limited • PTC India Limited
Shri Arun Singh DIN 00891728	Part time Non-Official *Independent Director*	Nil
Shri Aravamudan Krishna Kumar DIN 00871792	Part time Non-Official *Independent Director*	• Andhra Bank • Suraksha Asset Reconstruction Private Limited • Sathguru Catalyser Advisors Private Limited • Central Depository Services (India) Limited • TVS Wealth Private Limited • .
Professor T.T. Ram Mohan DIN 00008651	Part time Non-Official *Independent Director*	• SBICAP Securities Limited • IndusInd Bank Limited • Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited •
Smt. Asha Swarup DIN 00090902	Part time Non-Official *Independent Director*	Nil

Our Board oversees the overall function of our Company, with meetings held, on average, once a month.

Brief Profile of our Directors

Dr. P V Ramesh, 58 years, an IAS officer of the 1985 batch of Andhra Pradesh Cadre is the Chairman & Managing Director (CMD) on the Board of REC since 5 January 2017. Prior to joining REC, Dr.Ramesh was the Special Chief Secretary and Development Commissioner to the Government of Andhra Pradesh and Ex-Officio Special Chief Secretary to Andhra Pradesh Chief Minister. Dr.Ramesh graduated as Physician from the Christian Medical College & Hospital, Vellore.

He has, during his service tenure of over 31 years, held important positions of Principal Finance Secretary, Principal Secretary Department of Health & Family Welfare and Commissioner of Industries in the Government of Andhra Pradesh. He headed the State Reorganization Department that reorganised the state of Andhra Pradesh.

He has served the United Nations Organization for nearly 13 years, where he was responsible for formulating national development strategies and plans, programme design, supervision, monitoring, evaluation, fund administration and Programme Management. He had been a staff member of IFAD, UNOPS and UNFPA. He has worked in several countries across Asia Pacific and Africa continents and Europe and UNOPS headquarters in New York. During his stint with UNO, he has held high profile positions of the Country Programme Manager for Asia Pacific Division of IFAD/ UNOPS, Senior Portfolio Manager for West Asia, Europe and Arab States, Acting Director of UNOPS Regional Office for Southern Eastern Africa; Country Representative for UNFPA to Afghanistan; and Senior Advisor to Finance Minister of Afghanistan, to mention a few.

Dr.Ramesh is also the Chairman on the Board of REC Power Distribution Company Limited and REC Transmission Projects Company Limited, since 5 January 2017.

Shri Ajeet Kumar Agarwal, 57 years, is Director (Finance) of REC since 1 August 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 34 years experience in Public Sector Undertakings. 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. Prior to joining REC on 29 March 2007, he was General Manager in Telecommunications Consultants India Limited. He is also Nominee Director on the Board of REC Transmission Projects Company Limited since 27 December 2008 and REC Power Distribution Company Limited since 14 August 2017, Wholly Owned Subsidiaries of REC; and on the Board of Indian Energy Exchange Limited (IEX) since 22 August 2012.

He is responsible for formulating financial strategies and plans to enable REC in achieving its vision. He provides directions with respect to Financial Management and Operations of the organisation encompassing organisational and financial planning, formulation of financial policy, financial accounting, management control systems, cash and funds management, tax planning, mobilisation 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..

Shri Sanjeev Kumar Gupta, 55 Years, is the Director (Technical) on the Board of REC since 16 October 2015. He holds a Bachelor's Degree in Electrical Engineering from G.B. Pant University of Agriculture & Technology, Pant Nagar, Uttarakhand. He has 35 Years of experience in Indian Power Sector across diverse functions i.e. Planning, Design, Construction, O&M, Project Management of large EHV Transmission system, Financing of Generation, Transmission, Distribution and Renewable Projects, etc. in various power CPSU's, REC, PGCIL and NHPC.

He has been working in our Company since 16 March 2010 at Senior Management positions. He also served 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 of the Company.

He is also Nominee Director on the Board of REC Power Distribution Company Limited since 12 October 2015 and REC Transmission Projects Company Limited, since 26 October 2015.

Dr. Arun Kumar Verma, 58 years, is Government Nominee Director on the Board of REC since 6 October 2015. He is an Indian Forest Service Officer of 1986 Gujarat Cadre and is a 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 30 years of administrative and management 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 29 July 2011 to 14 November 2014. He is also a Government Nominee Director on the Board of Power Finance Corporation Limited and PTC India Limited.

Shri Arun Singh, 52 years, is an Independent Director of REC since 13 November 2015. Shri Singh is a qualified Chartered Accountant and has 28 years of experience in the field of Finance, Taxation, Banking and Management. He is a leading Partner in Arun Singh & Co., Chartered Accountants, New Delhi. He has served as the Director on Board of Union Bank of India and Central Board, State Bank of India. He was the member of Committee of Eminent Persons in Power Grid Corporation of India. He has also handled various projects of FAO, UNO and World Bank as National Consultant.

He has also been the guest faculty in the discipline of Management and Finance for Post Graduate Diploma in Management Programmes and Management Institutions.

Shri Aravamudan Krishna Kumar, 62 years, is an Independent Director of REC since 13 November 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 40 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 Private Limited and TVS Wealth Private Limited. He is also a Public Interest Director on the Board of Central Depository Services (India) Limited.

Professor T.T. Ram Mohan, 61 years, is an Independent Director of REC since 13 November 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, Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited and SBICAP Securities 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 specialises 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, privatisation 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.

Smt. Asha Swarup, 67 years, is an Independent Director of REC since 8 February 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 Chairman 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 finalise the Result Frame work document of Ministries and the Expert Group to finalise 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.

Shareholding of Directors

Except as set forth below, none of our Directors hold any of our Shares as of 31 December 2017:

S. No.	Name of Shareholder	Number of Shares held
1.	Shri Ajeet Kumar Agarwal	484
	Total	**484**

Corporate Governance

Our Company has been complying with the requirements of Corporate Governance as prescribed under SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015. As on date, the composition of the Board of Directors is three (3) Executive Directors including the Chairman and Managing Director, four (4) Part-time Non-official (Independent) Directors including one (1) Woman director and one (1) Government Nominee Director. As such, the Company is in compliance with the provisions of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 relating to composition of the Board.

We currently have eight directors out of which three are whole-time directors, one is a government nominee director and four are part-time independent directors including one woman director. We have constituted the following committees of board members:

(a) Audit Committee;

(b) Nomination and Remuneration Committee;

(c) Stakeholders Relationship Committee;

(d) Risk Management Committee;

(e) Corporate Social Responsibility Committee

(f) Loan Committee;

(g) Executive Committee;

(h) Sub-Committee for review of lending rates for Term Loans/STLs;

(i) Committee on Investment/Deployment of Surplus Funds

Audit Committee

The Audit Committee currently comprises:

Name of the Director[1]	Designation	Position in Committee
Shri A. Krishna Kumar	Independent Director	Chairman
Shri Arun Singh	Independent Director	Member
Prof. T.T Ram Mohan...	Independent Director	Member
Shri S.K. Gupta...	Director (Technical)	Member

Note:

(1) Director (Finance), Head Internal Audit and representatives of the Statutory Auditors are invited for the meetings of the Audit Committee. The Company Secretary acts as the Secretary to the Audit Committee.

Scope and terms of reference: The Audit Committee performs the following functions with regard to accounts and financial management:

(a) ensures compliance with the requirements of Section 177 of the Companies Act read with the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time;

(b) ensures compliance with the requirements relating to the Audit Committee as envisaged in Listing Regulations, as amended from time to time;

(c) ensures compliance 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) ensures compliance with any other applicable provisions, as amended from time to time, relating to the Audit Committee.

The Chairman of the Audit Committee possesses accounting and financial management expertise and all other members of the Audit Committee are financially literate.

Sub-Committee for review of lending rates for Term Loans/STLs

The Sub-Committee for review of lending rates for Term Loans/STLs was constituted by our Board for reviewing the lending rates of term loans and STLs.

The composition of the Sub-Committee for review of lending rates for Term Loans/STLs currently comprises:

Name of the Director	Designation	Position
Dr. P.V. Ramesh	Chairman and Managing Director	Chairman
Shri Ajeet Kumar Agarwal	Director (Finance)	Member
Shri S.K. Gupta...	Director (Technical)	Member

The quorum for the meeting of Sub-Committee for review of lending rates for Term Loans/STLs is two members including the Chairman and Managing Director.

Stakeholders Relationship Committee

Our Company has constituted a Stakeholders Relationship Committee in terms of the provisions of the Companies Act SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable laws. This committee specifically looks into the redressal of shareholders' and investors' complaints such as the transfer of shares, non-receipt of balance sheet and declaration of dividends.

The current composition of Stakeholders Relationship Committee is as follows:

Name of the Director	Designation	Position
Shri A. Krishna Kumar......................................	Independent Director	Chairman
Shri Ajeet Kumar Agarwal................................	Director (Finance)	Member
Shri S.K. Gupta...	Director (Technical)	Member

The quorum for a meeting of the Stakeholders Relationship Committee is two members, including the Chairman of the Committee. Further, the representatives of the registrar and share transfer agents appointed by our Company are standing invitees at the meetings of this committee. Shri J.S. Amitabh, our Company Secretary, is the compliance officer of our Company in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

Loan Committee

The Loan Committee is constituted for sanctioning of loans to (a) central or state government power utilities or central or state government PSUs for an amount of up to Rs.5,000 million for each individual scheme or project, with an annual ceiling of up to Rs.250,000 million, and (b) private sector power utilities for an amount of up to Rs.5,000 million for each individual scheme or project, with an annual ceiling of up to Rs.60,000 million. The Loan Committee currently comprises:

Name of the Director	Designation	Position in Committee
Dr. P.V. Ramesh..	Chairman and Managing Director	Chairman
Shri Ajeet Kumar Agarwal................................	Director (Finance)	Member
Shri S.K. Gupta...	Director (Technical)	Member
Dr. Arun Kumar Verma.....................................	Government Nominee Director	Member

The quorum of the meetings of the Loan Committee is three directors including the Chairman and Managing Director and the Government nominee director.

Nomination and Remuneration Committee

As our Company is a CPSU, the appointment, tenure and remuneration of the Chairman, the Managing Director, whole-time functional directors and other directors are decided by the President of India according to the Articles of Association of our Company and such appointment is communicated by the relevant administrative ministry to our Company. The remuneration of the functional directors and employees of our Company is fixed according to extant guidelines issued by the DPE, from time to time. Further, the part-time non-official independent directors are paid sitting fees, as decided by the Board from time to time, for attending board and committee meetings well within the limits prescribed under Companies Act. According to Government norms, the Government nominee director is not entitled to get any remuneration or sitting fee from our Company.

The terms of reference to the extent applicable to our Company are as follows:

(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 the Nomination and Remuneration Committee as envisaged in the 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 on the quantum of annual bonus, variable pay and policy for the ESOP scheme and the pension scheme within the prescribed limits across whole time directors, executive and non-unionised supervisors, as notified by the DPE, and as amended from time to time.

Further, the Ministry of Corporate Affairs, through its notification dated 5 June 2015, has exempted Government companies from the requirements relating to the formulation of criteria for determining qualifications, positive attributes, independence and annual evaluation of directors and policy relating to the remuneration of directors.

The Nomination and Remuneration Committee currently comprises:

Name of the Director[1]	Designation	Position in Committee
Professor T.T. Ram Mohan	Independent Director	Chairman
Shri Arun Singh	Independent Director	Member
Shri A. Krishna Kumar	Independent Director	Member

Note:

(1) The quorum of the Nomination and Remuneration Committee is two members including the Chairman of the Committee. The Director (Finance), the Director (Technical) and Executive Director (Human Resource)/General Manager (Human Resource) are standing invitees to the meetings of the Nomination and Remuneration Committee.

Risk Management Committee

The Risk Management Committee was constituted to manage the integrated risk. The main function of the Risk Management Committee is to monitor various risks likely to arise, to review the various risk management policies and practices adopted by our Company and to initiate action for mitigation of risks arising in the operation and other related matters of our Company.

The Risk Management Committee currently comprises:

Name of the Director	Designation	Position in Committee
Shri Arun Singh	Independent Director	Chairman
Smt. Asha Swarup	Independent Director	Member
Shri Ajeet Kumar Agarwal	Director (Finance)	Member
Shri S.K. Gupta	Director (Technical)	Member

The Operational Heads of the Finance Division (Resource Mobilisation) and Asset Liability Management Division are the standing invitees at the Risk Management Committee meetings.

Executive Committee

The Executive Committee has been constituted for the sanction of the financial assistance in the form of Rupee term loans subject to the following limits:

(a) to central or state government power utilities or central or state PSUs – up to Rs.1,500 million for individual schemes or projects, with an overall ceiling of Rs.200,000 million in a Fiscal Year; and

(b) to private sector power utilities – up to Rs.1,000 million for individual schemes or projects, with an overall ceiling of Rs.50,000 million in a Fiscal Year.

The composition of the Executive Committee of the Board of Directors currently comprises:

Name of the Director	Designation	Position in Committee
Dr P.V. Ramesh	CMD	Chairman
Shri Ajeet Kumar Agarwal	Director (Finance)	Member
Shri S.K. Gupta	Director (Technical)	Member

The quorum of the Executive Committee of the Board is two members including the Chairman and Managing Director.

Corporate Social Responsibility Committee

According to the provisions of Section 135 of the Companies Act, 2013 and rules made thereunder and the guidelines on corporate social responsibility and sustainability for CPSEs issued by the DPE, the Board of our

Company has constituted the Corporate Social Responsibility Committee and the terms of reference of the Committee are as follows:

(a) to formulate and recommend to the Board, a CSR policy which shall indicate the activities to be undertaken by our Company as specified in Schedule VII of the Companies Act;

(b) to monitor the CSR policy of our Company from time to time;

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

(d) to recommend and/or review CSR projects, programmes and/or proposals falling within the purview of Schedule VII of the Companies Act, 2013;

(e) to institute a transparent monitoring mechanism for the implementation of the CSR projects, programmes and/or activities undertaken by our Company;

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

(g) to approve the content of annual report on CSR activities according to the pro forma given in the rules *inter-alia* covering the responsibility statement that the implementation and monitoring of the CSR policy is in compliance with CSR objectives and policy of our Company;

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

(i) to comply with other requirements on the CSR policy, as amended from time to time.

The composition of the Corporate Social Responsibility Committee currently comprises:

Name of the Director	Designation	Position in Committee
Professor T.T. Ram Mohan	Independent Director	Chairman
Shri A. Krishna Kumar	Independent Director	Member
Smt. Asha Swarup	Independent Director	Member
Shri Ajeet Kumar Agarwal	Director (Finance)	Member
Shri S.K. Gupta..	Director (Technical)	Member

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

Committee on Investment/Deployment of Surplus Funds

Our Company has a Committee on investment or deployment of surplus funds for the purpose of investment of surplus funds.

The composition of the Committee on investment or deployment of surplus funds currently comprises:

Name of the Director	Designation	Position in Committee
Dr. P.V Ramesh	Chairman and Managing Director	Chairman
Shri Ajeet Kumar Agarwal	Director (Finance)	Member
Shri S.K. Gupta..	Director (Technical)	Member

The quorum of the meeting of the Committee is two Directors including the Chairman and Managing Director. The Committee is empowered to approve the investment of surplus funds within the maximum outstanding limit at any time, more than Rs.15,000 million in mutual funds, more than Rs.15,000 million in fixed deposits with banks, more than Rs.10,000 million in certificates of deposits and commercial papers of CPSUs, and more than Rs.10,000 million in inter-corporate deposits with CPSUs.

Major Shareholders

As of 31 December 2017, we had approximately 328,164 shareholders. The list of our ten largest shareholders and the number of equity shares held by them as at that date is provided below:

Sl. No.	DPID	FOLIO/ CL-ID	NAME/JOINT NAME(S)	HOLDING	% TO EQT
1	IN301330	20471069	PRESIDENT OF INDIA	1151678783	58.32
2	IN300812	10000012	LIFE INSURANCE CORPORATION OF INDIA	45359430	2.30
3	IN300142	10402331	THE PRUDENTIAL ASSURANCE COMPANY LIMITED	34106733	1.73
4	IN303173	20006339	EAST BRIDGE CAPITAL MASTER FUND LIMITED	22228558	1.13
5	IN300054	10091833	CPSE ETF	18474093	0.94
6	IN300054	10009134	HDFC TRUSTEE COMPANY LIMITED - HDFC PRUDENCE FUND	17120000	0.87
7	IN300167	10141626	EASTSPRING INVESTMENTS - DEVELOPED AND EMERGING ASIA EQUITY FUND	16561685	0.84
8	IN300054	10009095	HDFC TRUSTEE COMPANY LIMITED-HDFC EQUITY FUND	13783000	0.70
9	IN303438	10000062	COPTHALL MAURITIUS INVESTMENT LIMITED	12161774	0.62
10	IN300167	10011470	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUND	11841965	0.60

			TOTAL:	**1343316021**	**68.02**

INDUSTRY OVERVIEW

The information in this section has not been independently verified by us, the Dealers or any of our or their respective affiliates or advisers. The information may not be consistent with other information compiled by third parties within or outside India. Industry sources and publications generally state that the information contained therein has been obtained from sources it believes to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry and government publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry and government sources and publications may also base their information on estimates, forecasts and assumptions which may prove to be incorrect. Accordingly, investment decisions should not be based on such information. Figures used in this section are presented as in the original sources and have not been adjusted, restated or rounded off for presentation in this Offering Circular.

The Indian Economy

India has an estimated population of 1.3 billion people as of July 2016. The Indian economy is one of the largest economies in the world, with a GDP at current price of an estimated US$2.6 trillion for the fiscal year 2016-2017 (Source: the International Monetary Fund's World Economic Outlook as of October 2017). GDP growth slowed down in the year 2016-2017, rising 7.1% as compared to a growth of 8.0% in the year 2015-2016. The growth moderated due to slowdown in gross capital formation as waning business confidence and flagging entrepreneurial energies took their toll on the appetite for new investment, even as government and private consumption accelerated and held up aggregate demand (Source: RBI's Annual Report 2016-2017).

Investors' perceptions of India improved in early 2015, due to stable economic fundamentals. By way of comparison, the below table illustrates the GDP growth in 2017 for certain other countries:

Country	Estimated GDP Growth in 2017 (%)[1]
China	6.8
India	6.7
Singapore	2.5
Brazil	0.7
United States	2.2
United Kingdom	1.7
Japan	1.5

Note:

(1) GDP growth on an annual basis adjusted for inflation and expressed as a percentage.

(*Source: CIA World Factbook) (https://www.cia.gov/library/publications/the-world-factbook/rankorder/2003rank.html)*

Since Dec 2017, global economic activity has gained further pace with growth impulses becoming more synchronised across regions. Among advanced economies (AEs), the Euro area expanded at a robust pace, supported by consumption and investment. Economic optimism alongside falling unemployment and low interest rates are supporting the recovery. The US economy lost some momentum with growth slowing down in Q4 of 2017 even as manufacturing activity touched a multi-month high in December. The Japanese economy continued to grow as manufacturing activity gathered pace in January on strong external demand, providing fillip to the already bullish business confidence

Economic activity accelerated in emerging market economies (EMEs) in the final quarter of 2017. The Chinese economy grew above the official target, driven by strong domestic consumption and robust exports. However, some downside risks to growth remain, especially from easing fixed asset investment and surging debt levels. In Russia, strong private consumption, rising oil prices and high exports are supporting economic activity, although weak investment and economic sanctions are weighing on its growth prospects.

On the domestic front, the real gross value added (GVA) growth as per the first advance estimates (FAE) released by the Central Statistics Office (CSO) is estimated to decelerate to 6.1 per cent in 2017-18 from 7.1 per cent in 2016-17 due mainly to slowdown in agriculture and allied activities, mining and quarrying, manufacturing, and public administration and defence (PADO) services

The MPC notes that the economy is on a recovery path, including early signs of a revival of investment activity. Global demand is improving, which should help strengthen domestic investment activity. The focus of the Union Budget on the rural and infrastructure sectors is also a welcome development as it would support rural incomes and investment, and in turn provide a further push to aggregate demand and economic activity. According to the Sixth Bi-monthly Monetary Policy Statement of the MPC, the outlook for the Indian Economy is as follows:

1. The December bi-monthly resolution projected inflation in the range of 4.3-4.7 per cent in the second half of 2017-18, including the impact of increase in HRA. In terms of actual outcomes, headline inflation averaged 4.6 per cent in Q3, driven primarily by an unusual pick-up in food prices in November

2. CPI inflation for 2018-19 is estimated in the range of 5.1-5.6 per cent in H1, including diminishing statistical HRA impact of central government employees, and 4.5-4.6 per cent in H2, with risks tilted to the upside

3. GVA growth for 2017-18 is projected at 6.6 per cent. Beyond the current year, the growth outlook will be influenced by several factors. First, GST implementation is stabilizing, which augurs well for economic activity. Second, there are early signs of revival in investment activity as reflected in improving credit off take, large resource mobilization from the primary capital market, and improving capital goods production and imports. Third, the process of recapitalization of public sector banks has got underway

4. Even though the current account deficit narrowed sharply in Q2 of 2017-18 on a sequential basis, it was higher than its level a year ago, mainly due to widening of the trade deficit. While net foreign direct investment (FDI) inflows moderated in April-October 2017 from their level a year ago, net foreign portfolio investment (FPI) inflows were buoyant in 2017-18 (up to February 1). India's foreign exchange reserves were at US$ 421.9 billion on February 2, 2018

5. The MPC decided to keep the policy repo rate under the Liquidity adjustment facility ("LAF") unchanged at 6.0 percent. The MPC reiterated its commitment to keep headline inflation close to 4 per cent on a durable basis

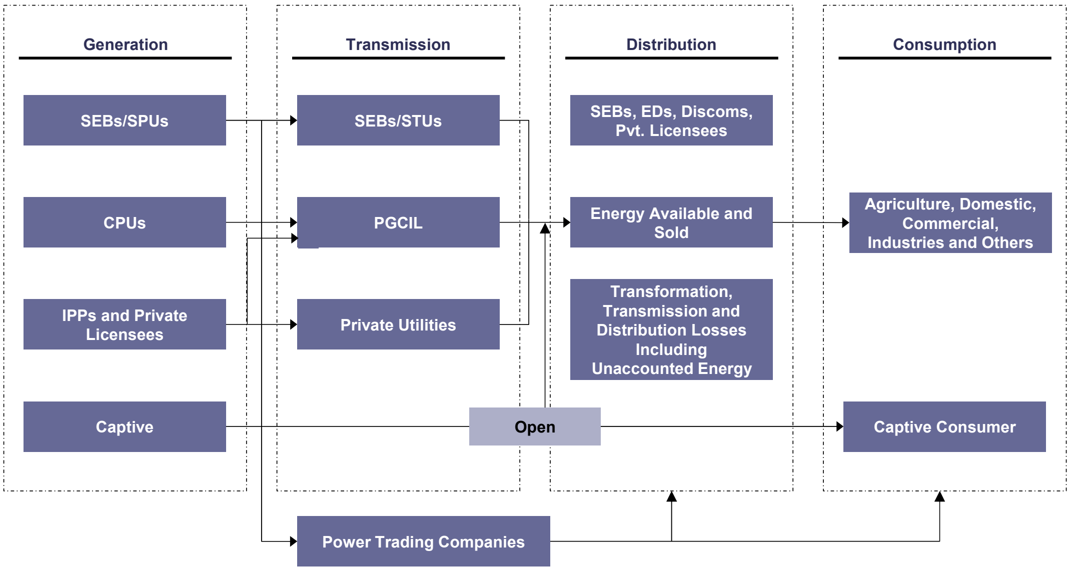
6. The reverse repo rate under the LAF remains at 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.25 per cent

(Source: RBI, Fifth Bi-monthly Monetary Policy Statement, 2017-18 dated 7 February, 2018)

THE INDIAN POWER SECTOR

Structure of the Indian Power Sector

The following diagram depicts the structure of the Indian power industry for the generation, transmission, distribution and consumption:



Legend:

IPPs	Independent Power Producer
CPUs	Central Power Utilities
SEBs	State Electricity Boards
STUs	State Transmission Utilities
SPUs	State Power Utilities
PGCIL	Power Grid Corporation of India Limited
EDs	Electricity Departments
Discoms	Distribution Companies

Overview of the Indian power sector

India has continuously experienced shortages in energy and peak power requirements. According to CEA's monthly review of the power sector (CEA Monthly Review) published in December 2017, the provisional total energy deficit and peak power deficit during December 2017 was approximately 0.6 per cent. and 2.8 per cent., respectively. The shortages in energy and peak power have been primarily due to the sluggish progress in capacity addition. The Indian economy is based on planning through successive five year plans (Five Year Plans) that set out targets for economic development in various sectors, including the power sector. During the 9th Five Year Plan (1997-2002) (9th Plan), capacity addition achieved was 19,119 MW, which was 47.5 per cent. of the 40,245 MW targeted under the 9th Plan. During the course of the 10th Five Year Plan (2002 to 2007) (10th Plan), capacity addition achieved was 21,180 MW, which was 51.6 per cent. of the 41,110 MW targeted under the 10th Plan. During the 11th Five Year Plan (2007-2012) (11th Plan) capacity addition achieved has been 88.1 per cent. of the target addition or 62,374 MW. (Source: Power Scenario at a Glance, Ministry of Power Website www.powermin.nic.in). Owning to various reforms in the power sector, against the planned capacity addition in the 12th Five Year Plan (12th Plan) of 88,537 MW, 99,209 MW have been added comprising 91,730 MW of thermal projects, 5,479 MW of Hydro power projects and 2,000 MW of nuclear power projects. (Source: Executive Summary, Power Sector, December 2017 from CEA, Ministry of Power).

Power Demand in India

Rapid growth of the economy places a heavy demand on electric power. Reforms in the power sector, to make it efficient and more competitive, have been under way for several years and while there has been some progress, a shortage of power and lack of access continues to be a major constraint on economic growth. The persistent shortages of electricity both for peak power and energy indicate the need for improving performance of the power sector in the country (*Source: website of the Planning Commission of India* (***Planning Commission***).

The electricity generation target of conventional sources for the year 2017-18 has been fixed as 1229.400 Billion Unit (BU) (comprising of 1042.028 BU thermal; 141.400 BU hydro; 40.972 nuclear; and 5.000 BU import from Bhutan) i.e. growth of around 5.97% over actual conventional generation of 1160.141 BU for the previous year (2016-17). The conventional generation during 2016-17 was 1160.141 BU as compared to 1107.822 BU generated during 2015-16, representing a growth of about 4.72%.

Generation and growth in conventional generation in the country during 2009-10 to 2017-18:

Year	Achievement	% growth
2009-10	771.551	6.60
2010-11	811.143	5.56
2011-12	876.887	8.11
2012-13	912.056	4.01
2013-14	967.150	6.04
2014-15	1,048.673	8.43
2015-16	1,107.822	5.64
2016-17	1,160.141	4.72
2017-18Upto December 2017 (Provisional)	906.214	3.80

Provisional, (Source: http://powermin.nic.in/en/content/power-sector-glance-all-india)

Power Supply in India

Historical Capacity Additions

Each successive Five Year Plan of the Government has had increased targets for the addition of power generation capacity. The energy deficit in India is a result of insufficient progress in the development of additional energy capacity. In each of the last three Five Year Plans (the 8th, 9th, and 10th Five Year Plans, covering Fiscal 1992 to Fiscal 2007), less than 55 per cent of the targeted additional energy capacity level was added. According to the white paper, India added an average of approximately 20,000 MW to its energy capacity in each of the 9th Plan and 10th Plan periods.

The total capacity addition during the past 30 years between the 6th Five Year Plan and the 11th Plan was approximately 154,374 MW.

Current Capacity

India's total installed capacity was 330 GW as of December 2017, including thermal projects, nuclear projects, hydro projects and renewable energy source projects. (Source: CEA Monthly Review December 2017).

The following table sets forth a summary of India's energy generation capacity as of 31 December 2017 in terms of fuel source and region:

(figures provided are in Mega Watts (MW))

Sl.No.	Region	THERMAL							
		Coal	Gas	Diesel	Total	Nuclear	Hydro Renewable	R.E.S @ (MNRE)	Total
1.	**Northern**	52,489.20	5,781.26	0.00	58,270.46	1,620.00	19,423.77	12,279.15	91,593.38
2.	**Western**	68,908.62	11,059.41	0.00	79,968.03	1,840.00	7,447.50	18,825.36	108,080.89
3.	**Southern**	44,382.02	6,473.66	761.58	51,617.26	3,320.00	11,808.03	27,728.32	94,473.61
4.	**Eastern**	26,671.64	100.00	0.00	26,771.64	0.00	4,942.12	1,027.32	32,741.08
5.	**North-East**	520.02	1,736.05	36.00	2,292.07	0.00	1,342.00	285.41	3,919.48
6.	**Islands**	0.00	0.00	40.05	40.05	0.00	0.00	12.10	52.15
7.	**ALL INDIA**	192,971.50	25,150.38	837.63	218,959.51	6,780.00	44,963.42	60,157.66	330,860.58

(Source: Executive Summary, Power Sector for the month of December 2017, CEA)

Demand-Supply Imbalance in India

The Indian power sector has historically been beset by energy shortages which have been rising over the years. The following table provides the power supply position in the country during 2010-11 to 2016-17:

	Energy				Peak			
	Requirement	Availability	Surplus/Deficits(-)		Peak Demand	Peak Met	Surplus/Deficits(-)	
Year	(MU)	(MU)	(MU)	(%)	(MW)	(MW)	(MW)	(%)
2010-11	861,591	788,355	–73,236	–8.5	122,287	110,256	–12,031	–9.8
2011-12	937,199	857,886	–79,313	–8.5	130,006	116,191	–13,815	–10.6
2012-13	995,557	908,652	–86,905	–8.7	135,453	123,294	–12,159	–9.0
2013-14	1,002,257	959,829	–42,428	–4.2	135,918	129,815	–6,103	–4.5
2014-15	1,068,943	1,030,785	–38,138	–3.6	148,166	141,160	–7,006	–4.7
2015-16	1,114,408	1,090,851	–23,557	–2.1	153,366	148,468	–4,903	–3.2
2016-17(1)	1,214,642	1,230,677	16,035	1.3	165,292	171,440	6,148	3.7

Note:

(1) Projected for 2017-18 (Source: http://www.cea.nic.in/reports/annual/lgbr/lgbr-2017.pdf)

The deficits in electric energy and peak power requirements vary across different regions in India. The following table outlines the power supply position in December 2017 across the regions of India:

	Requirement (Energy MU)	Availability (Energy MU)	Deficit (%)	Peak Demand (Power MW)	Peak Met (Power MW)	Deficit (%)
Northern	27,660	27,201	–1.7	46,038	45,360	–1.5
Western	32,836	32,820	0.0	49,786	49,615	–0.3
Southern	26,491	26,463	–0.1	42,370	42,370	0.0
Eastern	9,397	9,384	–0.1	17,852	17,852	0.0
North Eastern	1,252	1,226	–2.1	2,333	2,314	–0.8
All India	97,636	97,094	–0.6	161,967	157,394	–2.8

(Source: CEA Monthly Review December 2017)

Future Capacity Additions

12th Five Year Plan (2012-2017) (the 12th Plan)

Capacity addition of 88,537 MW has been envisaged for the 12th Plan. This comprises an estimated 72,340 MW thermal power, 10,897 MW hydro power and 5,300 MW nuclear power.

(*Source: Executive Summary, Power Sector, December 2017 from CEA, Ministry of Power*).

Power Transmission and Distribution

In India, the transmission and distribution system is a three-tier structure comprised of regional grids, state grids and distribution networks. The five regional grids, configured on a geographical contiguity basis, enable the transfer of power from a power-surplus state to a power-deficit state. The regional grids also facilitate the optimal scheduling of maintenance outages and better coordination between power plants. These regional grids are to be gradually integrated to form a national grid, whereby surplus power from a region could be redirected to another region facing power deficits, thereby allowing a more optimal utilisation of the national generating capacity.

Most inter-regional and inter-state transmission links are owned and operated by PGCIL though some are jointly owned by the SEBs. State grids and distribution networks are mostly owned and operated by the respective SEBs, STUs, distribution companies, or state Governments (through state electricity departments). A direct consequence of the high AT&C losses that are experienced by the Indian power sector is the inadequate financial condition of SEBs and SPUs thereby restricting the SEBs from making any meaningful investments in the generation and the modernisation of the transmission and distribution network.

POLICY INITIATIVES AND ECONOMIC REFORMS IN INDIA

Since 1991, India has witnessed reforms across the policy spectrum in the areas of fiscal and industrial policy, trade and finance. Some of the key reform measures are:

a) *Industrial Policy Reforms*: Removal of capacity licensing and opening up of various sectors to FDI;

b) *Trade Policy Reforms*: Lowering of import tariffs and restrictions on imports, across industries; and

c) *Monetary Policy and Financial Sector Reforms*: Lowering interest rates, relaxation of restrictions on fund movement and the introduction of private participation in insurance sectors.

In addition, FDI has been recognised as an important driver of economic growth in the country. The GoI has taken a number of steps to encourage and facilitate FDI and it is allowed in many key sectors of the economy, such as manufacturing, services, infrastructure and financial services. For many sectors, 100 per cent. FDI is allowed on an automatic basis, without prior approval from the Foreign Investment Promotion Board (**FIPB**).Cumulative amount of FDI inflows in India from April 2000 to September 2017 (excluding, amount remitted through RBI's-NRI Schemes) is INR19,505,840mn (U.S.$357,467mn). Financial year wise equity inflows are elaborated as follows:

S. Nos.	Financial Year (April – March)	Amount of FDI Inflows In Rs. million	In U.S.$ million	% growth over previous year (in terms of U.S.$)	
1.	**2000-01**	**107**,330	2,463		
2.	**2001-02**	186,540	4,065	(+)	65%
3.	**2002-03**	128,710	2,705	(-)	33%
4.	**2003-04**	100,640	2,188	(-)	19%
5.	**2004-05**	146,530	3,219	(+)	47%
6.	**2005-06**	245,840	5,540	(+)	72%
7.	**2006-07**	563,900	12,492	(+)	125%
8.	**2007-08**	986,420	24,575	(+)	97%
9.	**2008-09**	1,428,290	31,396	(+)	28%
10.	**2009-10**	1,231,200	25,834	(-)	18%
11.	**2010-11**	973,200	21,383	(-)	17%
12.	**2011-12** [(4)]	1,651,460	35,121	(+)	64%
13.	**2012-13**	1,219,070	22,423	(-)	36%
14.	**2013-14**	1,475,180	24,299	(+)	8%
15.	**2014-15**[(3)]	1,891,070	30,931	(+)	27%
16.	**2015-16**[(3)]	2,623,220	40,001		29%
17.	**2016-17**	2,916,960	43,478	(+)	9%
18.	**2017-18 (upto September 2017)**	1,630,280	25,354		
	CUMULATIVE TOTAL (from April 2000 to September 2017)	19,505,840	357,467		–

Notes:

(1) Including amount remitted through RBI's-NRI Schemes (2000-2002).

(2) FEDAI (Foreign Exchange Dealers Association of India) conversion rate from rupees to US dollar applied, on the basis of monthly average rate provided by RBI (DEPR), Mumbai.

(3) Figures for the years 2014-15 to 2016-17 are provisional subject to reconciliation with RBI.

(4) Inflows for the month of March 2012 are as reported by RBI, consequent to the adjustment made in the figures of March 2011, August 2011 and October 2011.

Out of the total FDI inflows as mentioned, an amount of INR646,647mn (US$12,301mn) has been invested in the power sector.

(*Source: http://dipp.nic.in/sites/default/files/FDI_FactSheet_Updated_September2017.pdf*)

Further, in recent years, in light of persistent power shortages and given the estimated rate of increase in demand for electricity in India, the Government has taken significant action to restructure the power sector, increase capacity, improve transmission, sub-transmission and distribution, and attract investment to the sector. Some of the various strategies and reforms adopted by the Government and other initiatives in the power sector in India are summarised below:

Electricity Act, 2003

The Electricity Act is a Central legislation relating to generation, transmission, distribution, trading and use of electricity that seeks to replace the multiple legislations that govern the power sector. The Electricity Act aims to enable measures to be taken for the development of the electricity industry, promote competition, protect interest of consumers and supply of electricity to all areas, rationalise electricity tariff, ensure transparent policies regarding subsidies, promote efficient and environmentally benign policies, constitute the Central Electricity Agency and establish the Appellate Tribunal. The most significant reform initiative under the Electricity Act was the move towards a multi-buyer, multi-seller system as opposed to the existing structure which permitted only a single buyer to purchase power from power generators. In addition, the Electricity Act grants the electricity regulatory commissions freedom in determining tariffs. Under the Electricity Act, no licence is required for generation of electricity if the generating station complies with the technical standards relating to connectivity with the grid. The Electricity Act was amended in 2007 to exempt captive power generation plants from licensing requirements for supply to any licencee or consumer and further amended in 2010 to provide that any developer of a special economic zone (SEZ) notified shall be deemed to be a licencee under the Electricity Act.

Electricity Amendment Bill, 2014

The Electricity (Amendment) Bill, 2014 (Bill) introduced by the government seeks to amend the Electricity Act. It seeks to segregate the distribution network business and the electricity supply business, and introduce multiple supply licencees in the market. The Bill was introduced in the Lok Sabha on December 19, 2014 and was referred to the Parliamentary Standing Committee on Energy (Panel). The Panel gave its report on May 7, 2015, however, the Bill is yet to be passed in the Parliament.

National Electricity Policy, 2005

The national electricity policy was notified in February 2005. This policy aims at accelerated development of the power sector, focusing on the supply of electricity to all areas and protecting interests of consumers and other stakeholders, keeping in view the availability of energy resources and technology available to exploit these resources, economics of generations using different resources and energy security issues.

National Tariff Policy, 2016

In 2016, the Government, under the Electricity Act, notified the revised National Tariff Policy (Tariff Policy) that replaces the existing tariff policy of 2006. The goals of the Tariff Policy are to ensure availability of electricity to consumers at reasonable and competitive rates, ensure the financial viability of the power sector, attract investment to the power sector, promote regulatory transparency, consistency and predictability across jurisdictions, minimise perceptions of regulatory risks, promote competition, ensure operational efficiency, improve the quality of the power supply, promote generation of electricity from renewable sources, promote hydroelectric power generation including pumped storage projects (PSP) to provide adequate peaking reserves, reliable grid operation and integration of variable renewable energy sources, evolve a dynamic and robust electricity infrastructure for better consumer services, facilitate supply of adequate and uninterrupted power to all categories of consumers and ensure creation of adequate capacity including reserves in generation, transmission and distribution in advance, for reliability of supply of electricity to consumers. The Tariff Policy mandates that the relevant ERC’s must reserve a minimum percentage for the purchase of solar energy equivalent to 8 per cent. of total consumption of energy by March 2022. In order to further encourage renewable sources of energy, the Tariff Policy mandates that no inter-State transmission charges and losses shall be levied until such period as may be notified on transmission of the electricity generated from solar power plants through the inter-State transmission system for sale. For transmission, the Tariff Policy aims to ensure optimal development of the transmission network with adequate margin for reliability, by efficient utilization of generation and transmission assets and attract investment providing adequate returns. The benefits of improved efficiency and new technology are passed on to consumers through reduced tariffs. It emphasises the need for the appropriate regulator to ensure the recovery of all prudent costs when approving the financial restructuring of a transmission company.

The Tariff Policy requires all future power requirements be procured competitively by distribution licencees except for expansion of pre-existing projects or State Government owned or controlled companies. Regulators must resort to tariffs set by reference to standards of CERC, provided generating capacity expansion by private developers for this purpose is restricted to a one time addition of not more than 100 per cent. of the existing capacity. Under the Tariff Policy, tariffs for all new generation and transmission projects are decided on a competitive bidding basis.

Rural Electrification Initiatives - Deendayal Upadhyaya Gram Jyoti Yojana

In April 2005, the GoI launched the Rajiv Gandhi Grameen Vidyutikaran Yojana (**RGGVY**), a comprehensive programme merging within it all the on-going rural electrification schemes with the aim to further strengthen the pace of rural electrification and with the initial objective of electrifying over one lakh un-electrified villages and to provide free electricity connections for 17.3 million rural BPL households under the ambit of the Bharat Nirman Electrification plan. Under RGGVY, electricity distribution infrastructure is envisaged to establish a rural electricity distribution backbone with at least a 33/11kV sub-station in a block, a village electrification infrastructure with at least a distribut**ion transformer in a village or ha**mlet, and standalone grids with generation where grid supply is not feasible. Subsidy towards capital expenditure to the tune of 90 per cent. is being provided, through our Company, which is a nodal agency for the implementation of the scheme. RGGVY scheme has been subsumed in the new 'Deendayal Upadhyaya Gram Jyoti Yojana' (**DDUGJY**) scheme which was approved by GoI by an office memorandum dated 3 December 2014. Electrification of un-electrified BPL households is being financed with a 100 per cent. capital subsidy at INR3,000 per connection in all rural habitations. The services of CPSUs are available to the states for assisting them in the implementation of rural electrification projects.

Now the RGGVY scheme has been subsumed in DDUGJY scheme according to the GoI's notification on 3 December 2014. The components of the scheme are:

i. to separate agriculture and non-agriculture feeders for providing an adequate supply to agricultural and non-agricultural consumers in rural areas;

ii. strengthening and augmentation of sub-transmission and distribution infrastructure in rural areas including metering of feeders, distribution transformers and consumers; and

iii. rural electrification work covered under the erstwhile RGGVY subsumed into the DDUGJY.

The components at (i) and (ii) will have an estimated outlay of INR430,330mn including budgetary support of INR334,530mn from the GoI during the entire implementation period. For component (iii) above, a scheme cost of INR392,750mn including a budgetary support of INR354,470mn has been approved.

Our Company is the nodal agency for operationalisation of the scheme and our Company would be paid 0.5 per cent. of the total project cost as an agency fee.

Cumulatively up to 30 September 2017, works in 123,583 unelectrified villages and intensive electrification of 448,031 villages have been completed and electricity connections to 27.156 million BPL households have been provided under the scheme, representing 96%, 57% and 62% achievement of the target respectively.

(Source: http://www.ddugjy.gov.in/mis/portal/memo/executive_summary/executive_summary.pdf)

Our Company is the nodal agency at the GoI level to implement the rural electrification programme. For further details see the section titled "Business" on page 90 of this Offering Circular.

Rural Electrification Initiatives – Saubhagya

On 25th September 2017, the Government launched Rs. 163.5 billion household electrification scheme named Pradhan Mantri Sahaj Bijli Har Ghar Yojana (translated as the Prime Minister's Programme to provide easy electricity access to all households), or 'Saubhagya'.

The objective of the 'Saubhagya' is to provide energy access to all by last mile connectivity and electricity connections to all remaining un-electrified households in rural as well as urban areas. Projects under the scheme would be sanctioned based on the Detailed Project Reports to be submitted by the States, prepared by the State DISCOMs / Power Department and sanctioned by an inter-ministerial Monitoring Committee headed by the Secretary (Power), Government of India. Considering an average load of 1 KW per household and average uses of load for 8 hours in a day, estimated rise in demand for power after inclusion of all households will be about 28,000 MW. With the enhancement of income and habit of using electricity, the demand of electricity is bound to increase. Access to electricity is also expected to boost power-based ancillary economic and business activities, which will further increase the demand for power.

Our Company has been entrusted the responsibility of operationalization of the Saubhagya scheme throughout India and will act as the nodal agency

Ultra Mega Power Projects

For meeting the growing needs of the economy, generation capacity in India must rise significantly and sustainably over the coming decades. There is therefore a need to develop large capacity projects at the national level to meet the requirements of different states. Development of UMPPs is one of the steps that the MoP is taking to meet this objective. Each project is a minimum of 4,000 MW and involves an estimated investment of approximately US$4bn. The projects are expected to substantially reduce power shortages in India. The UMPPs will be awarded to developers on a build-own-operate basis and are expected to be built at 16 different locations.

Independent Transmission Projects (ITP)

The MoP has initiated a tariff based competitive bidding process for ITPs, which is a process similar to that followed for UMPPs, for the development of transmission systems through private sector participation. The ITPs aim to evacuate power from generating stations and transmit the power from pooling stations to other grid stations, resulting in system strengthening across India. *(Source: website of the MoP)*

Hydro Power Policy 2008

The Hydro Power Policy 2008, emphasises increasing private investment in the development of hydroelectric projects. The policy aims at attracting private funds by encouraging joint ventures with private developers and the use of the IPP model, in addition to promoting power trading and speeding up the availability of statutory clearances. The policy provides guidelines for accelerated development of the hydropower industry in India, particularly in the Himalayan States. *(Source: www.powermin.nic.in, Hydropower Policy 2008, MoP)*

National Solar Mission

The Ministry of New and Renewable Energy (MNRE) has approved a new policy on the development of solar energy in India by the Jawaharlal Nehru National Solar Mission. The mission recommends the implementation of an installed capacity of 100,000 MW by the end of the 13th Five Year Plan. It proposes to establish a single window investor-friendly mechanism, which reduces risk and at the same time, provides an attractive, predictable and sufficiently adequate tariff for the purchase of solar power from the grid. The key driver for promoting solar power would be through a renewable purchase obligation mandated for power utilities, with a specific solar component. *(Source: www.mnre.gov.in)*

Restructured Accelerated Power Development and Reform Program

The GoI introduced the Accelerated Power Development Program (**APDP**) in Fiscal 2001 as part of the reform of the Indian power sector. During the 10th Five Year Plan, the GoI subsequently upgraded the APDP programme to the APDRP in Fiscal 2003. In July 2008, APDRP was restructured and the MoP launched the R-APDRP.

The R-APDRP is a GoI initiative launched for implementation during the 11th Five Year Plan. The focus of the programme is the actual demonstrable performance in terms of sustained loss reduction, establishment of reliable and automated systems for collection of accurate and reliable baseline data, and adoption of IT in the areas of energy accounting and the implementation of regular distribution strengthening projects. The programme envisaged objective performance evaluation of utilities in terms of AT&C losses.

Under R-APDRP, projects are being undertaken in two parts. Part – A includes the projects for the establishment of baseline data and IT applications for energy accounting as well as IT based customer care centres and Part – B includes the regular strengthening projects.

IPDS

7. The President of India sanctioned the launch and implementation of "Integrated Power Development Scheme" (**IPDS**) with the following components:

i. strengthening of sub-transmission and distribution networks in the urban areas;

ii. metering of distribution transformers, feeders and consumers in the urban areas; and

iii. IT enablement of the distribution sector and strengthening of the distribution network, according to the CCEA approval dated 21 June 2013 for the completion of the targets laid down under R-APDRP for the 12th and 13th Plans by carrying forward the approved outlay for R-APDRP to IPDS.

The components at (i) and (ii) above will have an estimated outlay of INR326,120mn including a budgetary support of INR253,540mn from the GoI during the entire implementation period.

The scheme of R-APDRP as approved by CCEA for continuation in the 12th and 13th Plans will get subsumed in this scheme as a separate component relating to IT enablement of the distribution sector and strengthening of the distribution network component (iii) above for which CCEA has already approved the scheme cost of INR440,110mn, including a budgetary support of INR227,270mn.

(Source: http://powermin.nic.in/upload/pdf/Integrated_Power_Development_Scheme.pdf)

STRUCTURE OF INDIA'S FINANCIAL SERVICES INDUSTRY

The RBI is the central regulatory and supervisory authority for the Indian financial system. The Board for Financial Supervision, constituted in November 1994, is the principal body responsible for the enforcement of the RBI's statutory regulatory and supervisory functions. SEBI and the IRDA regulate the capital markets and the insurance sectors, respectively.

A variety of financial institutions and intermediaries, in both the public and private sector, participate in India's financial services industry. These are:

- commercial banks;
- NBFCs;
- specialised financial institutions, such as the National Bank for Agriculture and Rural Development, the Export-Import Bank of India, the Small Industries Development Bank of India and the Tourism Finance Corporation of India;
- securities brokers;

- investment banks;
- insurance companies;
- mutual funds;
- venture capital funds; and
- alternative investment funds.

Debt Market in India

The Indian debt market has two segments; namely, the government securities market and corporate debt market.

Government securities market:

During years 2010 and 2011, the RBI undertook various measures related to the development of the Government securities (**G-Sec**) market. In particular, a working group was set up to examine ways to enhance liquidity in the G-Sec and interest rate derivatives markets.

Change in Auction Timing of G-Secs – To improve the efficiency of the auction process of G-Secs, GoI dated securities, treasury bills (T-bills), cash management bills, and state development loans, the timings for primary auction under competitive bidding have been revised from 10.30am-12.30pm to 10.30am-12 noon from 13 April 2012. This will permit more time for secondary market transactions for the securities auctioned on that day.

Extension of DvP-III facility to Gilt Account Holders – To extend the benefits of net settlement of securities and funds in the G-Sec market to gilt account holders (GAHs), the DvP III facility was extended in July 2011, to all transactions undertaken by GAHs, except those undertaken between GAHs of the same custodian.

Revised Guidelines for Authorisation of PDs – To make the primary dealer (**PD**) authorisation policy more transparent and ensure that new PDs have sound capital and adequate experience/expertise in the G-Sec market, the PD authorisation guidelines were revised in August 2011. The applicant entity is required to be registered as an NBFC and should have exposure in the securities business, in particular to the G-Sec market, for at least one year prior to the submission of an application for undertaking PD business.

Working Group on Enhancing Liquidity in the G-Sec and Interest Rate Derivatives Markets – Considering the important role of the G-Sec market and the prominence of G-Sec in the investment portfolio of financial institutions, particularly banks, the RBI has been constantly reviewing the developments to further broaden and deepen this market. Despite the developments in the G-Sec market in the past two decades, it was deemed necessary to promote liquidity in the secondary market for G-Secs, especially across the yield curve. As part of this endeavour, the RBI set up a working group (Chairman: Mr. R. Gandhi) in December 2011, comprising various stakeholders, to examine and suggest ways to enhance secondary market liquidity in the G-Sec market and interest rate derivatives markets. The group submitted its report on 10 August 2012.

Direct Access to Negotiated Dealing System – Order Matching (NDS-OM) – In November 2011, direct access to NDS-OM was extended to licenced urban co-operative banks and systemically important non-deposit taking non-banking financial companies (**NBFC-ND-SIs**) that fall under the purview of Section 45-I(c)(ii) of the RBI of India Act, 1934, subject to compliance with the stipulated financial norms and procurement of an NOC from the respective regulatory departments.

Introduction of a Web-based System for Access to NDS-Auction and NDS-OM – To facilitate direct participation by the retail and mid-segment investors in G-Sec auctions, the RBI has allowed web-based access to the negotiated dealing system (**NDS**)-auction developed by the Clearing Corporation of India Limited. The system allows GAHs to directly place their bids in the G-Sec auction through a primary member's portal, as against the earlier practice wherein the primary member used to combine bids of all constituents and bid in the market on their behalf. A similar web-based access to the NDS-OM system for secondary market transactions has been permitted since June 2012.

Extension of Short Sale Period from Five Days to Three Months – Short selling plays an important role in price discovery, promoting liquidity and better risk management. With the re-introduction of IRFs on exchanges, there was a need to revisit the guidelines on short selling to ensure parity between the cash and futures market vis-à-vis short selling. Accordingly, the period of short sale was extended from five days to three months from 1 February 2012. This is expected to give a stimulus to the IRF market by helping participants to hedge or arbitrage more effectively, and to develop the term repo market.

(*Source: www.rbi.org.in/scripts/annualreportpublications.aspx?Id=1042*)

The gross market borrowings of INR5,820bn and net market borrowings of INR4,082 bn, which funded 76.4 per cent. of the gross fiscal deficit, were successfully raised in 2016-17.

The elevated supply of SDLs, including UDAY bonds during 2016-17 resulted in devolvement of central government securities on Primary Dealers (PDs) on four instances for an aggregate amount of INR53bn, as compared with devolvement of INR110bn during the previous year.

Net short term market borrowings through T-Bills increased to INR186bn during 2016-17 from INR152bn in 2015-16 mainly due to higher issuances in H1 of 2016-17. In the aggregate, however, net market borrowing through dated securities and T-Bills declined by INR291bn to INR4,268bn in 2016-17.

The weighted average yield (WAY) of dated securities of central government issued during the year declined by 73 bps to 7.16 percent in 2016-17 while the weighted average coupon (WAC) on the outstanding stock of dated securities declined by 9 bps to 7.99 percent as on March 31, 2017.

The weighted average maturity (WAM) of the outstanding stock increased marginally to 10.65 years as at end-March 2017. However, the WAM of issuances during 2016-17 declined by 1.27 years to 14.76 years, reflecting relatively larger issuances in the maturity buckets below 19 years.

The Reserve Bank continued its policy of passive consolidation by way of reissuances and active consolidation through buyback/switches. Out of 164 auctions, 156 were reissuances during the year. Buyback/ switches amounted to INR1,046bn in 2016-17 as compared to INR611bn in the previous year.

The Weighted average yield of state government securities issued during 2016-17 stood lower at 7.48 per cent than that of 8.28 per cent in the previous year. Despite softening of yield across securities, the weighted average spread of SDL issuances over the comparable central government securities increased to 60 bps from 50 bps in 2015-16. The inter-state spread which was on an average in the range of 7 bps in 2016-17 same as in the previous year though higher than 4 bps in 2014-15, however, does not reflect the fiscal strength of the states in the pricing of SDLs.

During 2016-17, thirteen states issued UDAY bonds for INR1,091bn as against INR990bn raised by eight states in the previous year. The spreads of UDAY bonds during 2016-17 declined to 35-75 bps over the corresponding tenor/10-year FIMMDA G-Sec yield as compared with a fixed spread of 75 bps in 2015-16. Approximately 45 per cent of the total UDAY bond issuances in 2016-17 were concentrated in Q4. The large volume of SDL issuances including UDAY, was one of the major factors that resulted in weighted average spread to widen from 54 bps in Q1 to 83 bps in Q4 of 2016-17

(*Source: RBI Annual Report FY 2016-17*)

Corporate debt market

Pursuant to the guidelines of the High Level Expert Committee on Corporate Bonds and Securitisation (December 2005) and the subsequent announcement made in the Union Budget 2006-07, SEBI authorised BSE (January 2007), NSE (March 2007) and the Fixed Income Money Market and Derivatives Association of India (**FIMMDA**) (August 2007) to set up and maintain corporate bond reporting platforms for information related to trading in corporate bonds.

BSE and NSE put in place corporate bonds trading platforms in July 2007 to enable efficient price discovery in the market. This was followed by the operationalisation of a DvP-I (trade-by-trade)-based clearing and settlement system for over-the-counter trades in corporate bonds by the clearing houses of the exchanges. In view of these market developments, the RBI announced in its second quarter review of the annual policy statement for 2009-10 in October 2009, that the repo in corporate bonds could now be introduced. The RBI issued the Repo in Corporate Debt Securities (Reserve Bank of India) Directions, 2010, on 8 January 2010.

The private placement of corporate bonds surged up to INR6,407,155mn (through 3,377 issues) in FY17 from INR4,580,735mn (through 2,975 issues) in FY16.

(Source: SEBI Website: https://www.sebi.gov.in/statistics/corporate-bonds/privateplacementdata.html)

NBFC – Infrastructure Finance Companies

In February 2010, the RBI introduced IFCs as a new category of infrastructure funding entities. Non-deposit taking NBFCs which satisfy the following conditions are eligible to apply to the RBI to seek IFC status:

- a minimum of 75 per cent of its assets deployed in infrastructure loans;
- net owned funds of at least INR3,000 million;
- minimum credit rating "A" or equivalent rating by CRISIL, India Ratings and Research Pvt Ltd, CARE, ICRA, Brickwork Rating India Pvt. Ltd. (Brickwork) or equivalent rating by any other credit rating agency accredited by RBI; and
- capital to risk (weighted) assets ratio of 15 per cent. (with a minimum Tier 1 capital of 10 per cent.).

IFCs enjoy relaxation in their single party and group exposure norms and in turn lend more to infrastructure sector. For more information, see the section titled ''Regulations and Policies'' on page 162 of this Offering Circular.

PROVIDERS OF FINANCE TO THE POWER SECTOR IN INDIA

The primary providers of power sector financing in India are power sector specific government companies, financing institutions, public sector banks and other public sector institutions, international development institutions and private banks. Besides our Company, the other public sector companies and agencies engaged in financing the power sector are as follows.

Power Finance Corporation Limited

Power Finance Corporation was incorporated in July 1986**, with the main objective of financing power projects**, transmission and distribution works and the renovation and modernisation of power plants. PFC is a PSU and its main objective is to provide financial resources and encourage flow of investments to the power and associated ***sectors, to work as a catalyst to*** bring about institutional improvements in streamlining the functions of its borrowers in financial, technical and managerial areas to ensure optimum utilisation of available resources and to mobilise various resources from domestic and international sources at competitive rates.

Indian Renewable Energy Development Agency

The Indian Renewable Energy Development Agency (**IREDA**) is a wholly owned government company, which is registered as an NBFC and has been notified as an IFC. It was established in 1987, under the administrative control of the Ministry of Non-Conventional Energy Sources, of the Government, with the objective of promoting, developing and extending financial assistance for renewable energy, energy efficiency and energy conservation projects.

Private Financial Institutions

Financial institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernisation of existing facilities. These institutions provide fund-based and non-fund-based assistance to the industry in the form of loans, underwriting, direct subscription to shares, debentures and guarantees, and therefore they compete in the Indian Power Finance sector. The primary long-term lending institutions include Infrastructure Development Finance Company Limited and PTC India Financial Services Limited.

State Level Financial Institutions

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small- and medium-sized enterprises. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large-sized enterprises. Examples include the Delhi Financial Corporation, the Delhi State Industrial Development Corporation Limited, the Economic Development Corporation of Goa, Daman and Diu Limited, the Goa Industrial Development Corporation, the Western Maharashtra Development Corporation Limited, the Madhya Pradesh State Industrial Development Corporation Limited and the Orissa Industrial Infrastructure Development Corporation. *(Source: Website for the Council of State Industrial Development and Investment Corporations of India)*

Public Sector Banks and other Public Sector Institutions

Public sector banks are believed to make up the largest category of banks in the Indian banking system. The primary public sector banks operating in the power sector include the IDBI Bank, SBI, Punjab National Bank and the Bank of Baroda. Other public sector entities also provide financing to the power sector. These include organisations such as the Life Insurance Corporation of India, India Infrastructure Finance Company Limited, IFCI Limited and Small Industries Development Bank of India.

International Development Financial Institutions

International development financial institutions are supportive of power sector reform and of more general economic reforms aimed at mobilising investment and increasing energy efficiency. The primary international development financial institutions involved in power sector lending in India include several international banking institutions such as the Japan Bank for International Cooperation, KfW, the World Bank, ADB and the International Finance Corporation.

In the early 1990s, the World Bank decided to mainly finance projects in states that ''demonstrate a commitment to implement a comprehensive reform of their power sector, privatize distribution and facilitate private participation in generation and environment reforms''. Recent loans from the World Bank have gone to support the restructuring of SEBs. In general, the loans are for rehabilitation and capacity increase of the transmission and distribution systems, and for improvements in metering the power systems in Indian states that have agreed to reform their power sector.

The overall strategy of the ADB for the power sector is to support restructuring, especially the promotion of competition and private sector participation. Like the World Bank, the ADB also provides loans for restructuring the power sector in the states and improving transmission and distribution.

REGULATIONS AND POLICIES

The Company is an NBFC-ND-SI and is notified as a public financial institution under section 2(72) of the Companies Act, 2013 (corresponding to the erstwhile Section 4A of the Companies Act, 1956 and also classified as an Infrastructure Finance Company (IFC) by the RBI by its letter dated 17 September 2010. The Company is a leading public financial institution in the Indian power infrastructure sector and is engaged in the financing and promotion of transmission, distribution and generation projects throughout India. The business activities of NBFCs and public financial institutions are regulated by various RBI regulations, but as a Government company, the Company has the benefit of certain exemptions as further described below. This section provides a brief overview of the regulatory framework governing activities in the infrastructure financing industry in India. The regulations set out below may not be exhaustive, and are only intended to provide general information to potential investors and are neither designed nor intended to be a substitute for professional legal advice. Taxation statutes such as the Income Tax Act, the CST Act and other miscellaneous regulations and statutes, apply to the Company as they do to any other Indian company. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.

I. NBFC REGULATIONS

NBFCs are primarily governed by the Reserve Bank of India Act, 1934, as amended (the **RBI Act**), Systemically Important NBFC Directions and the Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. Additionally, NBFCs are also governed by various circulars, notifications, guidelines and directions issued by the RBI from time to time.

The RBI Act

The RBI is entrusted with the responsibility of regulating and supervising activities of NBFCs by virtue of the power vested in it under Chapter IIIB of the RBI Act. The RBI Act defines an NBFC under Section 45-I (f) as:

a) a financial institution which is a company;

b) a non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner; and

c) such other non-banking institution or class of such institutions, as the Bank may, with the previous approval of the Central Government and by notification in the Official Gazette, specify.

A "financial institution" and a "non-banking institution" have been defined under Sections 45-I(c) and 45-I (e) of the RBI Act, respectively. Section 45-I (c) of the RBI Act defines a "financial institution" as a non-banking institution carrying on as its business or part of its business, among other activities, the financing, whether by making loans or advances or otherwise, of any activity, other than its own. Also, section 45-I (e) of the RBI Act defines a non-banking institution as a company, corporation or cooperative society.

The RBI has clarified that, while identifying a company as an NBFC, it will consider both the assets and the income pattern from the last audited balance sheet to decide its principal business. A company will be treated as an NBFC if: (a) if its financial assets are more than 50 per cent. of its total assets (netted off by intangible assets); and (b) income from financial assets should be more than 50 per cent. of the gross income. Both these tests are required to be satisfied as the determinant factor for principal business of a company.

NBFCs which are Government companies in which not less than 51 per cent. of the paid up capital is held by the Central Government or by any State Government or partly by the Central Government and partly by one or more State Governments or which is a subsidiary of a Government company, have been exempted from complying with the various parts of the RBI Act relating to maintenance of liquid assets, creation of reserve funds and the directions relating to acceptance of public deposits and certain prudential norms.

The RBI Act states that an NBFC shall commence or carry on the business of a non-banking financial institution after obtaining a certificate of registration (**CoR**) and having a minimum net owned fund of Rs.20 million. For NBFCs that do not accept deposits from the public, they must obtain a CoR which will not authorise them to accept public deposits. All NBFCs are required to submit a certificate from their statutory auditors every year stating that they continue to undertake the business of a non-banking financial institution.

Systemically Important NBFC Directions

The RBI has issued the Systemically Important NBFC Directions. NBFC-NDs must comply with prescribed capital adequacy ratios, income recognition, asset classification and provisioning requirements applicable to NBFCs, exposure norms, constitution of audit committee, disclosures in the balance sheet, restrictions and concentration of credits and investments, norms for restructuring of advances and flexible structuring of long-term project loans to infrastructure and core industries, single and group exposure norms and other prudential requirements prescribed. The Company, being classified as a Government company, is exempted from these directions, apart from making requisite communications to the RBI in case of change in the information of the Company. However, the RBI, in its letters dated 25 July 2013 and 4 April 2014, has conveyed to our Company that it shall comply with the prudential norms of the RBI by 31 March and follow the instructions contained in the RBI circular dated 23 January 2014 issued in its Notification No. DNBS (PD) No. 271/CGM (NSV)-2014, in respect of restructuring of assets. Subsequently, the RBI, in its letter dated 11 June 2014, has allowed an exemption to our Company from the RBI restructuring norms until 31 March 2017, for its transmission and distribution, renovation and modernisation and life extension projects and also the hydro projects in the Himalayan region affected by natural disasters. Further, for new project loans to generate company restructuring after 1 April 2015, the provisioning requirement is 5 per cent. and for stock of loans as at 31 March 2015 of such projects, the provisioning shall commence with a provision of 2.75 per cent. effective 31 March 2015 and reaching 5 per cent. by 31 March 2018.

Classification of Infrastructure Finance Companies

All NBFC-NDs with an asset size of Rs.5,000 million or more in accordance with the last audited balance sheet will be considered as an NBFC-ND-SI. An IFC NBFC-ND-SI in addition fulfils the following criteria:

a) a minimum of 75 per cent. of its total assets deployed in “infrastructure loans”;

b) net owned funds of Rs.3 billion or above;

c) minimum credit rating 'A' or equivalent of CRISIL, India Ratings and Research Pvt Ltd, CARE, ICRA, Brickwork Rating India Pvt. Ltd. (Brickwork) or equivalent rating by any other credit rating agency accredited by RBI; and

d) CRAR of 15 per cent. (with a minimum Tier I capital of 10 per cent.).

The Company is a Government IFC NBFC-ND-SI and consequently is subject to the following lending and investment norms:

a) lend to: (i) any single borrower exceeding 25 per cent. of its owned fund; and (ii) any single group of borrowers exceeding 40 per cent. of its owned fund;

b) invest in: (i) the shares of another company exceeding 15 per cent. of its owned fund; and (ii) the shares of a single group of companies exceeding 25 per cent. of its owned fund; or

c) lend and invest (loans/investments taken together) exceeding: (i) 30 per cent. of its owned fund to a single party; and (ii) 50 per cent. of its owned fund to a single group of parties.

RBI has granted an exemption to our Company from concentration norms in respect of exposure to central and state entities in the power sector until 31 March 2022, our maximum credit exposure limits to such utilities varies from 50 per cent. to 250 per cent. of our net worth, depending on the entity appraisal and status of unbundling of the respective state utilities. 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 31 March 2017 and 31 March 2016.

Private Placement Guidelines

The RBI's Systemically Important NBFC Directions contain provisions with respect to NBFCs raising money through private placement of non-convertible debentures (**NCDs**). NBFCs need a board-approved policy for resource planning which, *inter alia*, should cover the planning horizon and the periodicity of private placement. The Company shall be governed by the following instructions:

a) the minimum subscription per investor is Rs.20,000;

b) the issuance of NCDs shall be in two separate categories per investor: (i) maximum subscription of less than Rs.10 million; and (ii) minimum subscription of Rs.10 million and above;

c) where maximum subscription is less than Rs.10 million, the limit is 200 subscribers for every financial year for issuance of NCDs;

d) where minimum subscription is Rs.10 million and above, there is no limit on the number of subscribers in respect of issuances and the Company has the option to create security in favour of subscribers or not. Any unsecured debentures are not treated as public deposits;

e) NCD shall only be issued for the Company's use and only for its own balance sheet and not to raise money for group entities, the parent company or associates; and

f) an NBFC shall not extend loans against the security of its own debentures (issued by way of either private placement or public issue).

g) The Company, in respect of any private placements of debentures, needs to comply with the regulations of SEBI from time to time. These include, but are not limited to, the following: (i) the electronic booking platform provided by a recognised stock exchanges for any issuance by the Company by way of a private placement of securities. The bidding mechanism applies to: (a) a single issue, inclusive of green shoe option, if any, of Rs 200 crore or more; (b) a shelf issue, consisting of multiple tranches, which cumulatively amounts to Rs 200 crore or more, in a financial year; or (c) a subsequent issue, where aggregate of all previous issues by an issuer in a financial year equals or exceeds Rs 200 crore. Participants are then required to submit their bids through this platform to purchase securities. The Company may be required to provide certain information and do certain acts in this respect; and (ii) circulars relating to the clubbing of international securities identification numbers for frequent issuers of debt issues with the same tenor during a quarter who may then may club issuances under the same umbrella international securities identification numbers.

Measures for Capital Augmentation by NBFCs

NBFC-ND-SIs which meet the criteria prescribed in the Systemically Important NBFC Directions may augment their capital funds by the issuance of perpetual debenture instruments in accordance with certain specified guidelines. Such perpetual debenture instruments shall be eligible for inclusion as Tier I capital to the extent of 15.0 per cent. of the total Tier I capital as of March 31 of the previous accounting year. NBFC-ND-SIs may augment their Tier II capital by the issuance of hybrid capital instruments and subordinated debt within certain specified guidelines. Perpetual debenture instruments issued in excess of 15.0 per cent. will be included in Tier II capital, subject to the proviso that Tier II capital does not exceed Tier I capital.

Further, the RBI has permitted NBFCs-ND-SIs to raise short-term foreign currency borrowings, under the approval route subject to certain conditions namely, (a) the NBFCs-ND-SIs would need to comply with the prudential norms on capital adequacy and exposure norms; (b) multilateral or bilateral financial institutions, reputable regional financial institutions, international banks and foreign equity holders with minimum direct equity holding of 25 per cent. would need to be the lenders; (c) the funds raised should be used only for refinancing of short-term liabilities and no new assets should be booked out of the resources; (d) the maturity of the borrowing should not exceed three years; (e) the maximum amount should not exceed 50 per cent. of the net owned funds or USD 10 million (or its equivalent), whichever is higher; (f) the all-in-cost ceiling should not exceed six months LIBOR + 200 bps; and (g) the borrowings should be fully swapped into Rupees for the entire maturity.

An NBFC-ND-SI, after taking into account the time lag between an account becoming non-performing, its recognition, the realisation of the security and erosion overtime in the value of the security charged, shall make provisions against sub-standard assets, doubtful assets and loss assets in the manner provided for in the directions.

Norms for excessive interest rates

All NBFCs must formulate appropriate internal procedures for determining interest rates, processing and other charges. The board of directors of each NBFC shall adopt an interest rate model considering relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances.

The interest rates, the approach for gradation of risks and the rationale for charging different rates of interest for different categories of borrowers are required to be disclosed to the borrowers in the application form and communicated explicitly in the sanction letter as well as on the Company's website. Further, the interest rates have to be annualised so that borrowers are aware of the exact rates that will be charged to their account.

Asset Liability Management

NBFCs are required to submit period asset liability management returns, which highlight liquidity, risk management, management of market risk, funding and capital planning, profit planning and growth projection, and forecasting/preparation of contingency plans of the NBFC. The board of directors of the NBFCs is required to oversee the implementation of the asset liability management systems and periodically review its implementation.

KYC Guidelines

The RBI has extended the KYC guidelines to NBFCs and advised all NBFCs to adopt the same with suitable modifications depending upon the activity undertaken by them and ensure that a proper policy framework of anti-money laundering measures is put in place. The KYC policies are required to have certain key elements, including, *inter alia*, customer acceptance policy, customer identification procedures, monitoring of transactions and risk management, adherence to KYC guidelines and the exercise of due diligence by persons authorised by the NBFC, including its brokers and agents.

Corporate Governance Guidelines

The RBI has mandated certain corporate governance rules for all NBFC-NDs, which include the constitution of an audit committee, a nomination committee and a risk management committee. The guidelines have also issued instructions for the framing of internal guidelines on corporate governance with the approval of the board of directors of the NBFC and also for the rotation of the partners of the chartered accountancy firm conducting its audit every three years.

Anti-Money Laundering

The RBI has specified that a proper policy framework for the Prevention of Money Laundering Act, 2002, as amended (**PMLA**) is put into place in NBFCs. The PMLA seeks to prevent money laundering and extends to all banking companies and financial institutions, including NBFCs and intermediaries. In accordance with the provisions of the PMLA and the directions, all NBFCs are advised to appoint a principal officer for internal reporting of suspicious transactions.

Directions on the Acquisition of NBFC

Prior written permission from the RBI is required for:

a) the takeover or acquisition of an NBFC, deposit and non-deposit accepting, whether by acquisition of shares or otherwise;

b) any change in the shareholding of the applicable NBFCs, including progressive increases over time, which would result in acquisition/transfer of shareholding of 26 per cent. or more of the paid up equity capital of the applicable NBFC. Prior approval would, however, not be required in the case of any shareholding going beyond 26 per cent. due to buyback of shares/reduction in capital where it has approval of a competent Court. The same is however required to be reported to the RBI not later than one month from its occurrence; and

c) any change in the management of the applicable NBFC which results in the change in more than 30 per cent. of the directors, excluding independent directors. Prior approval would not be required for those directors who get re-elected on retirement by rotation.

Non-compliance of the directions could lead to adverse regulatory action including cancellation of the certificate of registration of NBFCs.

Opening of Branch, Subsidiary or Representation Office of an NBFC outside India

Prior approval of the RBI is required for opening of a branch, subsidiary, joint venture or representative office or for undertaking any investment abroad by an NBFC.

II. REGULATION OF CORPORATES

Companies Act

The Company is a company incorporated and registered under the Companies Act, 1956 and therefore governed by the provisions and the rules made under the Companies Act, 1956. The Companies Act replaces the Companies Act, 1956 as and when fully notified.

The Companies Act intends to strengthen corporate regulation by increasing the robustness of the existing provisions and introducing new measures, such as: (i) increasing the accountability of management by making independent directors more accountable; (ii) improving corporate governance practices; (iii) enhancing disclosure norms in relation to capital raising; (iv) increasing investor protection and activism by way of provisions relating to class action suits; (v) ensuring protection of minority rights, including exit options; (vi) promoting e-governance initiatives; (vii) ensuring stricter enforcement standards, including establishment of the Serious Fraud Investigation Office for investigation of fraud relating to companies and special courts for summary trial for offences under the Companies Act; (viii) a better framework for insolvency regulation; (ix) making CSR mandatory for every company having a net worth of Rs.5,000 million or more, turnover of Rs.10,000 million or more or a net profit of Rs.50 million or more during any financial year; (x) introducing of the National Company Law Tribunal and its appellate authority the National Company Law Appellate Tribunal, which replaces the Company Law Board, the Board for Industrial and Financial Reconstruction and its appellate authority with the intention that all lawsuits relating to companies are made to one body; (xi) providing rules on related party transactions and acceptance of deposits; and (xii) the implementation of a fixed and variable legislation model with various provisions of the Companies Act delegating rule making power to the Central Government. The Companies Act has introduced various sections which significantly and substantially modify, repeal and replace the entire framework of law governing Indian companies, including the Company. For transition purposes, the Companies Act encapsulates grandfathering provisions whereby acts done, resolutions passed, documents entered and registers maintained under the Companies Act, 1956 (unless contrary to the Companies Act) will continue to be valid under the Companies Act.

III. LAWS RELATING TO THE RECOVERY OF DEBTS

Securitisation Act

The Securitisation Act as amended provides the powers of "seize and desist" to banks and grants certain special rights to banks and financial institutions to enforce their security interests. The Securitisation Act provides that a "secured creditor" may, in respect of loans classified as non-performing in accordance with RBI guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets.

Under the Securitisation Act, all mortgages and charges on immovable properties in favour of banks and financial institutions are enforceable without the intervention of the Courts. The Securitisation Act also provides for the establishment of asset reconstruction companies regulated by RBI to acquire assets from banks and financial institutions. A bank or financial institution may sell a standard asset only if the borrower has a consortium or multiple banking arrangements, at least 75 per cent. by value of the total loans to the borrower are classified as non-performing and at least 75 per cent. by value of the banks and financial institutions in the consortium or multiple banking arrangements agree to the sale. The banks or financial institution selling financial assets should ensure that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Furthermore, banks or financial institutions may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks or financial institutions may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. While each bank or financial institution is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangements where more than 75 per cent. by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer.

For financing of a financial asset by more than one secured creditors or joint financing of a financial asset by secured creditors, no secured creditor is entitled to exercise any rights unless such exercise is agreed by at least 60.0 per cent. of the secured creditors by value of outstanding and such action is binding on all the secured creditors.

Any securitisation company or asset reconstruction company may acquire financial assets of a bank or financial institution by issuing a debenture, bond or any other security in the nature of debenture, for agreed consideration or by entering into an agreement with such bank or financial institution to purchase such financial assets on terms and conditions as agreed. In respect of a shortfall in proceeds realised from the sale of secured assets, a secured creditor may file an application to the Debt Recovery Tribunal to recover the balance amount from a borrower under Debt Recovery Act.

Debt Recovery Act

The Debt Recovery Act provides for the establishment of Debt Recovery Tribunals and a Debt Recovery Appellate Tribunals for expeditious adjudication and recovery of debts due to any bank or public financial institution or to a consortium of banks and public financial institutions. Under the Debt Recovery Act, the procedures for the recovery of debt have been simplified and timeframes have been fixed to facilitate the disposal of cases. The Debt Recovery Act lays down the rules for establishment of Debt Recovery Tribunals, the procedure for making application to the Debt Recovery Tribunals and their powers and modes of recovery of debts. Upon establishment of the Debt Recovery Tribunal and Debt Recovery Appellate Tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by the Debt Recovery Act, except the Supreme Court exercising jurisdiction under Article 32 and the High Court exercising jurisdiction under Articles 226 and 227 of the Constitution of India, in relation to matters specified in Section 17 of the Debt Recovery Act.

Enforcement of Security Interest and Recovery of Debt Laws and Miscellaneous Provisions (Amendment) Act, 2016 (the Amendment Act)

The Amendment Act was passed by both houses of the Parliament on 9 August 2016 and received the assent of the President on 12 August 2016. The Amendment Act shall come into force as and when notified by the Central Government. The Amendment Act amends two laws: (i) Securitisation Act and (ii) Debt Recovery Act. Under the Securitisation Act, secured creditors can take possession over collateral, against which a loan had been provided, upon a default in repayment, which can be done with the assistance of the district magistrate. The Amendment Act provides that this process will have to be completed within 30 days by the district magistrate. In addition, the Amendment Act (i) creates a central database to integrate records of property registered under various registration systems with this central registry and secured creditors will not be able to take possession over the collateral unless it is registered with the central registry; and (ii) provides that stamp duty will not be charged on transactions for transfer of financial assets in favour of asset reconstruction companies. In relation to the Debt Recovery Act, the Amendment Act (i) allows banks to file cases in tribunals having jurisdiction in the location of the bank branch and where the debt is pending; and (ii) provides further details of procedures that the tribunals will follow in case of debt recovery proceedings.

The Bankruptcy Code

The Bankruptcy Code was enacted to consolidate and amend laws relating to the reorganisation and insolvency resolution of corporate persons, partnership firms and individuals in a timely manner for the maximisation of the value of the assets of such persons, and to promote entrepreneurship, availability of credit and balance all stakeholders' interest in the insolvency process. The Bankruptcy Code classifies creditors into financial creditors, and operational creditors, which includes the financial loans for interest and loans arising from the operational nature of the debtor, respectively. The Bankruptcy Code provides for the appointment of specialised insolvency professionals to assist companies and bodies corporate through the insolvency process. The Bankruptcy Code provides a 180-day timeline, which may be extended by 90 days when dealing with insolvency resolution applications. Subsequently, the insolvency resolution plan prepared by the insolvency professionals has to be approved by 75 per cent. of the financial creditors, which requires further sanction by the adjudicating authority and, if rejected, the adjudicating authority will pass an order for liquidation. The National Company Law Tribunal will be the adjudicating authority with jurisdiction over companies and limited liability entities and the DRT (which shall have jurisdiction over individuals and partnership firms). The Bankruptcy Code provides for the establishment of the Insolvency and Bankruptcy Board of India (**IBBI**) and the Insolvency and Bankruptcy Fund. In a bid to boost the sentiment among lenders, even repayment of dues to unsecured creditors has been given a higher priority as against payment of taxes to the Government.

The GoI promulgated an Ordinance on 23 November 2017 to amend the Bankruptcy Code (**Ordinance**). The Ordinance aims at putting safeguards in place to: (i) prevent unscrupulous, undesirable persons from misusing or vitiating the provisions of the Bankruptcy Code; and (ii) keep out persons who have wilfully defaulted, or are associated with non-performing assets, or are habitually non-compliant with the resolution or liquidation process of a company. In addition to restrictions for such persons to participate in the resolution or liquidation process, the Ordinance also provides such checks by specifying that the committee of creditors ensure the viability and feasibility of the resolution plan before approving it. The IBBI India has also been given additional powers.

IV. LAWS RELATING TO THE POWER SECTOR

In accordance with the Indian Constitution, the authority to regulate the electricity sector vests with both the State and the Central Governments.

The Ministry of Power (**MoP**) acts as the administrative ministry governing the Central power sector in the country. The MoP is responsible for the administration of the Electricity Act, 2003 as amended (**Electricity Act**), the Energy Conservation Act, 2001 as amended and to undertake such amendments to these Acts, as may be necessary from time to time, in conformity with the government's policy objectives. The Central Electricity Authority (**CEA**) advises the MoP on, inter alia, electricity policies and technical matters.

Electricity Act, 2003

The Electricity Act is a Central legislation relating to generation, transmission, distribution, trading and use of electricity that seeks to replace the multiple legislations that govern the power sector. The Electricity Act aims to enable measures to be taken for the development of the electricity industry, promote competition, protect the interest of consumers and supply of electricity to all areas, rationalise the electricity tariff, ensure transparent policies regarding subsidies, promote efficient and environmentally benign policies, constitute the Central Electricity Agency and establish the Appellate Tribunal. The most significant reform initiative under the Electricity Act was the move towards a multi-buyer, multi-seller system as opposed to the existing structure which permitted only a single buyer to purchase power from power generators. In addition, the Electricity Act grants the electricity regulatory commissions freedom in determining tariffs. Under the Electricity Act, no licence is required for generation of electricity if the generating station complies with the technical standards relating to connectivity with the grid. The Electricity Act was amended in 2007 to exempt captive power generation plants from licensing requirements for supply to any licensee or consumer and further amended in 2010 to provide that any developer of a special economic zone (**SEZ**) notified shall be deemed to be a licensee under the Electricity Act.

Electricity Amendment Bill, 2014

The Electricity (Amendment) Bill, 2014 (**Bill**) introduced by the government seeks to amend the Electricity Act. It seeks to segregate the distribution network business and the electricity supply business, and introduce multiple supply licensees in the market. The Bill was introduced in the Lok Sabha on 19 December 2014 and was referred to the Parliamentary Standing Committee on Energy (**Panel**). The Panel gave its report on 7 May 2015, however, the Bill is yet to be passed in the Parliament.

Licencing Requirements

Under the Electricity Act, transmission and distribution of, and trading in, electricity require licences from the appropriate Central or State electricity regulatory commissions (respectively, **CERCs** and **SERCs**, and collectively, **ERCs**), unless exempted. CERC has jurisdiction over generating companies owned or controlled by the Government or which have a composite scheme for generation and sale in more than one State. SERCs have jurisdiction over generating stations within State boundaries, except those under CERC's jurisdiction. The respective ERC determines the tariff for supply of electricity from a generating company to a licensee, transmission, wheeling, and retail sale of electricity. All States in India have ERCs in operation.

Generation

Currently, any generating company in India can establish, operate and maintain a generating station if it complies with the technical standards relating to connectivity with the grid. Approvals from the Government, the State Government and the techno-economic clearance from the CEA are no longer required, except for hydroelectric projects. Generating companies are permitted to sell electricity to any licensees and where permitted by the respective SERCs, to consumers. The respective ERCs determine the tariff for the supply of electricity from a generating company to any distribution licensee, transmission of electricity, wheeling of electricity and retail sale of electricity. CERC has jurisdiction over generating companies owned or controlled by the Government and those generating companies who have entered into or otherwise have a composite scheme for generation and sale in more than one State. SERCs have jurisdiction over generating stations within State boundaries, except those under CERC's jurisdiction.

In order to qualify as a captive generating plant, the Electricity Rules, 2005 as amended (**Electricity Rules**) require that not less than 26 per cent. of the ownership of the plant be held by a captive user and not less than 51 per cent. of the aggregate electricity generated in such plant, determined on an annual basis, be consumed for captive use. If the minimum percentage of captive use is not complied with in any year, the entire electricity generated is treated as supplied by a "generating company" and benefits available to a "captive generating plant" (such as exemption from payment of certain levies and surcharges) will not apply in such year.

Transmission

Transmission being a regulated activity, involves the intervention of various players. The Government is responsible for facilitating the transmission and supply of electricity, particularly inter-State, regional and inter-regional transmission. The Electricity Act vests the responsibility of efficient, economical and integrated transmission and supply of electricity with the Government and empowers it to make regional demarcations of the country for the same. In addition, the Government will facilitate voluntary inter-connections and co-ordination of facilities for the inter-State, regional and inter-regional generation and transmission of electricity. The CEA is required to prescribe certain grid standards under the Electricity Act and every transmission licensee must comply with such technical standards of operation and maintenance of transmission lines. In addition, every transmission licensee is required to obtain a licence from the CERC and the SERCs, as the case may be.

The Electricity Act allows generating companies open access to transmission lines. The transmission licensee is required to comply with the technical standards of operation and maintenance of transmission lines specified by the CEA. The provision of open access is subject to the availability of adequate transmission capacity as determined by the Central Transmission Utility or the State Transmission Utility. The Electricity Act provides certain principles in accordance with which the appropriate ERC will specify terms and conditions for determination of the tariff. Under the Electricity Act, CERC is vested with the authority to determine the tariffs for inter-State transmission of electricity. A transmission licensee may, with prior intimation to CERC or the SERC, as the case may be, engage in any business for optimum utilisation of its assets, provided that a proportion of its revenues from such business be utilised for reducing its charges for transmission and wheeling.

Trading

The Electricity Act specifies trading in electricity as a licensed activity. This may involve wholesale supply or retail supply. The licence to engage in electricity trading is required to be obtained from the appropriate ERC. The CERC issued the CERC (Procedure, Terms and Conditions for Grant of Trading Licence and Other Related Matters) Regulations, 2009, as amended (**Trading Licence Regulations**) to regulate the inter-State trading of electricity. The Trading Licence Regulations define inter-State trading as the transfer of electricity from the territory of one State for resale to the territory of another State, and includes electricity imported from any other country for resale in any State of India or exported to any other country subject to compliance with applicable laws and clearance by appropriate authorities. Under the Trading Licence Regulations, any person desirous of undertaking inter-State trading in electricity shall apply to the CERC for the grant of a licence. The Trading Licence Regulations set out various qualifications for the grant of a licence for undertaking electricity trading, including certain technical and professional qualifications, and net worth requirements. Further, a licensee is subject to certain conditions including the extent of trading margin, maintenance of records and submission of auditors’ reports. The existing licensees are required to meet the net worth, current ratio and liquidity ratio criteria and are required to pay the licence fee as specified by the CERC, from time to time. The licensees need to submit monthly reports and annual returns on over-the-counter contracts and transaction volumes on a weekly basis.

Tariff Principles

Under the Electricity Act, the ERCs determine the tariff for the supply of electricity by a generating company (as well as for transmission, wheeling and retail sale of electricity). In case of shortage of electricity supply, the ERC may fix the minimum and maximum tariff for sale or purchase of electricity, pursuant to an agreement entered into between a generating company and licensee or between licensees, for up to one year. The Electricity Act provides that the ERC shall adopt such tariff that has been determined through a transparent process of bidding in accordance with the guidelines issued by the Government. The MoP has issued detailed guidelines for competitive bidding as well as standard bidding documents for competitive bid projects. Under guidelines issued by the MoP, the determination of the tariff for a particular power project depends on the mode of participation in the project, being (i) the MoU route, based on tariff principles prescribed by CERC (cost plus basis, comprising capacity charge, energy charge, unscheduled interchange charge and incentive payments); or (ii) the competitive bidding route, where tariff is market-based.

CERC (Terms and Conditions of Tariff) Regulations, 2014

The CERC (Terms and Conditions of Tariff) Regulations, 2014 as amended (**CERC Tariff Regulations**) are applicable for the determination of the tariff between 1 April 2014 and 31 March 2019 for a generating station and a transmission system or its elements including communication systems used for inter-State transmission of electricity. They are not applicable to generating stations or inter-State transmission systems, where tariffs have been discovered through competitive bidding or determined in accordance with the Central Electricity Regulatory Commission (Terms and Conditions for Tariff Determination from Renewable Energy Sources) Regulations, 2017. The tariff for the supply of electricity from a thermal generating station shall comprise two parts, namely, capacity charge (for recovery of annual fixed cost) and energy charge (for recovery of fuel cost and limestone cost (where applicable)). Tariff for the supply of electricity from a hydro generating station shall comprise capacity charge and energy charge, for the recovery of annual fixed costs through the two charges. The tariff for the transmission of electricity on the inter-State transmission system shall comprise a transmission charge for the recovery of annual fixed costs. The capacity charges shall be derived on the basis of annual fixed costs and shall consist of the following components: (i) return on equity; (ii) interest on loan capital; (iii) depreciation; (iv) interest on working capital; and (v) operation and maintenance expenses. Energy charges shall be derived on the basis of the landed fuel cost of a generating station (excluding the hydro generation station) and shall comprise the following costs: (i) landed fuel cost of primary fuel; and (ii) cost of secondary fuel oil consumption.

Central Electricity Regulatory Commission (Grant of Connectivity, Long-term Access and Medium-Term Open Access in Inter-State Transmission and Related Matters) Regulations, 2009

The Central Electricity Regulatory Commission (Grant of Connectivity, Long-term Access and Medium-Term Open Access in Inter-State Transmission and Related Matters) Regulations, 2009 as amended (**CERC Regulations**) provide various transmission products, standardise procedures, define timelines and ensure a level playing field between market players. They provide the procedures and requirements for obtaining connectivity to inter-State transmission systems, obtaining medium-term open access and obtaining long-term access. There have been amendments to the CERC Regulations in relation to the appointment of a principal generator on behalf of the renewable energy generating stations. The CERC Regulations were amended on 17 February 2017 changing the definition of long-term access and medium-term open access to extend the right to use inter-State transmission systems (**ISTS**) for a period exceeding seven years and a period equal to or exceeding three months but not exceeding five years, respectively.

Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2010

The Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 as amended (**Inter-State Regulations**) implement a point of connection method of sharing the transmission charges of inter-State transmission systems in India for a five-year period, replacing the earlier system of regional postage stamps. These regulations provide that the yearly transmission charges, revenue requirements on account of foreign exchange rate variations, changes in interest rates, and losses will be shared among the users. All the users will be default signatories to the transmission service agreement, which also requires these users to pay the point-of-connection charge, which covers the revenue of transmission licensees. The point of connection tariffs are based on load flow analysis and capture the utilisation of each network element by the users. The Inter-State Regulations were amended on 14 December 2017 so no transmission charges and losses for the use of ISTS networks are payable for generation projects based on solar resources for 25 years if they fulfil prescribed conditions.

Central Electricity Regulatory Commission (Standards of Performance of Inter-State Transmission Licensees) Regulations, 2012

The Central Electricity Regulatory Commission (Standards of Performance of Inter-State Transmission Licensees) Regulations, 2012 as amended (**Standard of Performance Regulations**) apply to all the inter-State transmission licensees to ensure compliance with performance standards and to provide for an efficient, reliable, coordinated and economic system of electricity transmission. The Standard of Performance Regulations also covers the methodology for calculating compensation in the case of loss on account of non-adherence.

National Electricity Policy, 2005

The National Electricity Policy was notified in February 2005. This policy aims at accelerated development of the power sector, focusing on the supply of electricity to all areas and protecting interests of consumers and other stakeholders, keeping in view availability of energy resources technology available to exploit these resources, economics of generation using different resources and energy security issues.

National Tariff Policy, 2016

In 2016, the Government, under the Electricity Act, notified the revised National Tariff Policy (**Tariff Policy**) that replaces the existing tariff policy of 2006. The goals of the Tariff Policy are to ensure availability of electricity to consumers at reasonable and competitive rates, ensure the financial viability of the power sector, attract investment to the power sector, promote regulatory transparency, consistency and predictability across jurisdictions, minimise perceptions of regulatory risks, promote competition, ensure operational efficiency, improve the quality of the power supply, promote generation of electricity from renewable sources, promote hydroelectric power generation including pumped storage projects (**PSP**) to provide adequate peaking reserves, reliable grid operation and integration of variable renewable energy sources, evolve a dynamic and robust electricity infrastructure for better consumer services, facilitate supply of adequate and uninterrupted power to all categories of consumers and ensure creation of adequate capacity including reserves in generation, transmission and distribution in advance, for the reliability of supply of electricity to consumers. The Tariff Policy mandates that the relevant ERCs must reserve a minimum percentage for the purchase of solar energy equivalent to 8 per cent. of total consumption of energy by March 2022. In order to further encourage renewable sources of energy, the Tariff Policy mandates that no inter-State transmission charges and losses shall be levied until such period as may be notified on transmission of the electricity generated from solar power plants through the inter-State transmission system for sale. For transmission, the Tariff Policy aims to ensure optimal development of the transmission network with adequate margin for reliability, by efficient utilisation of generation and transmission assets and attracting investment providing adequate returns. The benefits of improved efficiency and new technology are passed on to consumers through reduced tariffs. It emphasises the need for the appropriate regulator to ensure the recovery of all prudent costs when approving the financial restructuring of a transmission company.

The Tariff Policy requires that all future power requirements be procured competitively by distribution licensees except for expansion of pre-existing projects or State Government owned or controlled companies. Regulators must resort to tariffs set by reference to standards of the CERC, provided that the generating capacity expansion by private developers for this purpose is restricted to a one time addition of not more than 100 per cent. of the existing capacity. Under the Tariff Policy, tariffs for all new generation and transmission projects are decided on a competitive bidding basis.

National Electricity Plan

National Electricity Plan 2012-2017

The Electricity Act requires CEA to frame a National Electricity Plan once in five years and revise such plan from time to time in accordance with the National Electricity Policy. CEA released a National Electricity Plan in January 2012 (**12th Five Year Plan**), which covers the period from 2012-

2017 and includes short-term and long-term demand forecasts for different regions, suggested areas/locations for capacity additions in generation and transmission keeping in view the economics of generation and transmission, losses in the system, load centre requirements, grid stability, security of supply, quality of power, including voltage profile and environmental considerations, including rehabilitation and resettlement, integration of such possible locations with the transmission system and development of the national grid, including, type of transmission systems and requirements of redundancies, different technologies available for efficient generation, transmission and distribution and fuel choices based on economy, energy security and environmental considerations.

Draft National Electricity Plan 2017-2022

A committee was constituted in 2016 to create a 13th five year plan for India (**13th Five Year Plan**) and the major highlights of the 13th Five Year Plan are as follows:

a) 115 per cent. of the 12th Five Year Plan target for capacity addition from conventional sources has been met;

b) revised renewable energy capacity target to 175 gigawatt (**GW**) by the year 2021-2022;

c) incremental energy savings due to implementation of various energy saving measures, during the year 2016/17, 2021/22 and 2026/27 estimated to be 26 billion units (**BU**), 137 BU and 204 BU respectively over the year 2015-16;

d) the projected peak demand is 235 GW and the energy requirement is 1,611 BU (after considering demand side management measures) at the end of year 2021/22 which is around 17 per cent. and 15.4 per cent. lower than the corresponding projections made by 18th Electric Power Survey (**EPS**) issued by the MoP;

e) the projected peak demand is 317 GW and energy requirement is 2132 BU at the end of year 2026/27 which is around 20.7 per cent. and 21.3 per cent. lower than the corresponding projections made by the EPS;

f) no coal based capacity addition is required during the years 2017/22. Total capacity of 50,025 megawatt (**MW**) coal based power project is currently under different stages of construction and is likely to yield benefits during the period 2017/22. Total capacity addition during 2017/22 is likely to be 1,87,821 MW;

g) demand projection for the period 2022/27 reveals a coal based capacity addition of 44,085 MW is required. Coal based capacity of 50,025 MW is already under construction which is likely to yield benefits during 2017/22, consequently this coal based capacity will fulfil the capacity requirement for the years 2022/27;

h) expected that the share of non-fossil based installed capacity will increase to 46.8 per cent. by the end of 2021/22 and will further increase to 56.5 per cent. by the end of 2026/27 considering a capacity addition of 50,025 MW coal based capacity already under construction and likely to yield benefits during 2017/22 and no coal based capacity addition during 2022/27;

i) adequate manufacturing facilities exist in India for the main plant equipment. The lack of orders is a concern of all equipment manufacturers;

j) total fund requirement for generation capacity addition estimated to be Rs.10, 33,375 crores during the period 2017/2022 which includes the funds required for the renewable energy sources capacity addition, as well as the expenditure done during this period for projects during the years 2022/27;

k) total fund requirement for 2022/2027 is estimated to be Rs.6, 05,965 crores excluding advance action for projects coming up during the period 2027/2032; and

l) estimated that 6.073 million tonnes of carbon dioxide emissions have been avoided during 2015/16 due to commissioning of super-critical technology based coal power plants.

Rural Electrification Initiatives - Deendayal Upadhyaya Gram Jyoti Yojana

In April 2005, the Government launched the Rajiv Gandhi Grameen Vidyutikaran Yojana (**RGGVY**), a comprehensive programme merging within it all the on-going rural electrification schemes with the aim to further strengthen the pace of rural electrification and with the initial objective of electrifying over one lakh unelectrified villages and to provide free electricity connections to 1.73 crore rural below poverty line (**BPL**) households under the ambit of the Bharat Nirman Electrification Plan. Under the RGGVY, electricity distribution infrastructure is envisaged to establish Rural Electricity Distribution Backbone (**REDB**) with at least a 33/11KV sub-station in a block, Village Electrification Infrastructure (**VEI**) with at least a distribution transformer in a village or hamlet, and standalone grids with generation where grid supply is not feasible. Subsidy towards capital expenditure of 90 per cent. is being provided, through our Company, which is a nodal agency for implementation of the scheme. The RGGVY scheme has been subsumed in new 'Deendayal Upadhyaya Gram Jyoti Yojana' (**DDUGJY**) scheme which was approved by the Government on 3 December 2014. Electrification of unelectrified BPL households is financed with 100 per cent. capital subsidy at 3000 per connection in all rural habitations. The services of Central Public Sector Undertakings (**CPSUs**) are available to the States for assisting them in the implementation of rural electrification projects.

The components of DDUGJY are:

a) separating agriculture and non-agriculture feeders for providing adequate supply to agricultural and non-agricultural consumers in rural areas;

b) strengthening and augmentation of sub transmission and distribution infrastructure in rural areas;

c) including metering of feeders, distribution transformers and consumers.

d) rural electrification works covered under the RGGVY subsumed in DDUGJY.

Components (a) and (b) above have an estimated cost of Rs.430.33 billion, including budgetary support of Rs.334.53 billion from the Government during the implementation period. Component (c) above, a scheme cost of Rs.392.75 billion, including a budgetary support of Rs.354.47 billion has been approved.

Our Company is the nodal agency for operationalisation of DDUGJY and our Company is paid 0.5 per cent. of the total project cost as agency fee.

Rural Electrification Initiatives – Saubhagya

On 25th September 2017, the Government launched Rs. 163.5 household electrification scheme named Pradhan Mantri Sahaj Bijli Har Ghar Yojana (translated as the Prime Minister's Programme to provide easy electricity access to all households), or 'Saubhagya'.

The objective of the 'Saubhagya' is to provide energy access to all by last mile connectivity and electricity connections to all remaining un-electrified households in rural as well as urban areas. Projects under the scheme would be sanctioned based on the Detailed Project Reports to be submitted by the States, prepared by the State DISCOMs / Power Department and sanctioned by an inter-ministerial Monitoring Committee headed by the Secretary (Power), Government of India. Considering an average load of 1 KW per household and average uses of load for 8 hours in a day, estimated rise in demand for power after inclusion of all households will be about 28,000 MW. With the enhancement of income and habit of using electricity, the demand of electricity is bound to increase. Access to electricity is also expected to boost power-based ancillary economic and business activities, which will further increase the demand for power.

Our Company has been entrusted the responsibility of operationalisation of the Saubhagya scheme throughout India and will act as the nodal agency

National Solar Mission

The Ministry of New and Renewable Energy (**MNRE**) has approved a new policy on development of solar energy in India by the Jawaharlal Nehru National Solar Mission. The mission recommends the implementation of an installed capacity of 100,000 MW by the end of the 13th Five Year Plan. It proposes to establish a single window investor-friendly mechanism, which reduces risk and at the same time, provides an attractive, predictable and sufficiently adequate tariff for the purchase of solar power from the grid. The key driver for promoting solar power would be through a renewable purchase obligation mandated for power utilities, with a specific solar component.

V. ENVIRONMENTAL LAWS

The three major statutes in India which seek to regulate and protect the environment against pollution related activities in India are the Water (Prevention and Control of Pollution) Act 1974 as amended, the Air (Prevention and Control of Pollution) Act, 1981 as amended and the Environment Protection Act, 1986 as amended (**EPA**). The Pollution Control Boards (**PCBs**), which are vested with diverse powers to deal with water and air pollution, have been set up in each State to control and prevent pollution. The PCBs are responsible for setting the standards for maintenance of clean air and water, directing the installation of pollution control devices in industries and undertaking investigations to ensure that industries are functioning in compliance with the standards prescribed. All industries and factories are required to obtain consent orders from the PCBs, and these orders are required to be renewed annually.

The Ministry of Environment and Forests, through its notification dated 14 September 2006, issued the environmental impact assessment notification (**EIA Notification**) (which supersedes the notification dated 27 January 1994 – except in respect of acts done/omitted to be done before such supersession) pursuant to the provisions of the EPA. Projects and activities have been classified into two categories, category A and category B, based on the spatial extent of potential impacts and potential impacts on human health and natural and man-made resources.

An amendment has been proposed to the EPA by way of the Environmental Laws (Amendment) Bill, 2015. Currently, the maximum fine that can be imposed on a polluting industry or other entities is Rs.1 lakh and a jail sentence of up to five years. Even this requires the Government agencies to first file a complaint with a magistrate at the district level and secure a favourable order against the polluter. It is proposed that the level of fines for a polluting industry to be increased from Rs.1 lakh to Rs.1 crores and the fine is to be imposed without going through a judicial process prescribed in the current law. A designated officer is the final authority to decide. There is also a plan to make pollution a civil offence for which the Government can demand costs from polluters without going to court.

Water (Prevention and Control of Pollution) Act, 1974

The Water (Prevention and Control of Pollution) Act, 1974 as amended (**Water Act**) aims to prevent and control water pollution and to maintain or restore wholesomeness of water. The Water Act provides for a Central Pollution Control Board and for various State Pollution Control Boards to be constituted to implement its provisions. The Water Act debars any person from establishing any industry, operation or process or any treatment and disposal system likely to discharge sewage or trade effluents into a water body, without prior consent of the State Pollution Control Board (**SPCB**). In addition, the Water (Prevention and Control of Pollution) Cess Act, 1977 requires a person carrying on any industry to pay a cess in this regard.

Air (Prevention and Control of Pollution) Act, 1981

The Air (Prevention and Control of Pollution) Act, 1981 as amended (**Air Act**) under which any individual, industry or institution responsible for emitting smoke or gases by way of use of fuel or chemical reactions must obtain consent from the SPCB prior to commencing any mining activity. The consent may contain conditions relating to specifications of pollution control equipment to be installed.

Hazardous Wastes (Management and Handling) Rules, 1989

The Hazardous Wastes (Management and Handling) Rules, 1989 as amended fixes the responsibility of the occupier and the operator of the facility that treats hazardous wastes to properly collect, treat, store or dispose the hazardous wastes without adverse effects on the environment. Moreover, they must take steps to ensure that persons working on the site are given adequate training and equipment for performing their work. When an accident occurs in a hazardous site or during transportation of hazardous wastes, then the SPCB has to be immediately alerted and the occupier will have to pay for remedial and restoration expenses.

VI. LABOUR LAWS

The Payment of Gratuity Act, 1972

The Payment of Gratuity Act, 1972 as amended (**Gratuity Act**) establishes a scheme for the payment of gratuity to employees engaged in every factory, mine, oil field, plantation, port and railway company, every shop or establishment in which ten or more persons are employed or were employed on any day of the preceding 12 months and in such other establishments in which ten or more persons are employed or were employed on any day of the preceding 12 months, as the Central Government may, by notification, specify. Penalties are prescribed for non-compliance with statutory provisions.

Under the Gratuity Act, an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement, resignation, superannuation, death or disablement due to accident or disease. However, the entitlement to gratuity in the event of death or disablement will not be contingent upon an employee having completed five years of continuous service. The maximum amount of gratuity payable may not exceed Rs.10 lakhs. The Payment of Gratuity (Amendment) Bill, 2017, introduced in the Lok Sabha on 18 December 2017, seeks to remove the Rs. 10 lakh ceiling so that the ceiling may be notified by the Central Government.

Employees Provident Fund and Miscellaneous Provisions Act, 1952

The Employees Provident Fund and Miscellaneous Provisions Act, 1952 as amended (**EPF Act**) provides for the institution of compulsory provident fund, pension fund and deposit linked insurance funds for the benefit of employees in factories and other establishments. Liability is placed both on the employer and the employee to make certain contributions to the funds mentioned above.

Shops and Establishments Legislations in Various States

The provisions of various Shops and Establishments legislations, as applicable, regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of *inter alia* registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work.

The Industrial Disputes Act, 1947

It provides the procedure for investigation and settlement of industrial disputes. When a dispute exists or is apprehended, the appropriate Government may refer the dispute to a labour court, tribunal or arbitrator, to prevent the occurrence or continuance of the dispute, or a strike or lock-out while a proceeding is pending. The labour courts and tribunals may grant appropriate relief, including ordering modification of contracts of employment or reinstatement of workmen. The Industrial Disputes (Amendment) Act 2010 passed by the Rajya Sabha on 3 August 2010, *inter alia*, provides direct access for workmen to labour courts or tribunals in case of individual disputes, expands the scope of qualifications of presiding officers of labour courts or tribunals, constitute grievance settlement machineries in any establishment having 20 or more workmen.

The Minimum Wages Act, 1948

The Minimum Wages Act, 1948 as amended **(MWA**) provides for minimum wages in certain employments. The Central and State Governments stipulate minimum wages, calculated based on the basic requirement of food, clothing and housing required by an average Indian adult.

Payment of Wages Act, 1936

The Payment of Wages Act, 1936 as amended **(PWA**) regulates payment of wages to certain classes of employees and makes every employer responsible for payment of wages to persons employed by such employer. No deductions are permitted from, nor is any fine permitted to be levied on, wages earned by a person employed except as provided under the PWA. Penalties under the PWA include a fine.

Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 as amended (**PBA**) provides for payment of a minimum annual bonus to all employees regardless of whether the employer has made a profit or a loss in the accounting year in which the bonus is payable. Contravention of the PBA is punishable by imprisonment for up to six months or a fine, or both, against persons in charge of, and responsible to the company for, the conduct of the business of the company at the time of the contravention.

Equal Remuneration Act, 1976

The Equal Remuneration Act, 1976 as amended (**ERA**) aims to provide for the payment of equal remuneration to men and women workers and for the prevention of discrimination on the ground of sex against women in the matter of employment.

Amendments to Labour Laws

The Code on Wages Bill 2017 (**Code on Wages)** has been introduced in Lok Sabha on 10 August 2017 and it subsumes the MWA, the PWA, the PBA and the ERA into one Act. After the enactment of the Code on Wages, the MWA, the PWA, the PBA and the ERA will be repealed. Its aim is to remove multiplicity of definitions and authorities leading to ease of compliance without compromising wage security and social security to workers.

VII. LAWS RELATING TO INTELLECTUAL PROPERTY

In India, trademarks enjoy protection under both statutory laws and common law jurisprudence. The Trademarks Act, 1999 as amended (**Trademarks Act**) and the Copyright Act, 1957 as amended among others govern the law in relation to intellectual property, including brand names, trade names and service marks and research works. The Trademarks Act governs the statutory protection of trademarks in India. The Trademarks Act governs the registration, acquisition, transfer and infringement of trademarks and remedies available to a registered proprietor or user of a trademark. The registration of a trademark is valid for a period of ten years, and can be renewed in accordance with the specified procedure.

VIII. TAX LAWS

Income Tax Act, 1961

Income Tax Act is applicable to every domestic and foreign company whose income is taxable depending upon its 'residential status' and 'type of income' involved.

Goods and Services Tax

Goods and Services Tax (**GST**) has been effective in India since 1 July 2017. GST is a unified and comprehensive indirect tax which aims to expand the tax base, rationalise the input tax credit and harmonise the current multiple taxation laws in India which are levied by the State Governments such as the service tax, Central excise duty, sales tax and State value added tax. India has adopted a dual model GST. Therefore, under the GST regime, a tax called the Central Goods and Services Tax (**CGST**) along with the State Goods and Services Tax (**SGST**) or the Union Territory Goods and Services Tax (**UTGST**) will be simultaneously levied on all intra-State supplies of goods and/or services at the rates specified in this regard. Further, an Integrated Goods and Services Tax (**IGST**) is levied on all supplies of goods and/or services made in the course of inter-State trade or commerce.

IX. REGULATION OF FOREIGN INVESTMENT

Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder.

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 (FEMA Regulations) to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India. No prior consent and approval is required from the RBI for FDI under the automatic route within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, or in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the respective administrative ministries of the GoI for the relevant sector.

In accordance with the Consolidated FDI policy effective from 28 August 2017, foreign direct investment in NBFCs regulated by the RBI fall under the automatic route for FDI investment up to 100 per cent.

X. EXTERNAL COMMERCIAL BORROWINGS

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000 as amended (**Borrowing Regulations**) to regulate the borrowing and lending in foreign exchange by a person resident in India, including external commercial borrowings (**ECB**). Pursuant to the Master Directions issued by the RBI on 'External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers' dated 1 January 2016, as amended (**ECB Guidelines**), ECBs can be accessed under two routes: (i) the automatic route and (ii) the approval route. The automatic route does not require a borrower to obtain any RBI approvals, whereas the approval route refers to circumstances where prior RBI approval is mandatory before raising an ECB. The ECB Guidelines are subject to amendment from time to time. Investors are urged to consult their own advisers in connection with the applicability of any Indian laws or regulations.

The ECB Guidelines classify ECBs under three categories:

a) medium-term foreign currency denominated ECBs with minimum average maturity of three to five years (**Track I ECBs**);

b) long-term foreign currency denominated ECBs with minimum average maturity of ten years (**Track II ECBs**); and

c) Indian Rupee Denominated ECBs with minimum average maturity of three to five years (**Track III ECBs**).

Automatic Route

Under the automatic route, the following entities have been classified as recognised borrowers for raising Track I ECBs: (i) companies in the manufacturing and software development sectors; (ii) shipping and airlines companies; (iii) Small Industries Development Bank of India; (iv) units in special economic zones in India; and (v) companies in the infrastructure sector, infrastructure finance NBFCs, asset finance NBFCs, holding companies and core investment companies. For Track II ECBs, all entities eligible under Track I ECBs can raise ECBs as well as real estate investment trusts and infrastructure investment trusts coming under the regulatory framework of SEBI. In respect of Track III ECBs, all entities eligible under Track II ECBs can raise ECBs in addition to (i) all NBFCs; (ii) NBFCs-micro finance institutions, not for profit companies, societies, trusts and cooperatives, non-government organisations engaged in micro-finance activities; (iii) companies engaged in miscellaneous services such as research and development, companies supporting infrastructure and companies providing logistics services; and (iv) developers of special economic zones and national manufacturing and investment zones.

The foreign lenders eligible to provide all three categories of ECBs include, *inter alia*: (i) international banks; (ii) international capital markets; (iii) multilateral financial institutions or regional financial institutions and government-owned development financial institutions; (iv) export credit agencies; (v) suppliers of equipment; (vi) foreign equity holders; and (vii) overseas long-term investors, including prudentially regulated financial entities, pension funds, insurance companies, sovereign wealth funds and financial institutions located in international financial services centres in India. Foreign branches or subsidiaries of Indian banks may only participate in Track I ECBs subject to norms issued by the department of banking regulation, RBI.

ECB proceeds under Track I can be utilised for, *inter alia*: (i) capital expenditure in the form of import and local sourcing of capital goods, new projects and modernisation or expansion of existing production units; (ii) overseas direct investment; (iii) acquisition of shares in the government's disinvestment programme of public sector units; (iv) refinancing of existing trade credit raised for import of capital goods; (v) payment of capital goods already shipped or imported but unpaid; and (vi) refinancing of existing ECBs, provided the residual maturity is not reduced and other end uses as set out in the ECB Guidelines. The proceeds of Track I ECBs raised by: (i) SIDBI can only be used for on-lending to the borrowers in the micro, small and medium enterprises; (ii) units of special economic zones can only be used for their own requirements; (iii) shipping and airlines companies can only be used for import of vessels and aircrafts; (iv) NBFCs – infrastructure finance companies and NBFCs – asset finance companies can only be used for financing infrastructure; and (v) holding companies and core investment companies can only be used for on-lending to special purpose vehicles set up for infrastructure activities. Further, ECB proceeds can be used for general corporate purposes raised from the direct or indirect equity holders or from a group company for a minimum average maturity of five years. The proceeds of Track II ECBs and Track III can be used for all purposes, excluding (i) real estate activities; (ii) investing in capital markets or equity in the domestic market; (iii) on-lending to other entities for the above-mentioned objectives; and (iv) purchase of land. NBFCs, under Track III ECBs, can use ECB proceeds only for (i) on-lending to infrastructure sector; (ii) providing hypothecated loans to domestic entities for acquisition of capital goods and equipment; and (iii) providing capital goods and equipment to domestic entities by way of lease and hire-purchases. Further, developers of special economic zones (**SEZ**) and national manufacturing and investment zones (**NMIZ**) can raise ECB only for providing infrastructure facilities within the SEZ and NMIZ. NBFC and micro finance institutions, other micro finance institutions, non-governmental organisations and not for profit companies registered under the Companies Act can raise ECB only for on-lending to self-help groups or for micro-credit or for bona fide micro finance activity including capacity building.

Further, the maximum amount which can be raised every financial year under the automatic route is U.S.$750 million or its equivalent for companies in the infrastructure and manufacturing sector, NBFC – infrastructure finance companies, NBFC – asset finance companies, holding companies and core investment companies, U.S.$200 million or its equivalent for companies in the software development sector, U.S.$100 million or its equivalent for entities engaged in micro finance activities and U.S.$500 million or its equivalent for remaining entities. The all-in cost (which includes rate of interest, other fees and expenses in foreign currency or Indian Rupees but does not include commitment fees, prepayment fees, payments for withholding tax in Rupees) ceilings for (i) Track I ECBs is 300 bps per annum over six month LIBOR for ECBs with minimum average maturity between three and five years and 450 bps per annum over six month LIBOR for ECBs with minimum average maturity of more than five years; (ii) Track II ECBs is 500 bps per annum over the benchmark; and (iii) Track III ECBs will be in compliance with market conditions.

Companies in the infrastructure sector, infrastructure finance NBFCs, asset finance NBFCs, holding companies and core investment companies are required to hedge 100 per cent. of their foreign exchange risk in respect of ECBs at all times.

Approval Route

All ECBs falling outside the automatic route limits are considered by the RBI under the approval route. ECBs which can be obtained with prior RBI approval include, *inter alia*: (i) import of second hand goods under the Director General of Foreign Trade guidelines for Track I ECBs; and (ii) on-lending by the Export-Import Bank of India under Track I ECB.

Filing and Regulatory Requirements in Relation to Issuance of Bonds

An ECB borrower is required to obtain a loan registration number (LRN) from the RBI before an issuance of Bonds is effected. For allotment of the LRN, ECB borrowers are required to submit completed Form 83 certified by a company secretary or chartered accountant to the AD Bank of the ECB borrower. The AD Bank is then required to forward the completed Form 83 to the RBI. Any ECB borrower is required to submit an ECB-2 Return on a monthly basis via its AD Bank to the RBI.

Procedure in relation to any change to the Terms and Conditions of the Notes

Any change in the terms and conditions of the Notes after obtaining the LRN may require prior approval of the RBI or AD Bank, as the case may be. Certain changes (such as amendments to the repayment date, currency, the name of the borrower and lender, all-in-cost, end use of ECB proceeds, recognised lender, reduction in amount of ECB, prepayment, refinancing of ECB, cancellation of loan registration number, transfer of ECB or any change to the AD Bank) may be approved by the AD Bank under a delegated authority from the RBI subject to certain conditions being complied with. Any redemption of the Notes prior to their stated maturity, including on occurrence of an Event of Default or for taxation reasons (as further described in the Conditions) will require the prior approval of the RBI or the AD Bank, as the case may be.

Issuance of Overseas Rupee Denominated Notes

Pursuant to the ECB Guidelines, any company or body corporate (including NBFCs), as well as real estate investment trusts and infrastructure investment trusts, can issue plain vanilla Rupee Denominated Notes up to U.S.$50 million (equivalent in INR) with a three-year minimum maturity period and above up to U.S.$50 million with a five-year minimum maturity period. The Rupee Denominated Notes issuances can be listed or unlisted and can only be subscribed or purchased by a resident of a country that is a member of the FATF or member of a FATF Style Regional Body and whose securities market regulator is a signatory to the International Organization of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the Securities and Exchange Board of India for information sharing arrangements. Additionally, investors should not be resident of a country identified in the public statement of the FATF as: (i) a jurisdiction having a strategic anti-money laundering or combating the financing of terrorism deficiencies to which counter measures apply; or (ii) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies. Multilateral and regional financial institutions where India is a member country can invest in Rupee Denominated Notes, however, a 'related party' cannot subscribe or invest. Any issuance of Rupee Denominated Notes requires examination and approval by the Foreign Exchange Department, RBI.

Banks incorporated in India cannot subscribe to such Rupee Denominated Notes, however, they can act as arrangers and underwriters for such issuances, their holding not to exceed 5 per cent. after six months of the issuance. The all-in-cost ceiling for such Rupee Denominated Notes will be 300 basis points over the prevailing yield of the GoI securities of corresponding maturity. The proceeds of such issuance can be used for all purposes except for: (i) real estate projects other than development of integrated township and affordable housing projects; (ii) investment in capital markets and domestic equity investments; (iii) prohibited activities under the FDI guidelines; (iv) on-lending to other entities for any of the above objectives; and (v) land acquisition.

The foreign currency to Rupee conversion will be at the market rate on the settlement date. Furthermore, investors are allowed to hedge their Rupee exposure through permitted derivative products with: (a) an AD Bank in India; or (b) the offshore branches or subsidiaries of Indian banks on a back to back basis; or (c) branches of foreign banks with a presence in India on a back to back basis. Issuers issuing Rupee Denominated Notes offshore are required to comply with other provisions of the ECB Guidelines, *inter alia*, in relation to reporting requirement, security creation and parking of proceeds offshore.

In relation to Rupee Denominated Notes, the Company is required to provide the list of primary Noteholders procured from the Dealer to the relevant regulatory authorities in India as and when required.

TAXATION

The information provided below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, the information does not consider any specific facts or circumstances that may apply to a particular purchaser. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules.

Prospective purchasers of Notes are advised to consult their own tax advisers as to the tax consequences of the purchase, ownership and disposal of Notes, including the effect of any state or local taxes, under the tax laws applicable in India and each country of which they are residents or countries of purchase, holding or disposal of the Notes. Additionally, in view of the number of jurisdictions where local laws may apply, this Offering Circular does not discuss the local tax consequences to a potential holder, purchaser, seller arising from the acquisition, holding or disposal of the Notes. Prospective investors must therefore inform themselves as to any tax, exchange control legislation or other laws and regulations in force relating to the subscription, holding or disposal of Notes at their place of residence, and the countries of which they are citizens or countries of purchase, holding or disposal of Notes.

Indian Taxation

The following is a summary of the existing principal Indian tax consequences for non-resident investors subscribing to the Notes issued by the Issuer. The summary is based on existing Indian taxation law and practice in force at the date of this Offering Circular and is subject to change, possibly with retroactive effect. The summary does not constitute legal or tax advice and is not intended to represent a complete analysis of the tax consequences under Indian law of the acquisition, ownership or transfer of the Notes. Prospective investors should, therefore, consult their own tax advisers regarding the Indian tax consequences, as well as the tax consequences under any other applicable taxing jurisdiction, of acquiring, owning and disposing of the Notes.

Payments from India

Any payments the Issuer makes on the Notes, including additional amounts, made from India are subject to the RBI regulations.

Taxation of Interest

Since the proceeds of the issuance of the Notes are to be used for the purposes of the business of the Issuer in India, non-resident investors are liable to pay tax on the interest paid on the Notes. As of the date of this Offering Circular, the rate of tax in accordance with the Income Tax Act is 5 per cent. (plus applicable surcharge and cess), for: (i) any Notes (other than Rupee Denominated Notes) being long-term bonds including infrastructure bonds issued before 1 July 2020; or (ii) any Indian Rupee Denominated Notes issued before 1 July 2020.

A non-resident Noteholder is obligated to pay such income tax in an amount equal to, or would be entitled to a refund of, as the case may be, any difference between amounts withheld in respect of interest paid on the Notes from India and its ultimate Indian tax liability for such interest, subject to and in accordance with the provisions of the Income Tax Act. The non-resident Noteholders shall be obliged to provide all necessary information and documents, as may be required by our Company.

Withholding Tax

Since the interest payable on the Notes is subject to taxation in India, there is a requirement to withhold tax on the Notes and the Rupee Denominated Notes at 5 per cent. (plus applicable surcharge and cess), subject to any lower rate of tax provided by an applicable tax treaty.

Pursuant to the Terms and Conditions of the Notes, all payments of, or in respect of, principal and interest on the Notes, will be made free and clear of and without withholding or deduction on account of any present or future taxes within India unless it is required by law, in which case pursuant to Condition 8.1, the Issuer will pay additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction, subject to certain exceptions.

Capital Gains Tax on the Notes

Any gains arising to a non-resident investor from the transfer of a capital asset held (or deemed to be held) will be chargeable to income tax in India if such capital asset is regarded as property situated in India. A non-resident investor generally will not be chargeable to income tax in India upon disposal of the Notes held as a capital asset provided the Notes are regarded as being situated outside India. The issue as to where the Notes should properly be regarded as being situated is not free from doubt. The ultimate decision, however, will depend on the view taken by the Indian tax authorities on the position with respect to the situs of the Notes. There is a possibility that the Indian tax authorities may treat the Notes as being situated in India as the Issuer is incorporated in and resident in India.

If the Notes are regarded as situated in India by the Indian tax authorities, upon disposition of a Note:

(i) a non-resident investor, who has held the Notes for a period of more than 36 months immediately preceding the date of their disposal, will be liable to pay capital gains tax at 10 per cent. of the capital gains (plus applicable surcharge and cess) in accordance with the provisions of the Income Tax Act;

(ii) a non-resident investor who has held the Notes for a period of 36 months or less will be liable to pay capital gains tax at rates ranging up to 40 per cent. (plus applicable surcharge and cess), depending on the legal status of the non-resident investor and his taxable income in India;

(iii) any income arising to a non-resident investor from the transfer of the Notes held as stock-in-trade will be considered as business income. Business income would be subject to income tax in India only to the extent, it is attributable to a "business connection in India" or, in case where a tax treaty is applicable, to a "permanent establishment" of the non-resident investor in India. A non-resident investor will be liable to pay Indian tax on such income at rates ranging up to 40 per cent. (plus applicable surcharge and cess) depending on the legal status of the non-resident investor and his taxable income in India;

(iv) capital gains arising from the transfer of any Note from one non-resident investor to another non-resident investor is not liable to pay tax in India;

(v) any gains to a non-resident Noteholder who subscribed to a Rupee Denominated Note of an Indian company arising due to appreciation of the Rupee against a foreign currency at the time of redemption of Rupee Denominated Notes is ignored for the purpose of computation of the full value of consideration and accordingly not taxable as capital gains; and

(vi) any gains arising to a non-resident investor from disposal of the Notes held as stock-in-trade is subject to income tax in India to the extent, if any, that the gains are attributable to a "business connection in India" or in the case where a Tax Treaty is applicable to the extent, if any, that the gains are attributable to a "permanent establishment" of such non-resident investor in India. A non-resident investor will be liable to pay Indian tax on such gains at rates of tax up to 40 per cent. (plus applicable surcharge and cess) depending on the legal status of the non-resident investor and their taxable income in India.

If applicable, under the tax law, tax shall be withheld by the person making any payment to a non-resident on long-term capital gains at 10 per cent. (plus applicable surcharge and cess) and short-term capital gains at 30 per cent. or 40 per cent. (plus applicable surcharge and cess), depending on the legal status of the recipient of income. Tax is computed in such manner set out in the Income Tax Act.

Tax Treaty

Rates of tax set out above will be reduced if the beneficial recipient is a resident of a country with which the Government has entered into an agreement for granting relief of tax or for avoidance of double taxation (**Tax Treaty"**), which, if the conditions of such Tax Treaty are complied with, provides for the taxation in India of income by way of interest at a rate lower than that stated above. The Noteholders will need to provide a tax residency certificate, Form 10F and other relevant documents or details in order to claim such Tax Treaty benefit.

Non-resident Noteholders are obliged to provide details of their permanent account number as allotted by the tax authorities and all prescribed information and documents, including a tax residency certificate (issued by the tax authorities of the country in which the investor is resident) for claiming Tax Treaty benefits. Further, the permanent account number of non-resident Noteholders is not required if Noteholders provide documentation including a tax residency certificate, a tax identification number and other details including their name, address, email details and contact number in respect of the instruments set out in section 206AA(7) of the Indian Tax Act and rule 37BC of the Income-tax Rules, 1962, as amended.

Anti-Avoidance Provisions

Under the Income Tax Act, there are both specific as well as generic anti-avoidance provisions relating to tax-like transfer pricing provisions and general anti-avoidance rules.

Taxation of persons ordinarily resident in India

Any income received in respect of the Notes by a person ordinarily resident in India under the provisions of the Income Tax Act, may generally be subject to tax in India according to the personal rate applicable.

Estate Duty

No estate duty is payable at present in India in relation to the Notes.

Gift Tax

There is no gift tax payable at present in India in relation to the Notes.

Stamp Duty

A transfer of the Notes outside India will not give rise to any Indian stamp duty liability unless brought into India. Stamp duty will be payable if the Notes are brought into India for enforcement or for any other purpose. The amount of stamp duty payable will depend on the applicable State Stamp Act and the duty will have to be paid within a period of three months from the date the Notes are first received in India.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. We may be a foreign financial institution for these purposes. A number of jurisdictions (including the Republic of India) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under "*Terms and Conditions of the Notes – Further Issues*") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement dated 28 February 2018 as amended, restated and/or supplemented from time to time (the **Programme Agreement**), agreed with us a basis upon which it may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "*Form of the Notes*" and "*Terms and Conditions of the Notes*". In the Programme Agreement, we have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith. The Programme Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to us.

In order to facilitate the offering of any Tranche of the Notes, a nominated Dealer participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the price of the relevant Notes, which support the market price of the relevant Notes during and after the offering of the Tranche. Specifically such persons may over-allot or create a short position in the Notes for their own account by selling more Notes than have been sold to them by us. Such persons may also elect to cover any such short position by purchasing Notes in the open market. In addition, such persons may stabilise or maintain the price of the Notes by bidding for or purchasing Notes in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Notes are reclaimed if Notes previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Notes at a level higher than that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Notes to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. Under U.K. laws and regulations stabilising activities may only be carried on by the Stabilisation Manager (or any person acting for the Stabilisation Manager) named in the applicable Pricing Supplement and only for a period of 30 days following the Issue Date of the relevant Tranche of Notes.

The Dealers and their affiliates may engage in investment or commercial banking and other dealings in the ordinary course of business with our Company or our affiliates from time to time and may receive fees and commissions for these transactions. In addition to the transactions noted above, the Dealers and their affiliates may, from time to time after completion of the offering of Notes, engage in other transactions with, and perform services for, our Company or our affiliates in the ordinary course of their business. The Dealers or their affiliates may also purchase Notes for asset management and/or proprietary purposes but not with a view to distribution or may hold the Notes on behalf of clients or in the capacity of investment advisers. While the Dealers and their affiliates have policies and procedures to deal with conflicts of interests, any such transactions may cause the Dealers or their affiliates or their clients or counterparties to have economic interests and incentives which may conflict with those of an investor in the Notes. The Dealers may receive returns on such transactions and have no obligation to take, refrain from taking or cease taking any action with respect to any such transactions based on the potential effect on a prospective investor in the Notes. Further, the Dealers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. The Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with our Company or our subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, the Dealers and their affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of our Company or our subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Notes issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

United States

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) the Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold within the United States (or, in certain circumstances, to, or for the account or benefit of, U.S. persons) except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act;

(b) the Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Notes will be issued in accordance with the provisions of U.S. Treasury Regulation §1.163_5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section, including, without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010), unless the relevant Pricing Supplement specifies that Notes will be issued in accordance with the provision of U.S. Treasury Regulation §1.163_5(c)(2)(i)(c) (or any successor U.S. Treasury Regulation section, including, without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010). Terms used in this paragraph have the meanings given to them by the U.S. Revenue Code of 1986 and regulations promulgated thereunder;

(c) in connection with any Notes which are offered or sold outside the United States in reliance on an exemption from the registration requirements of the Securities Act provided under Category 2 of Regulation S (**Category 2 Notes**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver such Category 2 Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Category 2 Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Category 2 Notes during the distribution compliance period (as defined in Regulation S) a confirmation or other notice setting forth the restrictions on offers and sales of the Category 2 Notes within the United States or to, or for the account or benefit of, U.S. persons;

(d) Accordingly, if Category 1 is specified in the Pricing Supplement, the Notes are being offered and sold only outside the United States in offshore transaction in reliance on, and in compliance with, Regulation S.

(e) until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act; and

(f) each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as our Company and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

Terms used in this paragraph have the meanings given to them by Regulation S.

Prohibition of sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Notes specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

 (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

 (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the **Insurance Mediation Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

 (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the **Prospectus Directive**); and

(b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Pricing Supplement specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a **Relevant Member State**), the Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Non-exempt Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and our Company has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by our Company for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require us or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in the Relevant Member State.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes having a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (**FSMA**) by our Company;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to our Company; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.

Italy

Each Dealer has represented, warranted and undertaken, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that unless it is specified within the relevant Pricing Supplement that a non-exempt offer may be made into Italy, the offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-*ter*, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-*ter* of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must:

(i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and

(ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under (a) and (b) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

The Netherlands

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes will only be offered in The Netherlands to qualified investors (as defined in the Prospectus Directive), unless such offer is made in accordance with the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

India

Non-Rupee Denominated Notes with a Minimum Average Maturity of Five Years

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that (a) this Offering Circular has not been and will not be registered, produced or published as an offer document (whether as a prospectus in respect of a public offer or an information memorandum or private placement offer letter or other offering material in respect of a private placement under the Companies Act or any other applicable Indian laws) with the Registrar of Companies, the Securities and Exchange Board of India or any other statutory or regulatory body of like nature in India, except any information from part of the Offering Circular which is mandatorily required to be disclosed or filed in India under any applicable Indian laws; (b) the Notes will not be offered or sold and have not been offered or sold, in India by means of this Offering Circular or any other offering document or material relating to the Notes and will not be circulated or distributed and have not been circulated or distributed, directly or indirectly, to any person or the public in India or otherwise generally distributed or circulated in India which would constitute an advertisement, invitation, offer, sale or solicitation of an offer to subscribe for or purchase any securities in violation of applicable Indian laws.

Non-Rupee Denominated Notes with a Maturity Average Maturity of Ten Years

Each Dealer has represented and agreed (a) to the restrictions set out in "*Notes with Minimum Average Maturity of five years*"; and (b) this Offering Circular, and any material relating to the Notes and each Dealer has represented and agreed that the Notes will not be offered or sold and have not been offered or sold except in compliance with the ECB Guidelines.

Rupee Denominated Notes

Each Dealer represents and agrees and each further Dealer appointed under the Programme will be required to represent, warrant and agree that in relation to any issuance of Rupee Denominated Notes, this Offering Circular or any material relating to the Rupee Denominated Notes has not been and will not be circulated or distributed to: (i) any prospective investor who does not meet the FATF Requirements (as defined below); (ii) any offshore branch or subsidiary of an Indian bank (except as permitted under the ECB Guidelines); and (iii) any Related Party (as defined below) of our Company. For the purposes of this section, "**FATF Requirements**", pursuant to the RBI regulations, means an investor who is a resident of a country: (a) that is a member of FATF or a member of an FATF style regional body; (b) whose securities market regulator is a signatory to the International Organisation of Securities Commission's Multilateral Memorandum of Understanding (Appendix A Signatories) or a signatory to bilateral Memorandum of Understanding with the Securities and Exchange Board of India for information sharing arrangements; (c) which is not identified in a public statement of FATF as: (i) a jurisdiction having a strategic anti-money laundering or combating the financing of terrorism deficiencies to which counter measures apply; or (ii) a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the FATF to address the deficiencies; and (d) with other requirements as specified from the RBI from time to time in relation to the above. Multilateral and regional financial institutions where India is a member country are also to be considered as recognised investors.

"Related Party" shall have the meaning ascribed to such term under IND-AS.

Disclosure of information relating to holders of the Rupee Denominated Notes

The holders and beneficial owners of Rupee Denominated Notes shall be deemed to confirm that for so long as they hold any Rupee Denominated Notes, they will meet the FATF requirements and the ECB Guidelines.

Further, all Noteholders represent and agree that the Rupee Denominated Notes will not be offered or sold on the secondary market to any person who does not comply with the FATF requirements or comply with the ECB Guidelines.

In relation to any issuance of Rupee Denominated Notes, the holders and beneficial owners represent and agree that they will provide all information and details about itself to the Issuer, to enable the Issuer to provide such information to the RBI or any other statutory or regulatory authority in India as and when such information is required. The holders and beneficial owners will provide all information and details that they have or can procure about any subsequent transferee Noteholders (and shall provide all assistance in relation thereto) to the Issuer so as to enable the Issuer to obtain the details of the transferee Noteholders or any other information pertaining to such transferee Noteholders to enable the Issuer to provide such information to the RBI or any other statutory or regulatory authority in India as and when such information is required.

The Noteholders agree that the Issuer may provide to the relevant regulatory authorities in India as and when required, the list of primary bond holders.

To comply with applicable laws and regulations, we or our duly appointed agent may from time to time request Euroclear and Clearstream, Luxembourg to provide them with details of the accountholders within Euroclear and Clearstream Luxembourg, as may be appropriate, that hold the Rupee Denominated Notes and the number of Rupee Denominated Notes held by each such accountholder. Euroclear and Clearstream, Luxembourg participants which are holders of the Rupee Denominated Notes or intermediaries acting on behalf of such Noteholders would be deemed to have hereby authorised Euroclear and Clearstream, Luxembourg, as may be appropriate, to disclose such information to us or our duly appointed agent.

Eligibility of holders of the Notes

Holders and beneficial owners shall be responsible for compliance with restrictions on the ownership of the Notes imposed from time to time by applicable laws or by any regulatory authority or otherwise. In this context, holders and beneficial owners of the Notes shall be deemed to have acknowledged, represented and agreed that such holders and beneficial owners are eligible to purchase the Notes under applicable laws and regulations and are not prohibited under any applicable law or regulation from acquiring, owning or selling the Notes.

Potential investors should seek independent advice and verify compliance with FATF Requirements prior to the purchase of any Rupee Denominated Notes.

Singapore

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the **SFA**)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor;

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA; or

(ii) where no consideration is or will be given for the transfer; or

(iii) where the transfer is by operation of law; or

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

(a) it has not offered or sold, and will not offer or sell, in Hong Kong Special Administrative Region of the People's Republic of China (**Hong Kong**), by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong) (the **SFO**) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued, or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO of Hong Kong and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Dealer has represented, warranted and undertaken and each further Dealer appointed under the Programme will be required to represent, warrant and undertake that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither we, the Principal Paying Agent nor the Dealers shall have any responsibility therefor.

None of our Company, the Principal Paying Agent, the Joint Arrangers and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as we and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

Other Relationships

Each Dealer and its affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each Dealer may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with our Company or our subsidiaries, jointly controlled entities or associated companies from time to time. In the ordinary course of their various business activities, each Dealer and its affiliates may make or hold (on their own account, on behalf of clients or in their capacity as investment advisers) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of our Company or our subsidiaries, jointly controlled entities or associated companies, including Notes issued under the Programme, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. Notes issued under the Programme may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

Broker-dealer Affiliates

If a jurisdiction requires that such offering be made by a licensed broker or dealer and an Arranger or a Dealer or any affiliate of it is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by it or such affiliate on behalf of us in such jurisdiction.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND IFRS

The summarised financial information and financial statements included in this Offering Circular have been prepared in accordance with the requirements of the Companies Act and accounting principles generally accepted in India which differ in certain respects from the International Financial Reporting Standards (**IFRS**).

The following table summarises significant differences between Indian GAAP and IFRS, insofar as they affect financial information reported in this Offering Circular. The summary below should not be construed to be exhaustive as no attempt has been made to quantify the effects of those differences, nor has a complete reconciliation of Indian GAAP and IFRS been undertaken. Had any such quantification or reconciliation been done by our management, other potential significant accounting and disclosure differences may have come to our attention which have not been identified below.

Potential investors should consult their own professional advisors for an understanding of the principal differences between the Indian GAAP and IFRS and how these differences might affect the financial statements of the Company as given in this document.

Particulars	Indian GAAP	IFRS
Format and content of financial statements	Entities are required to present balance sheets, statement of profit and loss and cash flows for two years together with accounting policies, schedules and notes. Format for presentation of financial statements is as prescribed by the relevant statute.	Entities are required to present statements of financial position, statement of profit and loss and statements of other comprehensive income, statements of changes in equity, statements of cash flows and notes to the financial statements, comprising a summary of significant accounting policies and other explanatory notes for a period of two years.
Presentation of Financial Statements – presentation of income statement / statement of comprehensive income	Schedule III requires an analysis of expense by nature. Any item of income or expenditure which exceeds one per cent. of the revenue from operations or Rs. 100,000, whichever is higher, needs to be disclosed.	An analysis of expenses is presented using a classification based on either the nature of expenses or their function whichever provides information that is reliable and more relevant. If presented by function, specific disclosures by nature are provided in the notes. When items of income or expense are material, their nature and amount are separately disclosed.
Presentation of Financial Statements – reclassification	A disclosure is made in financial statements that comparative amounts have been reclassified to conform to the presentation in the current period without additional disclosures for the nature, amount and reason for reclassification.	When comparative amounts are reclassified, nature, amount and reason for reclassification are disclosed.
Changes in accounting policies	Any change in an accounting policy which has a material effect should be disclosed. The impact of, and the adjustments resulting from such change, if material,	Any change in an accounting policy should be accounted for retrospectively, with comparative information restated and the amount of the adjustment

Particulars	Indian GAAP	IFRS
	should be shown in the financial statements of the period in which such change is made, to reflect the effect of such change. Where the effect of such change is not ascertainable, wholly or in part, the fact should be indicated. If a change is made in the accounting policies which has no material effect on the financial statements for the current period, but which is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the period in which the change is adopted.	relating to prior periods adjusted against the opening balance of retained earnings of the earliest year presented. When it is impracticable to determine the cumulative effect, at the beginning of the current period of: (a) applying a new accounting policy to all prior periods; or (b) an error on all prior period, the entity changes the comparative information as if the new accounting policy had been applied, or the error had been corrected, prospectively from the earliest date practicable.
Revenue recognition-Interest	Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable. Further, in case of NPA accounts, interest is recognised only on cash basis.	Interest income is recognised using the effective interest method. In case of Stage 3 assets, interest is recognised based on net carrying amount of the asset (i.e., net of impairment).
Prior Period Items	Adjust the error or omission in the period in which it is discovered and corrected with appropriate disclosure.	Material prior period errors are corrected retrospectively by restating the comparative amounts for prior periods presented in which the error occurred before the earliest period presented, by restating the opening statement of financial position.
Extraordinary Items	Extraordinary items of such size and nature that requires separate disclosure to explain the performance of the entity are disclosed separately, net of income taxes, on the face of the income statement or in the notes, provided the total of all such items is shown on the face of the income statement. Exceptional items usually shown on the face of the income statement or in the notes.	No concept of Extraordinary items
Allowance for credit losses	Allowance for credit losses is made as per the prudential norms and directions issued by the RBI.	Loans are initially measured at fair value i.e., transaction value adjusted for transaction costs that are directly attributable to the issue of the loan. Subsequently, measurements are made at amortised costs using the effective interest method. The loans are then classified under

Particulars	Indian GAAP	IFRS
		different stages on the basis of the credit risk. IFRS requires us to calculate provision for loan losses based on Expected Credit Loss method, which is based on expected shortfall in cash flows from the loan, including from possibility of liquidation of collateral, discounted at loans effective interest rate. Further, estimate of provision needs to be adjusted considering future economic conditions. This may result in recognition of higher allowance for probable loan losses in future.
Foreign exchange translation	Foreign Currency transactions are initially recorded at the exchange rate prevailing on the date of transaction. In respect of accounting periods commencing on or after the 1 April 2011, the exchange differences arising on reporting of long-term foreign currency monetary items (having a term of twelve months or more at the date of origination) at closing rates, different from those at which they were initially recorded during the period, or reported in previous financial statements, are accumulated in a ''Foreign Currency Monetary Item Translation Difference Account'' and amortised over the balance period of such long term monetary item, by recognition as income or expense in each of such periods. Short-term foreign currency monetary items (having a term of less than twelve months at the date of origination) are translated at the closing rate. The resultant exchange fluctuation is recognised as income or expense in each of such periods. The entities which have not opted to amortise the exchange differences arising on long term foreign currency monetary items are required to recognise the same as income or expenses immediately in the reporting period in which such exchange differences arise.	Gains or losses arising out of foreign exchange translation differences are required to be included in the determination of net income, unless these differences are regarded as an adjustment to interest costs, which are eligible for capitalisation as borrowing costs on fixed assets. For the purposes of consolidating a foreign subsidiary, its financial statements are translated into the parent's reporting currency. Assets and liabilities are translated using the balance sheet rate of exchange. Amounts in the income statements are translated using the weighted average rate for the period. Translation differences that arise are reported in a separate component of shareholders' equity. The concept of capitalisation of exchange fluctuations, arising from foreign liabilities incurred for acquiring fixed assets does not exist.
Deferred taxation	Deferred taxes are required to be provided for the tax effect of timing differences between taxable income and accounting	Deferred income taxes are recognised for the future tax effects of temporary differences between the tax base of

Particulars	Indian GAAP	IFRS
	income using substantively enacted tax rates. Deferred tax assets arising due to unabsorbed depreciation or carry forward of losses are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Other deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.	assets and liabilities and carrying amount and operating loss carry-forwards, at the enacted or substantively enacted tax rates. Deferred tax assets and liabilities must be recognised regardless of when the temporary difference is likely to reverse. Deferred tax assets must be recognised when it is probable that sufficient taxable profits/reversible differences will be available against which the deferred tax assets can be utilised.
Employee Benefits/ Retirement Benefit	The long term employee benefits are accounted for on actuarial valuation basis. Actuarial gains/losses are fully recognised in the year they accrue.	Similar to Indian GAAP, except re-measurements related to post-employment benefits as defined under IAS 19 are recognised immediately in other comprehensive income. These are subsequently not reclassified to income statement.
Depreciation	Depreciation is generally charged as per the useful lives prescribed in Schedule II to the Companies Act. The useful lives are the indicative useful lives, and companies are permitted to charge depreciation by adopting different useful lives/provided there is a technical justification for adoption of different useful lives.	The depreciable amount of an item of property, plant and equipment are allocated on a systematic basis over its useful life.
Off-balance sheet items	Contingencies are possible obligations whose outcome will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the entity's control. It can also be a present obligation that is not recognised because it is not probable that there will be an outflow of economic benefits or the amount of the outflow cannot be reliably measured. Contingent liabilities are disclosed unless the probability of outflows is remote. Determination of liability mainly driven by law. Contingent Assets are not recognised due to prudence principle of accounting.	Contingent liabilities is: (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or (b) a present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

Particulars	Indian GAAP	IFRS
		(ii) the amount of the obligation cannot be measured with sufficient reliability. Under IFRS 9, financial guarantees contracts are to be recognised in the books at fair value on initial recognition. Subsequently, financial guarantees shall be measured at higher of: (a) the amount of loss allowance calculated as per Expected credit loss model; or (b) the amount of liability recognised, less, when appropriate, the cumulative amount of commission received which has been recognised as income in accordance with revenue recognition principles prescribed under applicable IFRS.
Fair values of financial instruments	Financial assets and liabilities are recognised and carried at cost. There is a requirement of disclosure of fair value, in few cases.	Financial assets and liabilities are initially recognised at fair value and subsequently measured at fair value or at amortised cost, depending upon the business model of the entity relating to the respective financial asset or financial liability.

GENERAL INFORMATION

Authorisation

1. The establishment of the Programme and the issue of Notes have been duly authorised by resolutions of our Board dated 24 March 2017. The update of the Programme has been duly authorised by resolutions of our Board dated 21 March 2017. The borrowing limits have been duly authorised by the resolution of our shareholders dated 10 June 2014.

RBI APPROVALS

2. Approval-in-principle has been granted by the RBI for the raising of an ECB of U.S.$1,500,000,000 by us through the Programme through its letter dated 29 September 2017. We are required to seek final approval of the RBI prior to the issuance of any Notes under the Programme.

Listing

3. Approval-in-principle has been granted for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List.

   Admission to the Official List and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of our Company, the Programme or the Notes. So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Notes is exchanged for definitive Notes. In addition, in the event that the Global Notes is exchanged for definitive Notes, announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

Clearing systems

4. The Notes to be issued under the Programme have been accepted for clearance through Euroclear and Clearstream Luxembourg. The appropriate common code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

No significant change

5. Save as disclosed in this Offering Circular, there has been no significant or material adverse change in the financial or trading position of our Company since 31 March 2017.

Litigation

6. We are not involved in any legal or arbitration proceedings (including any proceedings which are pending or threatened of which we are aware) which may have or have had in the 12 months preceding the date of this document a significant effect on our financial position.

Accounts

7. The auditors of our Company in respect of the financial statements for the nine months ended 31 December 2017 were as follows:

- G. S. Mathur & Co.

- A.R. & Co.

The auditors of our Company in respect of the financial statements for the year ended 31 March 2017 were as follows:

- Raj Har Gopal & Co.

- A.R. & Co.

The auditors of our Company in respect of the financial statement for the year ended 31 March 2016 were as follows:

- Raj Har Gopal & Co.

- P. K. Chopra & Co.

The auditors of our Company in respect of the financial statement for the year ended 31 March 2015 were as follows:

- Raj Har Gopal & Co.

- P.K. Chopra & Co.

Such auditors have audited our non-consolidated financial statements, without qualification, in accordance with generally accepted auditing standards in India for each of the periods mentioned above.

Documents Available

8. So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from our corporate office and from the specified office of the Paying Agent in London:

(a) our audited non-consolidated and consolidated financial statements in respect of the financial years ended 31 March 2015, 2016 and 2017;

(b) our unaudited non-consolidated financial statements for the nine months ended 31 December 2017;

(c) the Programme Agreement, the Agency Agreement and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;

(d) a copy of this Offering Circular;

(e) any future offering circulars, prospectuses, information memoranda and supplements, including Pricing Supplements (save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to us and or the Principal Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

(f) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

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G S Mathur & Co.
Chartered Accountants
A-160 Defence Colony
New Delhi- 110024

A.R. & Co.
Chartered Accountants
A-403, Gayatri Apartments,
Plot No. 27, Sector 10, Dwarka
New Delhi- 110075.

Independent Auditors' Review Report

The Board of Directors,
Rural Electrification Corporation Limited,
Core-IV, SCOPE Complex,
7, Lodi Road,
New Delhi – 110003

We have reviewed the accompanying statements of standalone unaudited financial results of Rural Electrification Corporation Limited for the quarter and nine months ended 31st December 2017 prepared by the Company pursuant to the requirement of Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

We have conducted our review in accordance with the standard on Review Engagement (SRE) 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*, issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of standalone unaudited financial results read with notes thereon, prepared in accordance with applicable Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 and other recognised accounting practices and policies thereon has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including the manner in which it is to be disclosed, or that it contains any material misstatement.

For G.S.Mathur & Co.
Chartered Accountants
Firm Regn No. 008744N

G S Mathur & Co. Chartered Accountants A-160 Defence Colony New Delhi-24

(S.C.Choudhary)
Partner
M.No. 082023

For A.R. & Co.
Chartered Accountants
Firm Regn No. 002744C

(Shelly Goel)
Partner
M.No. 307309

Place : New Delhi
Date : 6th February 2018

Rural Electrification Corporation Limited (A Govt. of India Enterprise)

Registered Office - Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi - 110003, CIN: L40101DL1969GOI005095

Statement of Standalone Unaudited Results for the Quarter and Nine Months Ended 31-12-2017

(₹ in Crores)

Sl. No.		Particulars	Quarter Ended			Nine Months Ended		Year Ended
			31-12-17 (Unaudited)	30-09-17 (Unaudited)	31-12-16 (Unaudited)	31-12-17 (Unaudited)	31-12-16 (Unaudited)	31-03-17 (Audited)
1	A	Interest Income	5,470.08	5,371.05	5,572.84	16,304.36	17,218.22	22,935.61
	B	Other Operating Income	28.37	121.76	73.51	258.46	338.60	415.18
	C	**Revenue from Operations (A+B)**	**5,498.45**	**5,492.81**	**5,646.35**	**16,562.82**	**17,556.82**	**23,350.79**
	D	Other Income	104.29	134.90	311.40	329.79	560.21	744.56
		Total Revenue (C+D)	**5,602.74**	**5,627.71**	**5,957.75**	**16,892.61**	**18,117.03**	**24,095.35**
2		**Expenses**						
	A	Finance Costs	3,434.16	3,427.49	3,373.14	10,204.19	10,352.61	13,775.12
	B	Employee Benefits Expense	46.38	36.38	39.74	138.81	118.14	178.07
	C	Corporate Social Responsibility Expenses	8.80	9.87	36.64	24.01	109.92	69.80
	D	Other Expenses	31.91	19.62	17.69	76.24	66.72	98.80
	E	Provisions and Contingencies	205.31	310.48	15.33	858.29	493.28	1,109.47
	F	Depreciation and amortization expense	1.40	1.30	1.32	4.00	3.71	5.04
		Total Expenses (A to F)	**3,727.96**	**3,805.14**	**3,483.86**	**11,305.54**	**11,144.38**	**15,236.30**
3		**Profit before Prior Period Items & Tax (1-2)**	**1,874.78**	**1,822.57**	**2,473.89**	**5,587.07**	**6,972.65**	**8,859.05**
4		Prior Period Items	-	-	-	-	(0.64)	(1.65)
5		**Profit before Tax (3-4)**	**1,874.78**	**1,822.57**	**2,473.89**	**5,587.07**	**6,973.29**	**8,860.70**
6		**Tax Expense**						
	A	Current Year	596.26	575.72	643.98	1,744.85	1,969.95	2,606.29
	B	Earlier Years / (Refund)	-	-	(0.06)	-	0.36	(27.78)
	C	Deferred Tax Liability / (Asset)	(17.89)	32.19	75.57	30.01	76.45	36.43
		Total Tax Expense (A+B+C)	**578.37**	**607.91**	**719.49**	**1,774.86**	**2,046.76**	**2,614.94**
7		**Profit for the period from Continuing Operations (5-6)**	**1,296.41**	**1,214.66**	**1,754.40**	**3,812.21**	**4,926.53**	**6,245.76**
8		**Profit from Discontinuing Operations (after tax)**	-	-	-	-	-	-
9		**Profit for the Period (7+8)**	**1,296.41**	**1,214.66**	**1,754.40**	**3,812.21**	**4,926.53**	**6,245.76**
10		Paid up Equity Share Capital (Face Value ₹10 per share)	1,974.92	1,974.92	1,974.92	1,974.92	1,974.92	1,974.92
11		Reserves & Surplus (Excluding Revaluation Reserves) (as per audited balance sheet as at 31 March)						31,350.67
12		**Earnings per Share (EPS) (of ₹10 each) (not annualised) (in ₹)**						
	A	Basic	6.56	6.15	8.88	19.30	24.95	31.63
	B	Diluted	6.56	6.15	8.88	19.30	24.95	31.63

See accompanying notes to the financial results.

Notes:

1. The above financial results for the period ended 31st December 2017 were reviewed by the Audit Committee at the meeting held on 6th February 2018 and approved and taken on record by the Board of Directors at the meeting held on 6th February 2018.
2. These results have been subjected to limited review by the Statutory Auditors of the Company.
3. During the quarter ended 30th June 2017, the Company had revised the accounting policy for amortization of one time arrangement fee incurred in raising of foreign currency borrowings and premium paid towards hedging contracts over the period of such borrowings/ contracts. Due to this change in accounting policy, profit before tax for the quarter and nine months ended 31st December 2017 is higher by ₹ 9.52 Crores and ₹ 54.50 Crores respectively.

   Further, during the quarter ended 30th September 2017, the policy for recognising the agency fee on Government schemes has now been changed to recognise such income on accrual basis. Due to this change in accounting policy, profit before tax for the quarter ended 31st December 2017 is lower by ₹ 23.82 Crores and for nine months ended 31st December 2017, profit before tax is higher by ₹ 43.93 Crores.
4. The company has opted for amortising the foreign exchange fluctuation loss/ gain on the long term foreign currency monetary items over the balance period of such items. The balance in 'Foreign Currency Monetary Item Translation Difference Account' remaining to be amortised as at 31st December 2017 is ₹ 89.54 Crores (gain) [As at 30th September 2017 ₹ 35.70 Crores (gain)].
5. RBI, vide its letters dated 25th July 2013 and 4th April 2014, had conveyed to the Company to comply with the Prudential Norms of RBI by 31st March, 2016 and follow the instructions contained in RBI Circular dated 23 January 2014 issued vide Notification No. DNBS (PD) No. 271/ CGM (NSV) 2014 in respect of restructuring of assets. Later, RBI vide its letter dated 11th June 2014 had allowed exemption to the Company from RBI restructuring norms till 31st March 2017 for Transmission & Distribution, Renovation & Modernisation and Life Extension projects and also the Hydro projects in Himalayan region or affected by natural disasters. Further, for project loans to Generating Companies restructured w.e.f. 01/04/2015, the provisioning requirement would be 5% and for stock of loans as on 31/03/2015 of such projects, the provisioning shall commence with a provision of 2.75% w.e.f. 31/03/2015 and reaching 5% by 31/03/2018.

G. S. Mathur & Co. Chartered Accountants A-160 Defence Colony New Delhi-24

In accordance with clarification from RBI vide email dated 10 August 17, T&D, R&M and life extension projects as also the hydro projects in Himalayan region or affected by natural disaster will be regulated by RBI restructuring norms with effect from 1 April 2017.

Further, in response to the Company's letter dated 13 May 2016, RBI vide its letter No. DNBR.PD.CO.No. 2184/03.10.001/2015-16 dated 16 June 2016, has exempted REC, from applicability of RBI's concentration of Credit/Investment norms, in respect of its exposure to Central/ State Government entities up to 31 March 2022.

During the current quarter, a provision has been made amounting to ₹ 27.10 Crores on qualifying restructured loans (comprising of loans to Public Sector ₹ 8,555.91 crores and loans to Private Sector ₹ 12,644.14 crores). Further in one of the public sector projects, with an outstanding loan amount of ₹ 2,193.64 crores, where COD has already been achieved and the period of 2 years from the date of restructuring has elapsed, a provision amounting to ₹ 103.87 crores created upto last quarter has been reversed. This has resulted in net reversal of provision of ₹ 76.77 Crore during the current quarter. The total provision held as on 31st December 2017 against such restructured loans amounts to ₹ 1192.63 crores.

6. As at 31st December 2017, the dues of one of the borrowers were overdue for more than 3 months, thus, exceeding the time limit for classification of the borrower as 'Standard Asset'. However, the borrower had obtained an ad-interim order from Hon'ble High Court of Madras on 18th September 2015 not to classify the account as NPA. In view of the same, the classification of the borrower has been retained as 'Standard Asset' pending final decision of the Court.
   However, as a matter of prudence, an additional provision had been created during the financial year 2016-17 @ 4.50% over and above 5.00% provision in respect of the loan, making a total of 9.50% amounting to ₹ 218.69 crores and the same continues to be maintained. Further, during the quarter and nine months ended 31st December 2017, the interest income of ₹ 94.89 Crores and ₹ 280.15 Crores respectively has not been recognised in the books of accounts.
7. The Company paid the final dividend of ₹ 2.65 per equity share of ₹ 10/- each for the financial year ended 31st March 2017 on 9th October 2017. The total dividend paid for the financial year 2016-17 amounted to ₹ 9.65 per equity share of ₹ 10/- each.
   Further, the Company has declared an interim dividend of ₹ 7.40 per equity share of ₹ 10/- each for the financial year 2017-18 and 19th February 2018 has been fixed as the Record Date for payment of Interim Dividend.
8. The Company's main business is to provide finance to power sector. Accordingly, the company does not have more than one segment eligible for reporting in terms of Accounting Standard-17 'Segment Reporting'.
9. The Company has raised USD 400 million 3-year US Dollars denominated bonds in December 2017 to refinance its existing foreign currency syndicated term loan with the purpose of reducing the all-in cost of such external commercial borrowings within the ambit of applicable ECB Guidelines and the amount has been utilized for the aforementioned purpose.
10. For all the secured bonds issued by the Company and outstanding as at 31st December 2017, 100% security cover has been maintained by way of mortgage on certain immovable properties and/or charge on the receivables of the Company.
11. In respect of one of the borrowers under NPA category, the Company took over the management control of the Company on 7th November 2017 under Section 13(4)(b) of the SARFAESI Act after issuing necessary notice/ publication. The above actions of the Company have been challenged by the promoter of the borrower company in Hon'ble Debt Recovery Tribunal (DRT) and the matter is currently sub-judice, being heard in Hon'ble DRT.
12. Previous periods/year's figures have been regrouped/rearranged wherever necessary.

For Rural Electrification Corporation Limited

P.V. Ramesh
Chairman & Managing Director
DIN - 02836069

Place: New Delhi
Date: 6th February 2018

G S Mathur & Co. ★ Chartered Accountants ★ A-160, Defence Colony New Delhi-24

INDEPENDENT AUDITORS' REPORT

To,
The Members,
Rural Electrification Corporation Limited
New Delhi

The Revised Report is issued in supersession of our earlier Audit Report dated 30 May 2017, at the instance of the Comptroller & Auditor General (C&AG) of India in order to make it more clarificatory, particularly in respect of the reporting requirements of the Companies (Auditor's Report) Order, 2016 and Clause (i) of sub-section 3 of the Section 143 of the Companies Act 2013 pertaining to reporting on Internal Financial Controls. Further, we confirm that there is no change in the true & fair view of the financial statements as expressed in earlier report and also none of the figures have undergone any change in the financial statements of the Company as at 31 March 2017.

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Rural Electrification Corporation Limited ("the Company"), which comprise the Balance Sheet as at 31 March 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and MCA General Circular No. 15/2013 dated 13 September 2013. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) In the case of Balance Sheet, of the state of affairs of the Company as at 31March 2017,

(b) In the case of Statement of Profit & Loss, of the profit for the year ended on that date,

(c) In the case of Cash Flow Statement,of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. 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 Companies Act, 2013, we give in the Annexure-A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. 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 explanations given to us, in Annexure B on the directions and sub-directions issued by Comptroller and Auditor General of India.
3. 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, 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 financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and MCA General Circular No. 15/2013 dated 13 September, 2013.
   (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"; 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:
      (i) The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer Note 25.1 to the standalone financial statements;
      (ii) The Company does not have any such 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.
      (iv) The Company has provided requisite disclosures in the standalone financial statements as to holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016. Based on audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the management. Refer Note 13.1 to the standalone financial statements.

For Raj Har Gopal & Co.
Chartered Accountants
Firm Regn. No. 002074N

(Shrey Gupta)
Partner
M. No. 522315

For A.R & Co.
Chartered Accountants
Firm Regn. No. 002744C

(Anil Gaur)
Partner
M. No. 017546

Place : New Delhi
Date : 17th July 2017

ANNEXURE-A TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in Paragraph 1 under 'Report on Other Legal and Regulatory Requirements' Section of Our Report of Even Date on the Accounts of Rural Electrification Corporation Limited for the Year ended on 31 March 2017

(i) (a) The Company has maintained fixed assets records to show full particulars including quantitative details and situation of its fixed assets.

(b) According to the information and explanations given to us,the company has the policy of verifying the fixed assets 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	45.92	45.92	Conveyance Deed by Haryana Urban Development Authority is yet to be executed.
Building	1	4.59	2.32	Conveyance Deed by Standing Committee of Public Enterprises is yet to be executed.

(ii) The company being Non-Banking Financial Company (NBFC), does not have 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 granted a loan to one of its whole-time directors during the year. However, the provisions of Section 185 are not applicable to such loan since it forms part of the conditions of service extended by the Company to all its employees.

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, apply.

(vi) To the best of our knowledge and as explained, 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, 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, Sales-tax, Service Tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities. There were no undisputed statutory dues in arrears as at 31 March, 2017 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 ₹19.49 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	Income Tax and Interest	24.85	6.3	18.55*	AY 2005-06, AY 2006-07, AY 2008-09 to AY 2012-13	Income Tax Appellate Tribunal, Delhi
Income Tax Act, 1961	Income Tax and Interest	42.54	42.54	-	AY 2008-09, AY 2011-12, Ay 2013-14, AY 2014-15	Commissioner of Income Tax (Appeals), Delhi

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
Income Tax Act, 1961	Income Tax and Interest	14.37	14.37	-	AY 1999-00 to AY 2002-03, AY 2004-05	Supreme Court
Income Tax Act, 1961	Tax Deducted at Source	0.1	-	0.1	FY 2007-08	CPC, TDS
Chapter V of Finance Act, 1994	Service Tax, Penal Interest u/s 73(4A)	0.36	-	0.36	FY 2008-09	CESTAT, Delhi
	Total	**82.7**	**63.21**	**19.49**		

* ₹ 18.55 crores 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 and term loans during the year. Accordingly, paragraph 3 (ix) of the order is not applicable.

(x) According to the information and explanations given to us and as represented by the management and on the basis of our examination of the records of the Company, in accordance with the generally accepted auditing practices in India, we have been informed, that in one case of fraud involving an aggregate amount of ₹0.59 crores towards fraudulent encashment through forged documents of money invested by one of the investors (Refer Note No. 3.7 to the standalone financial statements) and in another case of overcharging of bills of an aggregate amount of ₹1.01 crores by an air travel agent (Refer Note No. 23.1 to the standalone financial statements), has been committed on the company during the year. The company has taken appropriate action in both the cases.

(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 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. The registration as required has been duly obtained and registration number issued to the Company is14.000011.

For Raj Har Gopal & Co.
Chartered Accountants
Firm Regn. No. 002074N

(Shrey Gupta)
Partner
M. No. 522315

For A.R & Co.
Chartered Accountants
Firm Regn. No. 002744C

(Anil Gaur)
Partner
M. No. 017546

Place : New Delhi

Date : 17th July 2017

ANNEXURE-B TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in Paragraph 2 under 'Report on Other Legal and Regulatory Requirements' Section of Our Report of Even Date on the Accounts of Rural Electrification Corporation Limited for the Year ended on 31st March, 2017

Sl. No.	Directions/ Sub-Directions	Action Taken	Impact on Standalone Financial Statements
A.	**Directions**		
1.	Whether the company has clear title/ lease deeds for freehold and leasehold land respectively? If not, please state the area of freehold and leasehold land for which title/ lease deeds are not available.	The company has clear title/ lease deeds for freehold and leasehold land respectively. However, the formalities regarding registration of conveyance deed in respect of one freehold residential plot of land allotted to the Company amounting to ₹ 45.92 Crores and measuring 39,770 Sq. Mtrs. and one Land & Building amounting to ₹ 4.59 Crores and measuring 5,911.69 Sq. Mtrs. are yet to be executed.	The impact has already been mentioned in the 'Action Taken' column, which is not material.
2.	Whether there are any cases of waiver/ write off of debts/ loans/ interest etc. If yes, the reasons therefore and amount involved.	Delayed interest/ penal interest amounting to ₹5.32 Crores has been waived off after the approval of the competent authority, including ₹5.29 Crores waived in pursuance of Ujwal DISCOM Assurance Yojana (UDAY) launched by Ministry of Power (MoP). Prepayment premium of ₹19.75 Crores has been waived. Further, no prepayment charge has been levied on the DISCOM debt so prepaid under UDAY scheme.	The impact has already been mentioned in the 'Action Taken' column, which is not material.
3.	Whether proper records are maintained for inventories lying with third parties and assets received as gift/ grant(s) from the Government or other authorities.	The Company, being an NBFC, the clause with respect to inventories lying with third parties and assets received as gifts from Govt. and other authorities is not applicable.	NIL
B.	**Sub-Direction**		
1.	In respect of provisioning requirements of all restructured, rescheduled or renegotiated loan, whether a system of periodical assessment of realizable value of securities available against all such loans is in place and adequate provision has been created during the year? Any deficiencies in this regard may be suitably commented upon along with financial implication.	The company is following a system of periodical assessment of realizable value of securities available against all restructured, rescheduled or renegotiated loan based upon management assessment and review/ progress report of lenders engineers, lenders financial advisor and project monitoring group. No deficiency in this regard has been observed having financial implication. In our opinion the system of company needs improvement to be commensurate with the size and nature of its business. However, adequate provision as per significant accounting policies of the company has been created during the year on all such loans.	NIL

For Raj Har Gopal & Co.
Chartered Accountants
Firm Regn. No. 002074N

(Shrey Gupta)
Partner
M. No. 522315

For A.R & Co.
Chartered Accountants
Firm Regn. No. 002744C

(Anil Gaur)
Partner
M. No. 017546

Place : New Delhi

Date : 17th July 2017

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 Act

We have audited the internal financial controls over financial reporting of the Company as of 31 March 2017 in conjunction with our audit of the standalone 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 Companies Act, 2013.

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 Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls 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 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 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 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 standalonefinancial 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) improvement in ERP system relating to classification of loans & advances as secured or unsecured, determination of non-performing assets in the ERP system, shift in the moratorium period due to structuring/restructuring, revalidation of the sanctions of loans and recording of non-entertaining/rejection/disposal of applications of the loans, (ii) strengthening of procedures for monitoring of utilization of funds disbursed to the borrowers, (iii) procedure for processing of the claims of travel agent, over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31 March 2017, 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 2017 standalone financial statements of the Company. However, these areas of improvement do not affect our opinion on the standalone financial statements of the Company.

For Raj Har Gopal & Co.
Chartered Accountants
Firm Regn. No. 002074N

(Shrey Gupta)
Partner
M. No. 522315

For A.R & Co.
Chartered Accountants
Firm Regn. No. 002744C

(Anil Gaur)
Partner
M. No. 017546

Place : New Delhi

Date : 17th July 2017

BALANCE SHEET AS AT 31ST MARCH 2017

(₹ in Crores)

Sl. No.	Particulars	Note No	As at 31.03.2017	As at 31.03.2016
I.	**EQUITY AND LIABILITIES**			
(1)	**Shareholders' Funds**			
	(a) Share Capital	1	**1,974.92**	987.46
	(b) Reserves and Surplus	2	**31,350.67**	27,630.30
	Sub-total (1)		**33,325.59**	**28,617.76**
(2)	**Non-current Liabilities**			
	(a) Long-term Borrowings	3	**149,489.33**	138,789.43
	(b) Deferred Tax Liabilities (Net)	4	**40.26**	49.75
	(c) Other Long-term Liabilities	5	**12.38**	9.50
	(d) Long-term Provisions	6	**1,848.42**	1,295.03
	Sub-total (2)		**151,390.39**	**140,143.71**
(3)	**Current Liabilities**			
	(a) Short-term Borrowings	7	**-**	6,349.93
	(b) Other Current Liabilities	8	**24,326.04**	30,389.52
	(c) Short-term Provisions	6	**194.22**	852.05
	Sub-total (3)		**24,520.26**	**37,591.50**
	Total (1+2+3)		**209,236.24**	**206,352.97**
II.	**ASSETS**			
(1)	**Non-current Assets**			
	(a) Fixed assets	9		
	(i) Tangible Assets		**120.68**	117.83
	(ii) Intangible Assets		**0.43**	0.91
	(iii) Capital work-in-progress		**58.69**	30.37
	(iv) Intangible Assets under Development		**1.46**	**1.21**
			181.26	**150.32**
	(b) Non-current Investments	10	**2,547.29**	2,317.46
	(c) Long-term Loans & Advances	11	**177,348.96**	157,794.10
	(d) Other Non-current Assets	12	**382.60**	101.06
	Sub-total (1)		**180,460.11**	**160,362.94**
(2)	**Current Assets**			
	(a) Current Investments	10	**149.16**	149.16
	(b) Cash & Bank Balances	13	**4,490.02**	1,728.55
	(c) Short-term Loans & Advances	14	**3,594.56**	795.26
	(d) Other Current Assets	15	**20,542.39**	43,317.06
	Sub-total (2)		**28,776.13**	**45,990.03**
	Total (1+2)		**209,236.24**	**206,352.97**

The Significant Accounting Policies and Notes to Accounts 1 to 51 are an integral part of these financial statements.

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

P V Ramesh
Chairman and Managing Director
DIN - 02836069

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Shrey Gupta
Partner
M.No. : 522315

Anil Gaur
Partner
M.No. : 017546

Place : Mumbai
Date : 30 May 2017

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2017

(₹ in Crores)

Sl. No.	Particulars	Note No.	Year ended 31.03.2017	Year ended 31.03.2016
I.	Revenue from Operations	16	**23,350.79**	23,638.35
II.	Other Income	17	**744.56**	117.93
III.	**Total Revenue (I+II)**		**24,095.35**	23,756.28
IV.	**Expenses**			
(i)	Finance Costs	18	**13,775.12**	14,283.12
(ii)	Employee Benefits Expense	19	**178.07**	137.44
(iii)	Depreciation & Amortization	9	**5.04**	5.45
(iv)	Corporate Social Responsibility Expenses	20	**69.80**	128.20
(v)	Other Expenses	21	**98.80**	67.01
(vi)	Provisions and Contingencies	22	**1,109.47**	1,089.85
	Total Expenses (IV)		**15,236.30**	**15,711.07**
V.	**Profit before Prior Period Items & Tax (III-IV)**		**8,859.05**	8,045.21
VI.	**Prior Period Items**	23	**(1.65)**	-
VII.	**Profit before Tax (V-VI)**		**8,860.70**	**8,045.21**
VIII.	**Tax Expense**			
(i)	Current period		**2,606.29**	2,477.89
(ii)	Earlier Periods (Refunds)		**(27.78)**	(2.77)
(iii)	Deferred Tax		**36.43**	(57.57)
	Total Tax Expense (i+ii+iii)		**2,614.94**	**2,417.55**
IX.	**Profit for the period from Continuing Operations (VII-VIII)**		**6,245.76**	5,627.66
X.	**Profit from Discontinuing Operations (after tax)**		**-**	-
XI.	**Profit for the period (IX+X)**		**6,245.76**	**5,627.66**
XII.	**Earnings per Equity Share (in ₹ for an equity share of ₹ 10 each)**			
	(1) Basic	24	**31.63**	28.50
	(2) Diluted	24	**31.63**	28.50

The Significant Accounting Policies and Notes to Accounts 1 to 51 are an integral part of these financial statements.

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

P V Ramesh
Chairman and Managing Director
DIN - 02836069

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Place : Mumbai
Date : 30 May 2017

Shrey Gupta
Partner
M.No. : 522315

Anil Gaur
Partner
M.No. : 017546

SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS.

(a) Accounting Convention: - The financial statements are prepared under the historical cost convention on accrual basis and in accordance with generally accepted accounting principles and accounting standards as applicable under Section 133 of the Companies Act, 2013 read with MCA General Circular No. 15/2013 dated 13 September 2013. The financial statements adhere to the relevant presentational requirements of the Companies Act, 2013.

(b) Use of Estimates: - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure thereof at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which results materialize.

2. INCOME RECOGNITION, ASSET CLASSIFICATION AND PROVISIONING.

The Company is following regulatory norms/ guidelines as prescribed by Reserve Bank of India (RBI) from time to time. However, RBI has allowed certain specific relaxations in respect of non-applicability of reduced period for NPA recognition in case of loans sanctioned on or before 31 March 2015 and exemption for certain projects from applicability of Restructuring norms of RBI and allowed the Company to continue to be regulated by the existing REC's prudential norms. The salient features in respect of Income Recognition, Asset classification and Provisioning are as under:

2.1. Income Recognition

a. Income on Non Performing Assets is recognized as and when received and appropriated. Any such income recognized before the asset becomes non-performing and remaining unrealized is reversed.

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

In respect of standard loans including those whose terms are renegotiated/rescheduled/ restructured and retained as Standard Loans, income is recognized on accrual basis.

b. Income of fee of DDUGJY Schemes is recognized on the basis of the services rendered and amount of fee sanctioned by the Ministry of Power.

c. Income of service charges of NEF (Interest Subsidy) Scheme is recognized on the basis of the services rendered and amount of service charges sanctioned by the Ministry of Power.

d. Income under the head processing fee, upfront fee, lead fee, fees/ charges received under the mutatis-mutandis clause and pre-payment premium is accounted for in the year in which it is received by the company.

e. Income from investments

(1) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on accrual basis when REC's right to receive payment is established.

Provided that in case of final dividend, right to receive payment shall be considered as established only upon approval of the dividend by the shareholders in Annual General Meeting.

(2) Income from bonds and debentures of corporate bodies and from Government securities/bonds shall be taken into account on accrual basis.

Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

(3) Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government shall be taken into account on accrual basis.

2.2 Assets Classification

Loans and advances are classified as standard assets and non- performing assets, based on the guidelines issued by the RBI.

(1) Standard Assets: 'Standard asset' means an asset which is not an NPA and in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business.

In view of relaxation given by RBI vide letter dated June 11th, 2015, for Transmission & Distribution, Renovation & Modernization and Life Extension projects and also the Hydro projects in Himalayan region or affected by natural disasters, the rescheduling or restructuring or renegotiation of a standard infrastructure loan asset shall not cause it to be reclassified if the revised project is found to be viable by the competent authority.

(2) Non performing Assets (NPA): A Loan asset shall become NPA:-

(a) if interest and/ or instalment of principal remains overdue for a period of two quarters or more.

The above period of two quarters shall be 5 months for the financial year ending 31 March 2016, 4 months for the financial year ending 31 March 2017 and 3 months for the financial year ending 31 March 2018 and thereafter. However, RBI vide letter dated 5 October 2015 has permitted that the existing loans of the company i.e. loans sanctioned on or before 31 March 2015 are permitted to be regulated under the REC's existing asset classification norms (180 days) till 31 March 2017.

(b) In case of under implementation Generation Projects other than Hydro projects in Himalayan region or affected by natural disasters, the loan Asset shall also be classified as NPA if it fails to commence commercial operations within 2 years or upto 3/4 years (subject to certain conditions) from the original DCCO as the case may be depending upon the reasons of such delay.

(c) For the purpose of classification of assets into standard, sub-standard, doubtful and loss categories, facilities shall be classified borrower wise with the following exception:

Government Sector loans, where cash flows from each project are separately identifiable and applied to the same project, REC shall classify such loans on project wise basis.

NPAs are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria.

(i) Sub-Standard Assets: 'Sub-standard asset' means an asset which has been classified as non-performing asset for a period not exceeding 16 months' for the financial year ending 31 March 2016; 'not exceeding 14 months' for the financial year ending 31 March 2017; and 'not exceeding 12 months' for the financial year ending 31 March 2018 and thereafter.

An asset which has been renegotiated or rescheduled or restructured shall be a sub-standard asset or continue to remain in the same category in which it was prior to its renegotiation or re-schedulement or restructuring, as a doubtful asset or a loss asset as the case may be. Such asset may be upgraded only when all the outstanding loan/ facilities in the account perform satisfactorily during the period up to one year from the commencement of the first payment of interest or principal whichever is later on the credit facility with longest period of moratorium under the terms of restructuring package. Necessary provision is required to be made as applicable to such asset till it is upgraded.

(ii) Doubtful Assets: Doubtful asset means an asset which remains a substandard asset for a period 'exceeding 16 months' for the financial year ended 31 March 2016; 'exceeding 14 months' for the financial year ending 31 March 2017 and 'exceeding 12 months' for the financial year ending 31 March 2018 and thereafter.

(iii) Loss Assets: Loss asset means –

a) An asset which has been identified as loss asset by REC or its internal or external auditor or by RBI, to the extent it is not written off by REC, and

b) An asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non availability of security or due to any fraudulent act or omission on the part of the borrower.

2.3 Provisioning against Loans

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

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

(ii) Doubtful assets –

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

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

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

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

(iv) Standard assets - Provision in respect of Standard Assets is made as below:

Particulars	**Provisioning Requirement**
For Restructured Loans other than under Transmission & Distribution, Renovation & Modernisation and Life Extension projects as also the hydro projects in Himalayan region or affected by natural disasters, if the original DCCO prescribed at the time of financial closure is extended beyond 2 years and upto: a. 4 years in case the reason for extension of DCCO is arbitration proceedings or a court case. b. 3 years in case the reason for extension of DCCO is beyond the control of promoters (other than court cases).	In respect of the stock of outstanding loans as on 31 March 2015, provisioning requirement shall be as below: • 2.75% with effect from 31 March 2015 • 3.50% with effect from 31 March 2016 (spread over 4 quarters of 2015-16) • 4.25% with effect from 31 March 2017 (spread over 4 quarters of 2016-17) • 5.00% with effect from 31 March 2018 (spread over 4 quarters of 2017-18) The above provision is required from the date of restructuring till the revised DCCO or 2 years from the date of restructuring whichever is later. In respect of new projects loans restructured with effect from 1st April, 2015, the provisioning requirement would be 5.00% from the date of such restructuring till the revised DCCO or 2 years from the date of restructuring whichever is later.
For Standard Assets other than specified above	In respect of the stock of outstanding loans as on 31 March 2015, provisioning requirement is as below: • 0.25% by 31 March 2015 • 0.30% by 31 March 2016 • 0.35% by 31 March 2017 • 0.40% by 31 March 2018. For incremental loans during the financial year 2015-16, 2016-17 and 2017-18, the provisioning shall be made @ 0.30%, 0.35% and 0.40% respectively and shall be further increased in a phased manner so as to make it equal to 0.40% by 31st March, 2018.

2.4 Treatment of Provisions held

The provisions in respect of Non Performing Assets (NPAs) is reversed only after the complete recovery of the outstanding/ regularization of the account.

2.5 For restructured/ rescheduled assets, provisions are made in accordance the guidelines (subject to specific relaxations) issued by RBI, which requires that the difference between the fair value of the loan assets before and after restructuring is provided for, in addition to provision for the respective loan assets.

3. FIXED ASSETS.

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

4. DEPRECIATION.

4.1. Depreciation on assets is provided on straight-line method in accordance with the useful lives prescribed under Schedule II to the Companies Act, 2013.

4.2. Depreciation on assets purchased / sold during the year is charged for the full month if the asset is in use for more than 15 days, instead of charging the same on pro-rata basis from the date of purchase/sale.

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

4.4. Leasehold land is amortized over the lease period.

SIGNIFICANT ACCOUNTING POLICIES

5. INTANGIBLE ASSETS.

An Intangible Asset is recognized where it is probable that the future economic benefits attributable to the assets will flow to the company. The depreciable amount of an intangible asset is allocated on straight line basis over the best estimate of its useful life. Management estimates useful life of intangible assets to be 5 years.

6. INVESTMENTS.

Long term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually. Quoted current investments are carried individually at the cost or market value whichever is lower. Unquoted current investments are carried individually at the cost or fair value whichever is lower.

7. CURRENT TAX AND DEFERRED TAX.

Income Tax expense comprises current Income Tax (Amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) is determined in accordance with Accounting Standard- 22. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially established by the Balance Sheet date. Deferred Tax Assets are recognized and carry forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

8. IMPAIRMENT OF ASSETS.

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

9. PROVISIONS

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

10. BOND / DEBT ISSUE.

10.1. Expenditure on raising of funds by way of bonds is charged to revenue in the year of issue of such bonds.

10.2. The Corporation discharges its obligation towards payment of principal and interest relating to bonds by depositing the amount in the designated Bank Accounts. Accordingly, the payments are treated as final payments and these amounts are not exhibited in the books till the validity of the instruments but reconciliation thereof is carried out.

10.3. Expenditure incurred on raising of funds is charged to the Statement of Profit & Loss in the year in which it is incurred except the discount/interest on the Commercial Papers/ Reg-S-Bonds (External Commercial Borrowings), which is amortized proportionately over the period of its tenure.

11. CASH FLOW STATEMENT

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

11.2. Cash comprises cash on hand, demand deposits with banks, imprest with postal authorities and cheques / drafts / pay orders in hand. The Company considers cash equivalents as all short term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

12. PRIOR PERIOD/ PREPAID ADJUSTMENTS

12.1. Considering the nature of business, interest income/expenditure for the earlier years ascertained and determined during the year is accounted for in the year in which it is so ascertained/determined.

12.2. Other items not exceeding ₹ 5,00,000/- in each case are accounted for under natural heads of account.

13. EMPLOYEES BENEFITS

13.1 The liability for employees benefit in respect of Gratuity ascertained on actuarial valuation is provided and funded to a separate trust.

SIGNIFICANT ACCOUNTING POLICIES

13.2 Post employment and other long term employee benefits are recognized as an expense in the Statement of Profit & Loss for the year in which the employee has rendered services. The expense is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the Statement of Profit & Loss.

14. TRANSACTION IN FOREIGN CURRENCY

Foreign Currency transactions are initially recorded at the exchange rate prevailing on the date of transaction.

In respect of accounting periods commencing on or after the 1st April, 2011, the exchange differences arising on reporting of long-term foreign currency monetary items (having a term of twelve months or more at the date of origination) at RBI reference rates prevailing at the end of each reporting period or where the RBI reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg, different from those at which they were initially recorded during the period, or reported in previous financial statements, 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.

Short-term foreign currency monetary items (having a term of less than twelve months at the date of origination) are translated at RBI reference rates prevailing at the end of each reporting period or where the RBI reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg. The resultant exchange fluctuation is recognized as income or expense in each of such periods.

15. GRANTS/FUNDS FROM GOVERNMENT

Un-disbursed funds of grant received for further disbursements are classified as current liabilities. Interest wherever earned on such funds is credited to respective grant account.

16. DERIVATIVE TRANSACTIONS

16.1 Derivative transactions include forwards, interest rate swaps, cross currency swaps and currency and cross currency options to hedge assets and liabilities.

16.2 These derivative transactions are done for hedging purpose and not for trading or speculative purpose.

Derivative contracts in the nature of foreign exchange forward contracts are accounted for as per Accounting Standard 11 “The Effects of Changes in Foreign Exchange Rates”. These foreign exchange contract are carried net of receivables and payables in asset or liability.

Other derivative contracts such as interest rate swaps etc. are accounted for as per Guidance Note on Accounting for Derivative Contracts issued by the Institute of Chartered Accountants of India. These are carried at fair value and changes in the fair value being recognized in the statement of Profit & Loss.

NOTES TO ACCOUNTS

1. Share Capital

(₹ in Crores)

Particulars	As at 31.03.2017		As at 31.03.2016	
	No. of Shares	Amount	No. of Shares	Amount
Authorised :				
Equity shares of ₹ 10 each	**5,00,00,00,000**	**5,000.00**	1,20,00,00,000	1,200.00
Issued, Subscribed and Paid up :				
Fully paid up Equity shares of ₹ 10 each	**1,97,49,18,000**	**1,974.92**	98,74,59,000	987.46
Total	**1,97,49,18,000**	**1,974.92**	**98,74,59,000**	**987.46**

1.1 Reconciliation of the number of shares outstanding at the beginning and at the end of the year

(₹ in Crores)

Particulars	As at 31.03.2017		As at 31.03.2016	
	No. of Shares	Amount	No. of Shares	Amount
Number of shares at the beginning of the year	**98,74,59,000**	**987.46**	98,74,59,000	987.46
Add: Bonus shares issued & allotted during the year	**98,74,59,000**	**987.46**	-	-
Number of shares at the end of the year	**1,97,49,18,000**	**1,974.92**	**98,74,59,000**	**987.46**

The shareholders of the Company in Annual General Meeting (AGM) held on 21 September 2016 *inter-alia* approved the increase in Authorised Capital of the Company from ₹ 1,200 crores to ₹ 5,000 crores and issue of Bonus shares in the ratio of 1:1 (i.e. one bonus equity share of ₹ 10/- each for every one fully paid up Equity Share of ₹ 10/- each), to the shareholders by capitalizing existing reserves by a sum of ₹ 987.46 Crores. Accordingly, 98,74,59,000 bonus shares were issued & allotted on 30 September 2016.

1.2 Allotment of Bonus Shares during the year and during preceding five years

The Company has allotted 98,74,59,000 Equity Shares as fully paid up by way of bonus shares during FY 2016-17.

1.3 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.

1.4 Shareholders holding more than 5% of fully paid-up equity shares :

Name	As at 31.03.2017		As at 31.03.2016	
	No. of Shares	Percentage	No. of Shares	Percentage
The President of India	**1,16,25,04,472**	**58.86%**	59,87,67,680	60.64%
Life Insurance Corporation of India	**12,63,22,504**	**6.40%**	8,64,90,414	8.76%

During the financial year 2016-17, the President of India acting through Ministry of Power, Government of India divested/sold 2,51,33,733 equity shares i.e. 1.28 % of total paid up capital of the Company on 25 January 2017 and 98,97,155 equity shares i.e. 0.50% of total paid up capital of the Company on 22 March 2017 through Off-market sale of shares under the Central Public Sector Enterprises Exchange Traded Fund (CPSE ETF). Accordingly, as on 31 March 2017, the President of India holds 58.86 % of the paid up equity share capital of the Company.

NOTES TO ACCOUNTS

3. Reserves and Surplus

(₹ in Crores)

Particulars		As at 31.03.2017		As at 31.03.2016
Capital Reserve		**105.00**		105.00
Securities Premium Account (Refer Note 2.1 & 2.4)				
Balance as at the beginning of the year		**3,224.00**		3,223.72
Add: Additions during the year		**-**		0.28
Less: Deductions/ Adjustments during the year		**987.46**		-
Balance as at the end of the year		**2,236.54**		3,224.00
Debenture Redemption Reserve (Refer Note 2.2)				
Balance as at the beginning of the year		**728.36**		531.77
Add: Amount transferred from Surplus Account		**196.59**		196.59
Balance as at the end of the year		**924.95**		728.36
Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961				
Balance as at the beginning of the year		**10,349.64**		8,449.64
Add: Amount transferred from Surplus Account		**1,881.06**		1,900.00
Balance as at the end of the year		**12,230.70**		10,349.64
Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961				
Balance as at the beginning of the year		**2,011.97**		1,621.97
Add: Amount transferred from Surplus Account		**413.33**		390.00
Balance as at the end of the year		**2,425.30**		2,011.97
Foreign Currency Monetary Item Translation Difference Account (Refer Note 2.3)				
Balance as at the beginning of the year		**-172.41**		-335.46
Add: Foreign Currency Translation Gain/ Loss (-) on long term monetary items during the year		**153.63**		-503.08
Amortisation during the year		**55.09**		666.13
Balance as at the end of the year		**36.31**		-172.41
General Reserve				
Balance as at the beginning of the year		**4,677.40**		4,107.40
Add: Amount transferred from Surplus Account		**-**		570.00
Balance as at the end of the year		**4,677.40**		4,677.40
Surplus Account				
Balance as at the beginning of the year		**6,706.34**		6,165.53
Less: Adjustment of MTM in respect of Interest Rate Swaps as at 31 March 2016 (Refer Note 2.4)		**86.75**		-
Add: Profit during the year		**6,245.76**		5,627.66
Less : Appropriations				

NOTES TO ACCOUNTS

Particulars	As at 31.03.2017		As at 31.03.2016	
- Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	**1,881.06**		1,900.00	
- Transfer to Reserve for Bad & Doubtful Debts u/s 36(1)(viia) of the Income Tax Act, 1961	**413.33**		390.00	
- Dividend				
- Interim Dividend	**1,382.44**		1,184.95	
- Proposed Dividend (Final) (Refer Note 2.5)	**-**		503.60	
- Dividend Distribution Tax				
- Interim Dividend	**277.46**		239.19	
- Proposed Dividend (Final)	**-**		102.52	
- Transfer to Debenture Redemption Reserve	**196.59**		196.59	
- Transfer to General Reserve	**-**	**4,150.88**	570.00	5,086.85
Balance as at the end of the year		**8,714.47**		6,706.34
Total Reserves and Surplus		**31,350.67**		27,630.30

2.1 Additions in Securities Premium Account for the year ended 31 March 2017 represent the premium of Nil (Previous year ₹ 0.28 Crores) received on issue of Tax Free Bonds through private placement.

2.2 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. Accordingly, during the year, the company has created DRR amounting to ₹ 196.59 Crores (Previous year ₹ 196.59 Crores).

2.3 Foreign Currency Monetary Item Translation Difference Account

The company has 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 Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates'. The balance in 'Foreign Currency Monetary Item Translation Difference Account' remaining to be amortised is ₹ -36.31 Crores as at 31 March 2017 (₹ 172.41 Crores as at 31 March 2016).

2.4 Draw down from Reserves

In accordance with the transitional provisions mentioned in the Guidance Note on Accounting for Derivative Contracts, an amount of ₹ 86.75 crores after netting of taxes of ₹ 45.92 crores has been adjusted in the retained earnings during the year ended 31 March 2017. This represents the change in the fair value of the interest rate swaps till 31 March 2016. Further, bonus shares have been issued to the shareholders by capitalising Securities Premium Account by a sum of ₹ 987.46 Crores during the year.

Further, no amount had been drawn from reserves during the financial year 2015-16.

2.5 Proposed Dividend

The dividend proposed for the year is as follows :

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
On Equity Shares of ₹ 10 each		
- Amount of Dividend proposed (₹ in Crores)	**523.35**	503.60
- Rate of Dividend	**26.50%**	25.50%
- Dividend per equity share (₹)	**2.65**	2.55

NOTES TO ACCOUNTS

During the previous year, the Company had made a provision for the dividend declared by the Board of Directors as per the requirements of pre-revised Accounting Standard 4 'Contingencies and Events Occurring After the Balance Sheet Date'. However, as per the requirements of Revised AS 4 as amended vide the Companies (Accounting Standards) Amendment Rules, 2016, the Company is not required to provide for dividend proposed by the Board of Directors for the year ended 31 March 2017. Consequently, no provision has been made in respect of the aforesaid dividend. Had the Company continued with creation of provision of proposed dividend, as at Balance Sheet date, the figure of 'Reserves & Surplus' would have been lower by ₹ 629.89 Crores and 'Short term Provisions' would have been higher by the same amount (including dividend distribution tax of ₹ 106.54 crores). Further, the previous year figures have been adjusted in view of the bonus issue in the current year to make the figures comparable (Refer Note 1.1).

3. Long-Term Debt

Non-current portion of the long term debt has been classified as 'Long-term borrowings' and the current portion of the long term debt has been classified as "Current Maturities of Long-term debt' in Note-8 'Other Current Liabilities'.

(₹ in Crores)

Particulars		As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
(A)	**Secured Long-Term Debt**				
(a)	Bonds				
	- Institutional Bonds	**22,138.60**	**5,453.30**	27,591.90	7,854.80
	- 54EC Capital Gain Tax Exemption Bonds	**14,139.62**	**5,337.78**	11,814.48	5,349.91
	- Tax Free Bonds	**12,648.41**	**-**	12,648.41	-
(b)	Term Loans				
	- from Financial Institutions	**400.00**	**350.00**	750.00	350.00
	Total Secured Long-Term Debt (a+b)	**49,326.63**	**11,141.08**	**52,804.79**	**13,554.71**
(B)	**Unsecured Long-Term Debt**				
(a)	Bonds				
	- Institutional Bonds	**79,424.70**	**5,359.70**	66,184.40	7,055.80
	- Infrastructure Bonds	**34.89**	**76.75**	34.90	207.49
	- Zero Coupon Bonds	**1,073.09**	**-**	990.64	-
(b)	Other Loans & Advances				
	- Foreign Currency Borrowings	**19,630.02**	**1,450.53**	18,774.70	3,149.02
	Total Unsecured Long-Term Debt (a+b)	**1,00,162.70**	**6,886.98**	**85,984.64**	**10,412.31**
	Total Long-Term Debt (A+B)	**1,49,489.33**	**18,028.06**	**1,38,789.43**	**23,967.02**
	Total Long-Term Debt (Non-Current + Current)	**1,67,517.39**		**1,62,756.45**	

NOTES TO ACCOUNTS

3.1 Details of Long-term Debt :

Details of secured long-term debt :

(Refer Note 3.3 for details of the security)

3.1.1 Bonds

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
3.1.1.1	**Institutional Bonds**				
	123-IIIB Series	**1,955.00**	**-**	1,955.00	-
	9.34% Redeemable at par on 23.08.2024				
	123-I Series	**1,515.00**	**-**	1,515.00	-
	9.40% Redeemable at par on 17.07.2021				
	92-II Series	**945.30**	**-**	945.30	-
	8.65% Redeemable at par on 22.01.2020				
	91-II Series	**995.90**	**-**	995.90	-
	8.80% Redeemable at par on 18.11.2019				
	90-C-II Series	**1,040.00**	**-**	1,040.00	-
	8.80% Redeemable at par on 07.10.2019				
	90-B-II Series	**868.20**	**-**	868.20	-
	8.72% Redeemable at par on 04.09.2019				
	90th Series	**2,000.00**	**-**	2,000.00	-
	8.80% Redeemable at par on 03.08.2019				
	122nd Series	**1,700.00**	**-**	1,700.00	-
	9.02% Redeemable at par on 18.06.2019				
	119th Series	**2,090.00**	**-**	2,090.00	-
	9.63% Redeemable at par on 05.02.2019				
	88th Series	**1,495.00**	**-**	1,495.00	-
	8.65% Redeemable at par on 15.01.2019				
	118th Series	**1,655.00**	**-**	1,655.00	-
	9.61% Redeemable at par on 03.01.2019				
	117th Series	**2,878.00**	**-**	2,878.00	-
	9.38% Redeemable at par on 06.11.2018				
	87-A-III Series	**61.80**	**-**	61.80	-
	11.15% Redeemable at par on 24.10.2018				
	116-II Series	**850.00**	**-**	850.00	-
	9.24% Redeemable at par on 17.10.2018				
	87-II Series	**657.40**	**-**	657.40	-
	10.85% Redeemable at par on 01.10.2018				
	86-B-III Series	**432.00**	**-**	432.00	-
	10.85% Redeemable at par on 14.08.2018				

NOTES TO ACCOUNTS

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
	86-A Series	**500.00**	**-**	500.00	-
	10.70% Redeemable at par on 30.07.2018				
	85th Series	**500.00**	**-**	500.00	-
	9.68% Redeemable at par on 13.06.2018				
	83rd Series	**-**	**685.20**	685.20	-
	9.07% Redeemable at par on 28.02.2018				
	82nd Series	**-**	**883.10**	883.10	-
	9.85% Redeemable at par on 28.09.2017				
	124-I Series	**-**	**2,610.00**	2,610.00	-
	9.06% Redeemable at par on 22.09.2017				
	123-IIIA Series	**-**	**1,275.00**	1,275.00	-
	9.25% Redeemable at par on 25.08.2017				
	121st Series	**-**	**-**	-	1,600.00
	9.52% Redeemed at par on 24.03.2017				
	120th Series	**-**	**-**	-	1,100.00
	9.67% Redeemed at par on 10.03.2017				
	81st Series	**-**	**-**	-	314.80
	8.85% Redeemed at par on 20.01.2017				
	116-I Series	**-**	**-**	-	430.00
	9.05% Redeemed at par on 17.10.2016				
	123-IV Series	**-**	**-**	-	2,750.00
	8.97% Redeemed at par on 08.09.2016				
	123-II Series	**-**	**-**	-	1,660.00
	9.27% Redeemed at par on 08.08.2016				
	Total - Institutional Bonds	**22,138.60**	**5,453.30**	27,591.90	7,854.80
3.1.1.2	**54EC Capital Gain Tax Exemption Bonds**				
	Series X (2016-17)	**7,662.92**	**-**	-	-
	5.25%- 6.00% Redeemable at par during financial year 2019-20				
	Series X (2015-16)	**6,476.70**	**-**	6,476.70	-
	6.00% Redeemable at par during financial year 2018-19				
	Series IX (2014-15)	**-**	**5,337.78**	5,337.78	-
	6.00% Redeemable at par during financial year 2017-18				
	Series IX (2013-14)	**-**	**-**	-	5,349.91
	6.00% Redeemable at par during financial year 2016-17				
	Total - 54EC Capital Gain Tax Exemption Bonds	**14,139.62**	**5,337.78**	11,814.48	5,349.91

NOTES TO ACCOUNTS

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
3.1.1.3	**Tax Free Bonds**				
	Series 2015-16 Tranche 1	**700.00**	**-**	700.00	-
	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**	**-**	300.00	-
	7.17% Redeemable at par on 23.07.2025				
	Series 2013-14 Tranche 2	**1,059.40**	**-**	1,059.40	-
	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**	**-**	150.00	-
	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				
	Series 2013-14 Tranche 1	**3,440.60**	**-**	3,440.60	-
	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**	**-**	1,350.00	-
	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**	**-**	131.06	-
	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**	**-**	2,017.35	-
	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				

NOTES TO ACCOUNTS

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
	Series 2012-13 Series 2A & 2B	**500.00**	**-**	500.00	-
	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**	**-**	3,000.00	-
	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**	**-**	12,648.41	-
3.1.2	**Term Loans**				
	Term Loan from Financial Institutions				
	- Life Insurance Corporation of India (LIC)	**400.00**	**350.00**	750.00	350.00
	The Loan of ₹ 1500 Crores (present outstanding ₹ 100 Crores @ 6.242% and ₹ 50 Crores @ 6.231%) & ₹ 2,000 Crores (present outstanding ₹ 600 Crores @ 7.35%) repayable in 10 equal annual installments commencing from 01.10.2008 and 01.10.2010 respectively .				
	Total - Term Loans	**400.00**	**350.00**	750.00	350.00
3.2	**Details of Unsecured long-term debt :**				
3.2.1	**Bonds**				
3.2.1.1	**Institutional Bonds**				
	147th Series	**2,745.00**	**-**	-	-
	7.95% Redeemable at par on 12.03.2027				
	142nd Series	**3,000.00**	**-**	-	-
	7.54% Redeemable at par on 30.12.2026				
	140th Series	**2,100.00**	**-**	-	-
	7.52% Redeemable at par on 07.11.2026				
	136th Series	**2,585.00**	**-**	2,585.00	-
	8.11% Redeemable at par on 07.10.2025				
	95-II Series	**1,800.00**	**-**	1,800.00	-
	8.75% Redeemable at par on 14.07.2025				
	94th Series	**1,250.00**	**-**	1,250.00	-
	8.75% Redeemable at par on 09.06.2025				
	133rd Series	**2,396.00**	**-**	2,396.00	-
	8.30% Redeemable at par on 10.04.2025				
	131st Series	**2,285.00**	**-**	2,285.00	-
	8.35% Redeemable at par on 21.02.2025				

NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2017		As at 31.03.2016	
	Non-Current	Current	Non-Current	Current
130th Series	**2,325.00**	**-**	2,325.00	-
8.27% Redeemable at par on 06.02.2025				
129th Series	**1,925.00**	**-**	1,925.00	-
8.23% Redeemable at par on 23.01.2025				
128th Series	**2,250.00**	**-**	2,250.00	-
8.57% Redeemable at par on 21.12.2024				
115th Series - Subordinate Tier-II Bonds	**2,500.00**	**-**	2,500.00	-
8.06% Redeemable at par on 31.05.2023				
114th Series	**4,300.00**	**-**	4,300.00	-
8.82% Redeemable at par on 12.04.2023				
111-II Series	**2,211.20**	**-**	2,211.20	-
9.02% Redeemable at par on 19.11.2022				
107th Series	**2,378.20**	**-**	2,378.20	-
9.35% Redeemable at par on 15.06.2022				
132nd Series	**700.00**	**-**	700.00	-
8.27% Redeemable at par on 09.03.2022				
145th Series	**625.00**	**-**	-	-
7.46% Redeemable at par on 28.02.2022				
141st Series	**1,020.00**	**-**	-	-
7.14% Redeemable at par on 09.12.2021				
127th Series	**1,550.00**	**-**	1,550.00	-
8.44% Redeemable at par on 04.12.2021				
105th Series	**3,922.20**	**-**	3,922.20	-
9.75% Redeemable at par on 11.11.2021				
139th Series	**2,500.00**	**-**	-	-
7.24% Redeemable at par on 21.10.2021				
101-III Series	**3,171.80**	**-**	3,171.80	-
9.48% Redeemable at par on 10.08.2021				
100th Series	**1,500.00**	**-**	1,500.00	-
9.63% Redeemable at par on 15.07.2021				
98th Series	**3,000.00**	**-**	3,000.00	-
9.18% Redeemable at par on 15.03.2021				
97th Series	**2,120.50**	**-**	2,120.50	-
8.80% Redeemable at par on 30.11.2020				
96th Series	**1,150.00**	**-**	1,150.00	-
8.80% Redeemable at par on 26.10.2020				
135th Series	**2,750.00**	**-**	2,750.00	-
8.36% Redeemable at par on 22.09.2020				

NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2017		As at 31.03.2016	
	Non-Current	Current	Non-Current	Current
144th Series	**835.00**	**-**	-	-
7.13% Redeemable at par on 21.09.2020				
134th Series	**2,675.00**	**-**	2,675.00	-
8.37% Redeemable at par on 14.08.2020				
143rd Series	**1,275.00**	**-**	-	-
6.83% Redeemable at par on 29.06.2020				
148th Series	**1,200.00**	**-**	-	-
7.42% Redeemable at par on 17.06.2020				
113th Series	**1,542.00**	**-**	1,542.00	-
8.87% Redeemable at par on 09.03.2020				
111-I Series	**452.80**	**-**	452.80	-
9.02% Redeemable at par on 19.11.2019				
126th Series	**1,700.00**	**-**	1,700.00	-
8.56% Redeemable at par on 13.11.2019				
125th Series	**3,000.00**	**-**	3,000.00	-
9.04% Redeemable at par on 11.10.2019				
108-II Series	**960.00**	**-**	960.00	-
9.39% Redeemable at par on 20.07.2019				
95-I Series	**200.00**	**-**	200.00	-
8.70% Redeemable at par on 12.07.2019				
137th Series	**2,225.00**	**-**	2,225.00	-
8.05% Redeemable at par on 07.12.2018				
146th Series	**3,300.00**	**-**	-	-
9.25% Redeemable at par on 03.09.2018				
112th Series	**-**	**1,500.00**	1,500.00	-
8.70% Redeemable at par on 01.02.2018				
109th Series	**-**	**1,734.70**	1,734.70	-
9.25% Redeemable at par on 28.08.2017				
108-I Series	**-**	**2,125.00**	2,125.00	-
9.40% Redeemable at par on 20.07.2017				
138th Series	**-**	**-**	-	2,895.00
8.28% Redeemed at par on 04.03.2017				
106th Series	**-**	**-**	-	1,500.00
9.28% Redeemed at par on 15.02.2017				
103-I Series	**-**	**-**	-	50.00
9.35% Redeemed at par on 19.10.2016				
102nd Series	**-**	**-**	-	2,216.20
9.38% Redeemed at par on 06.09.2016				

NOTES TO ACCOUNTS

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
	101-II Series	**-**	**-**	-	394.60
	9.45% Redeemed at par on 10.08.2016				
	Total - Institutional Bonds	**79,424.70**	**5,359.70**	66,184.40	7,055.80
3.2.1.2	**Infrastructure Bonds**				
	Series-II (2011-12)	**29.50**	**-**	29.51	128.08
	Redeemable at par. Refer Note 3.6				
	Series-I (2010-11)	**5.39**	**76.75**	5.39	79.41
	Redeemable at par. Refer Note 3.6				
	Total - Infrastructure Bonds	**34.89**	**76.75**	34.90	207.49
3.2.1.3	**Zero Coupon Bonds**				
	ZCB - Series II	**194.57**	**-**	178.95	-
	(Net of unamortised discount, 89,510 bonds with face value of ₹ 30,000 each redeemable at par on 03.02.2021)				
	ZCB - Series I	**878.52**	**-**	811.69	-
	(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	**1,073.09**	**-**	990.64	-
3.2.2	**Other Loans & Advances**				
3.2.2.1	**Foreign Currency Borrowings**				
	CHF Bonds - CHF 200 Mn	**-**	**-**	-	1,378.50
	3.50% Redeemed at par on 07.03.2017				
	JICA Loan - Guaranteed by Govt. of India	**237.65**	**169.84**	400.61	210.13
	0.75% JICA-I loan repayable in equal half-yearly instalments of ¥982.33 Mn till 20.03.2021, next instalment falling due on 20.09.2017 and 0.65% JICA-II loan repayable in half-yearly instalments till 20.03.2023, next instalment falling due on 20.09.2017				
	KfW Loan - Guaranteed by Govt. of India	**51.03**	**51.02**	93.33	51.10
	3.73% Loan repayable in equal half-yearly instalments of €3.68 Mn, next instalment due on 30.06.2017				
	Syndicated Loan- US $300 Mn	**-**	**-**	-	1,367.24
	Repaid on 19.08.2016				
	KfW-II Loan - Guaranteed by Govt. of India	**161.58**	**53.86**	213.77	53.44
	2.89% Loan repayable in equal half-yearly instalments of €3.88 Mn, next instalment falling due on 30.06.2017				

(₹ in Crores)

Particulars	As at 31.03.2017		As at 31.03.2016	
	Non-Current	Current	Non-Current	Current
Syndicated Loan- ¥19.029 Bn	**-**	**1,102.92**	1,184.43	-
Repayable on 10.04.2017				
KfW-III Loan - Guaranteed by Govt. of India	**473.81**	**72.89**	558.76	88.61
1.86% Loan repayable in equal half-yearly instalments of €5.26 Mn, next instalment falling due on 30.06.2017				
Syndicated Loan- US $285 Mn	**1,847.90**	**-**	1,780.28	-
Repayable on 02.12.2018				
Syndicated Loan- US $250 Mn	**1,620.97**	**-**	1,521.75	-
Repayable on 29.05.2019				
Syndicated Loan- US $400 Mn	**2,593.54**	**-**	2,435.78	-
Loan of US$ 230 Mn and US$ 170 Mn repayable on 24.07.2019 and 27.10.2019 respectively				
Syndicated Loan- US $400 Mn	**2,593.54**	**-**	2,539.64	-
Repayable on 12.03.2020				
Syndicated Loan- US $300 Mn	**1,945.16**	**-**	1,909.56	-
Repayable on 29.07.2020				
Syndicated Loan- US $250 Mn	**1,620.97**	**-**	1,653.25	-
Loan of US$ 150 Mn and US$ 100 Mn repayable on 18.09.2018 and 19.11.2018 respectively				
Syndicated Loan- US $300 Mn	**1,945.16**	**-**	1,997.80	-
Repayable on 01.12.2020				
Syndicated Loan- US $250 Mn	**1,620.97**	**-**	1,688.46	-
Repayable on 05.02.2019				
Syndicated Loan- US $120 Mn	**778.06**	**-**	797.28	-
Repayable on 21.03.2019				
Syndicated Loan- US $100 Mn	**648.39**	**-**	-	-
Repayable on 05.10.2021				
Syndicated Loan- US $230 Mn	**1,491.29**	**-**	-	-
Repayable on 19.01.2022				
Total - Foreign Currency Borrowings	**19,630.02**	**1,450.53**	18,774.70	3,149.02

3.3 Security Details of the Secured Borrowings

The Bond Series 82, 83, 85, 86A, 86 B-III, 87-II, 87 A-III, 88, 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 24 September 2010 in favour of IDBI Trusteeship Services Ltd.

The Bond Series 116-II, 117, 118, 119 and 122 of Institutional Bonds are 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, 123-IIIA, 123-IIIB and 124-I 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.

The Bond Series IX of 54EC Capital Gain Tax Exemption Bonds is 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 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.).

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 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 loans are secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to IL&FS Trust Company Limited on the basis of joint hypothecation agreement dated September 24, 2010 in favour of IDBI Trusteeship Services Ltd.

3.4 Foreign Currency Borrowings have been raised at interest rates ranging from a spread of 65 bps to 220 bps over 6 Months' USD/ JPY LIBOR (London Inter Bank Offered Rate) except where rates have been stated above in Note No. 3.2.2.1.

3.5 Ratings assigned by credit rating agencies and migration of ratings during the year

Domestic and International Credit Rating

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

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

There has been no migration of ratings during the year.

3.6 Details of Infrastructure Bonds Issued are as under :

Series I (2010-11) allotted on 31.03.2011

Rate of Interest	Amount (₹ in Crores)	Redemption Details
8.00%	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%	59.35	
8.10%	1.60	Redeemable on the date falling 10 years from the date of allotment
8.20%	3.79	
Total	**82.14**	

Series II (2011-12) allotted on 15.02.2012

Rate of Interest	Amount (₹ in Crores)	Redemption Details
9.15% Cumulative	13.43	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	

8.95% Cumulative	5.73	Redeemable on the date falling 10 years from the date of allotment
8.95% Annual	1.38	
9.15% Cumulative	2.83	Redeemable on the date falling 15 years from the date of allotment
9.15% Annual	1.13	
Total	**29.50**	

3.7 During the year, the Company has come across an instance of fraudulent encashment through forged documents of money invested by one of the investors in 54EC Capital Gains tax Exemption Bonds by some impersonator. The Company has lodged complaint with the Police against the unknown person and the officials of then Registrar and Transfer Agent (R&TA). Accordingly, an amount of ₹ 0.59 Crore has been shown recoverable from the RTA in the books of accounts and the matter has been duly reported to the Reserve Bank of India (RBI). Further, as a precautionary measure, the services of then existing RTA have been discontinued and new RTA has been appointed.

4. Deferred Tax Liabilities (Net)

(₹ in Crores)

Particulars	As at 31.03.2017	As at 31.03.2016
Deferred Tax Liabilities on account of:		
Depreciation	**3.79**	3.63
Foreign Currency Exchange Fluctuation Loss	**-**	59.67
MTM on Interest Rate Swap	**66.48**	-
Total	**70.27**	**63.30**
Deferred Tax Assets on account of:		
Provision for Earned Leave	**10.77**	8.06
Provision for Medical Leave	**6.67**	5.49
Foreign Currency Exchange Fluctuation Loss	**12.57**	-
Total	**30.01**	**13.55**
Deferred Tax Liabilities (Net)	**40.26**	**49.75**

4.1 The Company has no intention to make withdrawal from the special reserve created and maintained under section 36(1)(viii) of the Income Tax Act, 1961. Hence, the special reserve created and maintained is not capable of being reversed and thus, it becomes a permanent difference as per Accounting Standard 22. Accordingly, the Company is not creating any deferred tax liability on the said reserve.

5. Other Long-term Liabilities

(₹ in Crores)

Particulars	As at 31.03.2017	As at 31.03.2016
- Non-Current Portion of Interest accrued but not due on borrowings	**12.38**	9.50
Total	**12.38**	9.50

6. Long-term and Short-term Provisions

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
	Provisions for				
(A)	**Employee Benefits**				
	Earned Leave Liability	**27.86**	**3.27**	21.00	2.30
	Post Retirement Medical Benefits	**92.49**	**4.66**	82.50	4.12

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
	Medical Leave Liability	**16.63**	**2.64**	13.65	2.22
	Settlement Allowance	**1.10**	**0.17**	1.06	0.16
	Economic Rehabilitation Scheme	**3.44**	**0.01**	3.31	0.03
	Long Service Award	**2.64**	**0.19**	2.45	0.11
	Sub-total (A)	**144.16**	**10.94**	123.97	8.94
(B)	**Others**				
	Standard Loan Assets	**536.59**	**70.87**	420.35	123.08
	Restructured Standard Loans	**1,167.67**	**73.52**	750.71	70.63
	Interest on Loans Due & Converted into Equity	**-**	**3.96**	-	3.96
	Incentive	**-**	**20.34**	-	18.13
	Pay Revision	**-**	**14.59**	-	-
	Proposed Dividend (Refer Note 2.5)	**-**	**-**	-	503.60
	Corporate Dividend Tax	**-**	**-**	-	102.52
	CSR Expenses	**-**	**-**	-	21.19
	Sub-total (B)	**1,704.26**	**183.28**	1,171.06	843.11
	Total (A+B)	**1,848.42**	**194.22**	1,295.03	852.05

6.1 Details and movement of Provisions:

(in ₹ Crores)

Provisions for	Opening Balance	Additions during the Year	Paid/ Adjusted during the year	Closing Balance
Earned Leave Liability	**23.30**	**12.29**	**4.46**	**31.13**
Previous year	22.98	6.21	5.89	23.30
Post Retirement Medical Benefits	**86.62**	**17.21**	**6.68**	**97.15**
Previous year	77.61	15.33	6.32	86.62
Medical Leave Liability	**15.87**	**4.95**	**1.55**	**19.27**
Previous year	15.22	2.11	1.46	15.87
Settlement Allowance	**1.22**	**0.14**	**0.09**	**1.27**
Previous year	1.20	0.12	0.10	1.22
Economic Rehabilitation Scheme	**3.34**	**0.95**	**0.84**	**3.45**
Previous year	2.72	1.26	0.64	3.34
Long Service Award	**2.56**	**1.01**	**0.74**	**2.83**
Previous year	2.84	0.02	0.30	2.56
Standard Loan Assets	**543.43**	**64.03**	**-**	**607.46**
Previous year	490.92	138.93	86.42	543.43
Restructured Standard Loans	**821.34**	**419.85**	**-**	**1,241.19**
Previous year	451.77	369.57	-	821.34
Interest on Loans Due & Converted into Equity	**3.96**	**-**	**-**	**3.96**
Previous year	-	3.96	-	3.96

NOTES TO ACCOUNTS

Provisions for	Opening Balance	Additions during the Year	Paid/ Adjusted during the year	Closing Balance
Incentive	**18.13**	**15.52**	**13.31**	**20.34**
Previous year	16.71	14.34	12.92	18.13
Pay Revision	**-**	**14.59**	**-**	**14.59**
Previous year	-	-	-	-
CSR Expenses	**21.19**	**69.80**	**90.99**	**-**
Previous year	57.21	128.20	164.22	21.19
Proposed Dividend	**503.60**	**-**	**503.60**	**-**
Previous year	266.61	503.60	266.61	503.60
Corporate Dividend Tax	**102.52**	**277.46**	**379.98**	**-**
Previous year	54.28	341.71	293.47	102.52
Income Tax	**6,420.98**	**2,584.58**	**6,391.23**	**2,614.33**
Previous year	5,249.83	2,521.82	1,350.67	6,420.98

7. Short-term Borrowings

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(A)	**Loans Repayable on Demand, unsecured**		
	- from Banks	**-**	749.93
(B)	**Commercial Paper, unsecured**	**-**	5,600.00
	Total (A+B)	**-**	**6,349.93**

8. Other Current Liabilities

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(A)	**Current maturities of long-term debt (Refer Note 3)**	**18,028.06**	23,967.02
(B)	**Interest accrued but not due on borrowings**	**6,026.78**	6,229.15
(C)	**Income Received in Advance**	**0.08**	0.08
(D)	**Unpaid Dividends**	**2.75**	2.73
(E)	**Unpaid Principal & Interest on Bonds**		
	- Matured Bonds & Interest Accrued thereon	**51.54**	44.83
	- Interest on Bonds	**15.19**	12.57
(F)	**Other payables**		
	- Funds Received from Govt. of India for Disbursement as Subsidy/ Grant"	**46,154.67**	38,111.60
	Add: Interest on Subsidy/ Grant (Refer Note 8.3)	**2.18**	18.10
	Less: Disbursed to Beneficiaries	**-46,131.01**	-38,091.35
	Undisbursed Funds to be disbursed as Subsidy/Grant	**25.84**	38.35

NOTES TO ACCOUNTS

Particulars	As at 31.03.2017	As at 31.03.2016
- Statutory Dues payable including PF and TDS	**26.26**	21.87
- Payable towards funded staff benefits	**13.63**	0.53
- Other Liabilities	**135.91**	72.39
Sub-total (F)	**201.64**	133.14
Total (A to F)	**24,326.04**	30,389.52

8.1 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 ₹ 0.86 Crores as at 31 March 2017 (₹ 1.26 Crores as at 31 March 2016) 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	For the Year ended 31.03.2017	For the Year ended 31.03.2016
Opening Balance of Interest Subsidy Fund	**1.26**	2.22
Add: Interest earned during the year	**0.07**	0.07
Less: Interest subsidy passed on to the borrower	**0.47**	1.03
Closing Balance of Interest Subsidy Fund	**0.86**	**1.26**

8.2 Government of India has appointed Rural Electrification Corporation 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 Current Liabilities".

During the year, interest earned of ₹ 24.84 Crores (Previous year ₹ 39.15 Crores) has been taken to DDUGJY Subsidy account. Further, during the year, an amount of ₹ 40.78 crores (Previous year ₹ 71.66 crores) has been refunded back to MoP out of the total interest on subsidy.

8.3 The movement in Interest on Subsidy/ Grant is explained as under:

(₹ in Crores)

Particulars	For the Year ended 31.03.2017	For the Year ended 31.03.2016
Opening Balance	**18.10**	51.38
Add: Interest earned during the year	**25.94**	41.49
Less: Amount refunded to Govt. during the year	**41.59**	74.19
Less: Disbursement out of Interest earned on account of AG&SP Grant	**0.27**	0.58
Closing Balance	**2.18**	**18.10**

9. Fixed Assets as at 31 March 2017

(₹ in Crores)

FIXED ASSETS	GROSS BLOCK				DEPRECIATION/ AMORTISATION				NET BLOCK	
	As at 01.04.2016	Additions during the year	Sales/ adjustment during the year	Closing as on 31.03.2017	Upto 31.03.2016	During the year	Adjustment during the year	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Tangible Assets										
Freehold Land	80.62	2.30	-	82.92	-	-	-	-	82.92	80.62
Leasehold Land	1.45	-	-	1.45	0.24	0.01	-	0.25	1.20	1.21
Buildings	33.17	0.72	2.30	31.59	7.76	0.49	0.63	7.62	23.97	25.41
Furniture & Fixtures	7.03	0.39	0.11	7.31	4.92	0.48	0.09	5.31	2.00	2.11
Vehicles	0.43	-	-	0.43	0.24	0.04	-	0.28	0.15	0.19
EDP Equipments	16.99	2.02	3.75	15.26	13.10	1.99	3.52	11.57	3.69	3.89
Office Equipments	9.94	4.16	0.46	13.64	5.54	1.49	0.14	6.89	6.75	4.40
Total	**149.63**	**9.59**	**6.62**	**152.60**	**31.80**	**4.50**	**4.38**	**31.92**	**120.68**	**117.83**
Previous year	100.36	51.49	2.22	149.63	27.86	4.92	0.98	31.80	117.83	
Intangible Assets										
Computer Software	6.97	0.06	-	7.03	6.06	0.54	-	6.60	0.43	0.91
Total	**6.97**	**0.06**	**-**	**7.03**	**6.06**	**0.54**	**-**	**6.60**	**0.43**	**0.91**
Previous year	6.97	0.01	0.01	6.97	5.54	0.53	0.01	6.06	0.91	
Capital Work-in-progress	**30.37**	**28.32**	**-**	**58.69**	**-**	**-**	**-**	**-**	**58.69**	**30.37**
Previous year	7.39	24.34	1.36	30.37	-	-	-	-	30.37	
Intangible Assets under Development	**1.21**	**0.25**	**-**	**1.46**	**-**	**-**	**-**	**-**	**1.46**	**1.21**
Previous year	-	1.21	-	1.21	-	-	-	-	1.21	

9.1 The formalities regarding registration of conveyance deed in respect of certain immovable properties acquired by the Company amounting to ₹ 50.51 Crores (Previous year ₹ 50.51 Crores) are yet to be executed.

9.2 In the opinion of management, there is no impairment of the assets of the Company in terms of AS-28. Accordingly, no provision for impairment loss as required under Accounting Standard-28 ‘Impairment of Assets’ has been made.

9.3 Disclosure in respect of Intangible Assets as required under AS-26 “Intangible Assets”

Amortisation Rate 20%, 100% in case the total cost of the asset is ₹ 5,000 or less

NOTES TO ACCOUNTS

10. Investments

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Number (Face Value in ₹)	Amount	Number (Face Value in ₹)	Amount
	Valued at Cost				
(1)	**Non-Current Investments**				
(A)	**Trade Investments**				
(i)	**Investment in Equity Instruments - Quoted**				
	- NHPC Limited	**18,40,11,865 (10)**	**400.80**	-	-
(ii)	**Investment in Equity Instruments - Unquoted**				
	- Subsidiaries				
	- REC Power Distribution Company Limited	**50,000 (10)**	**0.05**	50,000 (10)	0.05
	- REC Transmission Projects Company Limited	**50,000 (10)**	**0.05**	50,000 (10)	0.05
	- Joint Ventures				
	- Energy Efficiency Services Limited	**14,65,00,000 (10)**	**146.50**	4,75,00,000 (10)	47.50
	- Others				
	- India Energy Exchange Limited	**12,50,000 (10)**	**1.25**	12,50,000 (10)	1.25
	- Universal Commodity Exchange Limited	**1,60,00,000 (10)**	**16.00**	1,60,00,000 (10)	16.00
	Less: Provision for Diminution in Investment		**(16.00)**		(16.00)
(iii)	**Investment in Government Securities - Unquoted**				
	- 8% Government of Madhya Pradesh Power Bonds-II*	**4 (47,16,00,000)**	**188.64**	6 (47,16,00,000)	282.96
	Maturing in equal half yearly Instalments of one bond each, next instalment due on 01.10.2017				
(iv)	**Investment in Venture Capital Funds - Unquoted**				
	- 'Small is Beautiful' Fund	**61,52,200 (10)**	**6.15**	61,52,200 (10)	6.15
(v)	**Investment in Debentures - Unquoted**				
	- 9.68% Bonds of UP Power Corporation Ltd.	**30,385 (1,00,000)**	**303.85**	38,050 (1,00,000)	380.50
(vi)	**Share Application money pending allotment**				
	- Energy Efficiency Services Limited		**-**		99.00
(B)	**Other Investments**				
(v)	**Investment in Debentures - Quoted**				
	- 11.15% Additional Tier-1 Perpetual Bonds of Indian Bank	**5,000 (10,00,000)**	**500.00**	5,000 (10,00,000)	500.00
	- 11.25% Additional Tier-1 Perpetual Bonds of Vijaya Bank	**5,000 (10,00,000)**	**500.00**	5,000 (10,00,000)	500.00
	- 11.25% Additional Tier-1 Perpetual Bonds of Syndicate Bank	**5,000 (10,00,000)**	**500.00**	5,000 (10,00,000)	500.00
	Total - Non-Current Investments (1)		**2,547.29**		2,317.46
(2)	**Current Investments**				
(i)	**Investment in Equity Instruments - Unquoted**				
	- Lanco Teesta Hydro Power Limited	**10,20,00,000 (10)**	**102.00**	10,20,00,000 (10)	102.00

NOTES TO ACCOUNTS

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Number (Face Value in ₹)	**Amount**	**Number (Face Value in ₹)**	**Amount**
(ii)	**Investment in Government Securities - Unquoted**				
	- 8% Government of Madhya Pradesh Power Bonds-II *	**1 (47,16,00,000)**	**47.16**	1 (47,16,00,000)	47.16
	Maturing in equal half yearly Instalments of one bond each, next instalment due on 01.10.2017				
	Total - Current Investments (2)		**149.16**		**149.16**
	Total (1+2)		**2,696.45**		**2,466.62**

* The number of bonds and the amount of the investment in current portion represents the investments maturing within the next 12 months and the balance is the non-current portion.

10.1 Investments include ₹ 6.15 Crores (Previous year ₹ 6.15 Crores) representing company's contribution in the units of 'Small is Beautiful (SIB) Venture Capital fund' promoted by KSK Energy Ventures Limited.

Name of the Company	Contribution towards Fund	Country of Residence	Percentage of Share
SIB Fund of KSK Energy Ventures Ltd	₹ 6.15 Crores	India	9.74%

The face value of the fund is ₹ 10 per unit. The NAV as on 31.03.2017 is ₹ 10.24 per unit (Previous year ₹ 10.24 per unit).

Further, investments also include ₹ 1.25 Crores (Previous year ₹ 1.25 Crores) representing company's investment in equity shares of India Energy Exchange Limited.

Name of the Company	No. of Shares	Invested Amount	Country of Incorporation	Shareholding %
India Energy Exchange Limited	12,50,000	₹ 1.25 Crores	India	4.34%

10.2 Information in relation to the interest of the Company in Joint Ventures (JVs):

1. Energy Efficiency Services Limited

Proportion of Interest in Equity	31.71%
Country of Incorporation	India
Area of Operation	India
JV Partners (% share)	1. NTPC Limited (31.71%)
	2. Power Grid Corporation of India Limited (4.87%)
	3. Power Finance Corporation Limited (31.71%)

The Company's share of assets, liabilities, contingent liabilities and capital commitments as at 31.03.2017 and income and expenses for the year in respect of joint venture are given below:

(₹ in Crores)

	Particulars	As at / For the year ended 31.03.2017 (Unaudited)	As at / For the year ended 31.03.2016 (Unaudited)	As at / For the year ended 31.03.2016 (Audited) *
(i)	Total Assets	838.77	427.98	428.74
(ii)	Total Liabilities	662.90	308.16	311.84
(iii)	Total Reserves & Surplus	29.37	15.32	12.39
(iv)	Contingent Liabilities	11.74	-	10.66
(v)	Capital Commitments	103.95	84.24	254.63

NOTES TO ACCOUNTS

	Particulars	As at / For the year ended 31.03.2017 (Unaudited)	As at / For the year ended 31.03.2016 (Unaudited)	As at / For the year ended 31.03.2016 (Audited) *
(vi)	Total Income	408.83	205.87	206.04
(vii)	Total Expenses	384.81	191.59	192.12

* The consolidated financial statements of the Company for the FY 2015-16 had been prepared considering the unaudited financial statements of the joint venture, Energy Efficiency Services Limited (EESL). However, the financial statements of EESL were subsequently audited on 16 September 2016.

10.3 Additional disclosures required in respect of the investments :

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
(1)	**Value of Investments**				
(i)	Gross Value of Investments				
(a)	In India	**2,563.29**	**149.16**	2,333.46	149.16
(b)	Outside India,	**-**	**-**	-	-
(ii)	Provisions for Depreciation				
(a)	In India	**16.00**	**-**	16.00	-
(b)	Outside India,	**-**	**-**	-	-
(iii)	Net Value of Investments				
(a)	In India	**2,547.29**	**149.16**	2,317.46	149.16
(b)	Outside India.	**-**	**-**	-	-
(2)	**Movement of provisions held towards depreciation on investments.**				
(i)	Opening balance	**16.00**	**-**	-	-
(ii)	Add : Provisions made during the year	**-**	**-**	16.00	-
(iii)	Less : Write-off / write-back of excess provisions during the year	**-**	**-**	-	-
(iv)	**Closing balance**	**16.00**	**-**	16.00	-
(3)	**Aggregate amount of Quoted Investments**	**1,900.80**	**-**	1,500.00	-
	Market Value of Quoted Investments	**2,089.76**	**-**	1,500.00	-
(4)	**Aggregate amount of Unquoted Investments**	**662.49**	**149.16**	833.46	149.16
(5)	**Aggregate provision for diminution in value of investments**	**16.00**	**-**	16.00	-

11. Long-term Loans & Advances

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(A)	**Capital Advances (Unsecured, considered good)**	**40.23**	**49.14**
(B)	**Security Deposits (Unsecured, considered good)**	**0.83**	**3.77**
(C)	**Loans & Advances to Related Parties**		
	- To Key Managerial Personnel (KMP)	**0.37**	0.63
		0.37	0.63
(D)	**Other Loans & Advances**		
	- Staff Loans & Advances (except to KMP)	**32.29**	36.72

- Loan Assets	**1,77,275.24**	1,57,703.84
	1,77,307.53	1,57,740.56
Total (A to D)	**1,77,348.96**	1,57,794.10

Details of Staff Loans & Advances and Loan Assets :

11.1 Staff Loans & Advances

Non-current portion of the staff loans & advances has been classified under 'Long-term Loans & Advances' above and the current portion of the staff loans & advances has been classified under Note-15 'Other Current Assets'.

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
(A)	**Secured Staff Loans & Advances**				
(A1)	**To Key Managerial Personnel**				
	(a) Considered Good	**0.01**	**-**	0.01	0.01
(A2)	**To Others**				
	(a) Considered Good	**3.43**	**0.68**	2.93	0.73
	Sub-total (A1+ A2)	**3.44**	**0.68**	2.94	0.74
(B)	**Unecured Staff Loans & Advances**				
(B1)	**To Key Managerial Personnel**				
	(a) Considered Good	**0.36**	**0.13**	0.62	0.19
(B2)	**To Others**				
	(a) Considered Good	**28.86**	**10.42**	33.79	10.24
	Sub-total (B1+ B2)	**29.22**	**10.55**	**34.41**	**10.43**
	Grand Total (A+B)	**32.66**	**11.23**	**37.35**	**11.17**

11.2 Loan Assets

Non-current portion of the loan assets has been classified under 'Long-term Loans & Advances' above and the current portion of the loan assets has been classified under Note-19 'Other Current Assets'.

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
(A)	**Secured Loans**				
(A1)	**Loans to State Power Utilities/ State Electricity Boards/Corpn. (Secured by hypothecation and/or mortgage of materials/ tangible assets)**				
	(a) Considered Good	**1,25,811.34**	**11,014.90**	1,09,569.70	15,194.43
(A2)	**Loans to Others (Secured by hypothecation and/or mortgage of tangible assets)**				
	(a) Considered Good	**24,691.95**	**3,553.12**	24,377.49	1,841.42
	(b) Classified Doubtful	**2,220.01**	**2,169.10**	2,243.97	1,569.50
	Less: Provision for bad & doubtful debts	**383.89**	**767.87**	257.65	325.52
		1,836.12	**1,401.23**	1,986.32	1,243.98
	Sub-total (A1+ A2)	**1,52,339.41**	**15,969.25**	1,35,933.51	18,279.83
(B)	**Unsecured Loans**				
(B1)	**Loans Guaranteed by respective State Governments**				
	(a) Considered good	**19,109.20**	**2,850.00**	18,092.54	22,522.84

(B2)	**Loans to State Governments**				
	(a) Considered good	**2,647.90**	**351.22**	2,467.29	886.78
(B3)	**Loans - Others**				
	(a) Considered Good	**3,178.73**	**258.78**	1,210.50	99.51
	(b) Classified Doubtful	**5.18**	**478.40**	-	430.10
	Less: Provision for Bad & doubtful debts	**5.18**	**478.40**	-	430.10
		-	**-**	-	-
	Sub-total (B1+ B2+B3)	**24,935.83**	**3,460.00**	21,770.33	23,509.13
	Grand Total (A+B)	**1,77,275.24**	**19,429.25**	1,57,703.84	41,788.96

11.2.1 Loan balance confirmations for 86% of total loan assets as at 31 March 2017 have been received from the borrowers. Out of the remaining 14% loan assets amounting to ₹ 28,474 crore for which balance confirmations have not been received, 82% loans are secured by way of hypothecation of assets, 13% by way of Government Guarantee/ Loans to Government and 5% are unsecured loans.

11.2.2 Loan Assets also include amount financed by the Company as per the Scheme for Financial Restructuring of State Distribution Companies (Discoms).

11.2.3 REC, as a lead lender had sanctioned ₹ 650 Crore as initial sanction to Corporate Power Limited for 540 MW Phase-I TPP at Chandwa, Jharkhand. The debt is secured by way of combination of securities representing charge on all the Company's present and future immovable properties, movables, all bank accounts, project documents, clearances, letter of credits, guarantees, insurance contracts and insurance proceeds etc., pledge of shares representing 51% of the total paid up equity share capital of the Company and Corporate Guarantee of Corporate Ispat and Alloys Limited (CIAL). Subsequently, REC, had sanctioned ₹ 196 Crore as additional loan towards funding of cost overrun. As at 31 March 2017, the loan outstanding is ₹ 811.74 crores.

The progress of Phase-I of the Project (where REC is Lead) as per last available Lender Independent Engineer's Report, is approximately 96%. However, the account has become NPA on 30 June 2014. As at 31 March 2017, the account of the borrower is classified as Doubtful asset. As per the Independent valuer's report, the realisable sale value of Phase-I & Phase-II project assets is ₹ 1,424.35 Crores. Accordingly, 100% provision to the extent of loan not covered by the realizable value of the security amounting to ₹ 587.47 Crores and for the balance loan amount of ₹ 224.27 Crores, 30% provision amounting to ₹ 67.29 Crores is created in the books as per Significant Accounting Policy no 2.3(ii). As such, total provision created as on 31 March 2017 is ₹ 654.75 Crores.

Recall notice has been served to the borrower and Corporate guarantee of promoter Company, CIAL, has been invoked. REC and ARCIL have filled winding up petition before the Calcutta High Court against CIAL. Meanwhile CIAL moved to Board of Industrial and Financial Reconstruction (BIFR), pursuant thereto, Hon'ble High Court abated the winding up petition. Lenders are exploring various options for the revival of the project including change in the management. With the consent of lenders, ARCIL has initiated the proceedings under SARFAESI Act. ARCIL has taken the possession of the Project site and deployed security for protection of the project. Lenders have also filed joint Original Application (OA) before Debt Recovery Tribunal (DRT), Calcutta for recovery of dues.

11.2.4 REC has sanctioned ₹ 1,150 Crore to Jas Infrastructure & Power Limited (JIPL) wherein total disbursement is ₹ 33.24 Crores till 31 March 2017. The account has become NPA on 30 June 2014. As at 31 March 2017, the account of the borrower is classified as Doubtful asset. As per the Independent valuer's report, the realizable sale value of project assets is valued at ₹ 143.35 Crores. Accordingly, 100% provision to the extent of loan not covered by the realizable value of the security amounting to ₹ 31.48 crore and for the balance loan amount of ₹ 1.77 crores, 30% provision amounting to ₹ 0.53 crores is created in the books as per Significant Accounting Policy No. 2.3(ii). As such, total provision created as at 31 March 2017 is ₹ 32.01 Crores on total loan outstanding of ₹ 33.24 Crores.

Lenders have already initiated recovery. Recall notice has been served to the borrower and Personal guarantee of promoter has been invoked. Original Application has been filed by the REC in DRT for recovery of dues. Further, action as per SARFAESI Act is being explored by Lenders.

11.2.5 As at 31 March 2017, the dues of one of the borrowers were overdue for more than 6 months, thus, exceeding the time limit for classification of the borrower as 'Standard Asset'. However, the borrower had obtained an ad-interim order from Hon'ble High Court of Madras on 18 September 2015 not to classify the account as NPA. In view of the same, the classification of the borrower has been retained as 'Standard Asset' pending final decision of the Court. Accordingly, 10% provision as applicable for sub-standard loans on the loan outstanding ₹ 2,301.99 Crores has not been created. Based on the decision taken by lenders in the JLF subsequent to the court order, the accrued interest of ₹ 426.09 crores (₹ 88.79 cr pertaining to Financial year 2016-17) has been adjusted through disbursement of loan as per the terms of sanction and the income recognised accordingly.

However, since the account is currently into Restructured Standard Loan Assets category, a provision of 5% amounting to ₹ 115.10 Crores had been created in full in respect of the loan as against creating the same in phased manner in accordance with Significant Accounting Policy 2.3(iv). Apart from this, as a matter of prudence, an additional provision amounting to ₹ 103.59 Crores has been created @ 4.50% of the loan over and above 5% provision. Accordingly, as on 31 March 2017, the total provision of ₹ 218.69 Crores stands created against the project and unrealized income of ₹ 271.78 Crores has also not been recognized. An application has been filed by REC for vacation of stay order issued by Hon'ble High Court of Madras.

11.2.6 REC had sanctioned ₹ 390 Crores to M/s Lanco Teesta Hydro Power Limited with ICICI Bank as Lead lender having initial project SCOD in May 2012. However, due to equity crunch of promoters, geological surprises and poor rock strata, project couldn't be commissioned till date. In order to revive the Project, which is stalled at present, change in ownership is an important imperative which ensures that additional resources are brought in by the new investor. Towards this end, change of ownership could be effectively considered under the recent RBI dispensation on Strategic Debt Restructuring (SDR) dated 8 June 2015. In terms of SDR Regulations dated 8 June 2015 issued by RBI, the Lenders' consortium had decided to invoke the SDR in the lenders' meet held on 24 July 2015. Accordingly, REC, on 24 September 2015, approved the Strategic Debt Restructuring (SDR) package pursuant to RBI circular dated 8 June 2015, for conversion of ₹ 102 Crores out of REC's outstanding loan into equity at face value of ₹ 10/- per share towards effecting the change in Management. Subsequently, on 20 October 2015, necessary documentation had been carried out along with the signing of shareholder's agreement and an amount of ₹ 102 Crores of REC's sanction had been converted into equity on 20 October 2015. As per SDR scheme, asset classification shall remain standard up to 18 months from 24 July 2015 i.e. 23 January 2017 within this timeline a suitable investor has to be identified and the exercise of change in management shall have to be completed failing which the asset classification will be as per the extant IRAC norms, assuming the aforesaid 'stand-still' in asset classification had not been given. As no investor had been identified till 23 January 2017, the asset classification has now been downgraded to Doubtful Category with provision created @ 20% of the outstanding loan. Further, in view of the Management, there has been no decline in the fair value of the investment in equity shares of the Company on the basis of the latest available audited financial statements of the Company for the FY 2016-17. Accordingly, no provision is being made in respect of the investment in the equity shares.

11.2.7 REC has extended a loan of ₹ 217 Crores (Outstanding loan amount as at 31 March 2017 - ₹ 198.16 Crores) to Gati Infrastructure Private Limited for the implementation of 2X55 MW HEP in Sikkim with IDFC as Lead lender. Project achieved COD on 18 May 2013 and is operational since then. However, since the Company is selling its entire power under short term arrangements, lower revenue realization is causing stress on project cash flows. Lenders have invoked the implementation of Strategic Debt Restructuring (SDR)/ outside SDR with Reference Date as 5 December 2016 under the prevailing RBI norms. The process under SDR / outside SDR is in progress.

11.2.8 REC has given a loan to M/s Ind Barath Power (Madras) Limited (IBPML) under consortium lending with PFC being the lead lender, wherein the loan outstanding as at 31 March 2017 is ₹ 416.21 Crores. The total disbursement towards IBPML by three consortium lenders was ₹ 947.71 crore. Out of this, ₹ 573.99 cr. kept as FDs, were utilized by the borrower from TRA for other than the project purposes. The account has become NPA on 31 December 2016. As at 31 March 2017, the account of the borrower is classified as Sub-standard asset. Accordingly, 10% provision amounting to ₹ 41.62 Crores has been created in the books as per Significant Accounting Policy No. 2.3(iii). Further, considering the physical progress in the project, an additional provision amounting to ₹ 83.24 Crores has been made during the year 2016-17 in respect of the loan as a matter of prudence. The provisioning of the account shall be reviewed during the year 2017-18 on the basis of latest valuation report and financials.

11.2.9 REC sanctioned a loan of ₹ 750 crore to M/s Lanco Vidharbha Thermal Power Limited (LVTPL), promoted by Lanco Group, for setting up of 1320 MW (2x660 MW) thermal power project at Mandwa, district Wardha, Maharashtra. The loan outstanding as at 31 March 2017 is ₹ 539.56 Crores. As at 31 March 2017, the account of the borrower is classified as Restructured Standard asset. Accordingly, 4.25% provision amounting to ₹ 22.93 Crores has been created in the books as per Significant Accounting Policy No. 2.3(iv). Further, considering the physical progress in the project, an additional provision amounting to ₹ 60 Crores has been made during the year 2016-17 in respect of the loan as a matter of prudence.

11.2.10 One of the borrowers with an outstanding loan amount of ₹ 2,143.38 Crores as at 31 March 2017 has expressed his intention to prepay its loan. Further, the borrower has already prepaid more than 40% of the outstanding loan before the Balance sheet date and has further intimated his intention to prepay the balance loan within the FY 2017-18. Accordingly, the loan outstanding has been considered as 'Current' in terms of Schedule III to the Companies Act, 2013.

NOTES TO ACCOUNTS

12. Other Non-Current Assets

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(A)	**Non-Current Portion of Interest Accrued on Staff Advances**	**7.74**	6.79
(B)	**Advance Income-tax & TDS**	**2,653.30**	6,515.25
	Less : Provision for Income Tax	**2,614.33**	6,420.98
	Advance Income-tax & TDS (Net)	**38.97**	94.27
(C)	**Forward Contract Receivables**	**143.79**	-
(D)	**Receivables in respect of Derivative Contracts**	**192.10**	-
	Total (A to D)	**382.60**	101.06

13. Cash and Bank Balances

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(A)	**Cash & Cash Equivalents**		
	- Balances with Banks	**851.34**	960.58
	- Others		
	- Short-term Deposits with Scheduled Banks	**2,476.70**	767.61
	- Short term Investment in Debt Mutual Funds	**1,160.00**	-
	Sub-total (A)	**4,488.04**	1,728.19
(B)	**Others**		
	- Term Deposits with Scheduled Banks	**1.98**	0.36
	Sub-total (B)	**1.98**	0.36
	Total (A+B)	**4,490.02**	1,728.55

Balances with Banks include:

- Earmarked Balances with Banks in separate accounts

- For unpaid dividends	**2.75**	2.73
- For DDUGJY, AG&SP, NEF and other grants	**0.51**	34.17
- Amount set aside for grants disbursement	**2.13**	1.77

Further, Short-term Deposits with Scheduled Banks include ₹ 23.20 Crores (Previous year ₹ 2.41 Crores) earmarked towards DDUGJY and other grants. Figure in (B) Others - Term Deposits with Scheduled Banks includes deposits for ₹ 1.98 Crores (Previous year ₹ 0.36 Crores) made and earmarked in compliance of Court orders.

13.1 The Company makes all the payments through electronic means of payment *viz*. NEFT/ RTGS. However, for certain petty expenses incurred in the normal course of business only, payment is made in cash. The disclosure in respect of transactions in Specified Bank Notes (SBN) held and transacted during the period 8 November 2016 to 30 December 2016 is provided in the Table below:

(₹ in Crores)

Particulars	Specified Bank Notes (SBNs)	Other Denomination Notes	Total
Closing Cash in hand as on 8 November 2016	0.05	0.01	0.06
Add: Permitted Receipts	-	-	-
Less: Permitted Payments	-	0.01	0.01
Less: Amount deposited in Banks	0.05	-	0.05
Closing Cash in hand as on 30 December 2016	**-**	**-**	**-**

NOTES TO ACCOUNTS

14. Short-term Loans & Advances

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(A)	**Loans & Advances to Related Parties (Unsecured, considered good)**	**1.35**	**0.95**
(B)	**Others**		
(i)	**Advances recoverable in cash or in kind or value to be received (Unsecured)**		
	(a) Considered Good	**4.36**	22.09
	(b) Classified Doubtful	**5.59**	2.06
	Less: Provision for bad & doubtful debts	**5.59**	2.06
		-	-
	Total (i)	**4.36**	**22.09**
(ii)	**Loan Assets**		
(a)	Secured Loans		
	- Loans to State Power Utilities/ State Electricity Boards/Corpn. (Secured by hypothecation and/or mortgage of materials/ tangible assets)		
	- Considered Good	**740.67**	-
	Sub-total (a)	**740.67**	-
(b)	Unsecured Loans		
	- Loans Guaranteed by respective State Governments		
	- Considered Good	**197.18**	672.22
	- Loans - Others		
	- Considered Good	**2,651.00**	100.00
	Sub-total (b)	**2,848.18**	772.22
	Total (ii)	**3,588.85**	772.22
	Grand Total	**3,594.56**	795.26

15. Other Current Assets

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(A)	**Current recoverable of Long-term Loan Assets (Net) (Refer Note 11.2)**	**19,429.25**	41,788.96
(B)	**Current recoverable of Staff Advances (Net) (Refer Note 11.1)**	**11.23**	11.17
(C)	**Interest Accrued & not due on:**		
	- Long Term Investments	**14.23**	18.06
	- Term Deposits	**4.37**	1.32
	Sub-total	**18.60**	19.38
(D)	**Interest Accrued & Due on Loan Assets**	**781.26**	1,112.89
(E)	**Interest Accrued & Not Due on Loan Assets**	**288.31**	301.73
(F)	**Current Portion of Interest Accrued on Staff Advances**	**0.33**	0.30
(G)	**Recoverable from Govt. of India**		
	- DDUGJY Expenses	**9.02**	9.71
	- NEF Expenses	**0.42**	0.37
	Sub-total	**9.44**	10.08
(H)	**Recoverable from SEBs/ Govt. Deptt/Others**	**3.97**	5.11
(I)	**Prepaid Financial Charges on Commercial Paper**	**-**	67.30
(J)	**Current Portion of Unamortized Expenses**		
	- Discount on Issue of Bonds	**-**	0.14
	Total (A to J)	**20,542.39**	43,317.06

NOTES TO ACCOUNTS

16. Revenue from Operations

(₹ in Crores)

	Particulars	Year ended 31.03.2017		Year ended 31.03.2016	
(A)	**Interest on Loan Assets**				
(i)	Long term financing	**22,479.98**		23,375.20	
	Less: Rebate for timely payments/ completion etc.	**0.26**	**22,479.72**	1.49	23,373.71
(ii)	Short term financing		**455.89**		96.95
	Sub-total (A)		**22,935.61**		**23,470.66**
(B)	**Revenue from Other Financial Services**				
(i)	Processing, Upfront, Lead fees, LC Commission etc.		**48.49**		24.71
(ii)	Prepayment Premium		**147.44**		30.50
(iii)	Fee for DDUGJY Implementation/ others		**23.86**		32.78
	Sub-total (B)		**219.79**		87.99
(C)	**Income from Short-term Investment of Surplus Funds**				
(i)	Interest from Deposits		**98.39**		68.21
(ii)	Gain on Sale of Mutual Funds		**67.13**		11.49
(iii)	Interest from CP/ ICD		**29.87**		-
	Sub-total (C)		**195.39**		79.70
	Total (A to C)		**23,350.79**		23,638.35

17. Other Income

(₹ in Crores)

	Particulars	Year ended 31.03.2017	Year ended 31.03.2016
(A)	**Interest Income (Other than Operating Income)**		
	- Interest from Govt. Securities	**24.52**	43.23
	- Interest from Long Term Investments	**201.59**	42.74
	- Interest from Income Tax Refund	**8.88**	-
	- Interest from Staff Advances	**1.52**	2.22
	Sub-Total (A)	**236.51**	**88.19**
(B)	**Dividend Income**		
	- Dividend from Subsidiary Companies	**19.50**	10.01
	- Dividend from Long-Term Investments	**66.54**	3.05
	Sub-Total (B)	**86.04**	13.06
(C)	**Net Gain on Sale of Long Term Investments**	**79.75**	12.29
(D)	**Changes in Fair Value of Swap**	**324.77**	**-**
(E)	**Other Non-Operating Income**		
	- Provision Written Back	**-**	0.98
	- Miscellaneous Income	**17.49**	3.41
	Sub-Total (E)	**17.49**	**4.39**
	Total (A to E)	**744.56**	**117.93**

NOTES TO ACCOUNTS

18. Finance Costs

(₹ in Crores)

	Particulars	Year ended 31.03.2017	Year ended 31.03.2016
(A)	**Interest Expense**		
	- On Govt. Loans	**-**	0.15
	- On REC Bonds	**11,745.31**	11,374.73
	- On Loans from Banks/ Financial Institutions	**96.13**	132.62
	- On External Commercial Borrowings	**1,422.24**	1,616.14
	- On Commercial Paper	**300.46**	285.91
	- On AREP Subsidy	**-**	0.04
	- On Advance Income Tax	**2.82**	-
	Sub-Total (A)	**13,566.96**	13,409.59
(B)	**Other Borrowing Costs**		
	- Guarantee Fee	**17.04**	17.69
	- Public Issue Expenses	**-**	0.70
	- Bonds Handling Charges	**0.80**	1.04
	- Bonds Brokerage	**15.68**	19.33
	- Stamp Duty on Bonds	**5.42**	3.88
	- Debt Issue and Other Finance Charges	**80.66**	157.74
	Sub-Total (B)	**119.60**	200.38
(C)	**Net Translation/ Transaction Exchange Loss**	**88.56**	**673.15**
	Total (A to C)	**13,775.12**	14,283.12

19. Employee Benefits Expense

(₹ in Crores)

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
- Salaries and Allowances	117.56	96.85
- Contribution to Provident Fund and Other Funds	12.88	12.07
- Gratuity	15.19	0.53
- Expenses towards Post Retirement Medical Facility	17.21	15.33
- Staff Welfare Expenses	15.23	12.66
Total	**178.07**	**137.44**

The pay revision of the employees of the Company is due w.e.f.1 January 2017. Pending final notification of the revised Pay Scales and other benefits by the Govt. of India, an estimated provision of ₹ 14.59 crores has been created during the year towards pay revision arrears as per the recommendations of 3rd Pay Revision Committee constituted by the Department of Public Enterprises (DPE), Govt. of India. This provision is inclusive of the provision created for non-executive employees for whom arrears have also been considered in line with these recommendations. Actuarial valuation of employees benefits has also been carried out on the basis of proposed pay scales.

20. Corporate Social Responsibility Expenses

(₹ in Crores)

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
- Direct Expenditure	66.64	124.72
- Overheads	3.16	3.48
Total	**69.80**	**128.20**

NOTES TO ACCOUNTS

20.1 Disclosure in respect of CSR Expenses:

(a) Gross Amount required to be spent by the Company during the year is ₹ 146.57 Crores (Previous year ₹ 127.46 Crores).

(b) Amount spent during the period (₹ in Crores) :

	Particulars	Year ended 31.03.2017			Year ended 31.03.2016		
		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	**69.80**	**-**	**69.80**	107.01	21.19	128.20

* denotes amount provided for.

21. Other Expenses

(₹ in Crores)

Particulars	Year ended 31.03.2017		Year ended 31.03.2016	
- Travelling and Conveyance		**10.12**		11.23
- Publicity & Promotion Expenses		**5.33**		5.20
- Repairs and Maintenance				
- Building	**2.06**		2.65	
- ERP & Data Centre	**4.83**		4.64	
- Others	**0.92**	**7.81**	0.62	7.91
- Rent & Hiring Charges		**3.68**		3.29
- Rates and Taxes		**0.46**		0.44
- Power & Fuel		**2.01**		2.11
- Insurance Charges		**0.09**		0.03
- Postage and Telephone		**2.69**		1.95
- Auditors' Remuneration		**1.15**		1.03
- Consultancy Charges		**5.10**		3.39
- Loss on Sale of Assets		**0.52**		0.38
- Miscellaneous Expenses		**59.84**		30.05
Total		**98.80**		**67.01**

21.1 Auditors' Remuneration includes:

(₹ in Crores)

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
- Audit Fees	**0.60**	0.45
- Tax Audit Fees	**0.10**	0.08
- Limited Review Fees	**0.24**	0.21
- Payment for Other Services		
(i) Certification of Offer Document for Public Issue/ MTN Setup	**0.07**	0.12
(ii) Other Certifications	**0.04**	0.03
- Expenses Incurred	**0.05**	0.09
- Service tax component	**0.05**	0.05
Total	**1.15**	**1.03**

The figures above include ₹ 0.06 crores (Previous year Nil) of Audit Fees and ₹ 0.02 crores (Previous year Nil) of Tax Audit fees pertaining to earlier years.

NOTES TO ACCOUNTS

21.2 Earnings and Expenditure in Foreign Currency :

(₹ in Crores)

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
Earnings	**-**	-
Expenditure		
- Royalty, Know-how, Professional, Consultation Fees	**1.17**	0.49
- Interest	**462.03**	550.96
- Finance Charges	**68.61**	130.91
- Other Expenses	**3.11**	3.11
Total	**534.92**	**685.47**

21.3 The Company has taken office space, accommodations for staff and space for ERP Data Centre on lease. These are classified as operating lease. Lease payments in respect of office space and data centre amounting to ₹ 5.03 Crores (Previous year ₹ 5.25 Crores) is shown under the head 'Other Expenses'. Lease payments in respect of accommodations for staff amounting to ₹ 2.92 Crores (Previous year ₹ 2.99 Crores) form part of 'Employees Benefit Expense.' Future lease payments in respect of these lease agreements are as under:

(₹ in Crores)

Future minimum lease rent payments	As at 31.03.2017		As at 31.03.2016	
	Data Centre	Office & Accomodations	Data Centre	Office & Accomodations
Not later than one year	**0.36**	**4.07**	0.36	4.33
Later than one year and not later than 5 years	**0.26**	**1.12**	0.62	4.45
Later than 5 years	**-**	**0.67**	-	0.70
Total	**0.62**	**5.86**	**0.98**	**9.48**

22. Provisions and Contingencies

(₹ in Crores)

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
Provision for bad & doubtful debts	**625.59**	647.81
Contingent Provision against Standard Loan Assets	**64.03**	52.51
Provision against Restructured Standard Loans	**419.85**	369.57
Provision for Interest due & Converted into Equity	**-**	3.96
Provision for depreciation on Investments	**-**	16.00
Total	**1,109.47**	**1,089.85**

23. Prior Period Items

(₹ in Crores)

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
- Travelling and Conveyance (Refer Note 23.1)	**(1.01)**	-
- Others	**(0.64)**	-
Total	**(1.65)**	-

23.1 During the year, the Company had noticed a case of over-charging of the air ticket bills by the travel agent. The excess booking of the travel expense during the earlier years has been rectified and the resultant amount being shown as Recoverable from the Travel Agent in the books of accounts.

NOTES TO ACCOUNTS

24. Earnings per Share

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
Numerator		
Profit after Tax as per Statement of Profit and Loss (₹ in Crores)	**6,245.76**	5,627.66
Denominator		
Weighted average Number of equity shares	**1,97,49,18,000**	1,97,49,18,000
Basic & Diluted Earnings per share of ₹ 10 each (in ₹)	**31.63**	**28.50**

Pursuant to the approval of the shareholders, the Company had allotted bonus shares in the ratio of one equity share of ₹ 10/- each for one existing equity share of ₹ 10/- each on 30 September 2016. Accordingly, Earnings Per Share (EPS) (basic and diluted) have been restated for the previous periods presented in accordance with the provisions of AS-20.

25. Contingent Liabilities and Commitments :

25.1 Contingent Liabilities not provided for in respect of:

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(A)	Claims against the Company not acknowledged as debts	**85.68**	57.45
(B)	Others		
	- Letters of Comfort	**173.36**	461.56

The amount referred to in 'A' above includes ₹ 2.37 Crores (Previous year ₹ 3.86 Crores) in respect of cases pending in various courts including arbitration cases and is dependent upon the outcome of settlement of court/arbitration cases.

Further, it also includes ₹ 83.31 Crores (Previous year ₹ 53.59 Crores) 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.

25.2 Commitments not provided for in respect of:

(₹ in Crores)

Particulars	As at 31.03.2017	As at 31.03.2016
- Contracts remaining to be executed on capital account		
- Towards Tangible Assets	**272.33**	287.97
- Towards Intangible Assets	**2.60**	2.84
- Other Commitments		
- CSR Commitments	**143.98**	89.44

26. 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

27. The Company is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company (NBFC) since 1997-98. As per notification No.DNBS(PD).CC No.12/02.01/99-2000 dated 13.1.2000 of RBI, Govt. companies as defined under Section 617 of the Companies Act, 1956 have been exempted from applicability of the provisions of Reserve Bank of India Act, 1934 relating to maintenance of liquid assets and creation of Reserve Funds and the Directions relating to acceptance of public deposits and Prudential Norms. The said notification is also applicable to REC, being a Govt. company as defined under Section 2 (45) of the Companies Act, 2013 (Section 617 of the erstwhile Companies Act, 1956). Accordingly, the Reserve Fund is not created.

Further, as per Para No. 2 (3) of RBI's Master Circular No. DNBR.PD.008/ 03.10.119 / 2016-17 dated 1 September, 2016, REC being a Government Company continues to be exempted from the applicability of "Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015". However, RBI, vide its letters dated 25 July 2013 and 4 April 2014, has conveyed to the Company to comply with the Prudential Norms of RBI by 31st March, 2016 and follow the instructions contained in RBI Circular dated 23 January 2014 issued vide Notification No. DNBS (PD) No. 271/ CGM (NSV)-2014 in respect of restructuring of assets. Later, RBI vide its letter dated 11 June 2014 has allowed exemption to the Company from RBI restructuring norms till 31 March 2017 for Transmission & Distribution, Renovation & Modernisation and Life Extension projects and also the Hydro projects in Himalayan region or affected by natural disasters. Further for new project loans to generating companies restructured w.e.f. 1 April 2015, the provisioning requirement would be 5% and for stock of loans as on 31 March 2015 of such projects, the provisioning shall commence with a provision of 2.75% w.e.f 31 March 2015 and reaching 5% by 31 March 2018.

28. RBI, vide its letter dated September 17, 2010 had categorized REC as an Infrastructure Finance Company (IFC) in terms of instructions contained in RBI Circular CC No.168 dated February 12, 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 16 June 2016 has exempted REC from applicability of RBI's concentration of credit/investment norms till 31 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 31 March 2017 and 31 March 2016.

29. Changes in Accounting Policies

During the year ended 31 March 2017, the Company has revised the Significant Accounting Policy No. 16 in respect of accounting for derivatives contracts in order to align it with the 'Guidance Note on Accounting for Derivative Contracts' issued by The Institute of Chartered Accountants of India which has become applicable from 1 April 2016. In accordance with the transitional provisions mentioned in the Guidance Note, an amount of ₹ 86.75 Crores after netting of taxes of ₹ 45.92 Crores had been adjusted in the opening balance of reserves, representing the change in the fair value of the interest rate swaps till 31 March 2016. Further, the fair value gain on interest rate swaps of ₹ 324.77 Crores has been booked to the Statement of Profit & Loss for the year ended 31 March 2017 in accordance with the revised accounting policy.

Further, the accounting policy on treatment of foreign currency exchange differences on the hedged loans and the corresponding derivative contracts has also been revised in order to align the same with existing accounting policy 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 AS-11. The impact of this change, foreign exchange fluctuation loss pertaining to the previous years ₹ 29.79 Crores and foreign exchange fluctuation gain pertaining to current year amounting to ₹ 6.69 Crores has been adjusted in the Finance Cost for the year ended 31 March 2017.

Due to these changes in accounting policies, profit before tax for the year ended 31 March 2017 is higher by ₹ 301.67 Crores.

30. Quality of Loan Assets

30.1 Details of Restructured Accounts on which restructuring provisioning as per RBI norms is applicable, along-with provisions thereon, are given below

	Type of restructuring		Under CDR / SME Mechanism					Others					Total				
	Asset Classification details		Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total
(1)	Restructured Accounts as on 1 April 2016	No. of borrowers	Nil					10	4			14	10	4	-	-	14
		Amount outstanding (Restructured facility)						21,058	2,179			23,238	21,058	2,179	-	-	23,238
		Amount outstanding (Other facility)										-	-	-	-	-	-
		Provision Thereon						821	218			1,039	821	218	-	-	1,039
(2)	Movement of balance in account appearing in opening balance	No. of borrowers	Nil					9	2			11	9	2	-	-	11
		Amount outstanding (Restructured facility)						3,974	(3)			3,971	3,974	(3)	-	-	3,971
		Amount outstanding (Other facility)										-	-	-	-	-	-
		Provision Thereon						425				426	425	-	-	-	426
(3)	Fresh restructuring during the year	No. of borrowers	Nil					3	1			4	3	1	-	-	4
		Amount outstanding (Restructured facility)						3,167	9			3,176	3,167	9	-	-	3,176
		Amount outstanding (Other facility)										-	-	-	-	-	-
		Provision Thereon						158	1			159	158	1	-	-	159
(4)	Up gradations to restructured standard category during the year	No. of borrowers	Nil					2				2	2	-	-	-	2
		Amount outstanding (Restructured facility)						54				54	54	-	-	-	54
		Amount outstanding (Other facility)										-	-	-	-	-	-
		Provision Thereon						3				3	3	-	-	-	3

NOTES TO ACCOUNTS

	Type of restructuring		Under CDR / SME Mechanism					Others					Total				
	Asset Classification details		Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total
(5)	Restructured Standard advances which cease to attract higher provisioning and/ or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	Nil					(1)	(2)			(3)	(1)	(2)	-	-	(3)
		Amount outstanding (Restructured facility)						(4,758)	(54)			(4,812)	(4,758)	(54)	-	-	(4,812)
		Amount outstanding (Other facility)										-	-	-	-	-	-
		Provision Thereon						(167)	(6)			(172)	(167)	(6)	-	-	(172)
(6)	Down gradation of restructured accounts during the year	No. of borrowers	Nil						(1)	1		-	-	(1)	1	-	-
		Amount outstanding (Restructured facility)							(1,345)	1,345		-	-	(1,345)	1,345	-	-
		Amount outstanding (Other facility)										-	-	-	-	-	-
		Provision Thereon							(134)	269		135	-	(134)	269	-	135
(7)	Write-offs restructured accounts during the year	No. of borrowers	Nil									-	-	-	-	-	-
		Amount outstanding (Restructured facility)										-	-	-	-	-	-
		Amount outstanding (Other facility)										-	-	-	-	-	-
		Provision Thereon										-	-	-	-	-	-
(8)	Restructured accounts as on 31 March 2017	No. of borrowers	Nil					14	2	1		17	14	2	1	-	17
		Amount outstanding (Restructured facility)						23,496	786	1,345		25,627	23,496	786	1,345	-	25,627
		Amount outstanding (Other facility)						-	-			-	-	-	-	-	-
		Provision Thereon						1,241	79	269		1,589	1,241	79	269	-	1,589

NOTES TO ACCOUNTS

30.2 The Classification of Loan Assets of the Company (classified in Note No. 11 and 14) as per RBI Prudential Norms is as under:

(₹ in Crores)

	Asset Classification	As at 31.03.2017 Loan Balance	As at 31.03.2017 Provision created against Loan Assets	As at 31.03.2016 Loan Balance	As at 31.03.2016 Provision created against Loan Assets
(i)	**Standard Assets**				
(a)	Restructured Standard Loan Assets (Refer Note below)	**23,495.57**	**1,241.19**	21,058.26	821.34
(b)	Other than (a) above	**1,73,560.42**	**607.46**	1,75,976.46	543.43
	Sub-total (i)	**1,97,055.99**	**1,848.65**	**1,97,034.72**	**1,364.77**
(ii)	**Non Performing Assets**				
(a)	Sub-standard Assets *	**1,226.75**	**205.92**	2,908.19	291.01
(b)	Doubtful Assets	**3,628.71**	**1,412.20**	1,318.16	705.04
(c)	Loss Assets	**17.22**	**17.22**	17.22	17.22
	Sub-total (ii)	**4,872.68**	**1,635.34**	4,243.57	1,013.27
	Total	**2,01,928.67**	**3,483.99**	**2,01,278.29**	**2,378.04**

* Includes loans classified as NPAs due to restructuring/ non-achievement of DCCO amounting to ₹ 777.00 Crores (Previous year ₹ 811.33 crores) and provisioning thereof ₹ 77.70 Crores (Previous year ₹ 81.27 crores).

Note : Loan assets as mentioned in (i)(a) refer to restructured standard loan assets as specified in Accounting Policy No. 2.3(iv).

30.3 Sector-wise NPAs - Percentage of NPAs to Total Advances in that sector

Particulars	As at 31.03.2017	As at 31.03.2016
Power Sector *	**2.41%**	2.11%

* Includes 0.38% (Previous year 0.40%) loans classified as NPAs due to restructuring/ non-achievement of DCCO, amounting to ₹ 777.00 Crores (Previous period ₹ 811.33 crores).

30.4 Movement of NPAs

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(i)	**Net NPAs to Net Advances (%)**	**1.62%**	**1.61%**
(ii)	**Movement of NPAs (Gross)**		
(a)	Opening balance	**4,243.57**	1,335.38
(b)	Additions during the year	**686.56**	2,910.13
(c)	Reductions during the year	**57.44**	1.94
(d)	Closing balance	**4,872.69**	4,243.57
(iii)	**Movement of NPAs (Net)**		
(a)	Opening balance	**3,230.30**	969.93
(b)	Additions during the year	**56.25**	2262.31
(c)	Reductions during the year	**49.20**	1.94
(d)	Closing balance	**3,237.35**	3,230.30
(iv)	**Movement of provisions for NPAs**		
(a)	Opening balance	**1,013.27**	365.45
(b)	Provisions made during the year	**630.31**	647.82
(c)	Write-off / write-back of excess provisions	**8.24**	-
(d)	Closing balance	**1,635.34**	1,013.27

Note - The closing figures above include loans classified as NPAs due to restructuring/ non-achievement of DCCO, amounting to ₹ 777.00 Crores (Gross) (Previous year ₹ 811.33 crores) and provisioning thereof ₹ 77.70 Crores (Previous year ₹ 81.27 crores).

NOTES TO ACCOUNTS

31. Exposure Related Disclosures

31.1 Exposure to Real Estate Sector

The Company has no exposure to real estate sector as at 31 March 2017 (Previous year Nil).

31.2 Exposure to Capital Market

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(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;	**666.65**	265.85
(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;	**-**	-
(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)	**6.15**	6.15
	Total Exposure to Capital Market	**672.80**	**272.00**

31.3 Unsecured Advances against Intangible Assets

There are no such advances outstanding as at 31 March 2017 (Previous year Nil) for which intangible collaterals such as rights, licenses, authority, etc. are charged in favour of the Company in respect of projects financed by the Company.

32. Concentration of Advances, Exposures and NPAs

	Particulars	As at 31.03.2017	As at 31.03.2016
(i)	**Concentration of Advances**		
	Total Advances to twenty largest borrowers (₹ in Crores)	**111,916.90**	117,632.78
	Percentage of Advances to twenty largest borrowers to Total Advances of the Company	**55.42%**	58.44%
(ii)	**Concentration of Exposures**		
	Total Exposure to twenty largest borrowers (₹ in Crores)	**197,327.07**	194,864.96
	Percentage of Exposures to twenty largest borrowers to Total Exposure of the Company on borrowers	**60.34%**	58.54%
(iii)	**Concentration of NPAs ***		
	Total Outstanding to top four NPA Accounts (₹ in Crores)	**3,444.72**	3,444.72
	Total Exposure to the above four NPA Accounts (₹ in Crores)	**3,444.72**	3,444.72

* Includes loans of ₹ 777.00 Crores (Previous year ₹ 777.00 crores) classified as NPAs due to restructuring/ non-achievement of DCCO.

NOTES TO ACCOUNTS

33. The Company has not entered into any securitisation/ assignment transactions during the year ended 31 March 2017 (Previous year Nil). Further, no assets have been sold to securitisation/ reconstruction company for asset reconstruction.

34. The National Electricity Fund (NEF), an interest subsidy scheme, has become operational during the year 2012-13. The scheme has been introduced by Govt. of India to promote the capital investment in the distribution sector. The scheme shall provide interest subsidy linked with reform measures, on the loans taken by public and private distribution power utilities for various capital works under Distribution sector. NEF would provide interest subsidy aggregating upto ₹ 8,466 Crores (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 Nodal Agency for operationalisation of the NEF scheme in entire country.

35. Government of India has launched Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) with the following components:

(i) Separation of agriculture and non-agriculture feeders facilitating judicious rostering of supply to agriculture & non-agriculture 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) Rural electrification, as per CCEA approval dated 01.08.2013 for completion of the targets laid down under RGGVY for 12th and 13th Plans by carrying forward the approved outlay for RGGVY to DDUGJY.

The components at (i) and (ii) of the above scheme will have an estimated outlay of ₹ 43,033 crore including budgetary support of ₹ 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 will get subsumed in this scheme as a separate Rural Electrification (RE) component. REC has been nominated as nodal agency for operationalization of this scheme.

36. In the opinion of the management, the current assets, loans and advances appearing in the balance sheet have a value equivalent to the amount stated therein if realized during the ordinary course of business and all known liabilities have been provided.

37. As per the information available with the Company, there have been no reported cases of delayed payments of the principal amount or interest due thereon to Micro, Small & Medium enterprises.

38. Derivatives Related Disclosures

38.1 Forward Rate Agreements/ Interest Rate Swaps

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(i)	The notional principal of swap agreements	**41,664.18**	24,770.59
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**628.07**	1,529.12
(iii)	Collateral required by the NBFC upon entering into swaps	**Nil**	Nil
(iv)	Concentration of credit risk arising from the swaps	**Refer Note Below**	Refer Note Below
(v)	The fair value of the swap book	**273.61**	1,223.39

Note : 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.

38.2 The Company has not entered into any exchange traded Interest Rate (IR) derivatives.

38.3 Disclosure on Risk Exposure in Derivatives

38.3.1 Qualitative Disclosures

REC has Risk Management Policy duly approved by the Board. The policy covers the currency risk of the company. This policy provides the guiding parameters within which the Company can take decisions for managing the Currency Risk that it is exposed to on account of foreign currency loan. The purpose of the policy is to provide a framework to the Company for management of its foreign currency risk.

Risk Management Structure

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.

Derivative transactions include forwards, interest rate swaps, cross currency swaps and currency and cross currency options to hedge assets and liabilities. These derivative transactions are done for hedging purpose and not for trading or speculative purpose.

Type of Risks Involved

(i) Credit Risk - Credit risk is the risk of loss due to counterparty's failure to perform on an obligation to the Company.

(ii) Market Risk - Market risk is the risk of loss due to adverse changes in the market value (the price) of an instrument or portfolio of instruments. Such exposures occurs with respect to derivative instruments when changes occur in market factors such as underlying interest rates, exchange rates etc or in the volitality of these factors.

(iii) Liquidity Risk - Liquidity risk is the risk of loss due to failure of the institution to meet its funding requirments or execute a transaction at a reasonable price. This may be market liquidity risk or funding liquidity risk.

(iv) Operational Risk - Operational risk is the risk of loss occuring as a result of inadequate system and control, deficiencies in information system, human error or a management failure. Derivative activities can pose challenging operational risk issue because of complexity of certain products and their continual evolution.

(v) Legal Risk - Legal risk is the risk of loss arising from contracts which are not legally enforceable or documented correctly.

(vi) Regulatory Risk - Regulatory risk is the risk of loss arising from failure to comply with regulatory or legal requirements.

38.3.2 Quantitative Disclosures

(₹ in Crores)

	Particulars	Currency Derivatives *		Interest Rate Derivatives **	
		As at 31.03.2017	**As at 31.03.2016**	**As at 31.03.2017**	**As at 31.03.2016**
(i)	Derivatives (Notional Principal Amount)				
	For hedging	**18,482.32**	**17,876.79**	23,181.86	6,893.80
(ii)	Marked to Market Positions				
a)	Asset (+)	**370.75**	**1,487.63**	**257.32**	**41.49**
b)	Liability (-)	**289.24**	**131.57**	**65.22**	**174.16**
(iii)	Credit Exposure	**18,482.32**	**17,876.79**	23,181.86	6,893.80
(iv)	Unhedged Exposures	**2,598.22**	**4,046.93**	N.A.	N.A.

* Includes Full Hedge, Principal only Swap and Call Spread.

** Includes Interest Rate Derivatives as a strategy of cost reduction

39. The outstanding position of Foreign Currency Exposure as at 31 March 2017 is as under:

(Foreign Currency amounts in Millions)

Currency	Total Exposure		Hedged Portion (Currency & Interest rate)		Unhedged Exposure	
	As at 31.03.2017	As at 31.03.2016	**As at 31.03.2017**	As at 31.03.2016	**As at 31.03.2017**	As at 31.03.2016
JPY ¥	**26,059.52**	30,014.85	**23,985.15**	27,940.48	**2,074.37**	2,074.37
EURO €	**124.80**	150.47	**99.35**	125.02	**25.45**	25.45
USD $	**2,885.00**	2,855.00	**2,530.00**	2,500.00	**355.00**	355.00
CHF (Swiss Franc)	**-**	200.00	**-**	-	**-**	200.00

39.1 In terms of Accounting Policy No. 14, the foreign currency monetary items as at the reporting date have been translated at the following rates:

Exchange Rates	USD/INR	JPY/INR	Euro/INR	CHF/INR
As at 31st March, 2017	64.8386	0.5796	69.2476	-
As at 31st March, 2016	66.3329	0.5906	75.0955	68.9249

NOTES TO ACCOUNTS

40. Related Party Disclosures :

(1) Key Managerial Personnel

Dr. P V Ramesh	Chairman & Managing Director w.e.f. 5 January 2017
Sh. B.P. Pandey	Chairman & Managing Director from 1 October 2016 to 4 January 2017
Sh. Rajeev Sharma	Chairman & Managing Director upto 30 September 2016
Sh. Ajeet Kumar Agarwal	Director (Finance)
Sh. Sanjeev Kumar Gupta	Director (Technical)
Sh. J.S. Amitabh	GM & Company Secretary

(2) Other Related Parties

1. Subsidiary Companies

REC Transmission Projects Company Limited (RECTPCL)

REC Power Distribution Company Limited (RECPDCL)

2. Wholly owned Subsidiaries of REC Transmission Projects Company Limited

Nellore Transmission Limited - Incorporated on 04.12.2012 and struck off from the Register of Companies u/s 560 of Companies Act, 1956 vide certificate dated 25.05.2016

Baira Siul Sarna Transmission Limited - Incorporated on 24.01.2013 and struck off from the Register of Companies u/s 560 of Companies Act, 1956 vide certificate dated 16.07.2016

NER II Transmission Limited - Incorporated on 21.04.2015 and transferred to M/s Sterlite Grid 4 Limited (SG4L) on 31.03.2017, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Khargone Transmission Limited and SG4L.

NRSS XXXVI Transmission Limited - Incorporated on 18.08.2015 and transferred to M/s Essel Infraprojects Limited(EIL) on 22.08.2016, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, NRSS XXXVI Transmission Limited and EIL.

North Karanpura Transco Limited - Incorporated on 27.11.2015 and transferred to M/s Adani Transmission Limited (ATL) on 08.07.2016, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, North Karanpura Transco Limited and ATL.

Khargone Transmission Limited - Incorporated on 28.11.2015 and transferred to M/s Sterlite Grid 4 Limited on 22.08.2016, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Khargone Transmission Limited and Sterlite.

Dinchang Transmission Limited - Incorporated on 02.12.2015

Ghatampur Transmission Limited - Incorporated on 02.12.2016

ERSS XXI Transmission Limited - Incorporated on 11.01.2017

WR-NR Power Transmission Limited - Incorporated on 12.01.2017

3. Joint Ventures

Energy Efficiency Services Limited (EESL)

Details of amount due from/ to the related parties :

(₹ in Crores)

Particulars	As at 31.03.2017	As at 31.03.2016
Long-term Debt		
RECTPCL	**60.00**	60.00
RECPDCL	**10.44**	10.44
Key Managerial Personnel	**0.10**	0.10
Loans & Advances		
RECTPCL	**0.28**	0.22
RECPDCL	**1.07**	0.73
Key Managerial Personnel	**0.50**	0.83
Other Current Liabilities		
RECPDCL	**1.51**	5.37

NOTES TO ACCOUNTS

Details of Transactions with the related parties :

(₹ in Crores)

Particulars	For the year ended 31.03.2017	For the year ended 31.03.2016
Long Term Debt - Amount Invested		
RECPDCL	**-**	3.44
Key Managerial Personnel	**-**	0.01
Loans & Advances		
Key Managerial Personnel	**0.06**	0.53
Sale of Fixed Assets		
RECPDCL	**-**	0.01
Investment in Share Capital (including applied for)		
EESL	**-**	124.00
Disbursement from Subsidy/ Grant Received from Govt. of India		
RECPDCL	**-**	6.90
Dividend from Subsidiaries		
RECTPCL	**8.65**	9.51
RECPDCL	**10.85**	0.50
Interest Income - Loans & Advances		
Key Managerial Personnel	**0.03**	0.04
Apportionment of Employee Benefit and Other Expenses		
RECTPCL	**2.56**	2.35
RECPDCL	**4.65**	4.32
Finance Cost		
Interest Paid to RECTPCL	**4.70**	4.70
Interest Paid to RECPDCL	**0.82**	0.64
Interest Paid to Key Managerial Personnel	**0.01**	0.01
Employee Benefits Expense - Managerial Remuneration	**2.09**	2.33
CSR Expenses		
RECPDCL	**14.25**	91.77
EESL	**0.86**	0.28
Other Expenses		
RECPDCL	**30.65**	2.22

41. Disclosures for Employee Benefits as required under AS 15:

(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 AS 15.

B. Defined Contribution Superannuation Scheme

The Company pays fixed contribution towards superannuation scheme at pre-determined rates to a separate trust which invests the funds with the Insurers. The Insurers fix the rate of interest on the balance standing to the credit of the accounts of the members of the trust. When the pension becomes payable to the member, the Insurers shall appropriate the member's accumulation towards various annuities, as opted for by the member.

NOTES TO ACCOUNTS

Amount recognised as expenses towards defined contribution plans:

(₹ in Crores)

	Particulars	For the year ended 31.03.2017	For the year ended 31.03.2016
(i)	Provident Fund	7.35	6.88
(ii)	Defined Contribution Superannuation Scheme	5.46	5.10
	Total	12.81	11.98

(2) Defined Benefit Plans - Post-Employment Benefits

A. Gratuity

The Company has a defined benefit gratuity plan. Every employee is entitled to gratuity as per the provisions of the Payment of Gratuity Act, 1972. The scheme is funded by the Company and is managed by separate trust. The liability of Gratuity is recognized on the basis of actuarial valuation.

B. Post Retirement Medical Facility (PRMF)

The Company has Post Retirement Medical Facility under which the entitled retired employees (including his/her spouse) are covered as per Company Rules. The expenditure is recognized in the Statement of Profit & Loss on the basis of actuarial valuation.

C. Other Defined Retirement Benefit (ODRB)

The Company has a scheme for settlement of the employee and their dependents at the time of superannuation at home town. The expenditure is recognized in the Statement of Profit & Loss on the basis of actuarial valuation.

The summarized position of various defined benefits recognized in the Statement of Profit & Loss, Balance Sheet and the funded status is as under:

Expense recognised in Statement of Profit & Loss:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2017	**31.03.2016**	**31.03.2017**	**31.03.2016**	**31.03.2017**	**31.03.2016**
Current Service Cost	**2.16**	2.02	**1.63**	1.45	**0.06**	0.05
Interest Cost	**2.99**	3.05	**6.93**	6.21	**0.10**	0.10
Expected Return on Plan Assets	**2.97**	3.03	**-**	-	**-**	-
Actuarial (Gain)/ Loss	**11.41**	(1.51)	**8.65**	7.67	**(0.02)**	(0.03)
Expense recognized	**13.59**	0.53	**17.21**	15.33	**0.14**	0.12

Amounts recognised in Balance Sheet:

(Amounts below in 'Gratuity' columns denotes respective amounts in the Balance Sheet of gratuity trust)

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2017	**31.03.2016**	**31.03.2017**	**31.03.2016**	**31.03.2017**	**31.03.2016**
Present value of obligation as at the end of the year	**50.61**	37.34	**97.15**	86.62	**1.27**	1.22
Fair value of Plan Assets as at the end of the year	**35.69**	35.48	**-**	-	**-**	-
Net Assets/ (Liability) recognized	**(14.92)**	(1.86)	**(97.15)**	(86.62)	**(1.27)**	(1.22)

NOTES TO ACCOUNTS

Changes in the Present value of defined benefit/ Obligation:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2017	**31.03.2016**	**31.03.2017**	**31.03.2016**	**31.03.2017**	**31.03.2016**
Present value of obligation as at the beginning of the year	**37.34**	38.16	**86.62**	77.61	**1.22**	1.20
Interest Cost	**2.99**	3.05	**6.93**	6.21	**0.10**	0.10
Current Service Cost	**2.16**	2.02	**1.63**	1.45	**0.06**	0.05
Benefit Paid	**(3.29)**	(4.42)	**(6.68)**	(6.32)	**(0.09)**	(0.10)
Actuarial (Gain)/ Loss on obligation	**11.41**	(1.47)	**8.65**	7.67	**(0.02)**	(0.03)
Present Value of defined benefit obligation at the end of the year	**50.61**	37.34	**97.15**	86.62	**1.27**	1.22

Changes in the Fair Value of Plan Assets:

(Amounts below in 'Gratuity' columns denotes respective amounts for the gratuity trust)

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2017	**31.03.2016**	**31.03.2017**	**31.03.2016**	**31.03.2017**	**31.03.2016**
Fair value of Plan Assets as at the beginning of the year	**35.48**	36.25	**-**	-	**-**	-
Return on Plan Assets	**2.97**	3.03	**-**	-	**-**	-
Contributions	**0.53**	0.62	**-**	-	**-**	-
Benefit Paid	**(3.29)**	(4.42)	**-**	-	**-**	-
Actuarial Gain/ (Loss) on Plan Assets	**0.00**	-	**-**	-	**-**	-
Fair value of Plan Assets as at the end of the year	**35.69**	35.48	**-**	-	**-**	-

Funded Status and Experience adjustments for liability towards Gratuity:

(₹ in Crores)

Particulars	**31.03.2017**	**31.03.2016**	**31.03.2015**	**31.03.2014**	**31.03.2013**
Present value of obligation at year end	**50.61**	37.34	38.16	38.07	37.85
Fair value of Plan Assets at year end	**35.69**	35.48	36.25	35.94	35.14
Funded Status	**(14.92)**	**(1.86)**	**(1.91)**	**(2.13)**	**(2.71)**
Experience adjustment;					
Gain/(Loss):					
Experience adjustment on plan liabilities	**(10.25)**	1.51	1.17	0.68	(0.01)
Experience adjustment on plan assets	**-**	(0.23)	(0.40)	(0.30)	0.58

The effect of an increase/ decrease of one percent point in inflation rate on PRMF:

(₹ in Crores)

Particulars	1% (+)		1% (-)	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Service & Interest Cost	**0.84**	1.25	**(1.34)**	(0.84)
PBO (Closing)	**12.14**	11.93	**(9.86)**	(8.45)

Actuarial Assumptions:

Particulars	Gratuity		PRMF		ODRB	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Method Used	**Projected Unit Credit (PUC)**	Projected Unit Credit (PUC)	**Projected Unit Credit (PUC)**	Projected Unit Credit (PUC)	**Projected Unit Credit (PUC)**	Projected Unit Credit (PUC)
Discount Rate	**7.50%**	8.00%	**7.50%**	8.00%	**7.50%**	8.00%
Expected Rate of Return on Plan Assets	**8.20%**	8.36%	**-**	-	**-**	-
Future Salary Increase	**6.00%**	6.00%	**6.00%**	6.00%	**6.00%**	6.00%

- The Expected Rate of Return on Assets is the assumed rate of return (annualised).
- The Principle assumptions are the discount rate and salary growth rate. The discount rate is generally based on the market yields available on govt. bonds at the 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.

42. 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) is 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. The final notification for giving effect to transfer of assets and liabilities to successor entities of erstwhile TNEB has been issued. The transferee entities are repaying the outstanding loan of the Company as per the provisional transfer schemes. REC shall take further steps to execute the Final Loan Transfer Agreements after the finalisation of financial statements for FY 2016-17.

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).

(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.

NOTES TO ACCOUNTS

43. The Ministry of Power launched a scheme 'Ujwal DISCOM Assurance Yojana' (UDAY) for achieving financial turnaround of the DISCOMs which are reeling under burden of heavy debt and losses. As per the OM dated 20 November 2015 issued by MoP on the UDAY scheme, States shall take over 75% of the DISCOM debt as on 30 September 2015 over 2 years.

The DISCOMs of Punjab, Uttar Pradesh, Chhattisgarh, Rajasthan, Haryana, Bihar, Tamil Nadu, Madhya Pradesh, Telangana, Himachal Pradesh and Andhra Pradesh have pre-paid their outstanding loan amounting to ₹ 42,700 Crores till date under the scheme.

44. The Company's main business is to provide finance to power sector. Accordingly, the Company does not have more than one segment eligible for reporting in terms of Accounting Standard-17.

45. Capital to Risk-weighted Assets Ratio (CRAR)

Being an Infrastructure Finance Company (IFC), REC is required to maintain a Capital to Risk Weighted Assets Ratio (CRAR) of 15% (with a minimum Tier I Capital of 10%).

	Particulars	As at / For the year ended 31.03.2017	As at / For the year ended 31.03.2016
(i)	CRAR (%)	21.18%	20.38%
(ii)	CRAR - Tier I Capital (%)	18.43%	17.48%
(iii)	CRAR - Tier II Capital (%)	2.75%	2.90%
(iv)	Amount of subordinated debt raised as Tier-II capital (₹ in crore)	-	-
(v)	Amount raised by issue of Perpetual Debt Instruments (₹ in crore)	-	-

46. Asset Liability Management - Maturity pattern of certain items of Assets and Liabilities :

(₹ in Crores)

As at 31.03.2017	Advances	Investments	Borrowings		Foreign Currency Items	
			Domestic Borrowings	Foreign Currency Borrowings	Assets	Liabilities (Other than Borrowings)
Upto 30/31 days	1,201	-	403	1,103	-	-
Over 1 month upto 2 months	3,244	-	366	-	-	-
Over 2 months upto 3 months	2,479	-	326	89	-	-
Over 3 month & upto 6 months	5,437	-	9,854	102	-	-
Over 6 months & upto 1 year	11,903	149	5,629	157	-	-
Over 1 year & upto 3 years	38,419	189	46,606	13,135	-	-
Over 3 years & upto 5 years	35,976	-	33,435	6,291	-	-
Over 5 years	1,03,270	2,374	49,817	204	-	-
Total	**2,01,929**	**2,712**	**1,46,436**	**21,081**	**-**	**-**

NOTES TO ACCOUNTS

(₹ in Crores)

As at 31.03.2016	Advances	Investments	Borrowings		Foreign Currency Items	
			Domestic Borrowings	Foreign Currency Borrowings	Assets	Liabilities (Other than Borrowings)
Upto 30/31 days	2,798	-	2,118	-	-	-
Over 1 month upto 2 months	1,971	-	2,999	-	-	-
Over 2 months upto 3 months	6,610	-	2,366	97	-	-
Over 3 month & upto 6 months	21,395	-	8,239	1,473	-	-
Over 6 months & upto 1 year	10,543	149	11,446	1,579	-	-
Over 1 year & upto 3 years	36,506	189	36,540	7,815	-	-
Over 3 years & upto 5 years	34,735	94	27,305	10,691	-	-
Over 5 years	86,720	2,035	56,170	269	-	-
Total	**2,01,278**	**2,467**	**1,47,183**	**21,924**	**-**	**-**

47. There are no Off-Balance Sheet SPVs sponsored by the Company, which need to be consolidated as per accounting norms.

48. No penalties have been levied on the Company by any regulator during the year ended 31 March 2017 (Previous year Nil).

49. No complaints have been received by the Company from the borrowers under the Fair Practices Code during the year ended 31 March 2017 (Previous year Nil).

50. Previous year figures have been reclassified/ regrouped to conform to the current classification.

51. Figures in Rupees have been rounded off to the nearest crores with two decimals, unless expressly stated.

The Significant Accounting Policies and Notes to Accounts 1 to 59 are an integral part of the Consolidated Financial Statements.

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

P V Ramesh
Chairman and Managing Director
DIN - 02836069

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Shrey Gupta
Partner
M.No. : 522315

Anil Gaur
Partner
M.No. : 017546

Place : Mumbai
Date : 30 May 2017

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

(₹ in Crores)

	YEAR ENDED 31.03.2017		YEAR ENDED 31.03.2016	
A. Cash Flow from Operating Activities:				
Net Profit before Tax	**8,860.70**		8,045.21	
Adjustments for:				
1. Profit (-) / Loss on Sale of Fixed Assets	**0.52**		0.38	
2. Depreciation & Amortization	**4.40**		5.45	
3. Provisions and Contingencies	**1,109.47**		1,089.85	
4. Interest on Commercial Paper	**300.46**		285.91	
5. Excess Provision written back	**-**		-0.07	
6. Gain on Changes in Fair Value of Interest Rate Swaps	**-324.77**		-	
7. Profit on sale/redemption of investments	**-79.75**		-12.29	
8. Loss/ Gain(-) on Exchange Rate fluctuation	**55.09**		666.13	
9. Dividend from Subsidiary Co.	**-19.50**		-10.01	
10. Dividend from Investments	**-66.54**		-3.05	
11. Interest on Long-term Investments/ Govt. Securities	**-226.11**		-85.97	
12. Provision made for Interest on Advance Income Tax	**2.82**		-	
13. Discount on Bonds written off	**0.14**		3.99	
14. Interest Accrued on Zero Coupon Bonds	**82.45**		76.17	
Operating profit before Changes in Operating Assets & Liabilities	**9,699.38**		10,061.70	
Increase / Decrease :				
1. Loan Assets	**-650.38**		-21,733.35	
2. Other Operating Assets	**362.55**		27.89	
3. Operating Liabilities	**-91.32**		936.54	
Cash flow from Operations	**9,320.23**		-10,707.22	
1. Income Tax Paid (including TDS)	**-2,548.11**		-2,539.74	
2. Income Tax refund	**22.07**		42.00	
Net Cash Flow from Operating Activities		**6,794.19**		-13,204.96
B. Cash Flow from Investing Activities				
1. Sale of Fixed Assets	**0.06**		0.86	
2. Purchase of Fixed Assets (incl. CWIP, Intangible Assets under development & Capital Advances)	**-27.01**		-104.63	
3. Investment in shares of Energy Efficiency Services Ltd. (including share application money pending allotment)	**-**		-124.00	
4. Investment in 11.15% Additional Tier-1 Perpetual Bonds of Indian Bank	**-**		-500.00	

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

(₹ in Crores)

	YEAR ENDED 31.03.2017		YEAR ENDED 31.03.2016	
5. Investment in 11.25% Additional Tier-1 Perpetual Bonds of Vijaya Bank	**-**		-500.00	
6. Investment in 11.25% Additional Tier-1 Perpetual Bonds of Syndicate Bank	**-**		-500.00	
7. Investment in shares of NHPC Ltd. (net of sale)	**-400.80**		-	
8. Redemption of 8% Government of Madhya Pradesh Power Bonds-II	**94.32**		94.32	
9. Sale of Long-term Investments	**76.65**		762.53	
10. Profit on sale/redemption of investments	**79.75**		12.29	
11. Interest on Long-term Investments/ Govt. Securities	**229.94**		106.05	
12. Dividend from Subsidiary Co.	**19.50**		10.01	
13. Dividend from Investments	**66.54**		3.05	
Net Cash Flow from Investing Activities		**138.95**		-739.52
C. Cash Flow from Financing Activities				
1. Issue of Bonds (Net of redemptions)	**5,871.66**		14,972.72	
2. Raising of Term Loans/ STL from Banks/ FIs (Net of repayments)	**-1,099.93**		-459.07	
3. Raising of Foreign Currency Loan (Net of redemptions and inclusive of related derivative payments)	**-833.33**		-2,607.56	
4. Funds received from GOI for further disbursement as Subsidy/ Grant including interest (Net of refund)	**8,027.15**		4,436.52	
5. Disbursement of grants	**-8,039.66**		-4,691.45	
6. Repayment of Govt. Loan	**-**		-3.07	
7. Payment of Final Dividend	**-503.60**		-266.61	
8. Payment of Interim Dividend	**-1,382.44**		-1,184.95	
9. Payment of Corporate Dividend Tax	**-379.98**		-293.47	
10. Premium on issue of securities	**-**		0.28	
11. Issue of Commercial Paper (Net of repayments)	**-5,833.16**		5,246.79	
Net Cash flow from Financing Activities		**-4,173.29**		15,150.13
Net Increase/Decrease in Cash & Cash Equivalents		**2,759.85**		1,205.65
Cash & Cash Equivalents as at the beginning of the year		**1,728.19**		522.54
Cash & Cash Equivalents as at the end of the year		**4,488.04**		1,728.19

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

Components of Cash & Cash Equivalents as at end of the year are:

(₹ in Crores)

	YEAR ENDED 31.03.2017		YEAR ENDED 31.03.2016	
- Balances with Banks in:				
- Accounts with RBI and other banks		848.08		923.68
- Undisbursed DDUGJY, AG&SP, NEF and Other Grants #		0.51		34.17
- Unpaid Dividend Accounts #		2.75		2.73
- Short-term Deposits with Scheduled Banks		2,476.70		767.61
- Short term Investment in Debt Mutual Funds		1,160.00		-
Total Cash & Cash Equivalents		**4,488.04**		**1,728.19**

These balances are not available for free use by the Company as they represent earmarked balances held in respective grant accounts and unpaid dividends.

Further, Balances with Banks include ₹ 2.13 Crores (Previous year ₹ 1.77 Crores) set aside for grants disbursement and short-term deposits with scheduled banks include ₹ 23.20 Crores (Previous year ₹ 2.41 Crores) earmarked towards DDUGJY and other grants and not available for free use by the Company.

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

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

P V Ramesh
Chairman and Managing Director
DIN - 02836069

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Shrey Gupta
Partner
M.No. : 522315

Anil Gaur
Partner
M.No. : 017546

Place : Mumbai
Date : 30 May 2017

ANNEXURE TO BE ENCLOSED WITH BALANCE SHEET AS AT 31 MARCH 2017

(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 Rural Electrification Corporation Ltd.)

(₹ in Crores)

	Particulars	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	59,717.71	-
	- Unsecured	85,969.13	-
	(b) Deferred Credits	-	-
	(c) Term Loans		
	- from Financial Institutions	750.00	-
	(d) Inter-corporate Loans and Borrowing	-	-
	(e) Commercial Paper	-	-
	(f) Other Loans		
	- Foreign Currency Borrowings	21,080.55	-
	- Loans Repayable on Demand from Banks & FIs	-	-

(₹ in Crores)

	Particulars	Amount Outstanding
	ASSETS SIDE :	
(2)	**Break-up of Loans and Advances including bills receivables**	
	(a) Secured	1,69,053.45
	(b) Unsecured	31,330.55
(3)	**INVESTMENTS :**	
	Current Investments:	
	Unquoted:	
	(i) Shares : Equity	102.00
	Long Term Investments:	
	Quoted:	
	(i) Shares : Equity	400.80
	(i) Debentures and Bonds	1,500.00
	Unquoted:	
	(i) Shares : Equity	163.85
	(ii) Debentures and Bonds	303.85
	(iii) Units of mutual funds	6.15
	(iv) Government Securities	235.80

(4) Borrower Group-wise classification of assets financed in (2) above :

(₹ in Crores)

Category	AMOUNT NET OF PROVISIONS		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	-	1.35	1.35
(b) Companies in the same Group	-	-	-
(c) Other related Parties	0.01	0.49	0.50
2. Other than Related Parties	1,69,053.44	31,328.71	2,00,382.15
Total	**1,69,053.45**	**31,330.55**	**2,00,384.00**

(5) Investor group-wise classification of investments (current and long term) in shares and securities (both quoted and unquoted) :

(₹ in Crores)

Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties		
(a) Subsidiaries	0.10	0.10
(b) Companies in the same Group	-	-
(c) Other related Parties	146.50	146.50
2. Other than Related Parties	2,737.96	2,549.85
Total	**2,885.56**	**2,696.45**

(6) Other Information

(₹ in Crores)

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related Parties	-
(b) Other than related Parties	4,872.69
(ii) Net Non-Performing Assets	
(a) Related Parties	-
(b) Other than related Parties	**3,237.35**
(iii) Asset acquired in satisfaction of debts	**-**

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

P V Ramesh
Chairman and Managing Director
DIN - 02836069

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Shrey Gupta
Partner
M.No. : 522315

Anil Gaur
Partner
M.No. : 017546

Place : Mumbai
Date : 30 May 2017

INDEPENDENT AUDITORS' REPORT

To,
The Members,
Rural Electrification Corporation Limited
New Delhi

The Revised Report is issued in supersession of our earlier Audit Report dated 30 May 2017, at the instance of the Comptroller & Auditor General (C&AG) of India in order to make it more clarificatory, particularly in respect of the reporting requirements of the Clause (i) of sub-section 3 of the Section 143 of the Companies Act 2013 pertaining to reporting on Internal Financial Controls. Further, we confirm that there is no change in the true & fair view of the financial statements as expressed in earlier report and also none of the figures have undergone any change in the financial statements of the Company as at 31 March 2017.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Rural Electrification Corporation Limited (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its jointly controlled entity,comprising of the Consolidated Balance Sheet as at 31st March, 2017, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information(hereinafter referred to as "the Consolidated Financial Statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance 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 Rule 7 of the Companies (Accounts) Rules, 2014 and MCA General Circular No. 15/2013 dated 13th September, 2013. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safe guarding 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 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 consolidated 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 presentation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. While conducting an audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in theConsolidatedFinancial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the holding Company's Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their report referred to in sub-paragraph (a) of the "Other Matters" below, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by 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 the consolidated state of affairs of the Group and its jointly controlled entity as at 31st March, 2017, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matters

(a) We did not audit the financial statements of two subsidiaries whose financial statements reflect total assets of ₹ 391.65 crores as at 31 March 2017 (Previous year ₹ 347.67 crores), total revenues of ₹ 243.96 crores (Previous year ₹ 195.69 crores) and net cash flows amounting to ₹ -9.21 crores (Previous year ₹ -8.70 crores) for the year ended on 31 March, 2017, as considered in the Consolidated Financial Statements. The Consolidated Financial Statements also include the subsidiaries' share of net profit after tax of ₹ 74.78 crores (Previous Year ₹ 64.98 crores)as considered in the Consolidated 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 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) 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) We did not audit the financial statements of one jointly controlled entity, whose financial statements reflect total assets of ₹ 838.77 crores (Previous year ₹ 427.98 crores) as at 31 March 2017, total revenues of ₹ 408.83 crores (Previous year ₹ 205.87 crores) and net cash flows amounting to ₹ 6.11 crores (Previous year ₹ 60.51 crores) for the year ended on 31 March, 2017, as considered in the Consolidated Financial Statements. The Consolidated Financial Statements also include the jointly controlled entity's share of net profit after tax of ₹ 15.72 crores (Previous Year ₹ 9.47 crores) as considered in the Consolidated Financial Statements. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated 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) of Section 143 of the Act in so far as it relates to the aforesaid jointly controlled entity, is based solely on such unaudited financial statements/ financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group & its jointly controlled entity.

Our opinion on the consolidated 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 certified by the Management.

Report on Other Legal and Regulatory Requirements

1. 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 of the aforesaid Consolidated Financial Statements.

   (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated 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, 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 Financial Statements.

   (d) In our opinion, the aforesaid Consolidated Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and MCA General Circular No. 15/2013 dated 13th September, 2013.

   (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 financial statements as also the other financial information of the subsidiaries and joint ventures:

      i) The Consolidated Financial Statements disclose the impact of pending litigations on the consolidated financial position of the Group and its jointly controlled entity- Refer Note 30.1 to the consolidated financial statements;

      ii) The Group and its jointly controlled entity does not have any such 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 Holding Company and its subsidiary companies and its jointly controlled entity incorporated in India.

iv) The company has provided requisite disclosures in the consolidated financial statements as to holdings as well as dealings in specified bank notes during the period from 8th November, 2016 to 30th December, 2016. Based on audit procedures and we have relied other auditor report for subsidiary and management representation for joint venture. We report that the disclosures are in accordance with books of account maintained by the management. Refer Note 17.1 to the consolidated financial statements.

For Raj Har Gopal & Co.	**For A.R & Co.**
Chartered Accountants	Chartered Accountants
Firm Regn. No. 002074N	Firm Regn. No. 002744C
(Shrey Gupta)	**(Anil Gaur)**
Partner	Partner
M. No. 522315	M. No. 017546

Place : New Delhi

Date : 17th July 2017

ANNEXURE-A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF 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 financial statements of the Company as of and for the year ended March 31, 2017, we have audited the internal financial controls over financial reporting of 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, 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 andmaintenance 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 ofreliable financial information, as required under the Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Group and its jointly controlled entity based on our audit. We conducted our audit in accordance withthe 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 Companies Act, 2013, 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 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 over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Group and its jointly controlled entity'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 and its jointly controlled entity's internal financial control over financial reporting includes those policiesand 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 and its jointly controlled entity;

(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 its jointly controlled entity; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Group and its jointly controlled entity'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 inconditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Group and its jointly controlled entity has, in all material aspects, an adequate internal financial controls system except (i) improvement in ERP system relating to classification of loans & advances as secured or unsecured, determination of non-performing assets in the ERP system, shift in the moratorium period due to structuring/restructuring, revalidation of the sanctions of loans and recording of non-entertaining/rejection/disposal of applications of the loans, (ii) strengthening of procedures for monitoring of utilization of funds disbursed to the borrowers, (iii) procedure for processing of the claims of travel agent,over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2017, 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.

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 March 31, 2017 Consolidated 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 Groupand 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 in so far 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.

The system of internal financial controls over financial reporting, with regard to its jointly controlled entity, M/s Energy Efficiency Services Ltd. which being unaudited, have not been provided to us to determine whether the company has established adequate internal financial control over financial reporting at the aforesaid jointly controlled entity and whether such internal financial controls were operating effectively as at March 31, 2017. The contribution of the, jointly controlled entity of the company, to the total assets of the group and its jointly controlled entity is not material.

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 its jointly controlled entity, and the above disclosure does not affect our opinion on the operating effectiveness of the Internal Financial Control over financial reporting of the Group and its jointly controlled entity.

For Raj Har Gopal & Co.	**For A.R & Co.**
Chartered Accountants	Chartered Accountants
Firm Regn. No. 002074N	Firm Regn. No. 002744C
(Shrey Gupta)	**(Anil Gaur)**
Partner	Partner
M. No. 522315	M. No. 017546

Place : New Delhi

Date : 17th July, 2017

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2017

(₹ in Crores)

Sl. No.	Particulars	Note No	As at 31.03.2017	As at 31.03.2016
I.	**EQUITY AND LIABILITIES**			
(1)	**Shareholders' Funds**			
	(a) Share Capital	2	**1,974.92**	987.46
	(b) Reserves and Surplus	3	**31,695.64**	27,905.94
	Sub-total (1)		**33,670.56**	**28,893.40**
(2)	**Non-current Liabilities**			
	(a) Long-term Borrowings	4	**149,680.89**	138,783.85
	(b) Deferred Tax Liabilities (Net)	5	**39.92**	47.54
	(c) Other Long-term Liabilities	6	**13.42**	10.01
	(d) Long-term Provisions	7	**1,849.47**	1,295.54
	Sub-total (2)		**151,583.70**	**140,136.94**
(3)	**Current Liabilities**			
	(a) Short-term Borrowings	8	**110.98**	6,460.77
	(b) Trade Payables	9	**160.39**	117.96
	(c) Other current liabilities	10	**24,524.99**	30,477.43
	(d) Short-term Provisions	7	**194.30**	858.42
	Sub-total (3)		**24,990.66**	**37,914.58**
	Total (1+2+3)		**210,244.92**	**206,944.92**
II.	**ASSETS**			
(1)	**Non-current Assets**			
	(a) Fixed assets	11		
	(i) Tangible Assets		**354.11**	253.05
	(ii) Intangible Assets		**0.74**	1.03
	(iii) Capital work-in-progress		**164.13**	76.84
	(iv) Intangible Assets under Development		**1.46**	**1.21**
			520.44	**332.13**
	(b) Non-current Investments	12	**2,432.57**	2,202.14
	(c) Long-term Loans & Advances	13	**177,351.58**	157,796.82
	(d) Other Non-current Assets	14	**394.07**	109.26
	Sub-total (1)		**180,698.66**	**160,440.35**
(2)	**Current Assets**			
	(a) Current Investments	12	**184.36**	149.41
	(b) Inventories	15	**51.18**	66.79
	(c) Trade Receivables	16	**438.40**	231.89
	(d) Cash & Bank Balances	17	**4,650.79**	1,864.08
	(e) Short-term Loans & Advances	18	**3,618.72**	809.37
	(f) Other Current Assets	19	**20,602.81**	43,383.03
	Sub-total (2)		**29,546.26**	**46,504.57**
	Total (1+2)		**210,244.92**	**206,944.92**

The Significant Accounting Policies and Notes to Accounts 1 to 59 are an integral part of these financial statements.

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

P V Ramesh
Chairman and Managing Director
DIN - 02836069

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Shrey Gupta
Partner
M.No. : 522315

Anil Gaur
Partner
M.No. : 017546

Place : Mumbai
Date : 30 May 2017

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2017

(₹ in Crores)

Sl. No.	Particulars	Note No.	Year ended 31.03.2017	Year ended 31.03.2016
I.	Revenue from Operations	20	**23,945.16**	24,012.88
II.	Other Income	21	**740.84**	117.05
III.	**Total Revenue (I+II)**		**24,686.00**	24,129.93
IV.	**Expenses**			
(i)	Finance Costs	22	**13,786.36**	14,282.35
(ii)	Employee Benefits Expense	23	**192.75**	143.19
(iii)	Depreciation & Amortization	11	**40.33**	19.67
(iv)	Corporate Social Responsibility Expenses	24	**68.94**	120.29
(v)	Other Expenses	25	**220.58**	164.39
(vi)	Provisions and Contingencies	26	**1,110.31**	1,096.18
(vii)	Purchases of Stock-in-Trade		**273.12**	223.60
(viii)	Changes in inventories of Stock-in-Trade & Work-in-Progress	27	**22.76**	(66.79)
	Total Expenses (IV)		**15,715.15**	**15,982.88**
V.	**Profit before Prior Period Items & Tax (III-IV)**		**8,970.85**	8,147.05
VI.	**Prior Period Items**	28	**(1.51)**	0.39
VII.	**Profit before Tax (V-VI)**		**8,972.36**	**8,146.66**
VIII.	**Tax Expense :**			
(i)	Current Year		**2648.37**	2516.85
(ii)	Earlier Years/ (Refunds)		**(27.79)**	(2.77)
(iii)	Deferred Tax		**38.41**	(58.84)
	Total Tax Expense (i+ii+iii)		**2,658.99**	**2,455.24**
IX.	**Profit for the year from Continuing Operations (VII-VIII)**		**6,313.37**	5,691.42
X.	**Profit from Discontinuing Operations (after tax)**		**-**	-
XI.	**Profit for the year (IX+X)**		**6,313.37**	**5,691.42**
XII.	**Earnings per Equity Share (in ₹ for an equity share of ₹ 10 each)**			
	(1) Basic	29	**31.97**	28.82
	(2) Diluted	29	**31.97**	28.82

The Significant Accounting Policies and Notes to Accounts 1 to 59 are an integral part of these financial statements.

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

P V Ramesh
Chairman and Managing Director
DIN - 02836069

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Shrey Gupta
Partner
M.No. : 522315

Anil Gaur
Partner
M.No. : 017546

Place : Mumbai
Date : 30 May 2017

CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES

A. Principles of Consolidation

The Consolidated Financial Statements relate to Rural Electrification Corporation Limited ('the Company'), its subsidiary companies and joint venture. The consolidated financial statements have been prepared on the following basis:

The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements."

The Financial Statements of Joint Venture entity has been combined by applying proportionate consolidation method on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating proportionate share of unrealized profits or losses in accordance with Accounting Standard (AS) 27 – "Financial Reporting of Interests in Joint Ventures".

As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's standalone financial statements.

B. Other Significant Accounting Policies

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS.

(a) Accounting Convention: - The financial statements are prepared under the historical cost convention on accrual basis and in accordance with generally accepted accounting principles and accounting standards as applicable under Section 133 of the Companies Act, 2013 read with MCA General Circular No. 15/2013 dated 13 September 2013. The financial statements adhere to the relevant presentational requirements of the Companies Act, 2013.

(b) Use of Estimates: - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure thereof at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which results materialize.

2. INCOME RECOGNITION, ASSET CLASSIFICATION AND PROVISIONING.

The Company is following regulatory norms/ guidelines as prescribed by Reserve Bank of India (RBI) from time to time. However, RBI has allowed certain specific relaxations in respect of non-applicability of reduced period for NPA recognition in case of loans sanctioned on or before 31 March 2015 and exemption for certain projects from applicability of Restructuring norms of RBI and allowed the Company to continue to be regulated by the existing REC's prudential norms. The salient features in respect of Income Recognition, Asset classification and Provisioning are as under:

2.1. Income Recognition

a. Income on Non Performing Assets is recognized as and when received and appropriated. Any such income recognized before the asset becomes non-performing and remaining unrealized is reversed.

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

   In respect of standard loans including those whose terms are renegotiated/rescheduled/ restructured and retained as Standard Loans, income is recognized on accrual basis.

b. Income of fee of DDUGJY Schemes is recognized on the basis of the services rendered and amount of fee sanctioned by the Ministry of Power.

c. Income of service charges of NEF (Interest Subsidy) Scheme is recognized on the basis of the services rendered and amount of service charges sanctioned by the Ministry of Power.

d. Income under the head processing fee, upfront fee, lead fee, fees/ charges received under the mutatis-mutandis clause and pre-payment premium is accounted for in the year in which it is received by the company.

e. Income from consultancy services is recognized based on proportionate completion method as per AS 9 – Revenue Recognition

f. Revenue from contacts is recognized as follows:

   (i) in cost plus contacts – by including eligible contractual items of expenditure plus proportionate margin as per the contact.

   (ii) in fixed price contacts – on the basis of contractual price breakup of deliverables. In the absence of the same, at the cost of work performed on the contact plus proportionate margin using the percentage of completion method.

g. Revenue from sale of goods is recognized at the time of delivery of goods to customers.

h. Income from investments

(1) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on accrual basis when REC's right to receive payment is established.

Provided that in case of final dividend, right to receive payment shall be considered as established only upon approval of the dividend by the shareholders in Annual General Meeting.

(2) Income from bonds and debentures of corporate bodies and from Government securities/bonds shall be taken into account on accrual basis.

Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

(3) Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government shall be taken into account on accrual basis.

2.2 Assets Classification

Loans and advances are classified as standard assets and non- performing assets, based on the guidelines issued by the RBI.

(1) Standard Assets: 'Standard asset' means an asset which is not an NPA and in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business.

In view of relaxation given by RBI vide letter dated June 11th, 2015, for Transmission & Distribution, Renovation & Modernization and Life Extension projects and also the Hydro projects in Himalayan region or affected by natural disasters, the rescheduling or restructuring or renegotiation of a standard infrastructure loan asset shall not cause it to be reclassified if the revised project is found to be viable by the competent authority.

(2) Non performing Assets (NPA): A Loan asset shall become NPA:-

(a) if interest and/ or instalment of principal remains overdue for a period of two quarters or more.

The above period of two quarters shall be 5 months for the financial year ending 31 March 2016, 4 months for the financial year ending 31 March 2017 and 3 months for the financial year ending 31 March 2018 and thereafter. However, RBI vide letter dated 5 October 2015 has permitted that the existing loans of the company i.e. loans sanctioned on or before 31 March 2015 are permitted to be regulated under the REC's existing asset classification norms (180 days) till 31 March 2017.

(b) In case of under implementation Generation Projects other than Hydro projects in Himalayan region or affected by natural disasters, the loan Asset shall also be classified as NPA if it fails to commence commercial operations within 2 years or upto 3/4 years (subject to certain conditions) from the original DCCO as the case may be depending upon the reasons of such delay.

(c) For the purpose of classification of assets into standard, sub-standard, doubtful and loss categories, facilities shall be classified borrower wise with the following exception:

Government Sector loans, where cash flows from each project are separately identifiable and applied to the same project, REC shall classify such loans on project wise basis.

NPAs are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria.

(i) Sub-Standard Assets: 'Sub-standard asset' means an asset which has been classified as non-performing asset for a period not exceeding 16 months' for the financial year ending 31 March 2016; 'not exceeding 14 months' for the financial year ending 31 March 2017; and 'not exceeding 12 months' for the financial year ending 31 March 2018 and thereafter.

An asset which has been renegotiated or rescheduled or restructured shall be a sub-standard asset or continue to remain in the same category in which it was prior to its renegotiation or re-schedulement or restructuring, as a doubtful asset or a loss asset as the case may be. Such asset may be upgraded only when all the outstanding loan/ facilities in the account perform satisfactorily during the period up to one year from the commencement of the first payment of interest or principal whichever is later on the credit facility with longest period of moratorium under the terms of restructuring package. Necessary provision is required to be made as applicable to such asset till it is upgraded.

(ii) Doubtful Assets: Doubtful asset means an asset which remains a substandard asset for a period 'exceeding 16 months' for the financial year ended 31 March 2016; 'exceeding 14 months' for the financial year ending 31 March 2017 and 'exceeding 12 months' for the financial year ending 31 March 2018 and thereafter.

(iii) Loss Assets: Loss asset means –

a) An asset which has been identified as loss asset by REC or its internal or external auditor or by RBI, to the extent it is not written off by REC, and

b) An asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non availability of security or due to any fraudulent act or omission on the part of the borrower.

2.3 Provisioning against Loans

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

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

(ii) Doubtful assets –

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

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

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

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

(iv) Standard assets - Provision in respect of Standard Assets is made as below:

Particulars	Provisioning Requirement
For Restructured Loans other than under Transmission & Distribution, Renovation & Modernisation and Life Extension projects as also the hydro projects in Himalayan region or affected by natural disasters, if the original DCCO prescribed at the time of financial closure is extended beyond 2 years and upto:	In respect of the stock of outstanding loans as on 31 March 2015, provisioning requirement shall be as below:
a. 4 years in case the reason for extension of DCCO is arbitration proceedings or a court case. b. 3 years in case the reason for extension of DCCO is beyond the control of promoters (other than court cases).	• 2.75% with effect from 31 March 2015 • 3.50% with effect from 31 March 2016 (spread over 4 quarters of 2015-16) • 4.25% with effect from 31 March 2017 (spread over 4 quarters of 2016-17) • 5.00% with effect from 31 March 2018 (spread over 4 quarters of 2017-18) The above provision is required from the date of restructuring till the revised DCCO or 2 years from the date of restructuring whichever is later. In respect of new projects loans restructured with effect from 1st April, 2015, the provisioning requirement would be 5.00% from the date of such restructuring till the revised DCCO or 2 years from the date of restructuring whichever is later.
For Standard Assets other than specified above	In respect of the stock of outstanding loans as on 31 March 2015, provisioning requirement is as below: • 0.25% by 31 March 2015 • 0.30% by 31 March 2016 • 0.35% by 31 March 2017 • 0.40% by 31 March 2018. For incremental loans during the financial year 2015-16, 2016-17 and 2017-18, the provisioning shall be made @ 0.30%, 0.35% and 0.40% respectively and shall be further increased in a phased manner so as to make it equal to 0.40% by 31st March, 2018.

2.4 Treatment of Provisions held

The provisions in respect of Non Performing Assets (NPAs) is reversed only after the complete recovery of the outstanding/ regularization of the account.

2.5 For restructured/ rescheduled assets, provisions are made in accordance the guidelines (subject to specific relaxations) issued by RBI, which requires that the difference between the fair value of the loan assets before and after restructuring is provided for, in addition to provision for the respective loan assets.

3. FIXED ASSETS.

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

4. DEPRECIATION.

4.1. Depreciation on assets is provided on straight-line method in accordance with the useful lives prescribed under Schedule II to the Companies Act, 2013.

4.2. Depreciation on assets purchased / sold during the year is charged for the full month if the asset is in use for more than 15 days, instead of charging the same on pro-rata basis from the date of purchase/sale.

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

4.4. Leasehold land is amortized over the lease period.

5. INTANGIBLE ASSETS.

An Intangible Asset is recognized where it is probable that the future economic benefits attributable to the assets will flow to the company. The depreciable amount of an intangible asset is allocated on straight line basis over the best estimate of its useful life. Management estimates useful life of intangible assets to be 5 years.

6. INVESTMENTS.

Long term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually. Quoted current investments are carried individually at the cost or market value whichever is lower. Unquoted current investments are carried individually at the cost or fair value whichever is lower.

7. CURRENT TAX AND DEFERRED TAX.

Income Tax expense comprises current Income Tax (Amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) is determined in accordance with Accounting Standard- 22. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially established by the Balance Sheet date. Deferred Tax Assets are recognized and carry forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

8. IMPAIRMENT OF ASSETS.

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

9. PROVISIONS

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

10. BOND / DEBT ISSUE.

10.1. Expenditure on raising of funds by way of bonds is charged to revenue in the year of issue of such bonds.

10.2. The Corporation discharges its obligation towards payment of principal and interest relating to bonds by depositing the amount in the designated Bank Accounts. Accordingly, the payments are treated as final payments and these amounts are not exhibited in the books till the validity of the instruments but reconciliation thereof is carried out.

10.3. Expenditure incurred on raising of funds is charged to the Statement of Profit & Loss in the year in which it is incurred except the discount/interest on the Commercial Papers/ Reg-S-Bonds (External Commercial Borrowings), which is amortized proportionately over the period of its tenure.

11. CASH FLOW STATEMENT

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

11.2. Cash comprises cash on hand, demand deposits with banks, imprest with postal authorities and cheques / drafts / pay orders in hand. The Company considers cash equivalents as all short term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

12. PRIOR PERIOD/ PREPAID ADJUSTMENTS

12.1. Considering the nature of business, interest income/expenditure for the earlier years ascertained and determined during the year is accounted for in the year in which it is so ascertained/determined.

12.2. Other items not exceeding ₹ 5,00,000/- in each case are accounted for under natural heads of account.

13. EMPLOYEES BENEFITS

13.1 The liability for employees benefit in respect of Gratuity ascertained on actuarial valuation is provided and funded to a separate trust.

13.2 Post employment and other long term employee benefits are recognized as an expense in the Statement of Profit & Loss for the year in which the employee has rendered services. The expense is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the Statement of Profit & Loss.

14. TRANSACTION IN FOREIGN CURRENCY

Foreign Currency transactions are initially recorded at the exchange rate prevailing on the date of transaction.

In respect of accounting periods commencing on or after the 1st April, 2011, the exchange differences arising on reporting of long-term foreign currency monetary items (having a term of twelve months or more at the date of origination) at RBI reference rates prevailing at the end of each reporting period or where the RBI reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg, different from those at which they were initially recorded during the period, or reported in previous financial statements, 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.

Short-term foreign currency monetary items (having a term of less than twelve months at the date of origination) are translated at RBI reference rates prevailing at the end of each reporting period or where the RBI reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg. The resultant exchange fluctuation is recognized as income or expense in each of such periods.

15. GRANTS/FUNDS FROM GOVERNMENT

Un-disbursed funds of grant received for further disbursements are classified as current liabilities. Interest wherever earned on such funds is credited to respective grant account.

16. DERIVATIVE TRANSACTIONS

16.1 Derivative transactions include forwards, interest rate swaps, cross currency swaps and currency and cross currency options to hedge assets and liabilities.

16.2 These derivative transactions are done for hedging purpose and not for trading or speculative purpose.

Derivative contracts in the nature of foreign exchange forward contracts are accounted for as per Accounting Standard 11 "The Effects of Changes in Foreign Exchange Rates". These foreign exchange contract are carried net of receivables and payables in asset or liability.

Other derivative contracts such as interest rate swaps etc. are accounted for as per Guidance Note on Accounting for Derivative Contracts issued by the Institute of Chartered Accountants of India. These are carried at fair value and changes in the fair value being recognized in the statement of Profit & Loss.

17. INVENTORIES

17.1 Stock-in-trade is valued at lower of cost and net realizable value.

17.2 Work-in-progress comprising material procured and other directly attributable overheads is valued at lower of cost and net realizable value.

17.3 Cost is determined on First In First Out (FIFO) basis.

CONSOLIDATED NOTES TO ACCOUNTS

1. The consolidated financial statements represent consolidation of accounts of the company (Rural Electrification Corporation Limited), its subsidiary companies and joint venture entity as detailed below:

Name of the Subsidiary Company/ Joint Venture	Country of Incorporation	Proportion of ownership Interest	Status of Accounts
Name of the Subsidiaries			
- REC Transmission Projects Company Limited (RECTPCL)	India	100%	Audited
- REC Power Distribution Company Limited (RECPDCL)	India	100%	Audited
Name of the Joint Ventures			
- Energy Efficiency Services Limited (EESL) *	India	31.71%	Un-audited

** The financial statements 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.*

RECTPCL forms wholly owned subsidiaries to act as SPVs for transmission projects with an intention that these SPVs will be handed over to the successful bidder on completion of the bidding process. As per Para 11 of AS-21, a subsidiary should be excluded from consolidation when control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future. Therefore, the financial statements of the subsidiaries of RECTPCL namely Dinchang Transmission Limited, Ghatampur Transmission Limited, ERSS XXI Transmission Limited and WR-NR Power Transmission Limited have not been consolidated with the financial statements of the Company.

2. **Share Capital**

(₹ in Crores)

Particulars	As at 31.03.2017		As at 31.03.2016	
	No. of Shares	Amount	No. of Shares	Amount
Authorised :				
Equity shares of ₹ 10 each	**5,00,00,00,000**	**5,000.00**	1,20,00,00,000	1,200.00
Issued, Subscribed and Paid up :				
Fully paid up Equity shares of ₹ 10 each	**1,97,49,18,000**	**1,974.92**	98,74,59,000	987.46
Total	**1,97,49,18,000**	**1,974.92**	**98,74,59,000**	**987.46**

2.1 Reconciliation of the number of shares outstanding at the beginning and at the end of the year

(₹ in Crores)

Particulars	As at 31.03.2017		As at 31.03.2016	
	No. of Shares	Amount	No. of Shares	Amount
Number of shares at the beginning of the year	**98,74,59,000**	**987.46**	98,74,59,000	987.46
Add: Bonus shares issued & allotted during the year	**98,74,59,000**	**987.46**	-	-
Number of shares at the end of the year	**1,97,49,18,000**	**1,974.92**	98,74,59,000	987.46

The shareholders of the Company in Annual General Meeting (AGM) held on 21 September 2016 *inter-alia* approved the increase in Authorised Capital of the Company from ₹ 1,200 crores to ₹ 5,000 crores and issue of Bonus shares in the ratio of 1:1 (i.e. one bonus equity share of ₹ 10/- each for every one fully paid up Equity Share of ₹ 10/- each), to the shareholders by capitalizing existing reserves by a sum of ₹ 987.46 Crores. Accordingly, 98,74,59,000 bonus shares were issued & allotted on 30 September 2016.

2.2 Allotment of Bonus Shares during the year and during preceding five years

The Company has allotted 98,74,59,000 Equity Shares as fully paid up by way of bonus shares during FY 2016-17.

2.3 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.

2.4 Shareholders holding more than 5% of fully paid-up equity shares :

Name	As at 31.03.2017		As at 31.03.2016	
	No. of Shares	**Percentage**	No. of Shares	Percentage
The President of India	**1,16,25,04,472**	**58.86%**	59,87,67,680	60.64%
Life Insurance Corporation of India	**12,63,22,504**	**6.40%**	8,64,90,414	8.76%

During the financial year 2016-17, the President of India acting through Ministry of Power, Government of India divested/sold 2,51,33,733 equity shares i.e. 1.28 % of total paid up capital of the Company on 25 January 2017 and 98,97,155 equity shares i.e. 0.50% of total paid up capital of the Company on 22 March 2017 through Off-market sale of shares under the Central Public Sector Enterprises Exchange Traded Fund (CPSE ETF). Accordingly, as on 31 March 2017, the President of India holds 58.86 % of the paid up equity share capital of the Company.

3. Reserves and Surplus

(₹ in Crores)

Particulars	As at 31.03.2017 Amount	As at 31.03.2016 Amount
Capital Reserve	**105.00**	105.00
Securities Premium Account (Refer Note 3.1 & 3.4)		
Balance as at the beginning of the year	**3,224.00**	3,223.72
Add: Additions during the year	**-**	0.28
Less: Deductions/ Adjustments during the year	**987.46**	-
Balance as at the end of the year	**2,236.54**	3,224.00
Debenture Redemption Reserve (Refer Note 3.2)		
Balance as at the beginning of the year	**728.36**	531.77
Add: Amount transferred from Surplus Account	**201.20**	196.59
Balance as at the end of the year	**929.56**	728.36
Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961		
Balance as at the beginning of the year	**10,349.64**	8,449.64
Add: Amount transferred from Surplus Account	**1,881.06**	1,900.00
Balance as at the end of the year	**12,230.70**	10,349.64
Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961		
Balance as at the beginning of the year	**2,011.97**	1,621.97
Add: Amount transferred from Surplus Account	**413.33**	390.00
Balance as at the end of the year	**2,425.30**	2,011.97
Foreign Currency Monetary Item Translation Difference Account (Refer Note 3.3)		
Balance as at the beginning of the year	**-172.41**	-335.46
Add: Foreign Currency Translation Gain/ Loss (-) on long term monetary items during the year	**153.63**	-503.08
Amortisation during the year	**55.09**	666.13
Balance as at the end of the year	**36.31**	-172.41
General Reserve		
Balance as at the beginning of the year	**4,727.04**	4,154.15
Add: Amount transferred from Surplus Account	**3.50**	572.89
Balance as at the end of the year	**4,730.54**	4,727.04

Particulars	As at 31.03.2017 Amount	As at 31.03.2016 Amount
Surplus Account		
Balance as at the beginning of the year	**6,932.34**	6,334.33
Less: Adjustment of MTM in respect of Interest Rate Swaps as at 31 March 2016 (Refer Note 3.4)	**86.75**	-
Add: Profit during the year	**6,313.37**	5,691.42
Add: Adjustments during the year (Refer Note 3.6)	**1.72**	0.30
Less : Appropriations		
- Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	**1,881.06**	1,900.00
- Transfer to Reserve for Bad & Doubtful Debts u/s 36(1)(viia) of the Income Tax Act, 1961	**413.33**	390.00
- Dividend		
- Interim Dividend	**1,382.44**	1,184.95
- Proposed Dividend (Final) (Refer Note 3.5)	**-**	503.60
- Dividend Distribution Tax		
- Interim Dividend	**277.46**	239.19
- Proposed Dividend (Final)	**-**	106.49
- Transfer to Debenture Redemption Reserve	**201.20**	196.59
- Transfer to General Reserve	**3.50**	572.89
Balance as at the end of the year	**9,001.69**	6,932.34
Total Reserves and Surplus	**31,695.64**	27,905.94

3.1 Additions in Securities Premium Account for the year ended 31 March 2017 represent the premium of Nil (Previous year ₹ 0.28 Crores) received on issue of Tax Free Bonds through private placement.

3.2 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. Accordingly, during the year, the company has created DRR amounting to ₹ 196.59 Crores (Previous year ₹ 196.59 Crores).

Further, in case of EESL, a Joint Venture of the Company, DRR is being created upto 25% of the value of debentures during the maturity period of such debentures. Accordingly, during the year, EESL has created DRR amounting to ₹ 14.53 Crores (Previous year Nil), REC's share being ₹ 4.61 Crores (Previous year Nil).

3.3 Foreign Currency Monetary Item Translation Difference Account

The company has 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 Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates'. The balance in 'Foreign Currency Monetary Item Translation Difference Account' remaining to be amortised is ₹ -36.31 Crores as at 31 March 2017 (₹ 172.41 Crores as at 31 March 2016).

3.4 Draw down from Reserves

In accordance with the transitional provisions mentioned in the Guidance Note on Accounting for Derivatives, an amount of ₹ 86.75 crores after netting of taxes of ₹ 45.92 crores has been adjusted in the retained earnings during the year ended 31 March 2017. This represents the change in the fair value of the interest rate swaps till 31 March 2016. Further, bonus shares have been issued to the shareholders by capitalising Securities Premium Account by a sum of ₹ 987.46 Crores during the year.

Further, no amount had been drawn from reserves during the financial year 2015-16.

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3.5 Proposed Dividend

The dividend proposed for the year is as follows :

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
On Equity Shares of ₹ 10 each		
- Amount of Dividend proposed (₹ in Crores)	**523.35**	503.60
- Rate of Dividend	**26.50%**	25.50%
- Dividend per equity share (₹)	**2.65**	2.55

During the previous year, the Company had made a provision for the dividend declared by the Board of Directors as per the requirements of pre-revised Accounting Standard 4 'Contingencies and Events Occurring After the Balance Sheet Date'. However, as per the requirements of Revised AS 4 as amended vide the Companies (Accounting Standards) Amendment Rules, 2016, the Company is not required to provide for dividend proposed by the Board of Directors for the year ended 31 March 2017. Consequently, no provision has been made in respect of the aforesaid dividend. Had the Company continued with creation of provision of proposed dividend, as at Balance Sheet date, the figure of 'Reserves & Surplus' would have been lower by ₹ 635.16 Crores and 'Short term Provisions' would have been higher by the same amount (including dividend distribution tax of ₹ 111.81 crores). Further, the previous year figures have been adjusted in view of the bonus issue in the current year to make the figures comparable (Refer Note 2.1).

3.6 During the previous year, an amount of ₹ 32.89 crore was reported by Energy Efficiency Services Ltd. (EESL), a Joint Venture of the Company, as profit after tax in their un-audited accounts, considered for consolidation of REC Group. Subsequently, the audited accounts of the Company reported a profit of ₹ 35.59 crore. The consequential increase, in proportion to the Company's share holding in the joint venture, amounting to ₹ 0.78 crore has been included in the adjustments to the Surplus account during the current year alongwith the reduction for share in dividend distribution tax amounting to ₹ 0.64 crore.

Further, during the current year, REC has been allotted fresh equity shares worth ₹ 99 crores which has resulted into an increase in shareholding of REC Limited from 28.78% to 31.71%. Due to this change, REC Limited's share of opening balance of surplus account has increased by ₹ 1.58 crore which has been included in the adjustments to the surplus account during the current year. Hence, total adjustment carried out in Surplus account during the current year is ₹ 1.72 crore.

4. Long-Term Debt

Non-current portion of the long term debt has been classified as 'Long-term borrowings' and the current portion of the long term debt has been classified as "Current Maturities of Long-term debt' in Note-10 'Other Current Liabilities'.

(₹ in Crores)

Particulars		As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
(A)	**Secured Long-Term Debt**				
(a)	**Bonds**				
	- Institutional Bonds	**22,297.15**	**5,453.30**	27,591.90	7,854.80
	- 54EC Capital Gain Tax Exemption Bonds	**14,139.62**	**5,337.78**	11,814.48	5,349.91
	- Tax Free Bonds	**12,577.97**	**-**	12,577.97	-
(b)	**Term Loans**				
	- from Financial Institutions	**400.00**	**381.71**	750.00	350.00
	Total Secured Long-Term Debt (a+b)	**49,414.74**	**11,172.79**	52,734.35	13,554.71
(B)	**Unsecured Long-Term Debt**				
(a)	**Bonds**				
	- Institutional Bonds	**79,424.70**	**5,359.70**	66,184.40	7,055.80
	- Infrastructure Bonds	**34.89**	**76.75**	34.90	207.49

(₹ in Crores)

Particulars		As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
	- Zero Coupon Bonds	**1,073.09**	**-**	990.64	-
(b)	**Other Loans & Advances**				
	- Foreign Currency Borrowings	**19,733.47**	**1,450.53**	18,839.56	3,149.02
	Total Unsecured Long-Term Debt (a+b)	**1,00,266.15**	**6,886.98**	86,049.50	10,412.31
	Total Long-Term Debt (A+B)	**1,49,680.89**	**18,059.77**	1,38,783.85	23,967.02
	Total Long-Term Debt (Non-Current + Current)	**1,67,740.66**		1,62,750.87	

Details of Long-term Debt :

4.1 Details of secured long-term debt :

(Refer Note 4.3 for details of the security)

4.1.1 Bonds

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
4.1.1.1	**Institutional Bonds**				
	123-IIIB Series	1,955.00	-	1,955.00	-
	9.34% Redeemable at par on 23.08.2024				
	STRPP C	79.27	-	-	-
	8.07% Redeemable at par on 20.09.2023				
	STRPP B	39.64	-	-	-
	8.07% Redeemable at par on 20.09.2021				
	123-I Series	1,515.00	-	1,515.00	-
	9.40% Redeemable at par on 17.07.2021				
	STRPP A	39.64	-	-	-
	8.07% Redeemable at par on 20.03.2020				
	92-II Series	945.30	-	945.30	-
	8.65% Redeemable at par on 22.01.2020				
	91-II Series	995.90	-	995.90	-
	8.80% Redeemable at par on 18.11.2019				
	90-C-II Series	1,040.00	-	1,040.00	-
	8.80% Redeemable at par on 07.10.2019				
	90-B-II Series	868.20	-	868.20	-
	8.72% Redeemable at par on 04.09.2019				
	90th Series	2,000.00	-	2,000.00	-
	8.80% Redeemable at par on 03.08.2019				
	122nd Series	1,700.00	-	1,700.00	-
	9.02% Redeemable at par on 18.06.2019				
	119th Series	2,090.00	-	2,090.00	-
	9.63% Redeemable at par on 05.02.2019				

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(₹ in Crores)

Particulars	As at 31.03.2017		As at 31.03.2016	
	Non-Current	Current	Non-Current	Current
88th Series	1,495.00	-	1,495.00	-
8.65% Redeemable at par on 15.01.2019				
118th Series	1,655.00	-	1,655.00	-
9.61% Redeemable at par on 03.01.2019				
117th Series	2,878.00	-	2,878.00	-
9.38% Redeemable at par on 06.11.2018				
87-A-III Series	61.80	-	61.80	-
11.15% Redeemable at par on 24.10.2018				
116-II Series	850.00	-	850.00	-
9.24% Redeemable at par on 17.10.2018				
87-II Series	657.40	-	657.40	-
10.85% Redeemable at par on 01.10.2018				
86-B-III Series	432.00	-	432.00	-
10.85% Redeemable at par on 14.08.2018				
86-A Series	500.00	-	500.00	-
10.70% Redeemable at par on 30.07.2018				
85th Series	500.00	-	500.00	-
9.68% Redeemable at par on 13.06.2018				
83rd Series	-	685.20	685.20	-
9.07% Redeemable at par on 28.02.2018				
82nd Series	-	883.10	883.10	-
9.85% Redeemable at par on 28.09.2017				
124-I Series	-	2,610.00	2,610.00	-
9.06% Redeemable at par on 22.09.2017				
123-IIIA Series	-	1,275.00	1,275.00	-
9.25% Redeemable at par on 25.08.2017				
121st Series	-	-	-	1,600.00
9.52% Redeemed at par on 24.03.2017				
120th Series	-	-	-	1,100.00
9.67% Redeemed at par on 10.03.2017				
81st Series	-	-	-	314.80
8.85% Redeemed at par on 20.01.2017				
116-I Series	-	-	-	430.00
9.05% Redeemed at par on 17.10.2016				
123-IV Series	-	-	-	2,750.00
8.97% Redeemed at par on 08.09.2016				
123-II Series	-	-	-	1,660.00
9.27% Redeemed at par on 08.08.2016				
Total - Institutional Bonds	**22,297.15**	**5,453.30**	**27,591.90**	**7,854.80**

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
4.1.1.2	**54EC Capital Gain Tax Exemption Bonds**				
	Series X (2016-17)	7,662.92	-	-	-
	5.25%- 6.00% Redeemable at par during financial year 2019-20				
	Series X (2015-16)	6,476.70	-	6,476.70	-
	6.00% Redeemable at par during financial year 2018-19				
	Series IX (2014-15)	-	5,337.78	5,337.78	-
	6.00% Redeemable at par during financial year 2017-18				
	Series IX (2013-14)	-	-	-	5,349.91
	6.00% Redeemable at par during financial year 2016-17				
	Total - 54EC Capital Gain Tax Exemption Bonds	14,139.62	5,337.78	11,814.48	5,349.91
4.1.1.3	**Tax Free Bonds**				
	Series 2015-16 Tranche 1	696.56	-	696.56	-
	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	-	300.00	-
	7.17% Redeemable at par on 23.07.2025				
	Series 2013-14 Tranche 2	1,057.40	-	1,057.40	-
	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	-	150.00	-
	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				
	Series 2013-14 Tranche 1	3,410.60	-	3,410.60	-
	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				

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
	Series 2013-14 Series 3A & 3B	1,350.00	-	1,350.00	-
	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	-	131.06	-
	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	-	1,982.35	-
	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	-	500.00	-
	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	-	3,000.00	-
	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	-	12,577.97	-
4.1.2	**Term Loans**				
	Term Loan from Financial Institutions				
	- Life Insurance Corporation of India (LIC)	400.00	350.00	750.00	350.00
	The Loan of ₹1500 Crores (present outstanding ₹ 100 Crores @ 6.242% and ₹ 50 Crores @ 6.231%) & ₹ 2,000 Crores (present outstanding ₹ 600 Crores @ 7.35%) repayable in 10 equal annual installments commencing from 01.10.2008 and 01.10.2010 respectively.				
	- PTC India Financial Services Limited (PFS)	-	31.71	-	-
	The Loan of ₹ 100 Crores (REC's share ₹ 31.71 Crores) with interest rate varying between 10.50% and 10.25% p.a. linked to the PFS Reference Rate is repayable in 4 equal quarterly instalments commencing from 01.04.2017.				
	Total - Term Loans	400.00	381.71	750.00	350.00

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
4.2	**Details of Unsecured long-term debt :**				
4.2.1	**Bonds**				
4.2.1.1	**Institutional Bonds**				
	147th Series	2,745.00	-	-	-
	7.95% Redeemable at par on 12.03.2027				
	142nd Series	3,000.00	-	-	-
	7.54% Redeemable at par on 30.12.2026				
	140th Series	2,100.00	-	-	-
	7.52% Redeemable at par on 07.11.2026				
	136th Series	2,585.00	-	2,585.00	-
	8.11% Redeemable at par on 07.10.2025				
	95-II Series	1,800.00	-	1,800.00	-
	8.75% Redeemable at par on 14.07.2025				
	94th Series	1,250.00	-	1,250.00	-
	8.75% Redeemable at par on 09.06.2025				
	133rd Series	2,396.00	-	2,396.00	-
	8.30% Redeemable at par on 10.04.2025				
	131st Series	2,285.00	-	2,285.00	-
	8.35% Redeemable at par on 21.02.2025				
	130th Series	2,325.00	-	2,325.00	-
	8.27% Redeemable at par on 06.02.2025				
	129th Series	1,925.00	-	1,925.00	-
	8.23% Redeemable at par on 23.01.2025				
	128th Series	2,250.00	-	2,250.00	-
	8.57% Redeemable at par on 21.12.2024				
	115th Series - Subordinate Tier-II Bonds	2,500.00	-	2,500.00	-
	8.06% Redeemable at par on 31.05.2023				
	114th Series	4,300.00	-	4,300.00	-
	8.82% Redeemable at par on 12.04.2023				
	111-II Series	2,211.20	-	2,211.20	-
	9.02% Redeemable at par on 19.11.2022				
	107th Series	2,378.20	-	2,378.20	-
	9.35% Redeemable at par on 15.06.2022				
	132nd Series	700.00	-	700.00	-
	8.27% Redeemable at par on 09.03.2022				
	145th Series	625.00	-	-	-
	7.46% Redeemable at par on 28.02.2022				
	141st Series	1,020.00	-	-	-
	7.14% Redeemable at par on 09.12.2021				

(₹ in Crores)

Particulars	As at 31.03.2017		As at 31.03.2016	
	Non-Current	Current	Non-Current	Current
127th Series	1,550.00	-	1,550.00	-
8.44% Redeemable at par on 04.12.2021				
105th Series	3,922.20	-	3,922.20	-
9.75% Redeemable at par on 11.11.2021				
139th Series	2,500.00	-	-	-
7.24% Redeemable at par on 21.10.2021				
101-III Series	3,171.80	-	3,171.80	-
9.48% Redeemable at par on 10.08.2021				
100th Series	1,500.00	-	1,500.00	-
9.63% Redeemable at par on 15.07.2021				
98th Series	3,000.00	-	3,000.00	-
9.18% Redeemable at par on 15.03.2021				
97th Series	2,120.50	-	2,120.50	-
8.80% Redeemable at par on 30.11.2020				
96th Series	1,150.00	-	1,150.00	-
8.80% Redeemable at par on 26.10.2020				
135th Series	2,750.00	-	2,750.00	-
8.36% Redeemable at par on 22.09.2020				
144th Series	835.00	-	-	-
7.13% Redeemable at par on 21.09.2020				
134th Series	2,675.00	-	2,675.00	-
8.37% Redeemable at par on 14.08.2020				
143rd Series	1,275.00	-	-	-
6.83% Redeemable at par on 29.06.2020				
148th Series	1,200.00	-	-	-
7.42% Redeemable at par on 17.06.2020				
113th Series	1,542.00	-	1,542.00	-
8.87% Redeemable at par on 09.03.2020				
111-I Series	452.80	-	452.80	-
9.02% Redeemable at par on 19.11.2019				
126th Series	1,700.00	-	1,700.00	-
8.56% Redeemable at par on 13.11.2019				
125th Series	3,000.00	-	3,000.00	-
9.04% Redeemable at par on 11.10.2019				
108-II Series	960.00	-	960.00	-
9.39% Redeemable at par on 20.07.2019				
95-I Series	200.00	-	200.00	-
8.70% Redeemable at par on 12.07.2019				
137th Series	2,225.00	-	2,225.00	-
8.05% Redeemable at par on 07.12.2018				

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
	146th Series	3,300.00	-	-	-
	9.25% Redeemable at par on 03.09.2018				
	112th Series	-	1,500.00	1,500.00	-
	8.70% Redeemable at par on 01.02.2018				
	109th Series	-	1,734.70	1,734.70	-
	9.25% Redeemable at par on 28.08.2017				
	108-I Series	-	2,125.00	2,125.00	-
	9.40% Redeemable at par on 20.07.2017				
	138th Series	-	-	-	2,895.00
	8.28% Redeemed at par on 04.03.2017				
	106th Series	-	-	-	1,500.00
	9.28% Redeemed at par on 15.02.2017				
	103-I Series	-	-	-	50.00
	9.35% Redeemed at par on 19.10.2016				
	102nd Series	-	-	-	2,216.20
	9.38% Redeemed at par on 06.09.2016				
	101-II Series	-	-	-	394.60
	9.45% Redeemed at par on 10.08.2016				
	Total - Institutional Bonds	79,424.70	5,359.70	66,184.40	7,055.80
4.2.1.2	**Infrastructure Bonds**				
	Series-II (2011-12)	29.50	-	29.51	128.08
	Redeemable at par. Refer Note 4.6				
	Series-I (2010-11)	5.39	76.75	5.39	79.41
	Redeemable at par. Refer Note 4.6				
	Total - Infrastructure Bonds	34.89	76.75	34.90	207.49
4.2.1.3	**Zero Coupon Bonds**				
	ZCB - Series II	194.57	-	178.95	-
	(Net of unamortised discount, 89,510 bonds with face value of ₹ 30,000 each redeemable at par on 03.02.2021)				
	ZCB - Series I	878.52	-	811.69	-
	(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	1,073.09	-	990.64	-
4.2.2	**Other Loans & Advances**				
4.2.2.1	**Foreign Currency Borrowings**				
	CHF Bonds - CHF 200 Mn	-	-	-	1,378.50
	3.50% Redeemed at par on 07.03.2017				

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(₹ in Crores)

Particulars	As at 31.03.2017		As at 31.03.2016	
	Non-Current	Current	Non-Current	Current
JICA Loan - Guaranteed by Govt. of India	237.65	169.84	400.61	210.13
0.75% JICA-I loan repayable in equal half-yearly instalments of ¥982.33 Mn till 20.03.2021, next instalment falling due on 20.09.2017 and 0.65% JICA-II loan repayable in half-yearly instalments till 20.03.2023, next instalment falling due on 20.09.2017				
KfW Loan - Guaranteed by Govt. of India	51.03	51.02	93.33	51.10
3.73% Loan repayable in equal half-yearly instalments of €3.68 Mn, next instalment due on 30.06.2017				
KfW Loan - Guaranteed by Govt. of India	95.28	-	64.86	-
1.96% Loan repayable first in 14 equal half-yearly instalments of €2.941 Mn and then in next 3 equal half-yearly instalments of €2.942 Mn, first instalment due on 30.06.2018. Total Loan Amount as on 31.03.2017 ₹ 300.48 Crores (Equivalent to €43.39 Mn), REC'S share ₹ 95.28 cr)				
AFD Loan - Guaranteed by Govt. of India	8.17	-	-	-
1.87% Loan repayable in 20 equal half-yearly instalments of €2.50 Mn, first instalment due on 31.10.2020. Total Loan Amount as on 31.03.2017 ₹ 25.75 Crores (Equivalent to €3.72 Mn), REC'S share ₹ 8.17 cr)				
Syndicated Loan- US $300 Mn	-	-	-	1,367.24
Repaid on 19.08.2016				
KfW-II Loan - Guaranteed by Govt. of India	161.58	53.86	213.77	53.44
2.89% Loan repayable in equal half-yearly instalments of €3.88 Mn, next instalment falling due on 30.06.2017				
Syndicated Loan- ¥19.029 Bn	-	1,102.92	1,184.43	-
Repayable on 10.04.2017				
KfW-III Loan - Guaranteed by Govt. of India	473.81	72.89	558.76	88.61
1.86% Loan repayable in equal half-yearly instalments of €5.26 Mn, next instalment falling due on 30.06.2017				
Syndicated Loan- US $285 Mn	1,847.90	-	1,780.28	-
Repayable on 02.12.2018				
Syndicated Loan- US $250 Mn	1,620.97	-	1,521.75	-
Repayable on 29.05.2019				
Syndicated Loan- US $400 Mn	2,593.54	-	2,435.78	-
Loan of US$ 230 Mn and US$ 170 Mn repayable on 24.07.2019 and 27.10.2019 respectively				
Syndicated Loan- US $400 Mn	2,593.54	-	2,539.64	-
Repayable on 12.03.2020				

(₹ in Crores)

Particulars	As at 31.03.2017		As at 31.03.2016	
	Non-Current	Current	Non-Current	Current
Syndicated Loan- US $300 Mn	1,945.16	-	1,909.56	-
Repayable on 29.07.2020				
Syndicated Loan- US $250 Mn	1,620.97	-	1,653.25	-
Loan of US$ 150 Mn and US$ 100 Mn repayable on 18.09.2018 and 19.11.2018 respectively				
Syndicated Loan- US $300 Mn	1,945.16	-	1,997.80	-
Repayable on 01.12.2020				
Syndicated Loan- US $250 Mn	1,620.97	-	1,688.46	-
Repayable on 05.02.2019				
Syndicated Loan- US $120 Mn	778.06	-	797.28	-
Repayable on 21.03.2019				
Syndicated Loan- US $100 Mn	648.39	-	-	-
Repayable on 05.10.2021				
Syndicated Loan- US $230 Mn	1,491.29	-	-	-
Repayable on 19.01.2022				
Total - Foreign Currency Borrowings	19,733.47	1,450.53	18,839.56	3,149.02

4.3 Security Details of the Secured Borrowings

The Bond Series 82, 83, 85, 86A, 86 B-III, 87-II, 87 A-III, 88, 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 24 September 2010 in favour of IDBI Trusteeship Services Ltd.

The Bond Series 116-II, 117, 118, 119 and 122 of Institutional Bonds are secured by a charge on first paripassu 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, 123-IIIA, 123-IIIB and 124-I 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.

The Bond Series STRPP (Separately Transferrable Redeemable Principal Parts) A, B and C are secured by way of first pari passu charge over movable fixed assets of EESL, a Joint Venture of the Company with minimum asset coverage of 1 times.

The Bond Series IX of 54EC Capital Gain Tax Exemption Bonds is 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 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.).

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 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 loans are secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to IL&FS Trust Company Limited on the basis of joint hypothecation agreement dated September 24, 2010 in favour of IDBI Trusteeship Services Ltd.

4.4 Foreign Currency Borrowings have been raised at interest rates ranging from a spread of 65 bps to 220 bps over 6 Months' USD/ JPY LIBOR (London Inter Bank Offered Rate) except where rates have been stated above in Note No. 4.2.2.1.

4.5 Ratings assigned by credit rating agencies and migration

Domestic and International Credit Rating

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

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

There has been no migration of ratings during the year.

4.6 Details of Infrastructure Bonds Issued are as under :

Series I (2010-11) allotted on 31.03.2011

Rate of Interest	Amount (₹ in Crores)	Redemption Details
8.00%	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%	59.35	
8.10%	1.60	Redeemable on the date falling 10 years from the date of allotment
8.20%	3.79	
Total	**82.14**	

Series II (2011-12) allotted on 15.02.2012

Rate of Interest	Amount (₹ in Crores)	Redemption Details
9.15% Cumulative	13.43	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	
8.95% Cumulative	5.73	Redeemable on the date falling 10 years from the date of allotment
8.95% Annual	1.38	
9.15% Cumulative	2.83	Redeemable on the date falling 15 years from the date of allotment
9.15% Annual	1.13	
Total	**29.50**	

4.7 During the year, the Company has come across an instance of fraudulent encashment through forged documents of money invested by one of the investors in 54EC Capital Gains tax Exemption Bonds by some impersonator. The Company has lodged complaint with the Police against the unknown person and the officials of then Registrar and Transfer Agent (R&TA). Accordingly, an amount of ₹ 0.59 Crore has been shown recoverable from the RTA in the books of accounts and the matter has been duly reported to the Reserve Bank of India (RBI). Further, as a precautionary measure, the services of then existing RTA have been discontinued and new RTA has been appointed.

CONSOLIDATED NOTES TO ACCOUNTS

5. Deferred Tax Liabilities (Net)

(₹ in Crores)

Particulars	As at 31.03.2017	As at 31.03.2016
Deferred Tax Liabilities on account of:		
Depreciation	**4.57**	4.48
Foreign Currency Exchange Fluctuation Loss	**-**	59.67
MTM on Interest Rate Swap	**66.48**	-
Total	**71.05**	64.15
Deferred Tax Assets on account of:		
Provision for Earned Leave	**10.85**	8.13
Provision for Medical Leave	**6.67**	5.49
Foreign Currency Exchange Fluctuation Loss	**12.57**	-
Provision for Gratuity	**0.03**	0.03
Provision for Doubtful Debts	**0.88**	2.03
Provision for Contingencies of Project Cost Revisions	**-**	0.79
Provision for Employee benefits	**0.09**	0.11
Preliminary Expenses	**-**	-
Operating lease liabilities	**0.04**	0.03
Total	**31.13**	16.61
Deferred Tax Liabilities (Net)	**39.92**	47.54

5.1 The Company has no intention to make withdrawal from the special reserve created and maintained under section 36(1)(viii) of the Income Tax Act, 1961. Hence, the special reserve created and maintained is not capable of being reversed and thus, it becomes a permanent difference as per Accounting Standard 22. Accordingly, the Company is not creating any deferred tax liability on the said reserve.

6. Other Long-term Liabilities

(₹ in Crores)

Particulars	As at 31.03.2017	As at 31.03.2016
- Non-Current Portion of Interest accrued but not due on borrowings	**12.38**	9.50
- Others	**1.04**	0.51
Total	**13.42**	10.01

7. Long-term and Short-term Provisions

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
	Provisions for				
(A)	**Employee Benefits**				
	Earned Leave Liability	**28.48**	**3.31**	21.35	2.31
	Post Retirement Medical Benefits	**92.49**	**4.66**	82.50	4.12
	Medical Leave Liability	**16.63**	**2.64**	13.65	2.22
	Settlement Allowance	**1.10**	**0.17**	1.06	0.16
	Economic Rehabilitation Scheme	**3.44**	**0.01**	3.31	0.03
	Long Service Award	**2.64**	**0.19**	2.45	0.11
	Loyalty Bonus	**0.11**	**0.04**	0.08	0.07
	Gratuity	**0.19**	**-**	0.08	-
	Sub-total (A)	**145.08**	**11.02**	124.48	9.02

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
(B)	**Others**				
	Standard Loan Assets	**536.59**	**70.87**	420.35	123.08
	Restructured Standard Loans	**1,167.67**	**73.52**	750.71	70.63
	Interest on Loans Due & Converted into Equity	**-**	**3.96**	-	3.96
	Incentive	**-**	**20.34**	-	18.13
	Pay Revision	**-**	**14.59**	-	-
	Proposed Dividend (Refer Note 3.5)	**-**	**-**	-	503.60
	Corporate Dividend Tax	**-**	**-**	-	106.49
	CSR Expenses	**-**	**-**	-	21.22
	Contigencies of project cost revisions	**-**	**-**	-	2.29
	Provision for Warranty	**0.13**	**-**	-	-
	Sub-total (B)	**1,704.39**	**183.28**	1,171.06	849.40
	Total (A+B)	**1,849.47**	**194.30**	1,295.54	858.42

7.1 Details and movement of Provisions:

(in ₹ Crores)

Provisions for	Opening Balance	Additions during the Year	Paid/ Adjusted during the year	Closing Balance
Earned Leave Liability	**23.66**	**12.62**	**4.51**	**31.79**
Previous year	23.19	6.38	5.87	23.66
Post Retirement Medical Benefits	**86.62**	**17.21**	**6.68**	**97.15**
Previous year	77.61	15.33	6.32	86.62
Medical Leave Liability	**15.87**	**4.95**	**1.55**	19.27
Previous year	15.22	2.11	1.46	15.87
Settlement Allowance	**1.22**	**0.14**	**0.09**	1.27
Previous year	1.20	0.12	0.10	1.22
Economic Rehabilitation Scheme	**3.34**	**0.95**	**0.84**	3.45
Previous year	2.72	1.26	0.64	3.34
Long Service Award	**2.56**	**1.01**	**0.74**	2.83
Previous year	2.84	0.02	0.30	2.56
Loyalty Bonus	**0.15**	**0.01**	**0.01**	0.15
Previous year	0.09	0.06	-	0.15
Gratuity	**0.08**	**0.11**	**-**	0.19
Previous year	-	0.04	0.04	0.08
Standard Loan Assets	**543.43**	**64.03**	**-**	607.46
Previous year	490.92	138.93	86.42	543.43
Restructured Standard Loans	**821.34**	**419.85**	**-**	1,241.19
Previous year	451.77	369.57	-	821.34
Interest on Loans Due & Converted into Equity	**3.96**	**-**	**-**	3.96
Previous year	-	3.96	-	3.96
Incentive	**18.13**	**15.52**	**13.31**	20.34
Previous year	16.71	14.34	12.92	18.13
Pay Revision	**-**	**14.59**	**-**	14.59
Previous year	-	-	-	-
CSR Expenses	**21.22**	**69.05**	**90.27**	-
Previous year	58.04	126.08	162.90	21.22
Proposed Dividend	**503.60**	**-**	**503.60**	-
Previous year	266.61	503.60	266.61	503.60
Corporate Dividend Tax	**106.49**	**277.46**	**383.95**	-
Previous year	56.32	345.68	295.51	106.49

Provisions for	Opening Balance	Additions during the Year	Paid/ Adjusted during the year	Closing Balance
Income Tax	**6,533.48**	**2,626.66**	**6,395.15**	**2,751.95**
Previous year	5,322.76	2,560.78	1,351.30	6,533.48
Warranty	**-**	**0.13**	**-**	**0.13**
Previous year	-	-	-	-
Contigencies of project cost revisions	**2.29**	**0.36**	**2.65**	**-**
Previous year	2.13	2.96	2.80	2.29

8. Short-term Borrowings

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(A)	**Loans Repayable on Demand, unsecured**		
	- from Banks	**-**	749.93
(B)	**Commercial Paper, unsecured**	**-**	5,600.00
(C)	**Other Loans and Advances**		
	- from Banks		
	Secured *	**110.98**	71.97
	Unecured	**-**	10.08
	- from Financial Institutions, secured *	**-**	28.79
	Total (A+B+C)	**110.98**	**6,460.77**

*Other loans and advances from banks belonging to EESL, a Joint Venture of the Company are secured by pari-passu charge on book debts of EESL.

9. Trade Payables

(₹ in Crores)

Particulars	As at 31.03.2017	As at 31.03.2016
Trade Payables	**160.39**	117.96
Total	**160.39**	117.96

10. Other Current Liabilities

(₹ in Crores)

Particulars	As at 31.03.2017	As at 31.03.2016
(A) Current maturities of long-term debt (Refer Note 4)	**18,059.77**	23,967.02
(B) Interest accrued but not due on borrowings	**6,025.45**	6,227.74
(C) Income Received in Advance	**8.41**	21.50
(D) Unpaid Dividends	**2.75**	2.73
(E) Unpaid Principal & Interest on Bonds		
- Matured Bonds & Interest Accrued thereon	**51.54**	44.83
- Interest on Bonds	**15.19**	12.57
(F) Other payables		
"- Funds Received from Govt. of India for Disbursement as Subsidy/ Grant"	**46,154.67**	38,111.60
Add: Interest on Subsidy/ Grant (Refer Note 10.3)	**2.18**	18.10
Less: Disbursed to Beneficiaries	**-46,131.01**	-38,091.35
Undisbursed Funds to be disbursed as Subsidy/Grant	**25.84**	38.35
- Statutory Dues payable including PF and TDS	**53.33**	36.37
- Payable towards funded staff benefits	**13.63**	0.53
- Other Liabilities	**269.08**	125.79
Sub-total (F)	**361.88**	201.04
Total (A to F)	**24,524.99**	30,477.43

CONSOLIDATED NOTES TO ACCOUNTS

10.1 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 ₹ 0.86 Crores as at 31 March 2017 (₹ 1.26 Crores as at 31 March 2016) 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	**For the Year ended 31.03.2017**	**For the Year ended 31.03.2016**
Opening Balance of Interest Subsidy Fund	**1.26**	2.22
Add: Interest earned during the year	**0.07**	0.07
Less: Interest subsidy passed on to the borrower	**0.47**	1.03
Closing Balance of Interest Subsidy Fund	**0.86**	1.26

10.2 Government of India has appointed Rural Electrification Corporation 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 Current Liabilities".

During the year, interest earned of ₹ 24.84 Crores (Previous year ₹ 39.15 Crores) has been taken to DDUGJY Subsidy account. Further, during the year, an amount of ₹ 40.78 crores (Previous year ₹ 71.66 crores) has been refunded back to MoP out of the total interest on subsidy.

10.3 The movement in Interest on Subsidy/ Grant is explained as under:

(₹ in Crores)

Particulars	For the Year ended 31.03.2017	For the Year ended 31.03.2016
Opening Balance	18.10	51.38
Add: Interest earned during the year	25.94	41.49
Less: Amount refunded to Govt. during the year	41.59	74.19
Less: Disbursement out of Interest earned on account of AG&SP Grant	0.27	0.58
Closing Balance	2.18	18.10

11. Fixed Assets as at 31 March 2017

(₹ in Crores)

FIXED ASSETS	GROSS BLOCK				DEPRECIATION/ AMORTISATION				NET BLOCK	
	As at 01.04.2016	Additions during the year	Sales/ adjustment during the year	Closing as on 31.03.2017	Upto 31.03.2016	During the year	Adjustment during the year	As at 31.03.2017	As at 31.03.2017	As at 31.03.2016
Tangible Assets										
Freehold Land	80.62	2.30	-	82.92	-	-	-	-	82.92	80.62
Leasehold Land	1.93	4.62	-0.04	6.59	0.28	0.12	-0.01	0.41	6.18	1.65
Buildings	33.17	0.72	2.30	31.59	7.76	0.49	0.63	7.62	23.97	25.41
Furniture & Fixtures	8.12	0.52	0.01	8.63	5.12	0.63	0.08	5.67	2.96	3.00
Vehicles	0.43	-	-	0.43	0.24	0.04	-	0.28	0.15	0.19
EDP Equipments	18.81	3.09	3.69	18.21	13.79	2.65	3.49	12.95	5.26	5.02
Office Equipments	158.29	117.17	-15.61	291.07	21.13	35.83	-1.44	58.40	232.67	137.16
Total	**301.37**	**128.42**	**-9.65**	**439.44**	**48.32**	**39.76**	**2.75**	**85.33**	**354.11**	**253.05**
Previous year	138.43	158.99	-3.94	301.36	29.94	19.09	0.72	48.31	253.05	
Intangible Assets										
Computer Software	7.18	0.27	-0.02	7.47	6.15	0.57	-0.01	6.73	0.74	1.03
Total	**7.18**	**0.27**	**-0.02**	**7.47**	**6.15**	**0.57**	**-0.01**	**6.73**	**0.74**	**1.03**
Previous year	7.06	0.12	-0.00	7.18	5.59	0.58	0.02	6.15	1.03	
Capital Work-in-progress	**76.84**	**243.05**	**155.76**	**164.13**	**-**	**-**	**-**	**-**	**164.13**	**76.84**
Previous year	9.81	195.23	128.20	76.84	-	-	-	-	76.84	
Intangible Assets under Development	**1.21**	**0.25**	**-**	**1.46**	**-**	**-**	**-**	**-**	**1.46**	**1.21**
Previous year	-	1.21	-	1.21	-	-	-	-	1.21	

11.1 The formalities regarding registration of conveyance deed in respect of certain immovable properties acquired by the Company amounting to ₹ 50.51 Crores (Previous year ₹ 50.51 Crores) are yet to be executed.

11.2 In the opinion of management, there is no impairment of the assets of the Company in terms of AS-28. Accordingly, no provision for impairment loss as required under Accounting Standard-28 'Impairment of Assets' has been made.

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

Amortisation Rate 20%, 100% in case the total cost of the asset is ₹5,000 or less

CONSOLIDATED NOTES TO ACCOUNTS

12. Investments

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Number (Face Value ₹ unless Stated)	Amount	Number (Face Value ₹ unless Stated)	Amount
	Valued at Cost				
(1)	**Non-Current Investments**				
(A)	**Trade Investments**				
(i)	**Investment in Equity Instruments - Quoted**				
	- NHPC Limited	**18,40,11,865 (10)**	**400.80**	-	-
(ii)	**Investment in Equity Instruments - Unquoted**				
	- Others				
	- Energypro Assets Limited	**230680 (£1)**	**0.60**	-	-
	- India Energy Exchange Limited	**12,50,000 (10)**	**1.25**	12,50,000 (10)	1.25
	- Universal Commodity Exchange Limited	**1,60,00,000 (10)**	**16.00**	1,60,00,000 (10)	16.00
	Less: Provision for Diminution in Investment		**(16.00)**		-16.00
(iii)	**Investment in Government Securities - Unquoted**				
	- 8% Government of Madhya Pradesh Power Bonds-II *	**4 (47,16,00,000)**	**188.64**	6 (47,16,00,000)	282.96
	Maturing in equal half yearly Instalments of one bond each, next instalment due on 01.10.2017				
(iv)	**Investment in Debentures - Unquoted**				
	- 9.68% Bonds of UP Power Corporation Ltd.	**30,385 (1,00,000)**	**303.85**	38,050 (1,00,000)	380.50
(v)	**Investment in Venture Capital Funds - Unquoted**				
	- 'Small is Beautiful' Fund	**61,52,200 (10)**	**6.15**	61,52,200 (10)	6.15
(B)	**Other Investments**				
(ii)	**Investment in Tax Free Bonds - Quoted**				
	8.76% Bonds of HUDCO Ltd.	**50000 (1000)**	**5.00**	50000 (1000)	5.00
	7.39% Bonds of HUDCO Ltd.	**86798 (1000)**	**8.68**	86798 (1000)	8.68
	7.35% Bonds of NHAI	**42855 (1000)**	**4.29**	42855 (1000)	4.29
	7.39% Bonds of NHAI	**35463 (1000)**	**3.55**	35463 (1000)	3.55
	7.49% Bonds of IREDA Ltd.	**61308 (1000)**	**6.13**	61308 (1000)	6.13
	7.35% Bonds of IRFC Ltd.	**22338 (1000)**	**2.23**	22338 (1000)	2.23
	7.35% Bonds of NABARD	**14028 (1000)**	**1.40**	14028 (1000)	1.40
(iii)	**Investment in Debentures - Quoted**				
	- 11.15% Additional Tier-1 Perpetual Bonds of Indian Bank	**5,000 (10,00,000)**	**500.00**	5,000 (10,00,000)	500.00

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Number (Face Value ₹ unless Stated)	Amount	Number (Face Value ₹ unless Stated)	Amount
	- 11.25% Additional Tier-1 Perpetual Bonds of Vijaya Bank	**5,000 (10,00,000)**	**500.00**	5,000 (10,00,000)	500.00
	- 11.25% Additional Tier-1 Perpetual Bonds of Syndicate Bank	**5,000 (10,00,000)**	**500.00**	5,000 (10,00,000)	500.00
	Total - Non-Current Investments (1)		**2,432.57**		2,202.14
(2)	**Current Investments**				
	Valued at Lower of Cost and Fair Value				
(i)	**Investment in Equity Instruments (Unquoted)**				
	- Lanco Teesta Hydro Power Limited	**10,20,00,000 (10)**	**102.00**	10,20,00,000 (10)	102.00
	- Dinchang Transmission Limited	**50000 (10)**	**0.05**	50000 (10)	0.05
	- Ghatampur Transmission Limited	**50000 (10)**	**0.05**	-	-
	- ERSS XXI Transmission Limited	**50000 (10)**	**0.05**	-	-
	- WR-NR Power Transmission Limited	**50000 (10)**	**0.05**	-	-
	- NRSS XXXVI Transmission Limited	**-**	**-**	50000 (10)	0.05
	- North Karanpura Transco Limited	**-**	**-**	50000 (10)	0.05
	- Khargone Transmission Limited	**-**	**-**	50000 (10)	0.05
	- NER II Transmission Limited	**-**	**-**	50000 (10)	0.05
	- Nellore Transmission Limited	**-**	**-**	50000 (10)	-
	- Baira Siul Sarna Transmission Limited	**-**	**-**	50000 (10)	-
(ii)	**Investment in Government Securities (Unquoted)**				
	- 8% Government of Madhya Pradesh Power Bonds-II *	**1 (47,16,00,000)**	**47.16**	1 (47,16,00,000)	47.16
	Maturing in equal half yearly Instalments of one bond each, next instalment due on 01.10.2017				
(iii)	**Investment in Inter Corporate Deposit**				
	- LIC Housing Finance Limited		**17.50**		-
	- PNB Housing Finance Limited		**17.50**		-
	Total - Current Investments (2)		**184.36**		149.41
	Total (1+2)		**2,616.93**		2,351.55

* The number of bonds and the amount of the investment in current portion represents the investments maturing within the next 12 months and the balance is the non-current portion.

CONSOLIDATED NOTES TO ACCOUNTS

12.1 Investments include ₹ 6.15 Crores (Previous year ₹ 6.15 Crores) representing company's contribution in the units of 'Small is Beautiful (SIB) Venture Capital fund' promoted by KSK Energy Ventures Limited.

Name of the Company	Contribution towards Fund	Country of Residence	Percentage of Share
SIB Fund of KSK Energy Ventures Ltd	₹ 6.15 Crores	India	9.74%

The face value of the fund is ₹ 10 per unit. The NAV as on 31.03.2017 is ₹ 10.24 per unit (Previous year ₹ 10.24 per unit).

Further, investments also include ₹ 1.25 Crores (Previous year ₹ 1.25 Crores) representing company's investment in equity shares of India Energy Exchange Limited.

Name of the Company	No. of Shares	Invested Amount	Country of Incorporation	Shareholding %
India Energy Exchange Limited	12,50,000	₹ 1.25 Crores	India	4.34%

12.2 **Information in relation to the interest of the Company in Joint Ventures (JVs):**

1. Energy Efficiency Services Limited

Proportion of Interest in Equity	31.71%
Country of Incorporation	India
Area of Operation	India
JV Partners (% share)	1. NTPC Limited (31.71%)
	2. Power Grid Corporation of India Limited (4.87%)
	3. Power Finance Corporation Limited (31.71%)

An amount of ₹ 99.00 Crores had been paid to Energy Efficiency Services Limited (EESL) on 31 March 2016 as share application money. EESL has allotted 9,90,00,000 equity shares of ₹ 10 each to the Company on 25 April 2016 and the share of the Company in the JV has accordingly increased from 28.79% to 31.71%.

The Company's share of assets, liabilities, contingent liabilities and capital commitments as at 31.03.2017 and income and expenses for the year in respect of joint venture are given below :

(₹ in Crores)

	Particulars	As at / For the year ended 31.03.2017 (Unaudited)	As at / For the year ended 31.03.2016 (Unaudited)	As at / For the year ended 31.03.2016 (Audited) *
(i)	Total Assets	**838.77**	427.98	428.74
(ii)	Total Liabilities	**662.90**	308.16	311.84
(iii)	Total Reserves & Surplus	**29.37**	15.32	12.39
(iv)	Contingent Liabilities	**11.74**	-	10.66
(v)	Capital Commitments	**103.95**	84.24	254.63
(vi)	Total Income	**408.83**	205.87	206.04
(vii)	Total Expenses	**384.81**	191.59	192.12

* The consolidated financial statements of the Company for the FY 2015-16 had been prepared considering the unaudited financial statements of the joint venture, Energy Efficiency Services Limited (EESL). However, the financial statements of EESL were subsequently audited on 16 September 2016. The change in the unaudited and audited figures in the assets and liabilities has already been adjusted in the balance sheet figures of EESL for the financial year 2016-17. Further, the change in profit after tax has been adjusted in surplus account.

CONSOLIDATED NOTES TO ACCOUNTS

12.3 Additional disclosures required in respect of the investments :

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
(1)	**Value of Investments**				
(i)	Gross Value of Investments				
(a)	In India	**2,447.97**	**184.36**	2,218.14	149.51
(b)	Outside India,	**0.60**	**-**	-	-
(ii)	**Provisions for Depreciation**				
(a)	In India	**16.00**	**-**	16.00	0.10
(b)	Outside India,	**-**	**-**	-	-
(iii)	**Net Value of Investments**				
(a)	In India	**2,431.97**	**184.36**	2,202.14	149.41
(b)	Outside India.	**0.60**	**-**	-	-
(2)	**Movement of provisions held towards depreciation on investments.**				
(i)	Opening balance	**16.00**	**0.10**	-	0.10
(ii)	Add : Provisions made during the year	**-**	**-**	16.00	-
(iii)	Less : Write-off / write-back of excess provisions during the year	**-**	**0.10**	-	-
(iv)	**Closing balance**	**16.00**	**-**	16.00	0.10
(3)	**Aggregate amount of Quoted Investments**	**1,932.08**	**-**	1,531.28	-
	Market Value of Quoted Investments	**2,125.57**	**-**	1,532.32	-
(4)	**Aggregate amount of Unquoted Investments**	**516.49**	**184.36**	686.86	149.41
(5)	**Aggregate provision for diminution in value of investments**	**16.00**	**-**	16.00	0.10

13. Long-term Loans & Advances

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(A)	**Capital Advances (Unsecured, considered good)**	**40.23**	49.14
(B)	**Security Deposits (Unsecured, considered good)**	**1.55**	4.34
(C)	**Loans & Advances to Related Parties**		
	- To Key Managerial Personnel (KMP)	**0.37**	0.63
		0.37	0.63
(D)	**Other Loans & Advances**		
	- Staff Loans & Advances (except to KMP)	**32.29**	36.72
	- Loan Assets	**1,77,275.24**	1,57,703.84
	- Others (Unsecured, considered good)	**1.90**	2.15
		1,77,309.43	1,57,742.71
	Total (A to D)	**1,77,351.58**	1,57,796.82

CONSOLIDATED NOTES TO ACCOUNTS

Details of Staff Loans & Advances and Loan Assets :

13.1 Staff Loans & Advances

Non-current portion of the staff loans & advances has been classified under 'Long-term Loans & Advances' above and the current portion of the staff loans & advances has been classified under Note-19 'Other Current Assets'.

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
(A)	**Secured Staff Loans & Advances**				
(A1)	**To Key Managerial Personnel**				
	(a) Considered Good	**0.01**	**-**	0.01	0.01
(A2)	**To Others**				
	(a) Considered Good	**3.43**	**0.68**	2.93	0.73
	Sub-total (A1+ A2)	**3.44**	**0.68**	2.94	0.74
(B)	**Unecured Staff Loans & Advances**				
(B1)	**To Key Managerial Personnel**				
	(a) Considered Good	**0.36**	**0.13**	0.62	0.19
(B2)	**To Others**				
	(a) Considered Good	**28.86**	**10.42**	33.79	10.24
	Sub-total (B1+ B2)	**29.22**	**10.55**	34.41	10.43
	Grand Total (A+B)	**32.66**	**11.23**	37.35	11.17

13.2 Loan Assets

Non-current portion of the loan assets has been classified under 'Long-term Loans & Advances' above and the current portion of the loan assets has been classified under Note-19 'Other Current Assets'.

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
		Non-Current	Current	Non-Current	Current
(A)	**Secured Loans**				
(A1)	**Loans to State Power Utilities/ State Electricity Boards/Corpn. (Secured by hypothecation and/or mortgage of materials/ tangible assets)**				
	(a) Considered Good	**1,25,811.34**	**11,014.90**	1,09,569.70	15,194.43
(A2)	**Loans to Others (Secured by hypothecation and/or mortgage of tangible assets)**				
	(a) Considered Good	**24,691.95**	**3,553.12**	24,377.49	1,841.42
	(b) Classified Doubtful	**2,220.01**	**2,169.10**	2,243.97	1,569.50
	Less: Provision for bad & doubtful debts	**383.89**	**767.87**	257.65	325.52
		1,836.12	**1,401.23**	1,986.32	1,243.98
	Sub-total (A1+ A2)	**1,52,339.41**	**15,969.25**	1,35,933.51	18,279.83
(B)	**Unsecured Loans**				
(B1)	**Loans Guaranteed by respective State Governments**				
	(a) Considered good	**19,109.20**	**2,850.00**	18,092.54	22,522.84
(B2)	**Loans to State Governments**				
	(a) Considered good	**2,647.90**	**351.22**	2,467.29	886.78

(₹ in Crores)

(B3)	**Loans - Others**				
	(a) Considered Good	**3,178.73**	**258.78**	1,210.50	99.51
	(b) Classified Doubtful	**5.18**	**478.40**	-	430.10
	Less: Provision for Bad & doubtful debts	**5.18**	**478.40**	-	430.10
		-	**-**	-	-
	Sub-total (B1+ B2+B3)	**24,935.83**	**3,460.00**	21,770.33	23,509.13
	Grand Total (A+B)	**1,77,275.24**	**19,429.25**	1,57,703.84	41,788.96

13.2.1 Loan balance confirmations for 86% of total loan assets as at 31 March 2017 have been received from the borrowers. Out of the remaining 14% loan assets amounting to ₹ 28,474 crore for which balance confirmations have not been received, 82% loans are secured by way of hypothecation of assets, 13% by way of Government Guarantee/ Loans to Government and 5% are unsecured loans.

13.2.2 Loan Assets also include amount financed by the Company as per the Scheme for Financial Restructuring of State Distribution Companies (Discoms).

13.2.3 REC, as a lead lender had sanctioned ₹ 650 Crore as initial sanction to Corporate Power Limited for 540 MW Phase-I TPP at Chandwa, Jharkhand. The debt is secured by way of combination of securities representing charge on all the Company's present and future immovable properties, movables, all bank accounts, project documents, clearances, letter of credits, guarantees, insurance contracts and insurance proceeds etc., pledge of shares representing 51% of the total paid up equity share capital of the Company and Corporate Guarantee of Corporate Ispat and Alloys Limited (CIAL). Subsequently, REC, had sanctioned ₹ 196 Crore as additional loan towards funding of cost overrun. As at 31 March 2017, the loan outstanding is ₹ 811.74 crores.

The progress of Phase-I of the Project (where REC is Lead) as per last available Lender Independent Engineer's Report, is approximately 96%. However, the account has become NPA on 30 June 2014. As at 31 March 2017, the account of the borrower is classified as Doubtful asset. As per the Independent valuer's report, the realisable sale value of Phase-I & Phase-II project assets is ₹ 1,424.35 Crores. Accordingly, 100% provision to the extent of loan not covered by the realizable value of the security amounting to ₹ 587.47 Crores and for the balance loan amount of ₹ 224.27 Crores, 30% provision amounting to ₹ 67.29 Crores is created in the books as per Significant Accounting Policy no 2.3(ii). As such, total provision created as on 31 March 2017 is ₹ 654.75 Crores.

Recall notice has been served to the borrower and Corporate guarantee of promoter Company, CIAL, has been invoked. REC and ARCIL have filled winding up petition before the Calcutta High Court against CIAL. Meanwhile CIAL moved to Board of Industrial and Financial Reconstruction (BIFR), pursuant thereto, Hon'ble High Court abated the winding up petition. Lenders are exploring various options for the revival of the project including change in the management. With the consent of lenders, ARCIL has initiated the proceedings under SARFAESI Act. ARCIL has taken the possession of the Project site and deployed security for protection of the project. Lenders have also filed joint Original Application (OA) before Debt Recovery Tribunal (DRT), Calcutta for recovery of dues.

13.2.4 REC has sanctioned ₹ 1,150 Crore to Jas Infrastructure & Power Limited (JIPL) wherein total disbursement is ₹ 33.24 Crores till 31 March 2017. The account has become NPA on 30 June 2014. As at 31 March 2017, the account of the borrower is classified as Doubtful asset. As per the Independent valuer's report, the realizable sale value of project assets is valued at ₹ 143.35 Crores. Accordingly, 100% provision to the extent of loan not covered by the realizable value of the security amounting to ₹ 31.48 crore and for the balance loan amount of ₹ 1.77 crores, 30% provision amounting to ₹ 0.53 crores is created in the books as per Significant Accounting Policy No. 2.3(ii). As such, total provision created as at 31 March 2017 is ₹ 32.01 Crores on total loan outstanding of ₹ 33.24 Crores.

Lenders have already initiated recovery. Recall notice has been served to the borrower and Personal guarantee of promoter has been invoked. Original Application has been filed by the REC in DRT for recovery of dues. Further, action as per SARFAESI Act is being explored by Lenders.

13.2.5 As at 31 March 2017, the dues of one of the borrowers were overdue for more than 6 months, thus, exceeding the time limit for classification of the borrower as 'Standard Asset'. However, the borrower had obtained an ad-interim order from Hon'ble

High Court of Madras on 18 September 2015 not to classify the account as NPA. In view of the same, the classification of the borrower has been retained as 'Standard Asset' pending final decision of the Court. Accordingly, 10% provision as applicable for sub-standard loans on the loan outstanding ₹ 2,301.99 Crores has not been created. Based on the decision taken by lenders in the JLF subsequent to the court order, the accrued interest of ₹ 426.09 crores (₹ 88.79 cr pertaining to Financial year 2016-17) has been adjusted through disbursement of loan as per the terms of sanction and the income recognised accordingly.

However, since the account is currently into Restructured Standard Loan Assets category, a provision of 5% amounting to ₹ 115.10 Crores had been created in full in respect of the loan as against creating the same in phased manner in accordance with Significant Accounting Policy 2.3(iv). Apart from this, as a matter of prudence, an additional provision amounting to ₹ 103.59 Crores has been created @ 4.50% of the loan over and above 5% provision. Accordingly, as on 31 March 2017, the total provision of ₹ 218.69 Crores stands created against the project and unrealized income of ₹ 271.78 Crores has also not been recognized. An application has been filed by REC for vacation of stay order issued by Hon'ble High Court of Madras.

13.2.6 REC had sanctioned ₹ 390 Crores to M/s Lanco Teesta Hydro Power Limited with ICICI Bank as Lead lender having initial project SCOD in May 2012. However, due to equity crunch of promoters, geological surprises and poor rock strata, project couldn't be commissioned till date. In order to revive the Project, which is stalled at present, change in ownership is an important imperative which ensures that additional resources are brought in by the new investor. Towards this end, change of ownership could be effectively considered under the recent RBI dispensation on Strategic Debt Restructuring (SDR) dated 8 June 2015. In terms of SDR Regulations dated 8 June 2015 issued by RBI, the Lenders' consortium had decided to invoke the SDR in the lenders' meet held on 24 July 2015. Accordingly, REC, on 24 September 2015, approved the Strategic Debt Restructuring (SDR) package pursuant to RBI circular dated 8 June 2015, for conversion of ₹ 102 Crores out of REC's outstanding loan into equity at face value of ₹ 10/- per share towards effecting the change in Management. Subsequently, on 20 October 2015, necessary documentation had been carried out along with the signing of shareholder's agreement and an amount of ₹ 102 Crores of REC's sanction had been converted into equity on 20 October 2015. As per SDR scheme, asset classification shall remain standard up to 18 months from 24 July 2015 i.e. 23 January 2017 within this timeline a suitable investor has to be identified and the exercise of change in management shall have to be completed failing which the asset classification will be as per the extant IRAC norms, assuming the aforesaid 'stand-still' in asset classification had not been given. As no investor had been identified till 23 January 2017, the asset classification has now been downgraded to Doubtful Category with provision created @ 20% of the outstanding loan. Further, in view of the Management, there has been no decline in the fair value of the investment in equity shares of the Company on the basis of the latest available audited financial statements of the Company for the FY 2016-17. Accordingly, no provision is being made in respect of the investment in the equity shares.

13.2.7 REC has extended a loan of ₹ 217 Crores (Outstanding loan amount as at 31 March 2017 - ₹ 198.16 Crores) to Gati Infrastructure Private Limited for the implementation of 2X55 MW HEP in Sikkim with IDFC as Lead lender. Project achieved COD on 18th May 2013 and is operational since then. However, since the Company is selling its entire power under short term arrangements, lower revenue realization is causing stress on project cash flows. Lenders have invoked the implementation of Strategic Debt Restructuring (SDR)/ outside SDR with Reference Date as 5 December 2016 under the prevailing RBI norms. The process under SDR / outside SDR is in progress.

13.2.8 REC has given a loan to M/s Ind Barath Power (Madras) Limited (IBPML) under consortium lending with PFC being the lead lender, wherein the loan outstanding as at 31 March 2017 is ₹ 416.21 Crores. The total disbursement towards IBPML by three consortium lenders was ₹ 947.71 crore. Out of this, ₹ 573.99 cr. kept as FDs, were utilized by the borrower from TRA for other than the project purposes. The account has become NPA on 31 December 2016. As at 31 March 2017, the account of the borrower is classified as Sub-standard asset. Accordingly, 10% provision amounting to ₹ 41.62 Crores has been created in the books as per Significant Accounting Policy No. 2.3(iii). Further, considering the physical progress in the project, an additional provision amounting to ₹ 83.24 Crores has been made during the year 2016-17 in respect of the loan as a matter of prudence. The provisioning of the account shall be reviewed during the year 2017-18 on the basis of latest valuation report and financials.

13.2.9 REC sanctioned a loan of ₹ 750 crore to M/s Lanco Vidharbha Thermal Power Limited (LVTPL), promoted by Lanco Group, for setting up of 1320 MW (2x660 MW) thermal power project at Mandwa, district Wardha, Maharashtra. The loan outstanding as at 31 March 2017 is ₹ 539.56 Crores. As at 31 March 2017, the account of the borrower is classified as Restructured Standard asset. Accordingly, 4.25% provision amounting to ₹ 22.93 Crores has been created in the books as per Significant Accounting Policy No. 2.3(iv). Further, considering the physical progress in the project, an additional provision amounting to ₹ 60 Crores has been made during the year 2016-17 in respect of the loan as a matter of prudence.

13.2.10 One of the borrowers with an outstanding loan amount of ₹ 2,143.38 Crores as at 31 March 2017 has expressed his intention to prepay its loan. Further, the borrower has already prepaid more than 40% of the outstanding loan before the Balance sheet date and has further intimated his intention to prepay the balance loan within the FY 2017-18. Accordingly, the loan outstanding has been considered as 'Current' in terms of Schedule III to the Companies Act, 2013.

14. Other Non-Current Assets

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(A)	**Non-Current Portion of Interest Accrued on Staff Advances**	**7.74**	6.79
(B)	**Advance Income-tax & TDS**	**2,800.34**	6,633.82
	Less : Provision for Income Tax	**2,751.95**	6,533.48
	Advance Income-tax & TDS (Net)	**48.39**	100.34
(C)	**Forward Contract Receivables**	**143.79**	-
(D)	**Receivables in respect of Derivative Contracts**	**192.10**	-
(E)	**Term Deposits with Banks with more than 12 months maturity**	**2.05**	2.13
	Total (A to E)	**394.07**	109.26
	-Term deposits held as security/ margin money in (E) above	**2.05**	2.13

15. Inventories

(₹ in Crores)

Particulars	As at 31.03.2017	As at 31.03.2016
(a) Stock-in-trade	**51.14**	49.68
(b) Work-in-progress	**0.04**	17.11
Total	**51.18**	66.79

16. Trade Receivables

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(a)	**Unsecured**		
	Outstanding for a period more than 6 months		
	- Considered Good	**213.15**	90.19
	- Considered Doubtful	**2.53**	5.87
	Less: Provision for bad & doubtful debts	**2.53**	5.87
		-	-
	Less than 6 months		
	- Considered Good	**225.25**	141.70
	Total	**438.40**	231.89

17. Cash and Bank Balances

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(A)	**Cash & Cash Equivalents**		
	- Balances with Banks	**937.97**	1,038.01
	- Cash on Hand (including postage & imprest)	**0.03**	0.01
	- Others		
	- Short Term Deposits with Scheduled Banks	**2,482.34**	778.54

	- Short term Investment in Debt Mutual Funds	**1,160.00**	-
	Sub-total (A)	**4,580.34**	1,816.56
(B)	**Others**		
	- Term Deposits with Scheduled Banks	**70.45**	47.52
	Sub-total (B)	**70.45**	47.52
	Total (A+B)	**4,650.79**	1,864.08

Balances with Banks include:		
- Earmarked Balances with Banks in separate accounts		
- For unpaid dividends	2.75	2.73
- For DDUGJY, AG&SP, NEF and other grants	0.51	34.17
- Amount set aside for grants disbursement	2.13	1.77
Further, Short-term Deposits with Scheduled Banks include ₹ 23.20 Crores (Previous year ₹ 2.41 Crores) earmarked towards DDUGJY and other grants and ₹ 5.64 Crores (Previous year ₹ 7.86 Crores) earmarked towards Swachh Vidyalaya Abhiyan (SVA) Project. Figure in (B) Others - Term Deposits with Scheduled Banks includes deposits for ₹ 1.98 Crores (Previous year ₹ 0.36 Crores) made and earmarked in compliance of Court orders and ₹ 35.27 Crores (Previous year Nil) earmarked towards Swachh Vidyalaya Abhiyan (SVA) .		
- Term deposits held as security/ margin money	33.78	-
- Term Deposits with Scheduled Banks with more than twelve months original maturity	0.56	15.86

17.1 The Company makes all the payments through electronic means of payment *viz*. NEFT/ RTGS. However, for certain petty expenses incurred in the normal course of business only, payment is made in cash. The disclosure in respect of transactions in Specified Bank Notes (SBN) held and transacted during the period 8 November 2016 to 30 December 2016 is provided in the Table below:

(₹ in Crores)

Particulars	Specified Bank Notes (SBNs)	Other Denomination Notes	Total
Closing Cash in hand as on 8 November 2016	0.05	0.01	0.06
Add: Permitted Receipts	-	-	-
Less: Permitted Payments	-	0.01	0.01
Less: Amount deposited in Banks	0.05	-	0.05
Closing Cash in hand as on 30 December 2016	-	-	-

18. Short-term Loans & Advances

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(A)	**Loans & Advances to Related Parties**		
	(a) Secured, Considered Good	**-**	-
	- Unsecured		
	(a) Considered Good	**2.89**	3.35
	(b) Classified Doubtful	**0.06**	0.06
	Less: Provision for bad & doubtful debts	**0.06**	0.06
		-	-
(B)	**Others**		
(i)	**Advances recoverable in cash or in kind or value to be received**		
	(a) Secured, Considered Good	**-**	-

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
	(b) Unsecured		
	(a) Considered Good	**26.98**	33.80
	(b) Classified Doubtful	**5.59**	2.06
	Less: Provision for bad & doubtful debts	**5.59**	2.06
		-	-
	Total (i)	**26.98**	33.80
(ii)	**Loan Assets**		
(a)	**Secured Loans**		
	- Loans to State Power Utilities/ State Electricity Boards/Corpn. (Secured by hypothecation and/or mortgage of materials/ tangible assets)		
	Considered Good	**740.67**	-
	Sub-total (a)	**740.67**	-
(b)	**Unsecured Loans**		
	- Loans Guaranteed by respective State Governments		
	- Considered Good	**197.18**	672.22
	- Loans - Others		
	- Considered Good	**2,651.00**	100.00
	Sub-total (b)	**2,848.18**	772.22
	Total (ii)	**3,588.85**	772.22
	Grand Total	**3,618.72**	809.37

19. Other Current Assets

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(A)	**Current recoverable of Long-term Loan Assets (Net)** (Refer Note 13.2)	**19,429.25**	41,788.96
(B)	**Current recoverable of Staff Advances (Net)** (Refer Note 13.1)	**11.23**	11.17
(C)	**Interest Accrued & Not Due on:**		
	- Long Term Investments	**14.25**	18.40
	- Term Deposits	**7.06**	3.20
	Sub-total	**21.31**	21.60
(D)	**Interest Accrued & Due on Loan Assets**	**781.26**	1,112.89
(E)	**Interest Accrued & Not Due on Loan Assets**	**288.31**	301.73
(F)	**Current Portion of Interest Accrued on Staff Advances**	**0.33**	0.30
(G)	**Recoverable from GOI**		
	- DDUGJY Expenses	**9.02**	9.71
	- NEF Expenses	**0.42**	0.37
	Sub-total	**9.44**	10.08
(H)	**Recoverable from SEBs/ Govt. Deptt/Others**	**35.53**	16.15
(I)	**Income Tax Recoverable**	**1.97**	0.18

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	Particulars	As at 31.03.2017	As at 31.03.2016
(J)	**Prepaid Financial Charges on Commercial Paper**	**-**	67.30
(K)	**Prepaid Expenditure**	**16.80**	9.90
(L)	**Current Portion of Unamortized Expenses**		
	- Discount on Issue of Bonds	**-**	0.14
(M)	**Others**	**7.38**	42.63
	Total (A to M)	**20,602.81**	43,383.03

20. Revenue from Operations

(₹ in Crores)

	Particulars	Year ended 31.03.2017		Year ended 31.03.2016	
(A)	**Interest on Loan Assets**				
(i)	Long term financing	**22,479.98**		23,375.20	
	Less: Rebate for timely payments/ completion etc.	**0.26**	**22,479.72**	1.49	23,373.71
(ii)	Short term financing		**455.89**		96.95
	Sub-total (A)		**22,935.61**		**23,470.66**
(B)	**Revenue from Other Financial Services**				
(i)	Processing, Upfront, Lead fees, LC Commission etc.		**48.49**		24.71
(ii)	Prepayment Premium		**147.44**		30.50
(iii)	Fee for DDUGJY Implementation/ others		**23.86**		32.78
	Sub-total (B)		**219.79**		87.99
(C)	**Income from Short-term Investment of Surplus Funds**				
(i)	Interest from Deposits		**98.39**		68.21
(ii)	Gain on Sale of Mutual Funds		**67.13**		11.49
(iii)	Interest from CP/ ICD		**29.87**		-
	Sub-total (C)		**195.39**		79.70
(D)	**Revenue from Sale of Goods**		**326.72**		173.36
(E)	**Income from Consulting Engineer Services**		**192.96**		**170.21**
(F)	**Income from Execution of IT Implementation Project**		**74.69**		30.96
	Total (A to F)		**23,945.16**		**24,012.88**

21. Other Income

(₹ in Crores)

	Particulars	Year ended 31.03.2017	Year ended 31.03.2016
(A)	**Interest Income (Other than Operating Income)**		
	- Interest from Govt. Securities	**24.52**	43.23
	- Interest from Long Term Investments/Term Deposits/Others	**214.18**	52.05
	- Interest from Income Tax Refund	**9.03**	-
	- Interest from Staff Advances	**1.52**	2.22
	- Interest from Subsidiary Companies/SPVs	**0.51**	0.29
	- Interest on Application Money	**-**	0.19
	Sub-Total (A)	**249.76**	**97.98**
(B)	**Dividend Income**		
	- Dividend from Long-Term Investments	**63.15**	2.37
	Sub-Total (B)	**63.15**	2.37

(C)	**Net Gain on Sale of Long Term Investments**	**79.75**	12.29
(D)	**Changes in Fair Value of Swap**	**324.77**	**-**
(E)	**Other Non-Operating Income**		
	- Provision & Liabilities no longer required written back	**2.87**	1.04
	- Miscellaneous Income	**20.54**	3.37
	Sub-Total (E)	**23.41**	**4.41**
	Total (A to E)	**740.84**	**117.05**

22. Finance Costs

(₹ in Crores)

	Particulars	Year ended 31.03.2017	Year ended 31.03.2016
(A)	**Interest Expense**		
	- On Govt. Loans	**-**	0.15
	- On Bonds	**11,743.83**	11,369.39
	- On Loans from Banks/ Financial Institutions	**106.47**	134.18
	- On External Commercial Borrowings	**1,423.65**	1,616.97
	- On Commercial Paper	**300.46**	285.91
	- On AREP Subsidy	**-**	0.04
	- On Advance Income Tax	**3.28**	0.46
	- Others	**0.18**	-
	Sub-Total (A)	**13,577.87**	13,407.10
(B)	**Other Borrowing Costs**		
	- Guarantee Fee	**18.25**	19.14
	- Public Issue Expenses	**-**	0.70
	- Bonds Handling Charges	**0.80**	1.04
	- Bonds Brokerage	**15.68**	19.33
	- Stamp Duty on Bonds/ Shares	**5.59**	3.88
	- Debt Issue and Other Finance Charges	**80.88**	157.80
	Sub-Total (B)	**121.20**	201.89
(C)	**Net Translation/ Transaction Exchange Loss**	**87.29**	**673.36**
	Total (A to C)	**13,786.36**	14,282.35

23. Employee Benefits Expense

(₹ in Crores)

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
- Salaries and Allowances	**130.39**	101.50
- Contribution to Provident Fund and Other Funds	**13.58**	12.44
- Gratuity	**15.30**	0.57
- Expenses towards Post Retirement Medical Facility	**17.21**	15.33
- Staff Welfare Expenses	**16.27**	13.35
Total	**192.75**	**143.19**

The pay revision of the employees of the Company is due w.e.f.1 January 2017. Pending final notification of the revised Pay Scales and other benefits by the Govt. of India, an estimated provision of ₹ 14.59 crores has been created during the year towards pay revision arrears as per the recommendations of 3rd Pay Revision Committee constituted by the Department of Public Enterprises (DPE), Govt. of India. This provision is inclusive of the provision created for non-executive employees for whom arrears have also been considered in line with these recommendations. Actuarial valuation of employees benefits has also been carried out on the basis of proposed pay scales

CONSOLIDATED NOTES TO ACCOUNTS

24. Corporate Social Responsibility Expenses

(₹ in Crores)

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
- Direct Expenditure	**65.78**	116.81
- Overheads	**3.16**	3.48
Total	**68.94**	**120.29**

24.1 Disclosure in respect of CSR Expenses:

Amount spent during the year (₹ in Crores) :

	Particulars	Year ended 31.03.2017			Year ended 31.03.2016		
		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	68.94	-	68.94	99.07	21.22	120.29

* denotes amount provided for.

25. Other Expenses

(₹ in Crores)

Particulars	Year ended 31.03.2017		Year ended 31.03.2016	
- Travelling and Conveyance		**13.60**		12.85
- Publicity & Promotion Expenses		**16.53**		11.70
- Repairs and Maintenance				
- Building	**2.89**		3.18	
- ERP & Data Centre	**4.85**		4.64	
- Others	**2.72**	**10.46**	1.20	9.02
- Rent & Hiring Charges		**7.04**		4.92
- Rates and Taxes		**1.27**		0.44
- Power & Fuel		**2.34**		2.30
- Insurance Charges		**0.19**		0.05
- Postage and Telephone		**2.86**		2.12
- Auditors' Remuneration		**1.24**		1.09
- Legal & Consultancy Charges		**7.72**		5.13
- Project Expenses		**96.64**		70.31
- Distribution Expense		**25.96**		13.77
- Loss on Sale of Assets		**0.52**		0.38
- Miscellaneous Expenses		**34.21**		30.31
Total		**220.58**		**164.39**

25.1 Auditors' Remuneration includes :

(₹ in Crores)

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
- Audit Fees	**0.65**	0.49
- Tax Audit Fees	**0.14**	0.09
- Limited Review Fees	**0.24**	0.21
- Payment for Other Services		
(i) Certification of Offer Document for Public Issue/ MTN Setup	**0.07**	0.12
(ii) Other Certifications	**0.04**	0.03
- Expenses Incurred	**0.05**	0.09
- Service tax component	**0.05**	0.05
Total	**1.24**	**1.08**

CONSOLIDATED NOTES TO ACCOUNTS

The figures above include ₹ 0.06 crores (Previous year Nil) of Audit Fees and ₹ 0.02 crores (Previous year Nil) of Tax Audit fees pertaining to earlier years.

25.2 Earnings and Expenditure in Foreign Currency :

(₹ in Crores)

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
Earnings	**1.27**	0.16
Expenditure		
- Royalty, Know-how, Professional, Consultation Fees	**1.17**	0.49
- Interest	**462.70**	551.84
- Finance Charges	**68.61**	130.91
- Other Expenses	**3.11**	3.11
Total	**535.59**	**686.35**

25.3 The Group Companies has taken office space, accommodations for staff and space for ERP Data Centre on lease. These are classified as operating lease. Lease payments in respect of office space and data centre amounting to ₹ 8.39 Crores (Previous year ₹ 6.60 Crores) is shown under the head 'Other Expenses'. Lease payments in respect of accommodations for staff amounting to ₹ 2.92 Crores (Previous year ₹ 2.99 Crores) form part of 'Employees Benefit Expense.' Future lease payments in respect of these lease agreements are as under:

(₹ in Crores)

Future minimum lease rent payments	As at 31.03.2017		As at 31.03.2016	
	Data Centre	Office & Accomodations	Data Centre	Office & Accomodations
Not later than one year	**0.36**	**6.51**	0.36	5.85
Later than one year and not later than 5 years	**0.26**	**8.03**	0.62	6.71
Later than 5 years	**-**	**6.83**	-	4.73
Total	**0.62**	**21.37**	**0.98**	**17.29**

26. Provisions and Contingencies

(₹ in Crores)

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
Provision for bad & doubtful debts	**626.43**	651.18
Contingent Provision against Standard Loan Assets	**64.03**	52.51
Provision against Restructured Standard Loans	**419.85**	369.57
Provision for Interest due & Converted into Equity	**-**	3.96
Provision for depreciation on Investment	**-**	16.00
Provision for contigencies of project cost revision	**-**	2.96
Total	**1,110.31**	**1,096.18**

27. Changes in inventories

(₹ in Crores)

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
Stock-in-Trade		
Opening Balance	**56.83**	-
Closing Balance	**51.14**	49.68
Changes in inventories of Stock-in-Trade	**5.69**	(49.68)
Work-in-Progress		
Opening Balance	**17.11**	-
Closing Balance	**0.04**	17.11
Changes in inventories of Work-in-Progress	**17.07**	(17.11)
Total	**22.76**	**(66.79)**

CONSOLIDATED NOTES TO ACCOUNTS

28. Prior Period Items

(₹ in Crores)

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
- Travelling and Conveyance (Refer Note 28.1)	**(1.01)**	-
- Others	**(0.50)**	0.39
Total	**(1.51)**	**0.39**

28.1 During the year, the Company had noticed a case of over-charging of the air ticket bills by the travel agent. The excess booking of the travel expense during the earlier years has been rectified and the resultant amount being shown as Recoverable from the Travel Agent in the books of accounts.

29. Earnings per Share

Particulars	Year ended 31.03.2017	Year ended 31.03.2016
Numerator		
Profit after Tax as per Statement of Profit and Loss (₹ in Crores)	**6,313.37**	5,691.42
Denominator		
Weighted average Number of equity shares	**1,974,918,000**	1,974,918,000
Basic & Diluted Earnings per share of ₹10 each (in ₹)	**31.97**	**28.82**

Pursuant to the approval of the shareholders, the Company had allotted bonus shares in the ratio of one equity share of ₹ 10/- each for one existing equity share of ₹ 10/- each on 30 September 2016. Accordingly, Earnings Per Share (EPS) (basic and diluted) have been restated for the previous periods presented in accordance with the provisions of AS-20.

30 Contingent Liabilities and Commitments :

30.1 Contingent Liabilities not provided for in respect of:

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(A)	**Claims against the Company not acknowledged as debts**	**97.63**	58.28
(B)	**Guarantees**	**35.32**	28.04
(C)	**Others**		
	- Letters of Comfort	**173.36**	461.56

The amount referred to in 'A' above includes ₹ 2.37 Crores (Previous year ₹ 3.86 Crores) in respect of cases pending in various courts including arbitration cases and is dependent upon the outcome of settlement of court/arbitration cases.

Further, it also includes ₹ 95.26 Crores (Previous year ₹ 54.42 Crores) 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.

30.2 Commitments not provided for in respect of:

(₹ in Crores)

Particulars	As at 31.03.2017	As at 31.03.2016
- Contracts remaining to be executed on capital account		
- Towards Tangible Assets	**376.28**	372.20
- Towards Intangible Assets	**2.60**	2.84
- Other Commitments		
- CSR Commitments	**145.99**	89.44

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31. Details of Registration/ License/ authorisation obtained from financial sector regulators:

	Particulars	Regulator Name	Registration Details
(i)	Corporate Identification No.	Ministry of Corporate Affairs	L40101DL1969GOI005095
(ii)	Registration Number	Reserve Bank of India	14.000011

32. The Company is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company (NBFC) since 1997-98. As per notification No.DNBS(PD).CC No.12/02.01/99-2000 dated 13.1.2000 of RBI, Govt. companies as defined under Section 617 of the Companies Act, 1956 have been exempted from applicability of the provisions of Reserve Bank of India Act, 1934 relating to maintenance of liquid assets and creation of Reserve Funds and the Directions relating to acceptance of public deposits and Prudential Norms. The said notification is also applicable to REC, being a Govt. company as defined under Section 2 (45) of the Companies Act, 2013 (Section 617 of the erstwhile Companies Act, 1956). Accordingly, the Reserve Fund is not created.

Further, as per Para No. 2 (3) of RBI's Master Circular No. DNBR.PD.008/ 03.10.119 / 2016-17 dated 1 September, 2016, REC being a Government Company continues to be exempted from the applicability of "Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015". However, RBI, vide its letters dated 25 July 2013 and 4 April 2014, has conveyed to the Company to comply with the Prudential Norms of RBI by 31st March, 2016 and follow the instructions contained in RBI Circular dated 23 January 2014 issued vide Notification No. DNBS (PD) No. 271/ CGM (NSV)-2014 in respect of restructuring of assets. Later, RBI vide its letter dated 11 June 2014 has allowed exemption to the Company from RBI restructuring norms till 31 March 2017 for Transmission & Distribution, Renovation & Modernisation and Life Extension projects and also the Hydro projects in Himalayan region or affected by natural disasters. Further for new project loans to generating companies restructured w.e.f. 1 April 2015, the provisioning requirement would be 5% and for stock of loans as on 31 March 2015 of such projects, the provisioning shall commence with a provision of 2.75% w.e.f 31 March 2015 and reaching 5% by 31 March 2018.

33. RBI, vide its letter dated September 17, 2010 had categorized REC as an Infrastructure Finance Company (IFC) in terms of instructions contained in RBI Circular CC No.168 dated February 12, 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 16 June 2016 has exempted REC from applicability of RBI's concentration of credit/investment norms till 31 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 31 March 2017 and 31 March 2016.

34. Changes in Accounting Policies

a. Rural Electrificaiton Corporation Limited

During the year ended 31 March 2017, the Company has revised the Significant Accounting Policy No. 16 in respect of accounting for derivatives contracts in order to align it with the 'Guidance Note on Accounting for Derivative Contracts' issued by The Institute of Chartered Accountants of India which has become applicable from 1 April 2016. In accordance with the transitional provisions mentioned in the Guidance Note, an amount of ₹ 86.75 Crores after netting of taxes of ₹ 45.92 Crores had been adjusted in the opening balance of reserves, representing the change in the fair value of the interest rate swaps till 31 March 2016. Further, the fair value gain on interest rate swaps of ₹ 324.77 Crores has been booked to the Statement of Profit & Loss for the year ended 31 March 2017 in accordance with the revised accounting policy.

Further, the accounting policy on treatment of foreign currency exchange differences on the hedged loans and the corresponding derivative contracts has also been revised in order to align the same with existing accounting policy 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 AS-11. The impact of this change, foreign exchange fluctuation loss pertaining to the previous years ₹ 29.79 Crores and foreign exchange fluctuation gain pertaining to current year amounting to ₹ 6.69 Crores has been adjusted in the Finance Cost for the year ended 31 March 2017.

Due to these changes in accounting policies, profit before tax for the year ended 31 March 2017 is higher by ₹ 301.67 Crores.

b. Group Companies

RECPDCL, a subsidiary of REC Limited, has, during the current year, discontinued its policy of making a provision for contingencies of Project Cost Revisions @ 2% of its annual turnover. Due to this change in accounting policy, profit before tax for the FY 2016-17 is higher by ₹ 3.65 crores.

Further, RECPDCL has, during the current year, changed its existing policy of making percentage based provision for doubtful debts to actual provision on prudence basis. Due to this change in accounting policy, profit before tax for the FY 2016-17 is higher by ₹ 2.72 crores.

35. Quality of Loan Assets

35.1 Details of Restructured Accounts on which restructuring provisioning as per RBI norms is applicable, along-with provisions thereon, are given below

(₹ in Crores)

	Type of restructuring		Under CDR / SME Mechanism					Others					Total				
	Asset Classification details		Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total
(1)	Restructured Accounts as on 1 April 2016	No. of borrowers	Nil					10	4	-	-	14	10	4	-	-	14
		Amount outstanding (Restructured facility)						21,058	2,179	-	-	23,238	21,058	2,179	-	-	23,238
		Amount outstanding (Other facility)						-	-	-	-	-	-	-	-	-	-
		Provision Thereon						821	218	-	-	1,039	821	218	-	-	1,039
(2)	Movement of balance in account appearing in opening balance	No. of borrowers	Nil					9	2	-	-	11	9	2	-	-	11
		Amount outstanding (Restructured facility)						3,974	(3)	-	-	3,971	3,974	(3)	-	-	3,971
		Amount outstanding (Other facility)						-	-	-	-	-	-	-	-	-	-
		Provision Thereon						425	-	-	-	426	425	-	-	-	426
(3)	Fresh restructuring during the year	No. of borrowers	Nil					3	1	-	-	4	3	1	-	-	4
		Amount outstanding (Restructured facility)						3,167	9	-	-	3,176	3,167	9	-	-	3,176
		Amount outstanding (Other facility)						-	-	-	-	-	-	-	-	-	-
		Provision Thereon						158	1	-	-	159	158	1	-	-	159
(4)	Up gradations to restructured standard category during the year	No. of borrowers	Nil					2	-	-	-	2	2	-	-	-	2
		Amount outstanding (Restructured facility)						54	-	-	-	54	54	-	-	-	54
		Amount outstanding (Other facility)						-	-	-	-	-	-	-	-	-	-
		Provision Thereon						3	-	-	-	3	3	-	-	-	3

(₹ in Crores)

	Type of restructuring		Under CDR / SME Mechanism					Others					Total				
	Asset Classification details		Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total	Standard	Substandard	Doubtful	Loss	Total
(5)	Restructured Standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the year and hence need not be shown as restructured standard advances at the beginning of the next FY	No. of borrowers	Nil					(1)	(2)	-	-	(3)	(1)	(2)	-	-	(3)
		Amount outstanding (Restructured facility)						(4,758)	(54)	-	-	(4,812)	(4,758)	(54)	-	-	(4,812)
		Amount outstanding (Other facility)						-	-	-	-	-	-	-	-	-	-
		Provision Thereon						(167)	(6)	-	-	(172)	(167)	(6)	-	-	(172)
(6)	Down gradation of restructured accounts during the year	No. of borrowers	Nil					-	(1)	1	-	-	-	(1)	1	-	-
		Amount outstanding (Restructured facility)						-	(1,345)	1,345	-	-	-	(1,345)	1,345	-	-
		Amount outstanding (Other facility)						-	-	-	-	-	-	-	-	-	-
		Provision Thereon						-	(134)	269	-	135	-	(134)	269	-	135
(7)	Write-offs restructured accounts during the year	No. of borrowers	Nil					-	-	-	-	-	-	-	-	-	-
		Amount outstanding (Restructured facility)						-	-	-	-	-	-	-	-	-	-
		Amount outstanding (Other facility)						-	-	-	-	-	-	-	-	-	-
		Provision Thereon						-	-	-	-	-	-	-	-	-	-
(8)	"Restructured accounts as on 31 March 2017"	No. of borrowers	Nil					14	2	1	-	17	14	2	1	-	17
		Amount outstanding (Restructured facility)						23,496	786	1,345	-	25,627	23,496	786	1,345	-	25,627
		Amount outstanding (Other facility)						-	-	-	-	-	-	-	-	-	-
		Provision Thereon						1,241	79	269	-	1,589	1,241	79	269	-	1,589

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35.2 The Classification of Loan Assets of the Company (classified in Note No. 13 and 18) as per RBI Prudential Norms is as under:

(₹ in Crores)

	Particulars	As at 31.03.2017		As at 31.03.2016	
	Asset Classification	**Loan Balance**	**Provision created against Loan Assets**	**Loan Balance**	**Provision created against Loan Assets**
(i)	**Standard Assets**				
(a)	Restructured Standard Loan Assets (Refer Note below)	**23,495.57**	**1,241.19**	21,058.26	821.34
(b)	Other than (a) above	**173,560.42**	**607.46**	175,976.46	543.43
	Sub-total (i)	**197,055.99**	**1,848.65**	**197,034.72**	**1,364.77**
(ii)	**Non Performing Assets**				
(a)	Sub-standard Assets *	**1,226.75**	**205.92**	2,908.19	291.01
(b)	Doubtful Assets	**3,628.71**	**1,412.20**	1,318.16	705.04
(c)	Loss Assets	**17.22**	**17.22**	17.22	17.22
	Sub-total (ii)	**4,872.68**	**1,635.34**	4,243.57	1,013.27
	Total	**201,928.67**	**3,483.99**	**201,278.29**	**2,378.04**

* Includes loans classified as NPAs due to restructuring/ non-achievement of DCCO amounting to ₹ 777.00 Crores (Previous year ₹ 811.33 crores) and provisioning thereof ₹ 77.70 Crores (Previous year ₹ 81.27 crores).

Note : Loan assets as mentioned in (i)(a) refer to restructured standard loan assets as specified in Accounting Policy No. B-2.3(iv).

35.3 Sector-wise NPAs - Percentage of NPAs to Total Advances in that sector

(₹ in Crores)

Particulars	As at 31.03.2017	As at 31.03.2016
- Power Sector *	**2.41%**	2.11%

* Includes 0.38% (Previous year 0.40%) loans classified as NPAs due to restructuring/ non-achievement of DCCO, amounting to ₹ 777.00 Crores (Previous period ₹ 811.33 crores).

35.4 Movement of NPAs

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(i)	**Net NPAs to Net Advances (%)**	**1.62%**	**1.61%**
(ii)	**Movement of NPAs (Gross)**		
(a)	Opening balance	**4,243.57**	1,335.38
(b)	Additions during the year	**686.56**	2,910.13
(c)	Reductions during the year	**57.44**	1.94
(d)	Closing balance	**4,872.69**	4,243.57
(iii)	**Movement of NPAs (Net)**		
(a)	Opening balance	**3,230.30**	969.93
(b)	Additions during the year	**56.25**	2,262.31
(c)	Reductions during the year	**49.20**	1.94
(d)	Closing balance	**3,237.35**	3,230.30
(iv)	**Movement of provisions for NPAs**		
(a)	Opening balance	**1,013.27**	365.45
(b)	Provisions made during the year	**630.31**	647.82
(c)	Write-off / write-back of excess provisions	**8.24**	-
(d)	Closing balance	**1,635.34**	1,013.27

Note - The closing figures above include loans classified as NPAs due to restructuring/ non-achievement of DCCO, amounting to ₹ 777.00 Crores (Gross) (Previous year ₹ 811.33 crores) and provisioning thereof ₹ 77.70 Crores (Previous year ₹ 81.27 crores).

CONSOLIDATED NOTES TO ACCOUNTS

36. Exposure Related Disclosures

36.1 Exposure to Real Estate Sector

The Company has no exposure to real estate sector as at 31 March 2017 (Previous year Nil).

36.2 Exposure to Capital Market

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(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;	**520.05**	119.25
(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;	**-**	-
(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)	**6.15**	6.15
	Total Exposure to Capital Market	**526.20**	**125.40**

36.3 Unsecured Advances against Intangible Assets

There are no such advances outstanding as at 31 March 2017 (Previous year Nil) for which intangible collaterals such as rights, licenses, authority, etc. are charged in favour of the Company in respect of projects financed by the Company.

37. Concentration of Advances, Exposures and NPAs

	Particulars	As at 31.03.2017	As at 31.03.2016
(i)	Concentration of Advances		
	Total Advances to twenty largest borrowers (₹ in Crores)	**111,916.90**	117,632.78
	Percentage of Advances to twenty largest borrowers to Total Advances of the Company	**55.42%**	58.44%
(ii)	Concentration of Exposures		
	Total Exposure to twenty largest borrowers (₹ in Crores)	**197,327.07**	194,864.96
	Percentage of Exposures to twenty largest borrowers to Total Exposure of the Company on borrowers	**60.34%**	58.54%
(iii)	Concentration of NPAs *		
	Total Outstanding to top four NPA Accounts (₹ in Crores)	**3,444.72**	3,444.72
	Total Exposure to the above four NPA Accounts (₹ in Crores)	**3,444.72**	3,444.72

* Includes loans of ₹ 777.00 Crores (Previous year ₹ 777.00 crores) classified as NPAs due to restructuring/ non-achievement of DCCO.

CONSOLIDATED NOTES TO ACCOUNTS

38. The Company has not entered into any securitisation/ assignment transactions during the year ended 31 March 2017 (Previous year Nil). Further, no assets have been sold to securitisation/ reconstruction company for asset reconstruction.

39. The National Electricity Fund (NEF), an interest subsidy scheme, has become operational during the year 2012-13. The scheme has been introduced by Govt. of India to promote the capital investment in the distribution sector. The scheme shall provide interest subsidy linked with reform measures, on the loans taken by public and private distribution power utilities for various capital works under Distribution sector. NEF would provide interest subsidy aggregating upto ₹ 8,466 Crores (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 Nodal Agency for operationalisation of the NEF scheme in entire country.

40. Government of India has launched Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) with the following components:

(i) Separation of agriculture and non-agriculture feeders facilitating judicious rostering of supply to agriculture & non-agriculture 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) Rural electrification, as per CCEA approval dated 01.08.2013 for completion of the targets laid down under RGGVY for 12th and 13th Plans by carrying forward the approved outlay for RGGVY to DDUGJY.

The components at (i) and (ii) of the above scheme will have an estimated outlay of ₹ 43,033 crore including budgetary support of ₹ 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 will get subsumed in this scheme as a separate Rural Electrification (RE) component. REC has been nominated as nodal agency for operationalization of this scheme.

41. In the opinion of the management, the current assets, loans and advances appearing in the balance sheet have a value equivalent to the amount stated therein if realized during the ordinary course of business and all known liabilities have been provided.

42. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006:

(₹ in Crores)

Particulars	As at 31.03.2017	As at 31.03.2016
Principal amount remaining unpaid but due as at year end	**0.30**	4.21
Interest due thereon as at year end	**0.06**	0.14
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.	**-**	0.11
Interest accrued and remaining unpaid as at year end.	**0.06**	0.14
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.	**-**	-

43. Derivatives Related Disclosures

43.1 Forward Rate Agreements/ Interest Rate Swaps

(₹ in Crores)

	Particulars	As at 31.03.2017	As at 31.03.2016
(i)	The notional principal of swap agreements	**41,664.18**	24,770.59
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**628.07**	1,529.12
(iii)	Collateral required by the NBFC upon entering into swaps	**Nil**	Nil
(iv)	Concentration of credit risk arising from the swaps	**Refer Note Below**	Refer Note Below
(v)	The fair value of the swap book	**273.61**	1,223.39

Note : 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

43.2 The Company has not entered into any exchange traded Interest Rate (IR) derivatives.

43.3 Disclosure on Risk Exposure in Derivatives

43.3.1 Qualitative Disclosures

REC has Risk Management Policy duly approved by the Board. The policy covers the currency risk of the company. This policy provides the guiding parameters within which the Company can take decisions for managing the Currency Risk that it is exposed to on account of foreign currency loan. The purpose of the policy is to provide a framework to the Company for management of its foreign currency risk.

Risk Management Structure

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.

Derivative transactions include forwards, interest rate swaps, cross currency swaps and currency and cross currency options to hedge assets and liabilities. These derivative transactions are done for hedging purpose and not for trading or speculative purpose.

Type of Risks Involved

(i) **Credit Risk -** Credit risk is the risk of loss due to counterparty's failure to perform on an obligation to the Company.

(ii) **Market Risk -** Market risk is the risk of loss due to adverse changes in the market value (the price) of an instrument or portfolio of instruments. Such exposures occurs with respect to derivative instruments when changes occur in market factors such as underlying interest rates, exchange rates etc or in the volitality of these factors.

(iii) **Liquidity Risk -** Liquidity risk is the risk of loss due to failure of the institution to meet its funding requirments or execute a transaction at a reasonable price. This may be market liquidity risk or funding liquidity risk.

(iv) **Operational Risk -** Operational risk is the risk of loss occuring as a result of inadequate system and control, deficiencies in information system, human error or a management failure. Derivative activities can pose challenging operational risk issue because of complexity of certain products and their continual evolution.

(v) **Legal Risk -** Legal risk is the risk of loss arising from contracts which are not legally enforceable or documented correctly.

(vi) **Regulatory Risk -** Regulatory risk is the risk of loss arising from failure to comply with regulatory or legal requirements.

43.3.2 Quantitative Disclosures

(₹ in Crores)

	Particulars	Currency Derivatives *		Interest Rate Derivatives **	
		As at 31.03.2017	**As at 31.03.2016**	**As at 31.03.2017**	**As at 31.03.2016**
(i)	**Derivatives (Notional Principal Amount)**				
	For hedging	**18,482.32**	**17,876.79**	23,181.86	6,893.80
(ii)	**Marked to Market Positions**				
a)	Asset (+)	**370.75**	**1,487.63**	257.32	41.49
b)	Liability (-)	**289.24**	**131.57**	65.22	174.16
(iii)	**Credit Exposure**	**18,482.32**	**17,876.79**	23,181.86	6,893.80
(iv)	Unhedged Exposures	**2,598.22**	**4,046.93**	N.A.	N.A.

* Includes Full Hedge, Principal only Swap and Call Spread.

** Includes Interest Rate Derivatives as a strategy of cost reduction

CONSOLIDATED NOTES TO ACCOUNTS

44. The outstanding position of Foreign Currency Exposure as at 31st March, 2017 is as under:

(Foriegn Currency Amounts in Millions)

Currency	Total Exposure		Hedged Portion (Currency & Interest rate)		Unhedged Exposure	
	As at 31.03.2017	As at 31.03.2016	As at 31.03.2017	As at 31.03.2016	As at 31.03.2017	As at 31.03.2016
JPY ¥	26,059.52	30,014.85	23,985.15	27,940.48	2,074.37	2,074.37
EURO €	139.74	159.15	99.35	125.02	40.39	34.13
USD $	2,885.00	2,855.00	2,530.00	2,500.00	355.00	355.00
CHF (Swiss Franc)	-	200.00	-	-	-	200.00

44.1 In terms of Accounting Policy B-14, the foreign currency monetary items as at the reporting date have been translated at the following rates:

Exchange Rates	USD/INR	JPY/INR	Euro/INR	CHF/INR
As at 31st March, 2017	64.8386	0.5796	69.2476	-
As at 31st March, 2016	66.3329	0.5906	75.0955	68.9249

45. Related Party Disclosures :

(1) Key Managerial Personnel

Dr. P V Ramesh	Chairman & Managing Director w.e.f. 5 January 2017
Sh. B.P. Pandey	Chairman & Managing Director from 1 October 2016 to 4 January 2017
Sh. Rajeev Sharma	Chairman & Managing Director upto 30 September 2016
Sh. Ajeet Kumar Agarwal	Director (Finance)
Sh. Sanjeev Kumar Gupta	Director (Technical)
Sh. J.S. Amitabh	GM & Company Secretary

(2) Wholly owned Subsidiaries of REC Transmission Projects Company Limited

Nellore Transmission Limited - Incorporated on 04.12.2012 and struck off from the Register of Companies u/s 560 of Companies Act, 1956 vide certificate dated 25.05.2016

Baira Siul Sarna Transmission Limited - Incorporated on 24.01.2013 and struck off from the Register of Companies u/s 560 of Companies Act, 1956 vide certificate dated 16.07.2016

NER II Transmission Limited - Incorporated on 21.04.2015 and transferred to M/s Sterlite Grid 4 Limited (SG4L) on 31.03.2017, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Khargone Transmission Limited and SG4L.

NRSS XXXVI Transmission Limited - Incorporated on 18.08.2015 and transferred to M/s Essel Infraprojects Limited(EIL) on 22.08.2016, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, NRSS XXXVI Transmission Limited and EIL.

North Karanpura Transco Limited - Incorporated on 27.11.2015 and transferred to M/s Adani Transmission Limited (ATL) on 08.07.2016, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, North Karanpura Transco Limited and ATL.

Khargone Transmission Limited - Incorporated on 28.11.2015 and transferred to M/s Sterlite Grid 4 Limited on 22.08.2016, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Khargone Transmission Limited and Sterlite.

Dinchang Transmission Limited - Incorporated on 02.12.2015

Ghatampur Transmission Limited - Incorporated on 02.12.2016

ERSS XXI Transmission Limited - Incorporated on 11.01.2017

WR-NR Power Transmission Limited - Incorporated on 12.01.2017

Details of amount due from/ to the related parties :

(₹ in Crores)

Particulars	As at 31.03.2017	As at 31.03.2016
Long-term Debt		
Key Managerial Personnel	**0.10**	0.10
Loans & Advances		
Key Managerial Personnel	**0.50**	0.83

Details of Transactions with the related parties :

(₹ in Crores)

Particulars	For the year ended 31.03.2017	For the year ended 31.03.2016
Long Term Debt - Amount Invested		
Key Managerial Personnel	**-**	0.01
Loans & Advances		
Key Managerial Personnel	**0.06**	0.53
Interest Income - Loans & Advances		
Key Managerial Personnel	**0.03**	0.04
Finance Cost		
Interest Paid to Key Managerial Personnel	**0.01**	0.01
Employee Benefits Expense - Managerial Remuneration	**2.09**	2.33

46. Disclosures for Employee Benefits as required under AS 15:

(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 AS 15.

In case of RECPDCL & EESL, 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 a separate trust which invests the funds with the Insurers. The Insurers fix the rate of interest on the balance standing to the credit of the accounts of the members of the trust. When the pension becomes payable to the member, the Insurers shall appropriate the member's accumulation towards various annuities, as opted for by the member.

Amount recognised as expenses towards defined contribution plans:

(₹ in Crores)

	Particulars	For the year ended 31.03.2017	For the year ended 31.03.2016
(i)	**Provident Fund**	**8.05**	7.25
(ii)	**Defined Contribution Superannuation Scheme**	**5.46**	5.10
	Total	**13.51**	12.35

(2) Defined Benefit Plans - Post-Employment Benefits

A. Gratuity

The Company has a defined benefit gratuity plan. Every employee is entitled to gratuity as per the provisions of the Payment of Gratuity Act, 1972. The scheme is funded by the Company and is managed by separate trust. The liability of Gratuity is recognized on the basis of actuarial valuation.

In case of EESL, there is no separate trust and the liability for gratuity is provided for in the books of accounts as per the provisions of the Payment of Gratuity Act, 1972 and is recognized on the basis of actuarial valuation.

CONSOLIDATED NOTES TO ACCOUNTS

B. Post Retirement Medical Facility (PRMF)

The Company has Post Retirement Medical Facility under which the entitled retired employees (including his/her spouse) are covered as per Company Rules. The expenditure is recognized in the Statement of Profit & Loss on the basis of actuarial valuation.

C. Other Defined Retirement Benefit (ODRB)

The Company has a scheme for settlement of the employee and their dependents at the time of superannuation at home town. The expenditure is recognized in the Statement of Profit & Loss on the basis of actuarial valuation.

The summarized position of various defined benefits recognized in the Statement of Profit & Loss, Balance Sheet and the funded status is as under:

Expense recognised in Statement of Profit & Loss:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Current Service Cost	**2.25**	2.05	**1.63**	1.45	**0.06**	0.05
Interest Cost	**3.00**	3.05	**6.93**	6.21	**0.10**	0.10
Expected Return on Plan Assets	**2.97**	3.03	**0.00**	0.00	**0.00**	0.00
Actuarial (Gain)/ Loss	**11.42**	(1.50)	**8.65**	7.67	**(0.02)**	(0.03)
Expense recognized*	**13.70**	0.57	**17.21**	15.33	**0.14**	0.12

* Includes amount of ₹ 0.11 crores (Previous Year ₹0.04 crores) in respect of EESL

Amounts recognised in Balance Sheet:

(Amounts below in 'Gratuity' columns denotes respective amounts in the Balance Sheet of gratuity trust)

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Present value of obligation as at the end of the year	**50.80**	37.42	**97.15**	86.62	**1.27**	1.22
Fair value of Plan Assets as at the end of the year	**35.69**	35.48	**-**	-	**-**	-
Net Assets/ (Liability) recognized*	**(14.73)**	(1.78)	**(97.15)**	(86.62)	**(1.27)**	(1.22)

* Includes amount of ₹ 0.19 crores (Previous Year ₹0.08 crores) in respect of EESL

Changes in the Present value of defined benefit/ Obligation:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Present value of obligation as at the beginning of the year	**37.43**	38.21	**86.62**	77.61	**1.22**	1.20
Interest Cost	**3.00**	3.05	**6.93**	6.21	**0.10**	0.10
Current Service Cost	**2.25**	2.05	**1.63**	1.45	**0.06**	0.05
Benefit Paid	**(3.30)**	(4.42)	**(6.68)**	(6.32)	**(0.09)**	(0.10)
Actuarial (Gain)/ Loss on obligation	**11.42**	(1.47)	**8.65**	7.67	**(0.02)**	(0.03)
Present Value of defined benefit obligation at the end of the year*	**50.80**	37.42	**97.15**	86.62	**1.27**	1.22

* Includes amount of ₹ 0.19 crores (Previous Year ₹0.08 crores) in respect of EESL

CONSOLIDATED NOTES TO ACCOUNTS

Changes in the Fair Value of Plan Assets:

(Amounts below in 'Gratuity' columns denotes respective amounts for the gratuity trust)

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Fair value of Plan Assets as at the beginning of the year	**35.48**	36.25	**-**	-	**-**	-
Return on Plan Assets	**2.97**	3.03	**-**	-	**-**	-
Contributions	**0.53**	0.62	**-**	-	**-**	-
Benefit Paid	**-3.29**	-4.42	**-**	-	**-**	-
Actuarial Gain/ (Loss) on Plan Assets	**-**	-	**-**	-	**-**	-
Fair value of Plan Assets as at the end of the year	**35.69**	35.48	**-**	-	**-**	-

Funded Status and Experience adjustments for liability towards Gratuity:

(₹ in Crores)

Particulars	31.03.2017	31.03.2016	31.03.2015	31.03.2014	31.03.2013
Present value of obligation at year end	**50.80**	37.42	38.16	38.07	37.85
Fair value of Plan Assets at year end	**35.69**	35.48	36.25	35.94	35.14
Funded Status	**(15.11)**	**(1.94)**	**(1.91)**	**(2.13)**	**(2.71)**
Experience adjustment;					
Gain/(Loss):					
Experience adjustment on plan liabilities	**(10.26)**	1.51	1.17	0.68	(0.01)
Experience adjustment on plan assets	**-**	(0.23)	(0.40)	(0.30)	0.58

The effect of an increase/ decrease of one percent point in inflation rate on PRMF:

(₹ in Crores)

Particulars	1% (+)		1% (-)	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Service & Interest Cost	**0.84**	1.25	**(1.34)**	(0.84)
PBO (Closing)	**12.14**	11.93	**(9.86)**	(8.45)

Actuarial Assumptions:

Particulars	Gratuity		PRMF		ODRB	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Method Used	**Projected Unit Credit (PUC)**	Projected Unit Credit (PUC)	**Projected Unit Credit (PUC)**	Projected Unit Credit (PUC)	**Projected Unit Credit (PUC)**	Projected Unit Credit (PUC)
Discount Rate*	**7.50%**	8.00%	**7.50%**	8.00%	**7.50%**	8.00%
Expected Rate of Return on Plan Assets	**8.20%**	8.36%	**-**	-	**-**	-
Future Salary Increase	**6.00%**	6.00%	**6.00%**	6.00%	**6.00%**	6.00%

* In case of EESL, discount rate has been assumed to be 7.35%.

- The Expected Rate of Return on Assets is the assumed rate of return (annualised).
- The Principle assumptions are the discount rate and salary growth rate. The discount rate is generally based on the market yields available on govt. bonds at the 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.

47. 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) is 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. The final notification for giving effect to transfer of assets and liabilities to successor entities of erstwhile TNEB has been issued. The transferee entities are repaying the outstanding loan of the Company as per the provisional transfer schemes. REC shall take further steps to execute the Final Loan Transfer Agreements after the finalisation of financial statements for FY 2016-17.

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).

(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.

48. The Ministry of Power launched a scheme ‘Ujwal DISCOM Assurance Yojana’ (UDAY) for achieving financial turnaround of the DISCOMs which are reeling under burden of heavy debt and losses. As per the OM dated 20 November 2015 issued by MoP on the UDAY scheme, States shall take over 75% of the DISCOM debt as on 30 September 2015 over 2 years.

The DISCOMs of Punjab, Uttar Pradesh, Chhattisgarh, Rajasthan, Haryana, Bihar, Tamil Nadu, Madhya Pradesh, Telangana, Himachal Pradesh and Andhra Pradesh have pre-paid their outstanding loan amounting to ₹ 42,700 Crores till date under the scheme.

49. The Company’s main business is to provide finance to power sector. Accordingly, the Company does not have more than one segment eligible for reporting in terms of Accounting Standard-17.

50. Capital to Risk-weighted Assets Ratio (CRAR)

Being an Infrastructure Finance Company (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 / For the year ended 31.03.2017	As at / For the year ended 31.03.2016
(i)	CRAR (%)	21.18%	20.38%
(ii)	CRAR - Tier I Capital (%)	18.43%	17.48%
(iii)	CRAR - Tier II Capital (%)	2.75%	2.90%
(iv)	Amount of subordinated debt raised as Tier-II capital (₹ in crore)	-	-
(v)	Amount raised by issue of Perpetual Debt Instruments (₹ in crore)	-	-

51. Asset Liability Management - Maturity pattern of certain items of Assets and Liabilities :

(₹ in Crores)

As at 31.03.2017	Advances	Investments	Borrowings		Foreign Currency Items	
			Domestic Borrowings	Foreign Currency Borrowings	Assets	Liabilities (Other than Borrowings)
Upto 30/31 days	1,201	-	403	1,103	-	-
Over 1 month upto 2 months	3,244	-	366	-	-	-
Over 2 months upto 3 months	2,479	-	326	89	-	-
Over 3 month & upto 6 months	5,437	-	9,854	102	-	-
Over 6 months & upto 1 year	11,903	184	5,772	157	-	-
Over 1 year & upto 3 years	38,419	189	46,646	13,161	-	-
Over 3 years & upto 5 years	35,976	-	33,475	6,325	-	-
Over 5 years	103,270	2,260	49,826	248	-	-
Total	**201,929**	**2,633**	**146,667**	**21,184**	**-**	**-**

(₹ in Crores)

As at 31.03.2016	Advances	Investments	Borrowings		Foreign Currency Items	
			Domestic Borrowings	Foreign Currency Borrowings	Assets	Liabilities (Other than Borrowings)
Upto 30/31 days	2,798	-	2,118	-	-	-
Over 1 month upto 2 months	1,971	-	2,999	-	-	-
Over 2 months upto 3 months	6,610	-	2,366	97	-	-
Over 3 month & upto 6 months	21,395	-	8,256	1,473	-	-
Over 6 months & upto 1 year	10,543	149	11,539	1,579	-	-
Over 1 year & upto 3 years	36,506	189	36,540	7,828	-	-
Over 3 years & upto 5 years	34,735	94	27,305	10,716	-	-
Over 5 years	86,720	1,920	56,100	296	-	-
Total	**201,278**	**2,352**	**147,222**	**21,989**	**-**	**-**

52. Disclosures in respect of Entities Consolidated as required under Schedule III to the Companies Act, 2013 (after adjustment of intergroup transactions):

Sl. No.	Name of the Entity	Net Assets i.e. Total Assets minus Total Liabilities		Share in Profit or Loss	
		As % of Consolidated Net Assets	Amount (₹ in Crores)	As % of Consolidated Profit or Loss	Amount (₹ in Crores)
(1)	**Parent**				
	Rural Electrification Corporation Limited	98.75%	33,251.45	99.11%	6,257.02
(2)	**Subsidiaries - Indian**				
1.	REC Power Distribution Company Limited	0.44%	146.94	0.19%	11.80
2.	REC Transmission Projects Company Limited	0.29%	96.30	0.46%	29.10
(3)	**Joint Venture - Indian**				
1.	Energy Efficiency Services Limited	0.52%	175.87	0.24%	15.45
	Total	**100.00%**	**33,670.56**	**100.00%**	**6,313.37**

53. Disclosures in respect of different accounting policies of Group Companies

(i) RECPDCL, during the year, has adopted different useful life for certain fixed assets item- camera, gps, other hand held wireless devices in addition to existing different useful life for certain fixed assets- mobile/tablet, furniture & fixtures and intangible assets from that of Rural Electrification Corporation Limited. Due to this change in accounting policy, profit before tax for the FY 2016-17 is lower by ₹ 0.05 crores.

(ii) In case of Energy Efficiency Services Limited (EESL), depreciation on cell phone is provided at different rates from that of Rural Electrification Corporation Limited. The total amount of gross block and depreciation charged during the year on cell phone pertaining to the Company's share in the Joint Venture, EESL consolidated in these Consolidated Financial Statements for the year 2016-17 is ₹ 0.14 crores and ₹ 0.03 crores, the impact of which is immaterial.

CONSOLIDATED NOTES TO ACCOUNTS

(iii) In case of EESL, a Joint Venture of the Company, the exchange differences arising on reporting of long-term foreign currency monetary items

(a) on account of a depreciable asset, is recognized by adjusting the cost of the depreciable asset and depreciated over the balance life of the asset.

(b) in other cases, is recognized as income or expense in the statement of profit and loss.

54. Two SPVs namely Nellore Transmission Limited and Baira Siul Sarna Transmission Limited were denotified vide notification No. 15/9/2013-Trans dtd 03.01.2014 and 100/1/EC (33)/SP&PA/2013 dtd 09.02.2015 respectively by the Ministry of Power. Consequent to the de-notification the application for dissolution were filed by the said two SPVs through “Fast Track Exit” mode. Nellore Transmission Limited and Baira Siul Sarna Transmission Limited were struck off on 25.05.2016 and 16.07.2016 respectively from the register of the Registrar of Companies (RoC), NCT of Delhi and Haryana.

55. There are no Off-Balance Sheet SPVs sponsored by the Company, which need to be consolidated as per accounting norms.

56. No penalties have been levied on the Company by any regulator during the year ended 31 March 2017 (Previous year Nil).

57. No complaints have been received by the Company from the borrowers under the Fair Practices Code during the year ended 31 March 2017 (Previous year Nil).

58. Previous year figures have been reclassified/ regrouped to conform to the current classification.

59. Figures in Rupees have been rounded off to the nearest crores with two decimals, unless expressly stated.

The Significant Accounting Policies and Notes to Accounts 1 to 59 are an integral part of the Consolidated Financial Statements.

For and on behalf of the Board

J.S. Amitabh	**Ajeet Kumar Agarwal**	**P V Ramesh**
GM & Company Secretary	Director (Finance)	Chairman and Managing Director
	DIN - 02231613	DIN - 02836069

In terms of our Report of even date

	For Raj Har Gopal & Co.	**For A.R. & Co.**
	Chartered Accountants	Chartered Accountants
	Firm Reg. No.: 002074N	Firm Reg. No.: 002744C
	Shrey Gupta	**Anil Gaur**
Place : Mumbai	Partner	Partner
Date : 30 May 2017	M.No. : 522315	M.No. : 017546

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017

(₹ in Crores)

	YEAR ENDED 31.03.2017		YEAR ENDED 31.03.2016	
A. Cash Flow from Operating Activities:				
Net Profit before Tax	**8,972.36**		8,146.66	
Adjustments for:				
1. Profit / Loss on Sale of Fixed Assets	**0.52**		0.38	
2. Depreciation & Amortization	**39.69**		19.67	
3. Provisions and Contingencies	**1,110.31**		1,096.18	
4. Interest on Commercial Paper	**300.46**		285.91	
5. Interest Expense of Misc. Borrowings	**15.79**		3.90	
6. Excess Provision written back	**-1.42**		-0.09	
7. Gain on Changes in Fair Value of Interest Rate Swaps	**-324.77**		-	
8. Profit on sale/redemption of investments	**-79.75**		-12.29	
9. Loss/ Gain(-) on Exchange Rate fluctuation	**47.37**		666.13	
10. Dividend from Investments	**-63.15**		-2.37	
11. Interest on Long-term Investments/ Govt. Securities	**-239.22**		-95.76	
12. Provision made for Interest on Advance Income Tax	**2.82**		-	
13. Discount on Bonds written off	**0.14**		3.99	
14. Interest Accrued on Zero Coupon Bonds	**82.45**		76.17	
Operating profit before Changes in Operating Assets & Liabilities:	**9,863.60**		10,188.48	
Increase / Decrease :				
1. Loan Assets	**-650.38**		-21,733.35	
2. Other Operating Assets	**147.43**		-229.95	
3. Operating Liabilities	**13.87**		1,029.90	
Cash flow from Operations	**9,374.52**		-10,744.92	
1. Income Tax Paid (including TDS)	**-2,592.07**		-2,575.09	
2. Income Tax refund	**22.07**		42.00	
Net Cash Flow from Operating Activities		**6,804.52**		-13,278.01
B. Cash Flow from Investing Activities				
1. Sale of Fixed Assets	**0.06**		0.85	
2. Purchase of Fixed Assets (incl. CWIP, Intangible Assets underdevelopment & Capital Advances)	**-203.19**		-259.41	
3. Investment in shares of Energypro Assets Limited	**-0.60**		-	
4. Investment in 11.15% Additional Tier-1 Perpetual Bonds of Indian Bank	**-**		-500.00	
5. Investment in 11.25% Additional Tier-1 Perpetual Bonds of Vijaya Bank	**-**		-500.00	

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017

(₹ in Crores)

	YEAR ENDED 31.03.2017		YEAR ENDED 31.03.2016	
6. Investment in 11.25% Additional Tier-1 Perpetual Bonds of Syndicate Bank	**-**		-500.00	
7. Investment in shares of NHPC Ltd. (net of sale)	**-400.80**		-	
8. Redemption of 8% Government of Madhya Pradesh Power Bonds-II	**94.32**		94.32	
9. Sale of Long-term Investments	**76.65**		762.53	
10. Profit on sale/redemption of investments	**79.75**		12.29	
11. Interest on Long term Investments/ Govt. Securities	**242.43**		114.96	
12. Dividend from Investments	**66.54**		3.05	
13. Investment in Shares of Fellow Subsidiary Companies	**0.05**		-0.10	
14. Investment in Tax Free Bonds/Others	**-**		-26.28	
15. Fixed Deposit made during the year	**-38.12**		-1.25	
16. Fixed Deposit matured during the year	**16.95**		43.34	
17. Investments in CP/CDs (Net)	**-35.00**		-	
Net Cash Flow from Investing Activities		**-100.96**		-755.70
C. Cash Flow from Financing Activities				
1. Issue of Shares including Share Application Money	**31.39**		-	
2. Issue of Bonds (Net of redemptions)	**5,871.66**		14,969.28	
3. Raising of Term Loans/ STL from Banks/ FIs (Net of repayments)	**-881.04**		-308.65	
4. Raising of Foreign Currency Loan (Net of redemptions and inclusive of related derivative payments)	**-833.33**		-2,607.56	
5. Funds received from GOI for further disbursement as Subsidy/ Grant including interest (Net of refund)	**8,027.15**		4,436.52	
6. Disbursement of grants	**-8,039.66**		-4,691.45	
7. Repayment of Govt. Loan	**-**		-3.07	
8. Payment of Final Dividend	**-506.99**		-266.61	
9. Payment of Interim Dividend	**-1,382.44**		-1,184.95	
10. Payment of Corporate Dividend Tax	**-384.66**		-295.51	
11. Interest Paid on Misc. Borrowings	**-15.73**		-3.90	
12. Premium on issue of securities	**-**		0.28	
13. Issue of Commercial Paper (Net of repayments)	**-5,833.16**		5,246.79	
Net Cash flow from Financing Activities		**-3,946.81**		15,291.17
Net Increase/Decrease in Cash & Cash Equivalents		**2,756.75**		1,257.46
Cash & Cash Equivalents as at the beginning of the year		**1,823.59**		559.10
Cash & Cash Equivalents as at the end of the year		**4,580.34**		1,816.56

Components of Cash & Cash Equivalents as at end of the year are:

(₹ in Crores)

PARTICULARS		AS AT 31.03.2017		AS AT 31.03.2016
- Cash in Hand (including postage & imprest)		**0.03**		0.01
- Balances with Banks in:				
- Accounts with RBI and other banks		**934.71**		1,001.11
- Undisbursed DDUGJY, AG&SP, NEF and Other Grants #		**0.51**		34.17
- Unpaid Dividend Accounts #		**2.75**		2.73
-Short Term Deposits with Scheduled Banks		**2,482.34**		778.54
-Short term Investment in Debt Mutual Funds		**1,160.00**		-
Total Cash & Cash Equivalents		**4,580.34**		**1,816.56**

These balances are not available for free use by the Company as they represent earmarked balances held in respective grant accounts and unpaid dividends.

Further, Balances with Banks include ₹ 2.13 Crores (Previous year ₹ 1.77 Crores) set aside for grants disbursement and Short-term Deposits with Scheduled Banks include ₹ 23.20 Crores (Previous year ₹ 2.41 Crores) earmarked towards DDUGJY and other grants and ₹ 5.64 Crores (Previous year ₹ 7.86 Crores) earmarked towards Swachh Vidyalaya Abhiyan (SVA) Project.

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

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

P V Ramesh
Chairman and Managing Director
DIN - 02836069

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Place: Mumbai
Date: 30 May 2017

Shrey Gupta
Partner
M.No. : 522315

Anil Gaur
Partner
M.No. : 017546

FORM AOC-1

STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENTS OF SUBSIDIARIES/ ASSOCIATES/ JOINT VENTURES FOR THE YEAR 2016-17

PART A: SUBSIDIARIES

(₹ in Crores)

1	Sl. No.	I	II	III	IV	V	VI
2	Name of the Subsidiary	REC Power Distribution Company Limited	REC Transmission Projects Company Limited	Dinchang Transmission Limited	Ghatampur Transmission Limited	ERSS-XXI Transmission Limited*	WR-NR Power Transmission Limited*
3	The date since when the subsidiary was acquired	12-07-2007	08-01-2007	02-12-2015	02-12-2016	11-01-2017	12-01-2017
4	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
5	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	Not Applicable	Not Applicable	Not Applicable	Not Applicable
6	Share capital	0.05	0.05	0.05	0.05	0.05	0.05
7	Reserves & Surplus	157.79	157.81	-	-	-	-
8	Total assets	230.79	162.32	0.88	1.30	0.47	0.45
9	Total Liabilities	72.95	4.46	0.83	1.25	0.42	0.40
10	Investments	15.44	121.48	-	-	-	-
11	Turnover	191.57	52.38	-	-	-	-
12	Profit/ (Loss) Before Taxation	60.67	49.86	-	-	-	-
13	Provision for Taxation	20.34	15.40	-	-	-	-
14	Profit/ (Loss) After Taxation	40.33	34.46	-	-	-	-
15	Proposed Dividend	-	-	-	-	-	-
16	% Shareholding	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

* Based on the un-audited financial statements.

1. Name of subsidiaries which are yet to commence operations:

Four Subsidiaries of REC Transmission Projects Company Limited (RECTPCL) namely Dinchang Transmission Limited, Ghatampur Transmission Limited, ERSS-XXI Transmission Limited and WR-NR Power Transmission Limited are yet to commence operations as at 31st March, 2017.

2. Names of subsidiaries which have been liquidated or sold during the year

(i) The following subsidiaries are struck off/liquidated during the year

Sl. No.	Name of subsidiary	Date of Strike off
1	NELLORE TRANSMISISON LIMITED	25.05.2016
2	BAIRA SIUL SARNA TRANSMISSION LIMITED	16.07.2016

(ii) The following subsidiaries are sold during the year, as a part of business process

Sl. No.	Name of subsidiary	Date of Sale
1	NORTH KARANPURA TRANSCO LIMITED	08.07.2016
2	NRSS XXXVI TRANSMISSION LIMITED	22.08.2016

3	KHARGONE TRANSMISSION LIMITED	22.08.2016
4	NER II TRANSMISSION LIMITED	31.03.2017

PART B: ASSOCIATES AND JOINT VENTURES

Name of Associates/Joint Ventures		Energy Efficiency Services Limited
1	Latest audited Balance Sheet Date	31-Mar-16
2	Shares of Associate/Joint Ventures held by the company on the year end, 31st March, 2017	
	Number	14,65,00,000
	Amount of Investment in Associates/Joint Venture (₹ in Crores)	146.50
	Extend of Holding (%)	31.71%
3	Description of how there is significant influence	Holding 31.71% 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 (₹ in Crores)	59.89
6	Profit / Loss for the year 2016-17 (₹ in Crores)	
	i. Considered in Consolidation	15.72
	ii. Not Considered in Consolidation	Nil

An amount of ₹ 99.00 Crores had been paid to Energy Efficiency Services Limited (EESL) on 31st March, 2016 as share application money. EESL has allotted 9,90,00,000 equity shares of ₹ 10 each to the Company on 25th April, 2016 and the share of the Company in the JV has accordingly increased from 28.79% to 31.71%.

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

P V Ramesh
Chairman and Managing Director
DIN - 02836069

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Shrey Gupta
Partner
M.No. : 522315

Anil Gaur
Partner
M.No. : 017546

Place : Mumbai
Date : 30 May 2017

INDEPENDENT AUDITORS' REPORT

To,
The Members,
Rural Electrification Corporation Limited
New Delhi

Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Rural Electrification Corporation Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2016, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and MCA General Circular No. 15/2013 dated 13th September, 2013. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. 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. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2016,

(b) In the case of Statement of Profit & Loss, of the profit for the year ended on that date,

(c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to the following matter in the notes to the financial statements:-

(a) Note No. 11.2.7 in respect of classification of one of the borrower account as standard asset in view of ad-interim order of Hon'ble High Court of Madras.

Our opinion is not modified in respect of above matter.

Report on Other Legal and Regulatory Requirements

1. 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 Companies Act, 2013, we give in the Annexure-A, a statement on the matters specified in paragraphs 3 and 4 of the Order.

2. 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 explanations given to us, in Annexure B on the directions and sub-directions issued by Comptroller and Auditor General of India.

3. 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, 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 financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and MCA General Circular No. 15/2013 dated 13th September, 2013.

   (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 Company and the operating effectiveness of such controls, refer to our separate report in "Annexure-C"; 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:

      (i) The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 24.1 to the financial statements;

      (ii) The Company does not have any such 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 Raj Har Gopal & Co.	**For A.R. & Co.**
Chartered Accountants	Chartered Accountants
Firm Regn. No. 002074N	Firm Regn. No. 002744C
Gopal Krishan	**Pawan K Goel**
Partner	Partner
M. No. 081085	M. No. 072209

Place : New Delhi
Date : 27th May, 2016

ANNEXURE-A TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in Paragraph 1 under 'Report on Other Legal and Regulatory Requirements' Section of Our Report of Even Date on the Accounts of Rural Electrification Corporation Limited for the Year ended on 31st March, 2016

(I) (a) The Company has maintained fixed assets records to show full particulars including quantitative details and situation of its fixed assets.

(b) According to the information and explanations given to us, the company has the policy of verifying the fixed assets in a phased manner but the physical verification of IT assets has not been completed during the year. 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	45.92	45.92	Conveyance Deed by Haryana Urban Development Authority is yet to be executed.
Building	1	4.59	2.39	Conveyance Deed by Standing Committee of Public Enterprises is yet to be executed.

(II) The company being Non Banking Financial Company (NBFC), does not have 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, the Company, being NBFC, is exempt from the provisions of Section 185 and 186 of the Act, and the relevant rules in respect of loans and guarantees. Further, in respect of the investments, the Company has complied with the provisions of section 185 and 186 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, apply.

(VI) To the best of our knowledge and as explained, 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, 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, Sales-tax, Service Tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities. There were no undisputed statutory dues in arrears as at 31st March, 2016 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 ₹ 0.96 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	Income Tax and Interest	22.35	22.35	-	AY 2005-06, AY 2006-07, AY 2008-09 to AY 2011-12	Income Tax Appellate Tribunal, Delhi
Income Tax Act, 1961	Income Tax and Interest	12.08	12.08	-	AY 2012-13, AY 2013-14	Commissioner of Income Tax (Appeals), Delhi
Income Tax Act, 1961	Fringe Benefit Tax	0.48	-	0.48	AY 2008-09	Commissioner of Income Tax (Appeals), Delhi
Income Tax Act, 1961	Tax Deducted at Source	0.12	-	0.12	FY 2007-08 to FY 2015-16	CPC, TDS
Chapter V of Finance Act, 1994	Service Tax, Penal Interest u/s 73(4A)	0.36	-	0.36	FY 2008-09 to 2011-12	Commissioner of Service Tax (LTU), Delhi
	Total	**35.39**	**34.43**	**0.96**		

(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) 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 utilized the money raised by way of public offer of debt instruments during the year for the purposes for which they were raised. Further, no moneys were raised during the year through further public offer or term loans.

(X) According to the information and explanations given to us and on the basis of our examination of the records of the Company, no fraud by the company or any fraud on the company by its officers or employees has been noticed or reported during the year.

(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 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 him. 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. The registration as required has been duly obtained and registration number issued to the Company is 14.000011.

For Raj Har Gopal & Co.

Chartered Accountants
Firm Regn. No. 002074N

Gopal Krishan

Partner
M. No. 081085

For A.R. & Co.

Chartered Accountants
Firm Regn. No. 002744C

Pawan K Goel

Partner
M. No. 072209

Place : New Delhi
Date : 27th May, 2016

ANNEXURE-B TO THE INDEPENDENT AUDITOR'S REPORT

Referred to in Paragraph 2 under 'Report on Other Legal and Regulatory Requirements' Section of Our Report of Even Date on the Accounts of Rural Electrification Corporation Limited for the Year ended on 31st March, 2016

Sl. No.	Directions/ Sub-Directions	Action Taken	Impact on Financial Statements
A.	**Directions**		
1.	Whether the company has clear title/ lease deeds for freehold and leasehold land respectively? If not, please state the area of freehold and leasehold land for which title/ lease deeds are not available.	The company has clear title/ lease deeds for freehold and leasehold land respectively. However, the formalities regarding registration of conveyance deed in respect of one freehold residential plot of land allotted to the Company amounting to ₹ 45.92 Crores and measuring 39,770 Sq. Mtrs. and one Land & Building amounting to ₹ 4.59 Crores and measuring 5,911.69 Sq. Mtrs. are yet to be executed.	The impact has already been mentioned in the 'Action Taken' column, which is not material.
2.	Whether there are any cases of waiver/ write off of debts/ loans/ interest etc. If yes, the reasons therefore and amount involved.	Delayed interest/ penal interest amounting to ₹ 11.50 Crores has been waived off after the approval of the competent authority, including ₹ 11.42 Crores waived in pursuance of Ujwal DISCOM Assurance Yojana (UDAY) launched by Ministry of Power (MoP). Further, no prepayment charge has been levied on the DISCOM debt so prepaid under the said scheme. Further, considering the practical problems being faced by the borrowers in submission and adherence to the drawl schedule, the Company has revised the loan policy by waiving off the clause for requirement of Commitment Charges/ upfront fees for all ongoing as well as future projects of State Sector Generation and T&D projects including waiver of outstanding commitment charges of ₹ 8.83 Crores. An amount of ₹ 2.30 Crores incurred in respect of Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) scheme without appropriate sanction of Ministry of Power and booked as recoverable in the books of accounts has also been written off with the approval of the Competent Authority in view of the amount pending outstanding since long period.	The impact has already been mentioned in the 'Action Taken' column, which is not material.
3.	Whether proper records are maintained for inventories lying with third parties and assets received as gift/ grant(s) from the Government or other authorities.	The Company, being an NBFC, the clause with respect to inventories lying with third parties and assets received as gifts from Govt. and other authorities is not applicable.	NIL
B.	**Sub-Directions**		
1.	In respect of provisioning requirements of all restructured, rescheduled or renegotiated loan, whether a system of periodical assessment of realizable value of securities available against all such loans is in place and adequate provision has been created during the year?	The company is following a system of periodical assessment of realizable value of securities available against all restructured, rescheduled or renegotiated loan based upon management assessment and review/progress report of lenders engineers, lenders financial advisor and project monitoring group. In our opinion the system of company needs improvement to be commensurate with the size and nature of its business. However, adequate provision as per significant accounting policies of the company has been created during the year on all such loans.	NIL

For Raj Har Gopal & Co.
Chartered Accountants
Firm Regn. No. 002074N

Gopal Krishan
Partner
M. No. 081085

For A.R. & Co.
Chartered Accountants
Firm Regn. No. 002744C

Pawan K Goel
Partner
M. No. 072209

Place : New Delhi
Date : 27th May, 2016

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 Act

We have audited the internal financial controls over financial reporting of the Company as of 31st March, 2016 in conjunction with our audit of the standalone 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 Companies Act, 2013.

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 Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls 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 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 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 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 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 improvement in ERP system relating to classification of loans & advances as secured or unsecured, determination of non-performing assets in the ERP system, shift in the moratorium period due to structuring/restructuring, revalidation of the sanctions of loans and recording of non-entertaining/rejection/

disposal of applications of the loans and time frame for furnishing replies of Internal audit reports by concerned offices, over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2016, 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 March 31, 2016 standalone financial statements of the Company. However, these areas of improvement do not affect our opinion on the standalone financial statements of the Company.

For Raj Har Gopal & Co.

Chartered Accountants
Firm Regn. No. 002074N

Gopal Krishan

Partner
M. No. 081085

For A.R. & Co.

Chartered Accountants
Firm Regn. No. 002744C

Pawan K Goel

Partner
M. No. 072209

Place : New Delhi
Date : 27th May, 2016

BALANCE SHEET AS AT 31ST MARCH 2016

(₹ in Crores)

Sl.No.	Particulars	Note No.	As at 31.03.2016	As at 31.03.2015
I.	**EQUITY AND LIABILITIES**			
(1)	**Shareholders' Funds**			
	(a) Share Capital	1	**987.46**	987.46
	(b) Reserves and Surplus	2	**27,630.30**	23,869.57
	Sub-total (1)		**28,617.76**	24,857.03
(2)	**Non-current Liabilities**			
	(a) Long-term Borrowings	3	**138,789.43**	131,168.32
	(b) Deferred Tax Liabilities (Net)	4	**49.75**	107.32
	(c) Other Long-term Liabilities	5	**9.50**	36.16
	(d) Long-term Provisions	6	**1,295.03**	1,007.09
	Sub-total (2)		**140,143.71**	132,318.89
(3)	**Current Liabilities**			
	(a) Short-term Borrowings	7	**6,349.93**	734.00
	(b) Other Current Liabilities	8	**30,389.52**	24,811.40
	(c) Short-term Provisions	6	**852.05**	453.71
	Sub-total (3)		**37,591.50**	25,999.11
	Total (1+2+3)		**206,352.97**	183,175.03
II.	**ASSETS**			
(1)	**Non-current Assets**			
	(a) Fixed assets	9		
	(i) Tangible Assets		**117.83**	72.50
	(ii) Intangible Assets		**0.91**	1.43
	(iii) Capital work-in-progress		**30.37**	7.39
	(iv) Intangible Assets under Development		**1.21**	-
			150.32	81.32
	(b) Non-current Investments	10	**2,317.46**	1,174.81
	(c) Long-term Loans & Advances	11	**157,794.10**	164,213.78
	(d) Other Non-current Assets	12	**101.06**	77.13
	Sub-total (1)		**160,362.94**	165,547.04
(2)	**Current Assets**			
	(a) Current Investments	10	**149.16**	438.66
	(b) Cash & Bank Balances	13	**1,728.55**	522.90
	(c) Short-term Loans & Advances	14	**795.26**	1,100.24
	(d) Other Current Assets	15	**43,317.06**	15,566.19
	Sub-total (2)		**45,990.03**	17,627.99
	Total (1+2)		**206,352.97**	183,175.03

The Significant Accounting Policies and Notes to Accounts 1 to 51 are an integral part of these financial statements.

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

Rajeev Sharma
Chairman and Managing Director
DIN - 00973413

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Gopal Krishan
Partner
M.No. : 081085

Pawan K. Goel
Partner
M.No. : 072209

Place: New Delhi
Date: 27th May, 2016

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2016

(₹ in Crores)

Sl.No.	Particulars	Note No.	Year ended 31.03.2016	Year ended 31.03.2015
I.	Revenue from Operations	16	**23,638.35**	20,229.53
II.	Other Income	17	**117.93**	158.52
III.	**Total Revenue (I+II)**		**23,756.28**	20,388.05
IV.	**Expenses**			
(i)	Finance Costs	18	**14,283.12**	11,844.61
(ii)	Employee Benefits Expense	19	**137.44**	133.94
(iii)	Depreciation & Amortization	9	**5.45**	6.76
(iv)	Corporate Social Responsibility Expenses	20	**128.20**	103.25
(v)	Other Expenses	21	**67.01**	69.49
(vi)	Provisions and Contingencies	22	**1,089.85**	802.96
	Total Expenses (IV)		**15,711.07**	12,961.01
V.	**Profit before Tax (III-IV)**		**8,045.21**	7,427.04
VI.	**Tax Expense**			
(i)	Current Year		**2,477.89**	2,231.86
(ii)	Earlier Years/ (Refunds)		**(2.77)**	1.30
(iii)	Deferred Tax		**(57.57)**	(65.99)
	Total Tax Expense (i+ii+iii)		**2,417.55**	2,167.17
VII.	**Profit for the year from Continuing Operations (V-VI)**		**5,627.66**	5,259.87
VIII.	**Profit from Discontinuing Operations (after tax)**		**-**	-
IX.	**Profit for the year (VII+VIII)**		**5,627.66**	5,259.87
X.	**Earnings per Equity Share (in ₹ for an equity share of ₹ 10 each)**			
(1)	Basic	23	**56.99**	53.27
(2)	Diluted	23	**56.99**	53.27

The Significant Accounting Policies and Notes to Accounts 1 to 51 are an integral part of these financial statements.

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

Rajeev Sharma
Chairman and Managing Director
DIN - 00973413

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Gopal Krishan
Partner
M.No. : 081085

Pawan K. Goel
Partner
M.No. : 072209

Place: New Delhi
Date: 27th May, 2016

SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS.

(a) Accounting Convention: - The financial statements are prepared under the historical cost convention on accrual basis and in accordance with generally accepted accounting principles and accounting standards as applicable under Section 133 of the Companies Act, 2013 read with MCA General Circular No. 15/2013 dated 13th September 2013. The financial statements adhere to the relevant presentational requirement of the Companies Act, 2013.

(b) Use of Estimates: - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure thereof at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which results materialize.

2. INCOME RECOGNITION, ASSET CLASSIFICATION AND PROVISIONING.

The Company is following regulatory norms/ guidelines as prescribed by Reserve Bank of India (RBI) from time to time. However, RBI has allowed certain specific relaxations in respect of non-applicability of reduced period for NPA recognition in case of loans sanctioned on or before March 31, 2015 and exemption for certain projects from applicability of Restructuring norms of RBI and allowed the Company to continue to be regulated by the existing REC's prudential norms. The salient features in respect of Income Recognition, Asset classification and Provisioning are as under:

2.1. Income Recognition

a. Income on Non Performing Assets is recognized as and when received and appropriated. Any such income recognized before the asset becomes non-performing and remaining unrealized is reversed.

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

   In respect of standard loans including those whose terms are renegotiated/rescheduled/restructured and retained as Standard Loans, income is recognized on accrual basis.

b. Income of fee of DDUGJY Schemes is recognized on the basis of the services rendered and amount of fee sanctioned by the Ministry of Power.

c. Income of service charges of NEF (Interest Subsidy) Scheme is recognized on the basis of the services rendered and amount of service charges sanctioned by the Ministry of Power.

d. Income under the head processing fee, upfront fee, lead fee, fees/ charges received under the mutatis-mutandis clause and pre-payment premium is accounted for in the year in which it is received by the company.

e. Income from investments

   (1) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on accrual basis when REC's right to receive payment is established.

   Provided that in case of final dividend, right to receive payment shall be considered as established only upon approval of the dividend by the shareholders in Annual General Meeting.

   (2) Income from bonds and debentures of corporate bodies and from Government securities/bonds shall be taken into account on accrual basis.

   Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

   (3) Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government shall be taken into account on accrual basis.

2.2 Assets Classification

Loans and advances are classified as standard assets and non- performing assets, based on the guidelines issued by the RBI.

(1) **Standard Assets:** 'Standard asset' means an asset which is not an NPA and in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business.

In view of relaxation given by RBI vide letter dated June 11, 2015, for Transmission & Distribution, Renovation & Modernization and Life Extension projects and also the Hydro projects in Himalayan region or affected by natural disasters, the rescheduling or restructuring or renegotiation of a standard infrastructure loan asset shall not cause it to be reclassified if the revised project is found to be viable by the competent authority.

(2) **Non performing Assets (NPA):** A Loan asset shall become NPA:-

   (a) if interest and/ or instalment of principal remains overdue for a period of two quarters or more.

   The above period of two quarters shall be 5 months for the financial year ending March 31, 2016, 4 months for the financial year ending March 31, 2017 and 3 months for the financial year ending March 31, 2018 and thereafter. However, RBI vide letter dated October 5, 2015 has permitted that the existing loans of the company i.e. loans sanctioned on or before March 31, 2015 are permitted to be regulated under the REC's existing asset classification norms (180 days) till March 31, 2017.

(b) In case of under implementation Generation Projects other than Hydro projects in Himalayan region or affected by natural disasters, the loan Asset shall also be classified as NPA if it fails to commence commercial operations within 2 years or upto 3/4 years (subject to certain conditions) from the original DCCO as the case may be depending upon the reasons of such delay.

NPAs are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria.

(i) Sub-Standard Assets: '**Sub-standard asset' means an asset which has been classified as non-performing asset for a period not exceeding 16 months' for the financial year ending March 31, 2016; 'not exceeding 14 months' for the financial year ending March 31, 2017; and 'not exceeding 12 months' for the financial year ending March 31, 2018 and thereafter.

An asset which has been renegotiated or rescheduled or restructured shall be a sub-standard asset or continue to remain in the same category in which it was prior to its renegotiation or re-schedulement or restructuring, as a doubtful asset or a loss asset as the case may be. Such asset may be upgraded only when all the outstanding loan/ facilities in the account perform satisfactorily during the period up to one year from the commencement of the first payment of interest or principal whichever is later on the credit facility with longest period of moratorium under the terms of restructuring package. Necessary provision is required to be made as applicable to such asset till it is upgraded.

(ii) Doubtful Assets: Doubtful asset means an asset which remains a substandard asset for a period 'exceeding 16 months' for the financial year ended March 31, 2016; 'exceeding 14 months' for the financial year ending March 31, 2017 and 'exceeding 12 months' for the financial year ending March 31, 2018 and thereafter.

(iii) Loss Assets: Loss asset means –

a) An asset which has been identified as loss asset by REC or its internal or external auditor or by RBI, to the extent it is not written off by REC, and

b) An asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non availability of security or due to any fraudulent act or omission on the part of the borrower.

For the purpose of classification of assets into standard, sub-standard, doubtful and loss categories, facilities shall be classified borrower wise with the following exception:

Government Sector loans, where cash flows from each project are separately identifiable and applied to the same project, REC shall classify such loans on project wise basis.

2.3 Provisioning against Loans

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

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

(ii) **Doubtful assets** –

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

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

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

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

(iv) **Standard assets -** Provision in respect of Standard Assets is made as below:

Particulars	Provisioning Requirement
For Restructured Loans other than under Transmission & Distribution, Renovation & Modernisation and Life Extension projects as also the hydro projects in Himalayan region or affected by natural disasters, if the original DCCO prescribed at the time of financial closure is extended beyond 2 years and upto:	In respect of the stock of outstanding loans as on 31st March, 2015, provisioning requirement shall be as below: · 2.75% with effect from 31st March, 2015 · 3.50% with effect from 31st March, 2016 (spread over 4 quarters of 2015-16) · 4.25% with effect from 31st March, 2017 (spread over 4 quarters of 2016-17) · 5.00% with effect from 31st March, 2018 (spread over 4 quarters of 2017-18)

Particulars	Provisioning Requirement
a. 4 years in case the reason for extension of DCCO is arbitration proceedings or a court case. b. 3 years in case the reason for extension of DCCO is beyond the control of promoters (other than court cases).	The above provision is required from the date of restructuring till the revised DCCO or 2 years from the date of restructuring whichever is later. In respect of new projects loans restructured with effect from 1st April, 2015, the provisioning requirement would be 5.00% from the date of such restructuring till the revised DCCO or 2 years from the date of restructuring whichever is later.
For Standard Assets other than specified above	In respect of the stock of outstanding loans as on 31st March, 2015, provisioning requirement is as below: · 0.25% by 31st March, 2015 · 0.30% by 31st March, 2016 · 0.35% by 31st March, 2017 · 0.40% by 31st March, 2018. For incremental loans during the financial year 2015-16, 2016-17 and 2017-18, the provisioning shall be made @ 0.30%, 0.35% and 0.40% respectively and shall be further increased in a phased manner so as to make it equal to 0.40% by 31st March, 2018.

2.4 Treatment of Provisions held

The provisions in respect of Non Performing Assets (NPAs) is reversed only after the complete recovery of the outstanding/ regularization of the account.

2.5 For restructured/ rescheduled assets, provisions are made in accordance the guidelines (subject to specific relaxations) issued by RBI, which requires that the difference between the fair value of the loan assets before and after restructuring is provided for, in addition to provision for the respective loan assets.

3. FIXED ASSETS.

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

4. DEPRECIATION.

4.1. Depreciation on assets is provided on straight-line method in accordance with the useful lives prescribed under Schedule II to the Companies Act, 2013.

4.2. Depreciation on assets purchased / sold during the year is charged for the full month if the asset is in use for more than 15 days, instead of charging the same on pro-rata basis from the date of purchase/sale.

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

4.4. Leasehold land is amortized over the lease period.

5. INTANGIBLE ASSETS.

An Intangible Asset is recognized where it is probable that the future economic benefits attributable to the assets will flow to the company. The depreciable amount of an intangible asset is allocated on straight line basis over the best estimate of its useful life. Management estimates useful life of intangible assets to be 5 years.

6. INVESTMENTS.

Long term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually. Quoted current investments are carried individually at the cost or market value whichever is lower. Unquoted current investments are carried individually at the cost or fair value whichever is lower.

7. CURRENT TAX AND DEFERRED TAX.

Income Tax expense comprises current Income Tax (Amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) is determined in accordance with Accounting Standard - 22. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially established by the Balance Sheet date. Deferred Tax Assets are recognized and carry forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

8. IMPAIRMENT OF ASSETS.

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

9. PROVISIONS

A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of amount of the obligation can be made.

SIGNIFICANT ACCOUNTING POLICIES

Provisions are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

10. BOND / DEBT ISSUE.

10.1. Expenditure on raising of funds by way of bonds is charged to revenue in the year of issue of such bonds.

10.2. The Corporation discharges its obligation towards payment of principal and interest relating to bonds by depositing the amount in the designated Bank Accounts. Accordingly, the payments are treated as final payments and these amounts are not exhibited in the books till the validity of the instruments but reconciliation thereof is carried out.

10.3. Expenditure incurred on raising of funds is charged to the Statement of Profit & Loss in the year in which it is incurred except the discount/interest on the Commercial Papers/ Reg-S-Bonds (External Commercial Borrowings), which is amortized proportionately over the period of its tenure.

11. CASH FLOW STATEMENT

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

11.2. Cash comprises cash on hand, demand deposits with banks, imprest with postal authorities and cheques / drafts / pay orders in hand. The Company considers cash equivalents as all short term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

12. PRIOR PERIOD/ PREPAID ADJUSTMENTS

12.1. Considering the nature of business, interest income/expenditure for the earlier years ascertained and determined during the year is accounted for in the year in which it is so ascertained/determined.

12.2. Other items not exceeding ₹ 5,00,000/- in each case are accounted for under natural heads of account.

13. EMPLOYEES BENEFITS

13.1 The liability for employees benefit in respect of Gratuity ascertained on actuarial valuation is provided and funded to a separate trust.

13.2 Post employment and other long term employee benefits are recognized as an expense in the Statement of Profit & Loss for the year in which the employee has rendered services. The expense is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the Statement of Profit & Loss.

14. TRANSACTION IN FOREIGN CURRENCY

14.1 Foreign Currency transactions are initially recorded at the exchange rate prevailing on the date of transaction.

In respect of accounting periods commencing on or after the 1st April, 2011, the exchange differences arising on reporting of long-term foreign currency monetary items (having a term of twelve months or more at the date of origination) at RBI reference rates prevailing at the end of each reporting period or where the RBI reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg, different from those at which they were initially recorded during the period, or reported in previous financial statements, 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.

Short-term foreign currency monetary items (having a term of less than twelve months at the date of origination) are translated at RBI reference rates prevailing at the end of each reporting period or where the RBI reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg. The resultant exchange fluctuation is recognized as income or expense in each of such periods.

14.2 The portion of Foreign Currency loans swapped into Indian rupees is stated at the rate fixed in the swap transaction, and not translated at the year end rate.

15. GRANTS/FUNDS FROM GOVERNMENT

Un-disbursed funds of grant received for further disbursements are classified as current liabilities. Interest wherever earned on such funds is credited to respective grant account.

16. DERIVATIVE TRANSACTIONS

16.1 Derivative transactions include forwards, interest rate swaps, cross currency swaps and currency and cross currency options to hedge assets and liabilities.

16.2 These derivative transactions are done for hedging purpose and not for trading or speculative purpose. These are accounted for on accrual basis and are not marked to market.

NOTES TO ACCOUNTS

1. SHARE CAPITAL

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
	No. of Shares	Amount	No. of Shares	Amount
Authorised :				
Equity shares of ₹ 10 each	**1,200,000,000**	**1,200.00**	1,200,000,000	1,200.00
Issued, Subscribed and Paid up :				
Fully paid up Equity shares of ₹ 10 each	**987,459,000**	**987.46**	987,459,000	987.46
Total	**987,459,000**	**987.46**	987,459,000	987.46

1.1 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, 1956 (to the extent applicable), Companies Act, 2013 and rules made thereunder (to the extent notified), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Memorandum of Association and Articles of Association of the Company.

1.2 **Shareholders holding more than 5% of fully paid-up equity shares :**

Name	As at 31.03.2016		As at 31.03.2015	
	No. of Shares	Percentage	No. of Shares	Percentage
The President of India	**598,767,680**	**60.64%**	648,168,218	65.64%
Life Insurance Corporation of India	**86,490,414**	**8.76%**	30,877,781	3.13%

2. RESERVES AND SURPLUS

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
Capital Reserve		**105.00**		105.00
Securities Premium Account (Refer Note 2.1)				
Balance as at the beginning of the year		**3,223.72**		3,223.72
Add: Additions during the year		**0.28**		-
Balance as at the end of the year		**3,224.00**		3,223.72
Debenture Redemption Reserve (Refer Note 2.2)				
Balance as at the beginning of the year		**531.77**		345.98
Add: Amount transferred from Surplus Account		**196.59**		185.79
Balance as at the end of the year		**728.36**		531.77
Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961				
Balance as at the beginning of the year		**8,449.64**		6,820.64
Add: Amount transferred from Surplus Account		**1,900.00**		1,629.00
Balance as at the end of the year		**10,349.64**		8,449.64
Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961				
Balance as at the beginning of the year		**1,621.97**		1,268.97
Add: Amount transferred from Surplus Account		**390.00**		353.00
Balance as at the end of the year		**2,011.97**		1,621.97

NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
Foreign Currency Monetary Item Translation Difference Account (Refer Note 2.3)				
Balance as at the beginning of the year		**-335.46**		-532.65
Add: Foreign Currency Translation Gain / Loss (–) on long term monetary items during the year		**-503.08**		-62.80
Amortisation during the year		**666.13**		259.99
Balance as at the end of the year		**-172.41**		-335.46
General Reserve				
Balance as at the beginning of the year		**4,107.40**		3,581.40
Add: Amount transferred from Surplus Account		**570.00**		526.00
Balance as at the end of the year		**4,677.40**		4,107.40
Surplus Account				
Balance as at the beginning of the year		**6,165.53**		4,868.94
Less: Transfer of Depreciation in accordance with provisions of Companies Act, 2013 (Refer Note 2.4)		**-**		0.74
Add: Profit during the year		**5,627.66**		5,259.87
Less : Appropriations				
- Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	**1,900.00**		1,629.00	
- Transfer to Reserve for Bad & Doubtful Debts u/s 36(1)(viia) of the Income Tax Act, 1961	**390.00**		353.00	
- Dividend				
- Interim Dividend	**1,184.95**		789.97	
- Proposed Dividend (Final) (Refer Note 2.5)	**503.60**		266.61	
- Dividend Distribution Tax				
- Interim Dividend	**239.19**		157.89	
- Proposed Dividend (Final)	**102.52**		54.28	
- Transfer to Debenture Redemption Reserve	**196.59**		185.79	
- Transfer to General Reserve	**570.00**	**5,086.85**	526.00	3,962.54
Balance as at the end of the year		**6,706.34**		6,165.53
Total Reserves and Surplus		**27,630.30**		23,869.57

2.1 Additions in Securities Premium Account for the year ended 31st March, 2016 represent the premium of ₹ 0.28 Crores (Previous year Nil) received on issue of Tax Free Bonds through private placement.

2.2 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. Accordingly, during the year, the company has created DRR amounting to ₹ 196.59 Crores (Previous year ₹ 185.79 Crores).

2.3 Foreign Currency Monetary Item Translation Difference Account

The company has 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 Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates'. Amount remaining to be amortised in 'Foreign Currency Monetary Item Translation Difference Account' as at 31st March, 2016 is ₹ 172.41 Crores (Previous year ₹ 335.46 Crores).

NOTES TO ACCOUNTS

2.4 Draw down from Reserves

No amount has been drawn from reserves during the financial year 2015-16. However, an amount of ₹ 0.74 crores (net of tax ₹ 0.38 crores) had been adjusted in the retained earnings during the financial year 2014-15 in respect of fixed assets, where the remaining useful life of such assets was Nil as at 1st April, 2014 in line with the provisions of the Schedule-II to the Companies Act, 2013.

2.5 Proposed Dividend

The final dividend proposed for the year is as follows :

Particulars	Year Ended 31.03.2016	Year Ended 31.03.2015
On Equity Shares of ₹ 10 each		
- Amount of Dividend proposed (₹ in Crores)	**503.60**	266.61
- Rate of Dividend (%)	**51.00%**	27.00%
- Dividend per equity share (₹)	**5.10**	2.70

3. Long-Term Debt

Non-current portion of the long term debt has been classified as 'Long-term borrowings' and the current portion of the long term debt has been classified as "Current Maturities of Long-term debt' in Note-8 'Other Current Liabilities'.

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
	Non-Current	Current	Non-Current	Current
(A) Secured Long-Term Debt				
(a) Bonds				
- Institutional Bonds	**27,591.90**	**7,854.80**	35,446.70	2,992.80
- 54EC Capital Gain Tax Exemption Bonds	**11,814.48**	**5,349.91**	10,687.69	4,903.25
- Tax Free Bonds	**12,648.41**	**-**	11,648.41	-
(b) Term Loans				
- from Financial Institutions	**750.00**	**350.00**	1,100.00	350.00
Total Secured Long-Term Debt (a+b)	**52,804.79**	**13,554.71**	58,882.80	8,246.05
(B) Unsecured Long-Term Debt				
(a) Bonds				
- Institutional Bonds	**66,184.40**	**7,055.80**	57,714.20	-
- Infrastructure Bonds	**34.90**	**207.49**	162.98	213.34
- Zero Coupon Bonds	**990.64**	**-**	914.48	-
(b) Term Loans				
- from Banks	**-**	**-**	-	125.00
- from Govt. of India	**-**	**-**	-	3.07
(c) Other Loans & Advances				
- Foreign Currency Borrowings	**18,774.70**	**3,149.02**	13,493.86	10,534.34
Total Unsecured Long-Term Debt (a+b+c)	**85,984.64**	**10,412.31**	72,285.52	10,875.75
Total Long-Term Debt (A+B)	**138,789.43**	**23,967.02**	131,168.32	19,121.80
Total Long-Term Debt (Non-Current + Current)	**162,756.45**		150,290.12	

NOTES TO ACCOUNTS

3.1 Details of Long-term Debt :

Details of secured long-term debt :

(Refer Note 3.3 for details of the security)

3.1.1 Bonds

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
3.1.1.1	**Institutional Bonds**				
	123-IIIB Series	**1,955.00**	-	1,955.00	-
	9.34% Redeemable at par on 23.08.2024				
	123-I Series	**1,515.00**	-	1,515.00	-
	9.40% Redeemable at par on 17.07.2021				
	92-II Series	**945.30**	-	945.30	-
	8.65% Redeemable at par on 22.01.2020				
	91-II Series	**995.90**	-	995.90	-
	8.80% Redeemable at par on 18.11.2019				
	90-C-II Series	**1,040.00**	-	1,040.00	-
	8.80% Redeemable at par on 07.10.2019				
	90-B-II Series	**868.20**	-	868.20	-
	8.72% Redeemable at par on 04.09.2019				
	90th Series	**2,000.00**	-	2,000.00	-
	8.80% Redeemable at par on 03.08.2019				
	122nd Series	**1,700.00**	-	1,700.00	-
	9.02% Redeemable at par on 18.06.2019				
	119th Series	**2,090.00**	-	2,090.00	-
	9.63% Redeemable at par on 05.02.2019				
	88th Series	**1,495.00**	-	1,495.00	-
	8.65% Redeemable at par on 15.01.2019				
	118th Series	**1,655.00**	-	1,655.00	-
	9.61% Redeemable at par on 03.01.2019				
	117th Series	**2,878.00**	-	2,878.00	-
	9.38% Redeemable at par on 06.11.2018				
	87-A-III Series	**61.80**	-	61.80	-
	11.15% Redeemable at par on 24.10.2018				
	116-II Series	**850.00**	-	850.00	-
	9.24% Redeemable at par on 17.10.2018				
	87-II Series	**657.40**	-	657.40	-
	10.85% Redeemable at par on 01.10.2018				
	86-B-III Series	**432.00**	-	432.00	-
	10.85% Redeemable at par on 14.08.2018				
	86-A Series	**500.00**	-	500.00	-
	10.70% Redeemable at par on 30.07.2018				
	85th Series	**500.00**	-	500.00	-
	9.68% Redeemable at par on 13.06.2018				
	83rd Series	**685.20**	-	685.20	-
	9.07% Redeemable at par on 28.02.2018				
	82nd Series	**883.10**	-	883.10	-
	9.85% Redeemable at par on 28.09.2017				
	124-I Series	**2,610.00**	-	2,610.00	-
	9.06% Redeemable at par on 22.09.2017				

NOTES TO ACCOUNTS

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
	123-IIIA Series	**1,275.00**	**-**	1,275.00	-
	9.25% Redeemable at par on 25.08.2017				
	121st Series	**-**	**1,600.00**	1,600.00	-
	9.52% Redeemable at par on 24.03.2017				
	120th Series	**-**	**1,100.00**	1,100.00	-
	9.67% Redeemable at par on 10.03.2017				
	81st Series	**-**	**314.80**	314.80	-
	8.85% Redeemable at par on 20.01.2017				
	116-I Series	**-**	**430.00**	430.00	-
	9.05% Redeemable at par on 17.10.2016				
	123-IV Series	**-**	**2,750.00**	2,750.00	-
	8.97% Redeemable at par on 08.09.2016				
	123-II Series	**-**	**1,660.00**	1,660.00	-
	9.27% Redeemable at par on 08.08.2016				
	80th Series	**-**	**-**	-	500.00
	8.20% Redeemed at par on 20.03.2016				
	79th Series	**-**	**-**	-	500.00
	7.85% Redeemed at par on 14.03.2016				
	78th Series	**-**	**-**	-	1,795.70
	7.65% Redeemed at par on 31.01.2016				
	77th Series	**-**	**-**	-	197.10
	7.30% Redeemed at par on 30.06.2015				
	Total - Institutional Bonds	**27,591.90**	**7,854.80**	35,446.70	2,992.80
3.1.1.2	**54EC Capital Gain Tax Exemption Bonds**				
	Series X (2015-16)	**6,476.70**	**-**	-	-
	6.00% Redeemable at par during financial year 2018-19				
	Series IX (2014-15)	**5,337.78**	**-**	5,337.78	-
	6.00% Redeemable at par during financial year 2017-18				
	Series IX (2013-14)	**-**	**5,349.91**	5,349.91	-
	6.00% Redeemable at par during financial year 2016-17				
	Series VIII (2012-13)	**-**	**-**	-	4,903.25
	6.00% Redeemed at par during financial year 2015-16				
	Total - 54EC Capital Gain Tax Exemption Bonds	**11,814.48**	**5,349.91**	10,687.69	4,903.25
3.1.1.3	**Tax Free Bonds**				
	Series 2015-16 Tranche 1	**700.00**	**-**	-	-
	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**	**-**	-	-
	7.17% Redeemable at par on 23.07.2025				

NOTES TO ACCOUNTS

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
	Series 2013-14 Tranche 2	**1,059.40**	**-**	1,059.40	-
	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**	**-**	150.00	-
	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				
	Series 2013-14 Tranche 1	**3,440.60**	**-**	3,440.60	-
	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**	**-**	1,350.00	-
	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**	**-**	131.06	-
	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**	**-**	2,017.35	-
	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**	**-**	500.00	-
	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**	**-**	3,000.00	-
	Redeemable at par. Bonds amounting to ₹ 839.67 Crores are redeemable on 27.03.2022 and bonds amounting to ₹ 2,160.33 Crores are redeemable on 27.03.2027 with interest rates varying from 7.93% to 8.32% payable annually				
	Total - Tax Free Bonds	**12,648.41**	**-**	11,648.41	-
3.1.2	Term Loans				
	Term Loan from Financial Institutions				
	- Life Insurance Corporation of India (LIC)	**750.00**	**350.00**	1,100.00	350.00
	The Loan of ₹1500 Crores (present outstanding ₹ 200 Crores @ 6.242% and ₹ 100 Crores @ 6.231%) & ₹ 2,000 Crores (present outstanding ₹ 800 Crores @ 7.35%) repayable in 10 equal annual installments commencing from 01.10.2008 and 01.10.2010 respectively .				
	Total - Term Loans	**750.00**	**350.00**	1,100.00	350.00

NOTES TO ACCOUNTS

3.2 Details of Unsecured long-term debt :

3.2.1 Bonds

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
	Non-Current	Current	Non-Current	Current
3.2.1.1 Institutional Bonds				
136th Series	**2,585.00**	**-**	-	-
8.11% Redeemable at par on 07.10.2025				
95-II Series	**1,800.00**	**-**	1,800.00	-
8.75% Redeemable at par on 14.07.2025				
94th Series	**1,250.00**	**-**	1,250.00	-
8.75% Redeemable at par on 09.06.2025				
133rd Series	**2,396.00**	**-**	-	-
8.30% Redeemable at par on 10.04.2025				
131st Series	**2,285.00**	**-**	2,285.00	-
8.35% Redeemable at par on 21.02.2025				
130th Series	**2,325.00**	**-**	2,325.00	-
8.27% Redeemable at par on 06.02.2025				
129th Series	**1,925.00**	**-**	1,925.00	-
8.23% Redeemable at par on 23.01.2025				
128th Series	**2,250.00**	**-**	2,250.00	-
8.57% Redeemable at par on 21.12.2024				
115th Series - Subordinate Tier-II Bonds	**2,500.00**	**-**	2,500.00	-
8.06% Redeemable at par on 31.05.2023				
114th Series	**4,300.00**	**-**	4,300.00	-
8.82% Redeemable at par on 12.04.2023				
111-II Series	**2,211.20**	**-**	2,211.20	-
9.02% Redeemable at par on 19.11.2022				
107th Series	**2,378.20**	**-**	2,378.20	-
9.35% Redeemable at par on 15.06.2022				
132nd Series	**700.00**	**-**	700.00	-
8.27% Redeemable at par on 09.03.2022				
127th Series	**1,550.00**	**-**	1,550.00	-
8.44% Redeemable at par on 04.12.2021				
105th Series	**3,922.20**	**-**	3,922.20	-
9.75% Redeemable at par on 11.11.2021				
101-III Series	**3,171.80**	**-**	3,171.80	-
9.48% Redeemable at par on 10.08.2021				
100th Series	**1,500.00**	**-**	1,500.00	-
9.63% Redeemable at par on 15.07.2021				
98th Series	**3,000.00**	**-**	3,000.00	-
9.18% Redeemable at par on 15.03.2021				
97th Series	**2,120.50**	**-**	2,120.50	-
8.80% Redeemable at par on 30.11.2020				
96th Series	**1,150.00**	**-**	1,150.00	-
8.80% Redeemable at par on 26.10.2020				
135th Series	**2,750.00**	**-**	-	-
8.36% Redeemable at par on 22.09.2020				
134th Series	**2,675.00**	**-**	-	-
8.37% Redeemable at par on 14.08.2020				
113th Series	**1,542.00**	**-**	1,542.00	-
8.87% Redeemable at par on 09.03.2020				
111-I Series	**452.80**	**-**	452.80	-
9.02% Redeemable at par on 19.11.2019				

NOTES TO ACCOUNTS

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
	126th Series	**1,700.00**	**-**	1,700.00	-
	8.56% Redeemable at par on 13.11.2019				
	125th Series	**3,000.00**	**-**	3,000.00	-
	9.04% Redeemable at par on 11.10.2019				
	108-II Series	**960.00**	**-**	960.00	-
	9.39% Redeemable at par on 20.07.2019				
	95-I Series	**200.00**	**-**	200.00	-
	8.70% Redeemable at par on 12.07.2019				
	137th Series	**2,225.00**	**-**	-	-
	8.05% Redeemable at par on 07.12.2018				
	112th Series	**1,500.00**	**-**	1,500.00	-
	8.70% Redeemable at par on 01.02.2018				
	109th Series	**1,734.70**	**-**	1,734.70	-
	9.25% Redeemable at par on 28.08.2017				
	108-I Series	**2,125.00**	**-**	2,125.00	-
	9.40% Redeemable at par on 20.07.2017				
	138th Series	**-**	**2,895.00**	-	-
	8.28% Redeemable at par on 04.03.2017				
	106th Series	**-**	**1,500.00**	1,500.00	-
	9.28% Redeemable at par on 15.02.2017				
	103-I Series	**-**	**50.00**	50.00	-
	9.35% Redeemable at par on 19.10.2016				
	102nd Series	**-**	**2,216.20**	2,216.20	-
	9.38% Redeemable at par on 06.09.2016				
	101-II Series	**-**	**394.60**	394.60	-
	9.45% Redeemable at par on 10.08.2016				
	Total - Institutional Bonds	**66,184.40**	**7,055.80**	57,714.20	-
3.2.1.2	**Infrastructure Bonds**				
	Series-II (2011-12)	**29.51**	**128.08**	157.59	-
	Redeemable at par. Refer Note 3.6				
	Series-I (2010-11)	**5.39**	**79.41**	5.39	213.34
	Redeemable at par. Refer Note 3.6				
	Total - Infrastructure Bonds	**34.90**	**207.49**	162.98	213.34
3.2.1.3	**Zero Coupon Bonds**				
	ZCB - Series II	**178.95**	**-**	164.60	-
	(Net of unamortised discount, 89,510 bonds with face value of ₹ 30,000 each redeemable at par on 03.02.2021)				
	ZCB - Series I	**811.69**	**-**	749.88	-
	(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	**990.64**	**-**	914.48	-
3.2.2	**Term Loans**				
3.2.2.1	**Term Loans from Banks**				
	- Bank of Maharashtra	**-**	**-**	-	125.00

NOTES TO ACCOUNTS

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
3.2.2.2	**Loan from Govt. of India**	-	-	-	3.07
	Total - Term Loans	-	-	-	128.07
3.2.3	**Other Loans & Advances**				
3.2.3.1	**Foreign Currency Borrowings**				
	CHF Bonds - CHF 200 Mn	-	**1,378.50**	1,285.44	-
	3.50% Redeemable at par on 07.03.2017				
	Reg S Bonds - US $500 Mn	-	-	-	2,703.58
	4.25% Redeemed at par on 25.01.2016				
	JICA Loan - Guaranteed by Govt. of India	**400.61**	**210.13**	550.17	209.62
	0.75% JICA-I loan repayable in equal half-yearly instalments of ¥982.33 Mn till 20.03.2021, next instalment falling due on 20.09.2016 and 0.65% JICA-II loan repayable in equal half-yearly instalments of ¥995.33 Mn till 20.03.2023, next instalment falling due on 20.09.2016				
	KfW Loan - Guaranteed by Govt. of India	**93.33**	**51.10**	144.43	51.40
	3.73% Loan repayable in equal half-yearly instalments of €3.68 Mn, next instalment due on 30.06.2016				
	Syndicated Loan - US $400 Mn	-	-	-	1,788.96
	Repaid on 22.09.2015				
	Bilateral Term Loan - Mauritius - US $70 Mn	-	-	-	311.36
	Repaid on 28.10.2015				
	Bilateral Term Loan - Mizuho - US $100 Mn	-	-	-	446.50
	Repaid on 30.03.2016				
	Bilateral Term Loan - BTMU - US $100 Mn	-	-	-	446.50
	Repaid on 30.03.2016				
	Syndicated Loan- US $300 Mn	-	**1,367.24**	1,367.24	-
	Repayable on 19.08.2016				
	KfW-II Loan - Guaranteed by Govt. of India	**213.77**	**53.44**	267.22	53.44
	2.89% Loan repayable in equal half-yearly instalments of €3.88 Mn, next instalment falling due on 30.06.2016				
	Syndicated Loan- ¥19.029 Bn	**1,184.43**	-	1,184.43	-
	Repayable on 10.04.2017				
	Syndicated Loan- US $250 Mn	-	-	-	1,366.49
	Repaid on 19.11.2015				
	KfW-III Loan - Guaranteed by Govt. of India	**558.76**	**88.61**	477.36	89.18
	1.86% Loan repayable in equal half-yearly instalments of €5.26 Mn, next instalment falling due on 30.06.2016				
	Syndicated Loan- US $250 Mn	-	-	-	1,544.42
	Repaid on 05.02.2016				
	Syndicated Loan- US $250 Mn	-	-	-	1,522.89
	Repaid on 21.03.2016				
	Syndicated Loan- US $285 Mn	**1,780.28**	-	1,780.28	-
	Repayable on 02.12.2018				
	Syndicated Loan- US $250 Mn	**1,521.75**	-	1,499.29	-
	Repayable on 29.05.2019				
	Syndicated Loan- US $400 Mn	**2,435.78**	-	2,435.78	-
	Loan of US$ 230 Mn and US$ 170 Mn repayable on 24.07.2019 and 27.10.2019 respectively				
	Syndicated Loan- US $400 Mn	**2,539.64**	-	2,502.22	-
	Repayable on 12.03.2020				

NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
	Non-Current	Current	Non-Current	Current
Syndicated Loan- US $300 Mn	**1,909.56**	**-**	-	-
Repayable on 29.07.2020				
Syndicated Loan- US $250 Mn	**1,653.25**	**-**	-	-
Loan of US$ 150 Mn and US$ 100 Mn repayable on 18.09.2018 and 19.11.2018 respectively				
Syndicated Loan- US $300 Mn	**1,997.80**	**-**	-	-
Repayable on 01.12.2020				
Syndicated Loan- US $250 Mn	**1,688.46**	**-**	-	-
Repayable on 05.02.2019				
Syndicated Loan- US $120 Mn	**797.28**	**-**	-	-
Repayable on 21.03.2019				
Total - Foreign Currency Borrowings	**18,774.70**	**3,149.02**	13,493.86	10,534.34

3.3 Security Details of the Secured Borrowings

The Bond Series 81, 82, 83, 85, 86A, 86 B-III, 87-II, 87 A-III, 88, 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 IL&FS Trust Company Limited on the basis of joint hypothecation agreement dated September 24, 2010 in favour of IDBI Trusteeship Services Ltd.

The Bond Series 116-I, 116-II, 117, 118, 119, 120, 121 and 122 of Institutional Bonds are 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, 123-II, 123-IIIA, 123-IIIB, 123-IV and 124-I 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.

The Bond Series IX of 54EC Capital Gain Tax Exemption Bonds is 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 in favour 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 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 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 loans are secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to IL&FS Trust Company Limited on the basis of joint hypothecation agreement dated September 24, 2010 in favour of IDBI Trusteeship Services Ltd.

3.4 Foreign Currency Borrowings have been raised at interest rates ranging from a spread of 65 bps to 220 bps over 6 Months' USD/JPY LIBOR (London Inter Bank Offered Rate) except where rates have been stated above in Note No. 3.2.3.1.

3.5 Ratings assigned by credit rating agencies and migration of ratings during the year

Domestic and International Credit Rating

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

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

There has been no migration of ratings during the year.

NOTES TO ACCOUNTS

3.6 Details of Infrastructure Bonds Issued are as under :

Series I (2010-11) allotted on 31.03.2011

Rate of Interest	Amount (₹ in Crores)	Redemption Details
8.00%	18.35	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%	61.06	
8.10%	1.61	Redeemable on the date falling 10 years from the date of allotment
8.20%	3.78	
Total	**84.80**	

Series II (2011-12) allotted on 15.02.2012

Rate of Interest	Amount (₹ in Crores)	Redemption Details
8.95% Cumulative	95.23	Redeemable on the date falling 10 years from the date of allotment with buyback option by bondholders after 5 years
8.95% Annual	32.85	
9.15% Cumulative	13.43	Redeemable on the date falling 15 years from the date of allotment with buyback option by bondholders after 7 years
9.15% Annual	5.01	
8.95% Cumulative	5.73	Redeemable on the date falling 10 years from the date of allotment
8.95% Annual	1.38	
9.15% Cumulative	2.83	Redeemable on the date falling 15 years from the date of allotment
9.15% Annual	1.13	
Total	**157.59**	

4. DEFERRED TAX LIABILITIES (NET)

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
Deferred Tax Liabilities on account of:		
Depreciation	3.63	4.00
Foreign Currency Exchange Fluctuation Loss	59.67	116.10
Total	**63.30**	120.10
Deferred Tax Assets on account of:		
Provision for Earned Leave	8.06	7.95
Provision for Medical Leave	5.49	4.83
Total	**13.55**	12.78
Deferred Tax Liabilities (Net)	**49.75**	107.32

4.1 The Company has no intention to make withdrawal from the special reserve created and maintained under section 36(1)(viii) of the Income Tax Act, 1961. Hence, the special reserve created and maintained is not capable of being reversed and thus, it becomes a permanent difference as per Accounting Standard 22. Accordingly, the Company is not creating any deferred tax liability on the said reserve.

5. OTHER LONG-TERM LIABILITIES

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
- Non-Current Portion of Interest accrued but not due on borrowings	**9.50**	36.16
Total	**9.50**	36.16

NOTES TO ACCOUNTS

6. LONG-TERM AND SHORT-TERM PROVISIONS

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
	Provisions for				
(A)	**Employee Benefits**				
	Earned Leave Liability	**21.00**	2.30	20.30	2.68
	Post Retirement Medical Benefits	**82.50**	4.12	73.80	3.81
	Medical Leave Liability	**13.65**	2.22	13.26	1.96
	Settlement Allowance	**1.06**	0.16	1.04	0.16
	Economic Rehabilitation Scheme	**3.31**	0.03	2.71	0.01
	Long Service Award	**2.45**	0.11	2.34	0.50
	Sub-total (A)	**123.97**	**8.94**	113.45	9.12
(B)	**Others**				
	Standard Loan Assets	**420.35**	123.08	446.13	44.79
	Restructured Standard Loans	**750.71**	70.63	447.51	4.26
	Interest on Loans Due & Converted into Equity	**-**	3.96	-	-
	Incentive	**-**	18.13	-	16.71
	Wealth Tax	**-**	-	-	0.37
	Fringe Benefit Tax	**-**	-	-	0.36
	Proposed Dividend	**-**	503.60	-	266.61
	Corporate Dividend Tax	**-**	102.52	-	54.28
	CSR Expenses	**-**	21.19	-	57.21
	Sub-total (B)	**1,171.06**	**843.11**	893.64	444.59
	Total (A+B)	**1,295.03**	**852.05**	1,007.09	453.71

6.1 Details of Provisions as required under AS-29 are as under :

(₹ in Crores)

Provision for	Opening Balance	Additions during the Year	Paid/ Adjusted during the Year	Closing Balance
Earned Leave Liability	**22.98**	**6.21**	**5.89**	**23.30**
Previous year	22.92	5.57	5.51	22.98
Post Retirement Medical Benefits	**77.61**	**15.33**	**6.32**	**86.62**
Previous year	66.64	16.39	5.42	77.61
Medical Leave Liability	**15.22**	**2.11**	**1.46**	**15.87**
Previous year	14.74	1.81	1.33	15.22
Settlement Allowance	**1.20**	**0.12**	**0.10**	**1.22**
Previous year	1.16	0.20	0.16	1.20
Economic Rehabilitation Scheme	**2.72**	**1.26**	**0.64**	**3.34**
Previous year	2.65	0.70	0.63	2.72
Long Service Award	**2.84**	**0.02**	**0.30**	**2.56**
Previous year	3.38	0.02	0.56	2.84
Standard Loan Assets	**490.92**	**138.93**	**86.42**	**543.43**
Previous year	370.38	120.54	-	490.92
Restructured Standard Loans	**451.77**	**369.57**	**-**	**821.34**
Previous year	-	451.77	-	451.77
Interest on Loans Due & Converted into Equity	**-**	**3.96**	**-**	**3.96**
Previous year	-	-	-	-

(₹ in Crores)

Provision for	Opening Balance	Additions during the Year	Paid/ Adjusted during the Year	Closing Balance
Incentive	**16.71**	**14.34**	**12.92**	**18.13**
Previous year	15.42	13.30	12.01	16.71
CSR Expenses	**57.21**	**128.20**	**164.22**	**21.19**
Previous year	-	103.25	46.04	57.21
Wealth Tax	**0.37**	**0.02**	**0.39**	**-**
Previous year	0.37	0.37	0.37	0.37
Fringe Benefit Tax	**0.36**	**-**	**0.36**	**-**
Previous year	0.36	-	-	0.36
Interim Dividend	**-**	**1,184.95**	**1,184.95**	**-**
Previous year	-	789.97	789.97	-
Proposed Dividend	**266.61**	**503.60**	**266.61**	**503.60**
Previous year	172.81	266.61	172.81	266.61
Corporate Dividend Tax	**54.28**	**341.71**	**293.47**	**102.52**
Previous year	29.37	212.17	187.26	54.28
Income Tax	**5,249.83**	**2,521.82**	**1,350.67**	**6,420.98**
Previous year	3,988.96	2,234.54	973.67	**5,249.83**

7. SHORT-TERM BORROWINGS

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(A)	**Loans Repayable on Demand, unsecured**		
	- from Banks	**749.93**	734.00
(B)	**Commercial Paper, unsecured**	**5,600.00**	-
	Total (A+B)	**6,349.93**	734.00

8. OTHER CURRENT LIABILITIES

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(A)	**Current maturities of long-term debt** *(Refer Note 3)*	**23,967.02**	19,121.80
(B)	**Interest accrued but not due on borrowings**	**6,229.15**	5,265.43
(C)	**Interest accrued and due on borrowings**	**-**	1.10
(D)	**Income Received in Advance**	**0.08**	0.08
(E)	**Unpaid Dividends**	**2.73**	2.62
(F)	**Unpaid Principal & Interest on Bonds**		
	- Matured Bonds & Interest Accrued thereon	**44.83**	57.64
	- Interest on Bonds	**12.57**	14.33
(G)	**Other payables**		
	- Funds Received from Govt. of India for Disbursement as Subsidy/ Grant	**38,111.60**	33,641.80
	Add: Interest on Subsidy/ Grant *(Refer Note 8.3)*	**18.10**	51.38
	Less: Disbursed to Beneficiaries	**-38,091.35**	-33,399.90
	Undisbursed Funds to be disbursed as Subsidy/Grant	**38.35**	293.28
	- Overdraft in Current Account	**-**	0.38
	- Statutory Dues payable including PF and TDS	**21.87**	22.78
	- Payable towards funded staff benefits	**0.53**	0.62
	- Other Liabilities	**72.39**	31.34
	Sub-total (G)	**133.14**	348.40
	Total (A to G)	**30,389.52**	24,811.40

NOTES TO ACCOUNTS

8.1 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 ₹ 1.26 Crores as at 31st March, 2016 (Previous year ₹ 2.22 Crores) 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	Year ended 31.03.2016	Year ended 31.03.2015
Opening Balance of Interest Subsidy Fund	**2.22**	3.53
Add: Interest earned during the year	**0.07**	0.13
Less: Interest subsidy passed on to the borrower	**1.03**	1.44
Closing Balance of Interest Subsidy Fund	**1.26**	2.22

8.2 Government of India has appointed Rural Electrification Corporation Ltd. as a nodal agency for implementation of Deen Dayal Upadhyaya Gram Jyoti Yojana (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 Current Liabilities".

During the year, interest earned of ₹ 39.15 Crores (Previous year ₹ 61.78 Crores) has been taken to DDUGJY Subsidy account. Further, during the year, an amount of ₹ 71.66 Crores (Previous year ₹ 22.07 crores) has been refunded back to MoP out of the total interest on subsidy.

8.3 The movement in Interest on Subsidy/Grant is explained as under:

(₹ in Crores)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Opening Balance	**51.38**	11.55
Add: Interest earned during the year	**41.49**	62.93
Less: Amount refunded to Govt. during the year	**74.19**	22.34
Less: Disbursement out of Interest earned on account of AG&SP Grant	**0.58**	0.76
Closing Balance	**18.10**	51.38

9. FIXED ASSETS AS AT 31ST MARCH, 2016

(₹ In Crores)

FIXED ASSETS	GROSS BLOCK				DEPRECIATION/ AMORTISATION				NET BLOCK	
	As at 01.04.2015	Additions during the year	Sales/ adjustment during the year	Closing as on 31.03.2016	Upto 31.03.2015	During the year	Adjustment during the year	As on 31.03.2016	As at 31.03.2016	As at 31.03.2015
Tangible Assets										
Freehold Land	34.75	45.92	0.05	**80.62**	-	-	-	**-**	**80.62**	34.75
Leasehold Land	1.45	-	-	**1.45**	0.22	0.02	-	**0.24**	**1.21**	1.23
Buildings	33.71	0.04	0.58	**33.17**	7.29	0.47	-	**7.76**	**25.41**	26.42
Furniture & Fixtures	7.05	0.26	0.28	**7.03**	4.58	0.57	0.23	**4.92**	**2.11**	2.47
Vehicles	0.46	-	0.03	**0.43**	0.22	0.04	0.02	**0.24**	**0.19**	0.24
EDP Equipments	16.62	1.22	0.85	**16.99**	11.29	2.43	0.62	**13.10**	**3.89**	5.33
Office Equipments	6.32	4.05	0.43	**9.94**	4.26	1.39	0.11	**5.54**	**4.40**	2.06
Total	100.36	51.49	2.22	**149.63**	27.86	4.92	0.98	**31.80**	**117.83**	72.50
Previous year	93.68	9.95	3.27	**100.36**	24.01	5.73	1.88	**27.86**	**72.50**	
Intangible Assets										
Computer Software	6.97	0.01	0.01	**6.97**	5.54	0.53	0.01	**6.06**	**0.91**	1.43
Total	6.97	0.01	0.01	**6.97**	5.54	0.53	0.01	**6.06**	**0.91**	1.43
Previous year	6.96	0.01	-	**6.97**	4.51	1.03	-	**5.54**	**1.43**	
Capital Work-in-progress	7.39	24.34	1.36	**30.37**	-	-	-	**-**	**30.37**	7.39
Previous year	9.71	2.90	5.22	**7.39**	-	-	-	**-**	**7.39**	
Intangible Assets under Development	-	1.21	-	**1.21**	-	-	-	**-**	**1.21**	-
Previous year	-	-	-	**-**	-	-	-	**-**	**-**	

9.1 The formalities regarding registration of conveyance deed in respect of certain immovable properties acquired by the Company amounting to ₹ 50.51 Crores (Previous year ₹ 4.59 Crores) are yet to be executed.

9.2 In the opinion of management, there is no impairment of the assets of the Company in terms of AS-28. Accordingly, no provision for impairment loss as required under Accounting Standard-28 'Impairment of Assets' has been made.

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

Amortisation Rate - 20%, 100% in case the total cost of the asset is ₹5,000 or less.

NOTES TO ACCOUNTS

10. INVESTMENTS

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
	Number	Amount	Number	Amount
Valued at Cost				
(1) Non-Current Investments				
(A) Other Investments				
(i) Investment in Equity Instruments				
- Subsidiaries				
- REC Power Distribution Company Limited	50,000	0.05	50,000	0.05
Equity shares of ₹10 each, fully paid up				
- REC Transmission Projects Company Limited	50,000	0.05	50,000	0.05
Equity shares of ₹10 each, fully paid up				
- Joint Ventures				
- Energy Efficiency Services Limited	4,75,00,000	47.50	2,25,00,000	22.50
Equity shares of ₹10 each, fully paid up				
- Others				
- India Energy Exchange Limited	12,50,000	1.25	12,50,000	1.25
Equity shares of ₹10 each, fully paid up				
- Universal Commodity Exchange Limited	1,60,00,000	16.00	1,60,00,000	16.00
Equity shares of ₹10 each, fully paid up				
Less: Provision for Diminution in Investment	-	(16.00)	-	-
		-		16.00
(ii) Investment in Government Securities				
- 8% Government of Madhya Pradesh Power Bonds-II	6	282.96	8	377.28
Maturing in equal half yearly Instalments of one bond each, next instalment due on 01.10.2016				
(Bonds of Face Value of ₹ 47.16 Crores each)*				
(iii) Investment in Venture Capital Funds				
- 'Small is Beautiful' Fund	61,52,200	6.15	76,82,816	7.68
Units at face value of ₹ 10.00 per unit				
(iv) Investment in Debentures				
- 9.68% Bonds of UP Power Corporation Ltd.	38,050	380.50	75,000	750.00
Bonds of Face Value of ₹ 0.01 Crores each				
- 11.15% Additional Tier-1 Perpetual Bonds of Indian Bank	5,000	500.00	-	-
Bonds of Face Value of ₹ 0.10 Crores each				
- 11.25% Additional Tier-1 Perpetual Bonds of Vijaya Bank	5,000	500.00	-	-
Bonds of Face Value of ₹ 0.10 Crores each				
- 11.25% Additional Tier-1 Perpetual Bonds of Syndicate Bank	5,000	500.00	-	-
Bonds of Face Value of ₹ 0.10 Crores each				
(v) Share Application money pending allotment				
-Energy Efficiency Services Limited		99.00		-
Total - Non-Current Investments (1)		2,317.46		1,174.81
(2) Current Investments				
(A) Investment in Equity Instruments				
- Lanco Teesta Hydro Power Limited	10,20,00,000	102.00	-	-
Equity shares of ₹10 each, fully paid up				

NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
	Number	Amount	Number	Amount
(B) Investment in Government Securities				
- **8.57%-8.73% Government of Uttar Pradesh Special Bonds**	-	-		391.50
- **8% Government of Madhya Pradesh Power Bonds-II**	1	47.16	1	47.16
Maturing in equal half yearly Instalments of one bond each, next instalment due on 01.10.2016				
(Bonds of Face Value of ₹ 47.16 Crores each)*				
Total - Current Investments (2)		**149.16**		**438.66**
Total (1+2)		**2,466.62**		**1,613.47**

* The number of bonds and the amount of the investment in current portion represents the investments maturing within the next 12 months and the balance is the non-current portion.

10.1 Additional disclosures required in respect of the investments :

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
(1)	**Value of Investments**				
	(i) Gross Value of Investments				
	(a) In India	**2,333.46**	**149.16**	1,174.81	438.66
	(b) Outside India,	-	-	-	-
	(ii) Provisions for Depreciation				
	(a) In India	**16.00**	-	-	-
	(b) Outside India,	-	-	-	-
	(iii) Net Value of Investments				
	(a) In India	**2,317.46**	**149.16**	1,174.81	438.66
	(b) Outside India.	-	-	-	-
(2)	**Movement of provisions held towards depreciation on investments.**				
	(i) Opening balance	-	-	-	-
	(ii) Add : Provisions made during the year	**16.00**	-	-	-
	(iii) Less : Write-off / write-back of excess provisions during the year	-	-	-	-
	(iv) **Closing balance**	**16.00**	-	-	-
(3)	**Aggregate amount of Quoted Investments**	**1,500.00**	-	-	391.50
	Market Value of Quoted Investments	**1,500.00**	-	-	405.63
(4)	**Aggregate amount of Unquoted Investments**	**833.46**	**149.16**	1,174.81	47.16
(5)	**Aggregate provision for diminution in value of investments**	**16.00**	-	-	-

10.2 Investments include ₹ 6.15 Crores (Previous year ₹ 7.68 Crores) representing company's contribution in the units of 'Small is Beautiful (SIB) Venture Capital fund' promoted by KSK Energy Ventures Limited.

Name of the Company	**Contribution towards Fund**	**Country of Residence**	**Percentage of Share**
SIB Fund of KSK Energy Ventures Ltd	₹ 6.15 Crores	India	9.74%

The face value of the fund is ₹ 10 per unit. The NAV as on 31.03.2016 is ₹ 10.24 per unit (Previous year ₹ 9.70 per unit).

10.3 Information in relation to the interest of the Company in Joint Ventures (JVs):

1. Energy Efficiency Services Ltd.

Proportion of Interest in Equity	28.79%
Country of Incorporation	India
Area of Operation	India
JV Partners (% share)	1. NTPC Limited (28.79%) 2. Power Grid Corporation of India Limited (13.63%) 3. Power Finance Corporation Limited (28.79%)

Further, an amount of ₹ 99.00 Crores has been paid to Energy Efficiency Services Limited (EESL) on 31st March, 2016 as share application money. EESL has allotted 9,90,00,000 Equity Shares of ₹ 10 each to the Company on 25th April, 2016 and the share of the Company in the JV has accordingly increased to 31.71%.

The Company's share of assets, liabilities, contingent liabilities and capital commitments as at 31.03.2016 and income and expenses for the period in respect of joint venture are given below :

(₹ in Crores)

	Particulars	**As at / For the period ended 31.03.2016 (Unaudited)**	As at / For the year ended 31.03.2015 (Unaudited)	As at / For the period ended 31.03.2015 (Audited) *
(i)	Total Assets	**434.53**	78.94	78.97
(ii)	Total Liabilities	**371.71**	50.21	51.39
(iii)	Total Reserves & Surplus	**15.32**	6.23	5.08
(iv)	Contingent Liabilities	**Nil**	Nil	Nil
(v)	Capital Commitments	**84.24**	Nil	14.99
(vi)	Total Income	**205.68**	17.57	17.78
(vii)	Total Expenses	**191.40**	14.37	14.38

* The consolidated financial statements of the Company for the FY 2014-15 had been prepared considering the unaudited financial statements of the joint venture, Energy Efficiency Services Limited (EESL). However, the financial statements of EESL were subsequently audited on 3rd July, 2015.

11. LONG-TERM LOANS & ADVANCES

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(A)	**Capital Advances (Unsecured, considered good)**	**49.14**	20.20
(B)	**Security Deposits (Unsecured, considered good)**	**3.77**	0.94
(C)	**Loans & Advances to Related Parties**		
	- To Key Managerial Personnel (KMP)	**0.63**	0.21
		0.63	0.21
(D)	**Other Loans & Advances**		
	- Staff Loans & Advances (except to KMP)	**36.72**	40.40
	- Loan Assets	**1,57,703.84**	1,64,152.03
		1,57,740.56	1,64,192.43
	Total (A to D)	**1,57,794.10**	1,64,213.78

Details of Staff Loans & Advances and Loan Assets :

11.1 Staff Loans & Advances

Non-current portion of the staff loans & advances has been classified under 'Long-term Loans & Advances' above and the current portion of the staff loans & advances has been classified under Note-15 'Other Current Assets'.

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
(A)	**Secured Staff Loans & Advances**				
(A1)	**To Key Managerial Personnel**				
	(a) Considered Good	**0.01**	**0.01**	0.04	0.02
(A2)	**To Others**				
	(a) Considered Good	**2.93**	**0.73**	2.82	1.08
	(b) Classified Doubtful	**-**	**-**	-	0.07
	Less: Provision for bad & doubtful debts	**-**	**-**	-	0.07
		-	**-**	-	-
	Sub-total (A1+ A2)	**2.94**	**0.74**	2.86	1.10
(B)	**Unsecured Staff Loans & Advances**				
(B1)	**To Key Managerial Personnel**				
	(a) Considered Good	**0.62**	**0.19**	0.17	0.06
(B2)	**To Others**				
	(a) Considered Good	**33.79**	**10.24**	37.58	9.56
	Sub-total (B1+ B2)	**34.41**	**10.43**	37.75	9.62
	Grand Total (A+B)	**37.35**	**11.17**	40.61	10.72

NOTES TO ACCOUNTS

11.2 Loan Assets

Non-current portion of the loan assets has been classified under 'Long-term Loans & Advances' above and the current portion of the loan assets has been classified under Note-15 'Other Current Assets'.

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	**Current**	Non-Current	Current
(A)	**Secured Loans**				
(A1)	**Loans to State Power Utilities/ State Electricity Boards/Corpn. (Secured by hypothecation and/or mortgage of materials/ tangible assets)**				
	(a) Considered Good	**1,09,569.70**	**15,194.43**	95,970.62	8,981.75
(A2)	**Loans to Others (Secured by hypothecation and/ or mortgage of tangible assets)**				
	(a) Considered Good	**24,377.49**	**1,841.42**	28,393.85	1,201.89
	(b) Classified Doubtful	**2,243.97**	**1,569.50**	849.53	429.66
	Less: Provision for bad & doubtful debts	**257.65**	**325.52**	208.67	100.59
		1,986.32	**1,243.98**	640.86	329.07
	Sub-total (A1+ A2)	**1,35,933.51**	**18,279.83**	1,25,005.33	10,512.71
(B)	**Unsecured Loans**				
(B1)	**Loans Guaranteed by respective State Governments**				
	(a) Considered good	**18,092.54**	**22,522.84**	35,334.41	2,651.53
(B2)	**Loans to State Governments**				
	(a) Considered good	**2,467.29**	**886.78**	2,878.29	377.24
(B3)	**Loans - Others**				
	(a) Considered Good	**1,210.50**	**99.51**	934.00	490.99
	(b) Classified Doubtful	**-**	**430.10**	56.19	-
	Less: Provision for bad & doubtful debts	**-**	**430.10**	56.19	-
		-	**-**	-	-
	Sub-total (B1+ B2+B3)	**21,770.33**	**23,509.13**	39,146.70	3,519.76
	Grand Total (A+B)	**1,57,703.84**	**41,788.96**	1,64,152.03	14,032.47

11.2.1 Loan balance confirmations for 92.95% of total loan assets as at 31st March, 2016 have been received from the borrowers. Out of the remaining 7.05% loan assets amounting to ₹ 14,188 crore for which balance confirmations have not been received, 72.94% loans are secured by way of hypothecation of assets, 23.37% by way of Government Guarantee/ Loans to Government and 3.69% are unsecured loans.

11.2.2 Loan Assets also include amount financed by the Company as per the Scheme for Financial Restructuring of State Distribution Companies (Discoms).

11.2.3 Alaknanda Hydro Power Company Limited (AHPCL) Shrinagar HEP is located at Uttarakhand. Ministry of Finance, considering the natural disaster in June 2013 at Uttarakhand had taken a decision that Banks should announce a moratorium on repayment of loan and interest for a period of one year in respect of all project loans that are outstanding in Uttarakhand. Ministry of Power vide their letter dated 6th December, 2013 extended such benefit to AHPCL. Accordingly, REC sanctioned Funded Interest Term Loan (FITL) to AHPCL in June 2014.

RBI had issued circular dated 23rd January, 2014, the Norms on restructuring of advance by NBFCs, which inter-alia stated that "the unrealized income represented by FITL should have a corresponding credit in an account styled as Sundry Liabilities Account (Interest Capitalisation)". In response to applicability of above circular, REC represented vide letter dated 28th April, 2014 to RBI requesting among other that, "Hydro projects in Himalayan region and power projects affected by natural disaster may be kept outside the restructuring norms".

In response to the above request, RBI Vide letter dated 11th June, 2014, allowed that the Transmission & Distribution, Renovation & Modernization and Life Extension projects as also the Hydro projects in Himalayan region or affected by natural disaster (new loans and outstanding stock of loans as on March 31, 2014) may be regulated by the REC's existing restructuring norms till March 31, 2017.

Hence, the Management was of the view that the above project of AHPCL, being a Hydro project in Himalayan region and affected by natural disaster is outside the preview of circular dated 23rd January, 2014 and shall continue to be governed by the existing REC's existing prudential norms, which states, "In case of funding of interest in respect of NPAs, where the interest funded is recognized as income, the interest funded shall be fully provided for." As AHPCL is a standard asset in the books of REC, as such no provision on funded interest is required to be created.

Pending clarification from RBI for the above, instead of creating a corresponding Sundry Liabilities Account (Interest Capitalisation), during the year ended 31st March, 2015, 100% provision was created in the books of accounts for the FITL in respect of AHPCL for ₹ 86.42 crores.

In response to the request, RBI, vide its letter No. DNBR.PD.CO.No. 123/03.10.001/2015-16 dated 17th July, 2015 has advised that FITL sanctioned to the said borrower will be exempted from provisions of RBI Restructuring Norms. Accordingly, the provision of ₹ 86.42 crores has been reversed and accounted for during the year ended 31st March, 2016.

11.2.4 M/s Teesta Urja Limited (TUL) is executing Hydro Electric Project in the North Eastern State of Sikkim. Substantial physical progress has been achieved in the project and as per the latest report of Lenders Independent Engineer, cumulative physical progress of the project is 96.59%.

The issues regarding infusion of equity into the project was resolved amongst the promoters and subsequently, the Share Purchase Agreement was executed on 6th August, 2015 amongst the shareholders of TUL to enable Sikkim Power Investment Corporation Limited (wholly owned company of Govt. of Sikkim) to increase its stake to 51% in TUL by way of infusion of equity and purchase of shares from other shareholders. Accordingly, the current shareholding of Sikkim Power Investment Corporation Limited in TUL is 51% and TUL has been recognised as Govt. of Sikkim undertaking.

During the year ended 31st March, 2015, some of the lenders including REC, adjusted their outstanding interest due on the basis of bilateral agreement with the company, against the loan sanctioned towards 2nd cost overrun to TUL. Accordingly, pending documentation, as on 31st March, 2015, an amount of ₹ 202.15 Crores was classified as unsecured loan. The disbursement made under 2nd cost overrun have since been secured by extending the charge on movable assets. The joint documentation between the lenders have concluded on 29th June, 2015 excluding PNB and Canara Bank, who are yet to join the documentation by deed of accession. Accordingly as on 31st March, 2016, the loan disbursements under 2nd cost overrun to the borrower has been classified as secured loan.

11.2.5 REC, as a lead lender had sanctioned ₹ 650 Crore as initial sanction to Corporate Power Limited for 540 MW Phase-I TPP at Chandwa, Jharkhand. The Debt is secured by way of combination of securities representing charge on all the Company's present and future immovable properties, movables, all bank accounts, project documents, clearances, letter of credits, guarantees, insurance contracts and insurance proceeds etc., pledge of shares representing 51% of the total paid up equity share capital of the Company and Corporate Guarantee of Corporate Ispat and Alloys Limited (CIAL). Subsequently, REC, has sanctioned ₹ 196 Crore as additional loan towards funding of cost overrun. As at 31st March, 2016, the loan outstanding is ₹ 811.74 crores.

The progress of Phase-I of the Project (where REC is Lead) as per last available Lender Independent Engineer's Report, is approximately 96%. However, the account has become NPA on 30th June, 2014. As on 31st March, 2016, the account of the borrower is classified as Doubtful asset. As per the Independent valuer's report, the fair market value of Phase-I project assets is ₹ 1,401.94 Crores. Accordingly, 100% provision to the extent of loan not covered by the realizable value of the security amounting to ₹ 399.08 Crores and for the balance loan amount of ₹ 412.66 Crores, 20% provision amounting to ₹ 82.53 Crores is created in the books as per Significant Accounting Policy no 2.3(ii). As such, total provision created as on 31st March, 2016 is ₹ 481.61 Crores.

Further, recall notice has been served to the borrower and Corporate guarantee of promoter Company, CIAL, has been invoked. Further, action as per SARFAESI Act has also been initiated. Lenders are in the process of filing Original Application (OA) in Debt Recovery Tribunal (DRT) for recovery of dues.

11.2.6 REC has sanctioned ₹ 1,150 Crore to Jas Infrastructure & Power Limited (JIPL) wherein total disbursement is ₹ 33.24 Crore till 31st March, 2016. As project has been delayed considerably, lenders are discussing the future strategy and exploring the various options for the implementation of the project.

The account has become NPA on 30th June, 2014. As on 31st March, 2016, the account of the borrower is classified as Doubtful asset. As per the Independent valuer's report, the fair market value of project assets is valued at ₹ 180.17 Crores. Accordingly, 100% provision to the extent of loan not covered by the realizable value of the security amounting to ₹ 31.02 crore and for the balance loan amount of ₹ 2.22 crores, 20% provision amounting to ₹ 0.44 crore is created in the books as per Significant Accounting Policy No. 2.3(ii). As such, total provision created as on 31st March, 2016 is ₹ 31.46 Crore on total loan outstanding of ₹ 33.24 crore.

Further, recall notice has been served to the borrower and Personal guarantee of promoter has been invoked. Joint application for recovery of their dues is being filed by the lenders in DRT.

11.2.7 As at 31st March 2016, the dues of one of the borrowers amounting to ₹ 366.30 Crores were overdue for more than 6 months, thus, exceeding the time limit for classification of the borrower as 'Standard Asset'. However, the borrower had obtained an ad-interim order from Hon'ble High Court of Madras on 18th September, 2015 not to classify the account as NPA and the classification of the borrower has been retained as 'Standard Asset' pending final decision of the Court. Accordingly, 10% provision as applicable for sub-standard loans on the loan outstanding ₹ 1,875.71 Crores has not been created and interest income of ₹ 366.30 Crores has also been recognized on accrual basis in accordance with the accounting policy of the Company for recognition of income on standard assets. However, since the account is currently into Restructured Standard Loan Assets category, a provision of 5% amounting to ₹ 93.79 Crores has been created in full in respect of the loan as against creating the same in phased manner in accordance with Significant Accounting Policy 2.3(iv).

NOTES TO ACCOUNTS

11.2.8 REC had sanctioned ₹ 390 Crores to M/s Lanco Teesta Hydro Power Limited with ICICI Bank as Lead lender having initial project SCOD in May'12. However, due to equity crunch of promoters, geological surprises and poor rock strata, project couldn't be commissioned till date. In order to revive the Project, which is stalled at present, change in ownership is an important imperative which ensures that additional resources are brought in by the new investor. Towards this end, change of ownership could be effectively considered under the recent RBI dispensation on Strategic Debt Restructuring (SDR) dated 8th June, 2015. In terms of SDR Regulations dated 8th June, 2015 issued by RBI, the Lenders' consortium had decided to invoke the SDR in the lenders' meet held on 24th July, 2015. Accordingly, REC, on 24th September, 2015, has approved the Strategic Debt Restructuring (SDR) package pursuant to RBI circular dated June 08, 2015, for conversion of ₹ 102 Crores out of REC's outstanding loan into equity at face value of ₹ 10/- per share towards effecting the change in Management. Subsequently, on 20th October, 2015, necessary documentation has been carried out along with the signing of shareholder's agreement and an amount of ₹ 102 Crores of REC's sanction has been converted into equity on 20th October, 2015.

A provision of ₹ 3.96 crores has been made against the interest due that was converted into equity in terms of RBI guidelines. Further, as a matter of prudence, an additional provision amounting to ₹ 15.50 Crores on the residual loan outstanding of ₹ 236.80 Crores as at 31st March, 2016 has been made in terms of RBI Circular dated 25th Febraury, 2016. Income accrued & remaining unpaid as at 31st March, 2016 amounting to ₹ 32.27 crores on the outstanding loan amount has not been recognised due to uncertainty in view of SDR implementation.

12. OTHER NON-CURRENT ASSETS

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(A)	**Non-Current Portion of Interest Accrued on Staff Advances**	**6.79**	5.01
(B)	**Advance Income-tax & TDS**	**6,515.25**	5,321.81
	Less : Provision for Income Tax	**6,420.98**	5,249.83
	Advance Income-tax & TDS (Net)	**94.27**	71.98
(C)	**Non-current Portion of Unamortized Expenses :**		
	- Discount on Issue of Bonds	**-**	0.14
	Total (A to C)	**101.06**	77.13

13. CASH AND BANK BALANCES

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(A)	**Cash & Cash Equivalents**		
	- Balances with Banks	**960.58**	189.25
	- Others		
	- Short-term Deposits with Scheduled Banks	**767.61**	333.29
	Sub-total (A)	**1,728.19**	522.54
(B)	**Others**		
	- Term Deposits with Scheduled Banks	**0.36**	0.36
	Total (A+B)	**1,728.55**	522.90
	Balances with Banks include:		
	- Earmarked Balances with Banks in separate accounts		
	- For unpaid dividends	**2.73**	2.62
	- For DDUGJY, AG&SP, NEF and other grants	**34.17**	54.94
	- Amount set aside for grants disbursement	**1.77**	2.15

Further, Short-term Deposits with Scheduled Banks include ₹ 2.41 Crores (Previous year ₹ 236.19 Crores) earmarked towards DDUGJY and other grants. Figure in (B) Others - Term Deposits with Scheduled Banks includes the deposit for ₹ 0.36 Crores (Previous year ₹ 0.36 Crores) made and earmarked in compliance of a Court order.

13.1 The Company has made public issue of Tax Free Bonds of face value of ₹1,000/- each aggregating to ₹ 700 Crores during the financial year 2015-16 in addition to private placement of the Tax Free Bonds of ₹ 300 Crores. The bonds had been allotted in line with the prescribed guidelines and the issue proceeds have been utilised for the purposes as mentioned in the Offer document.

NOTES TO ACCOUNTS

14. SHORT-TERM LOANS & ADVANCES

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(A)	**Loans & Advances to Related Parties (Unsecured, considered good)**	**0.95**	2.04
(B)	**Others**		
(i)	**Advances recoverable in cash or in kind or value to be received (Unsecured)**		
	(a) Considered Good	**22.09**	1.21
	(b) Classified Doubtful	**2.06**	2.06
	Less: Provision for bad & doubtful debts	**2.06**	2.06
		-	-
	Total (i)	**22.09**	1.21
(ii)	**Loan Assets**		
(a)	Secured Loans		
	- Loans to State Power Utilities/ State Electricity Boards/Corpn. (Secured by hypothecation and/or mortgage of materials/ tangible assets)		
	- Considered Good	**-**	485.88
	Sub-total (a)	**-**	485.88
(b)	Unsecured Loans		
	- Loans Guaranteed by respective State Governments		
	- Considered Good	**672.22**	500.00
	- Loans - Others		
	- Considered Good	**100.00**	111.11
	Sub-total (b)	**772.22**	611.11
	Total (ii)	**772.22**	1,096.99
	Grand Total	**795.26**	1,100.24

15. OTHER CURRENT ASSETS

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(A)	**Current recoverable of Long-term Loan Assets (Net)** (Refer Note 11.2)	**41,788.96**	14,032.47
(B)	**Current recoverable of Staff Advances (Net)** (Refer Note 11.1)	**11.17**	10.72
(C)	**Interest Accrued & not due on:**		
	- Govt. Securities	**-**	7.89
	- Long Term Investments	**18.06**	30.25
	- Term Deposits	**1.32**	0.25
	Sub-total	**19.38**	38.39
(D)	**Interest Accrued & Due on Loan Assets**	**1,112.89**	1,019.94
(E)	**Interest Accrued & Not Due on Loan Assets**	**301.73**	444.30
(F)	**Current Portion of Interest Accrued on Staff Advances**	**0.30**	0.28
(G)	**Recoverable from GOI**		
	- RGGVY/ DDUGJY Expenses	**9.71**	8.49
	- NEF Expenses	**0.37**	0.29
	Sub-total	**10.08**	8.78
(H)	**Recoverable from SEBs/ Govt. Deptt/Others**	**5.11**	7.32
(I)	**Prepaid Financial Charges on Commercial Paper**	**67.30**	-
(J)	**Current Portion of Unamortized Expenses**		
	- Discount on Issue of Bonds	**0.14**	3.99
	Total (A to J)	**43,317.06**	15,566.19

NOTES TO ACCOUNTS

16. REVENUE FROM OPERATIONS

(₹ in Crores)

	Particulars	Year ended 31.03.2016		Year ended 31.03.2015	
(A)	**Interest on Loan Assets**				
(i)	Long term financing	**23,375.20**		19,904.21	
	Less: Rebate for timely payments/ completion etc.	**1.49**	**23,373.71**	2.70	19,901.51
(ii)	Short term financing		**96.95**		170.57
	Sub-total (A)		**23,470.66**		20,072.08
(B)	**Revenue from Other Financial Services**				
(i)	Processing, Upfront, Lead fees, LC Commission etc.		**24.71**		51.93
(ii)	Prepayment Premium		**30.50**		11.23
(iii)	Fee for RGGVY/ DDUGJY Implementation/ others		**32.78**		15.29
	Sub-total (B)		**87.99**		78.45
(C)	**Income from Short-term Investment of Surplus Funds**				
(i)	Interest from Deposits		**68.21**		69.46
(ii)	Gain on Sale of Mutual Funds		**11.49**		9.54
	Sub-total (C)		**79.70**		79.00
	Total (A to C)		**23,638.35**		20,229.53

17. OTHER INCOME

(₹ in Crores)

	Particulars	Year ended 31.03.2016	Year ended 31.03.2015
(A)	**Interest Income (Other than Operating Income)**		
	- Interest from Govt. Securities	**43.23**	47.51
	- Interest from Long Term Investments	**42.74**	101.67
	- Interest from Staff Advances	**2.22**	1.72
	Sub-Total (A)	**88.19**	150.90
(B)	**Dividend Income**		
	- Dividend from Subsidiary Companies	**10.01**	0.35
	- Dividend from Long-Term Investments	**3.05**	3.63
	Sub-Total (B)	**13.06**	3.98
(C)	**Net Gain on Sale of Long Term Investments**	**12.29**	-
(D)	**Other Non-Operating Income**		
	- Profit on sale of assets	**-**	0.02
	- Provision Written Back	**0.98**	0.57
	- Miscellaneous Income	**3.41**	3.05
	Sub-Total (D)	**4.39**	3.64
	Total (A to D)	**117.93**	158.52

18. FINANCE COSTS

(₹ in Crores)

	Particulars	Year ended 31.03.2016	Year ended 31.03.2015
(A)	**Interest Expense**		
	- On Govt. Loans	**0.15**	0.43
	- On REC Bonds	**11,374.73**	9,508.65
	- On Loans from Banks/ Financial Institutions	**132.62**	207.25

(₹ in Crores)

	Particulars	Year ended 31.03.2016	Year ended 31.03.2015
	- On External Commercial Borrowings	**1,616.14**	1,358.86
	- On Commercial Paper	**285.91**	300.03
	- On AREP Subsidy	**0.04**	0.08
	- Interest on Advance Income Tax	**-**	1.38
	Sub-Total (A)	**13,409.59**	11,376.68
(B)	**Other Borrowing Costs**		
	- Guarantee Fee	**17.69**	18.31
	- Public Issue Expenses	**0.70**	-
	- Bonds Handling Charges	**1.04**	1.05
	- Bonds Brokerage	**19.33**	20.48
	- Stamp Duty on Bonds	**3.88**	4.03
	- Debt Issue and Other Finance Charges	**157.74**	168.73
	Sub-Total (B)	**200.38**	212.60
(C)	**Net Translation/ Transaction Exchange Loss**	**673.15**	255.33
	Total (A to C)	**14,283.12**	11,844.61

19. EMPLOYEE BENEFITS EXPENSE

(₹ in Crores)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
- Salaries and Allowances	**96.85**	92.46
- Contribution to Provident Fund and Other Funds	**12.07**	11.38
- Gratuity	**0.53**	0.60
- Expenses towards Post Retirement Medical Facility	**15.33**	16.39
- Staff Welfare Expenses	**12.66**	13.11
Total	**137.44**	133.94

20. CORPORATE SOCIAL RESPONSIBILITY EXPENSES

(₹ in Crores)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
- Direct Expenditure	**124.72**	100.95
- Overheads	**3.48**	2.30
Total	**128.20**	103.25

20.1 Disclosure in respect of CSR Expenses:

(a) Gross Amount required to be spent by the Company during the year is ₹ 127.46 Crores (Previous year ₹ 103.25 Crores).

(b) Amount spent during the year (₹ in Crores) :

	Particulars	Year ended 31st March, 2016			Year ended 31st March, 2015		
		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	**107.01**	**21.19**	**128.20**	46.04	57.21	103.25

* denotes amount provided for.

NOTES TO ACCOUNTS

21. Other Expenses

(₹ in Crores)

Particulars	Year ended 31.03.2016		Year ended 31.03.2015	
- Travelling and Conveyance		**11.23**		9.97
- Publicity & Promotion Expenses		**5.20**		5.97
- Repairs and Maintenance				
- Building	**2.65**		2.69	
- ERP & Data Centre	**4.64**		3.75	
- Others	**0.62**	**7.91**	0.63	7.07
- Rent & Hiring Charges		**3.29**		3.66
- Rates and Taxes		**0.44**		0.88
- Power & Fuel		**2.11**		1.32
- Insurance Charges		**0.03**		0.04
- Postage and Telephone		**1.95**		2.24
- Auditors' Remuneration		**1.03**		0.62
- Consultancy Charges		**3.39**		2.74
- Loss on Sale of Assets		**0.38**		0.11
- Miscellaneous Expenses		**30.05**		34.87
Total		**67.01**		69.49

21.1 Auditors' Remuneration includes :

(₹ in Crores)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
- Audit Fees	**0.45**	0.38
- Tax Audit Fees	**0.08**	0.08
- Limited Review Fees	**0.21**	0.08
- Payment for Other Services		
(i) Certification of Prospectus for Tax Free Bonds Public Issue	**0.12**	-
(ii) Other Certifications	**0.03**	0.02
- Expenses Incurred	**0.09**	0.03
- Service tax component	**0.05**	0.03
Total	**1.03**	0.62

21.2 Earnings and Expenditure in Foreign Currency :

(₹ in Crores)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Earnings	**-**	-
Expenditure		
- Royalty, Know-how, Professional, Consultation Fees	**0.49**	-
- Interest	**550.96**	455.29
- Finance Charges	**130.91**	149.36
- Other Expenses	**3.11**	3.18
Total	**685.47**	607.83

21.3 The Company has taken office space, accommodations for staff and space for ERP Data Centre on lease. These are classified as operating lease. Lease payments in respect of office space and data centre amounting to ₹ 5.25 Crores (Previous year ₹ 4.30 Crores) is shown under the head 'Other Expenses'. Lease payments in respect of accommodations for staff amounting to ₹ 2.99 Crores (Previous year ₹ 2.50 Crores) form part of 'Employees Benefit Expense.' Future lease payments in respect of these lease agreements are as under:

NOTES TO ACCOUNTS

(₹ in Crores)

Future minimum lease rent payments	As at 31.03.2016		As at 31.03.2015	
	Data Centre	Office & Accomodations	Data Centre	Office & Accomodations
Not later than one year	0.36	4.33	0.29	3.53
Later than one year and not later than 5 years	0.62	4.45	-	6.52
Later than 5 years	-	0.70	-	0.66
Total	**0.98**	**9.48**	0.29	10.71

22. PROVISIONS AND CONTINGENCIES

(₹ in Crores)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Provision for bad & doubtful debts	647.81	230.65
Contingent Provision against Standard Loan Assets	52.51	120.54
Provision against Restructured Standard Loans	369.57	451.77
Provision for Interest due & Converted into Equity	3.96	-
Provision for depreciation on Investments	16.00	-
Total	**1,089.85**	802.96

23. EARNINGS PER SHARE

Particulars	As at 31.03.2016	As at 31.03.2015
Numerator		
Profit after Tax as per Statement of Profit and Loss (₹ in Crores)	**5,627.66**	5,259.87
Denominator		
Weighted average Number of equity shares	**98,74,59,000**	98,74,59,000
Basic & Diluted Earnings per share of ₹10 each (in ₹)	**56.99**	53.27

24. CONTINGENT LIABILITIES AND COMMITMENTS :

24.1 Contingent Liabilities not provided for in respect of:

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(A)	Claims against the Company not acknowledged as debts	**57.45**	55.71
(B)	Others		
	- Letters of Comfort	**461.56**	260.84

The amount referred to in 'A' above includes ₹ 3.86 Crores (Previous year ₹ 3.75 Crores) in respect of cases pending in various courts including arbitration cases and is dependent upon the outcome of settlement of court/arbitration cases.

Further, it also includes ₹ 53.59 Crores (Previous year ₹ 51.96 Crores) 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.

24.2 Commitments not provided for in respect of:

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
- Contracts remaining to be executed on capital account		
- Towards Tangible Assets	**287.97**	16.06
- Towards Intangible Assets	**2.84**	4.32
- Other Commitments		
- CSR Commitments	**89.44**	182.73

NOTES TO ACCOUNTS

25. DETAILS OF REGISTRATION/ LICENSE/ AUTHORISATION OBTAINED FROM FINANCIAL SECTOR REGULATORS:

	Particulars	Regulator Name	Registration Details
(i)	Corporate Identification No.	Ministry of Corporate Affairs	L40101DL1969GOI005095
(ii)	Registration Number	Reserve Bank of India	14.000011

26. The Company is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company (NBFC) since 1997-98. As per notification No.DNBS(PD).CC No.12/02.01/99-2000 dated 13.1.2000 of RBI, Govt. companies as defined under Section 617 of the Companies Act, 1956 have been exempted from applicability of the provisions of Reserve Bank of India Act, 1934 relating to maintenance of liquid assets and creation of Reserve Funds and the Directions relating to acceptance of public deposits and Prudential Norms. The said notification is also applicable to REC, being a Govt. company as defined under Section 2 (45) of the Companies Act, 2013 (Section 617 of the erstwhile Companies Act, 1956). Accordingly, the Reserve Fund is not created.

Further, as per Para No. 1(3)(ii) of RBI's Master Circular No. DNBR (PD) CC. No.043 / 03.10.119 / 2015-16 dated July 1, 2015, REC being a Government Company continues to be exempted from the applicability of "Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015". However, RBI, vide its letters dated 25th July, 2013 and 4th April, 2014, has conveyed to the Company to comply with the Prudential Norms of RBI by 31st March, 2016 and follow the instructions contained in RBI Circular dated January 23, 2014 issued vide Notification No. DNBS (PD) No. 271/ CGM (NSV)-2014 in respect of restructuring of assets. Later, RBI vide its letter dated 11th June, 2014 has allowed exemption to the Company from RBI restructuring norms till March 31, 2017 for Transmission & Distribution, Renovation & Modernisation and Life Extension projects and also the Hydro projects in Himalayan region or affected by natural disasters. Further for new project loans to generating companies restructured w.e.f 01st April, 2015, the provisioning requirement would be 5% and for stock of loans as on 31st March, 2015 of such projects, the provisioning shall commence with a provision of 2.75% w.e.f 31st March, 2015 and reaching 5% by 31st March, 2018.

27. RBI, vide its letter dated September 17, 2010 had categorized REC as an Infrastructure Finance Company (IFC) in terms of instructions contained in RBI Circular CC No.168 dated February 12, 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 DNBS.CO.ZMD-N. No. 4868/55.18.014/2013-14 dated 4th April, 2014 has exempted REC from RBI Prudential Exposure limits till 31st March, 2016. The Company has again represented to RBI for extension of above exemption till 31st March, 2022. The matter is under active consideration and the communication from RBI is expected to be received shortly. 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, 2016 and 31st March, 2015.

28. CHANGES IN ACCOUNTING POLICIES

During the year ended 31st March, 2016, the Company had revised the accounting policy in respect of asset classification in line with RBI Guidelines. Further, the accounting policy for creation of allowance against Standard Loan assets has been modified to align it with the revised provisioning requirements for Standard Loans as per RBI Notification dated 10th November, 2014. Due to these changes in accounting policy, profit before tax for the year ended 31st March, 2016 is lower by ₹ 87.87 Crores.

Further, minor modifications have been made in the Accounting Policy in respect of basis of preparation of financial statements, revenue recognition, intangible assets and cash flow statements. However, there is no financial impact of such modifications.

29. QUALITY OF LOAN ASSETS

29.1 The Classification of Loan Assets of the Company (classified in Note No. 11 and 14) as per RBI Prudential Norms is as under:

(₹ in Crores)

	Asset Classification	As at 31.03.2016		As at 31.03.2015	
		Loan Balance	Allowance created against Loan Assets	Loan Balance	Allowance created against Loan Assets
(i)	**Standard Assets**				
(a)	Restructured Standard Loan Assets (Refer Note below)	**21,058.26**	**821.34**	16,428.15	451.77
(b)	Other than (a) above	**1,75,976.46**	**543.43**	1,61,883.41	490.92
	Sub-total (i)	**1,97,034.72**	**1,364.77**	1,78,311.56	942.69

NOTES TO ACCOUNTS

(₹ in Crores)

	Asset Classification	As at 31.03.2016		As at 31.03.2015	
		Loan Balance	Allowance created against Loan Assets	Loan Balance	Allowance created against Loan Assets
(ii)	**Non Performing Assets**				
(a)	Sub-standard Assets *	**2,908.19**	**291.01**	844.98	206.28
(b)	Doubtful Assets	**1,318.16**	**705.04**	473.18	141.95
(c)	Loss Assets	**17.22**	**17.22**	17.22	17.22
	Sub-total (ii)	**4,243.57**	**1,013.27**	1,335.38	365.45
	Total	**2,01,278.29**	**2,378.04**	1,79,646.94	1,308.14

* Includes loans classified as NPAs due to restructuring/non-achievement of DCCO amounting to ₹ 811.33 Crores (Previous year Nil) and provisioning thereof ₹ 81.27 Crores (Previous year Nil).

Note : Loan assets as mentioned in (i)(a) refer to restructured standard loan assets as specified in Accounting Policy No. 2.3(iv).

29.2 Sector-wise NPAs - Percentage of NPAs to Total Advances in that sector

Particulars	As at 31.03.2016	As at 31.03.2015
Power Sector *	**2.11%**	0.74%

* Includes 0.40% (Previous year Nil) loans classified as NPAs due to restructuring/ non-achievement of DCCO, amounting to ₹ 811.33 Crores (Previous year Nil).

29.3 Movement of NPAs

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(i)	**Net NPAs to Net Advances (%)**	**1.61%**	0.54%
(ii)	**Movement of NPAs (Gross)**		
(a)	Opening balance	**1335.38**	490.40
(b)	Additions during the year	**2910.13**	844.98
(c)	Reductions during the year	**1.94**	-
(d)	Closing balance	**4243.57**	1335.38
(iii)	**Movement of NPAs (Net)**		
(a)	Opening balance	**969.93**	353.54
(b)	Additions during the year	**2262.31**	616.39
(c)	Reductions during the year	**1.94**	-
(d)	Closing balance	**3230.30**	969.93
(iv)	**Movement of provisions for NPAs**		
(a)	Opening balance	**365.45**	136.86
(b)	Provisions made during the year	**647.82**	228.59
(c)	Write-off / write-back of excess provisions	**-**	-
(d)	Closing balance	**1013.27**	365.45

Note - The figures above include loans classified as NPAs due to restructuring/ non-achievement of DCCO, amounting to ₹ 811.33 Crores (Gross) (Previous year Nil) and provisioning thereof ₹ 81.27 Crores (Previous year Nil).

30. EXPOSURE RELATED DISCLOSURES

30.1 Exposure to Real Estate Sector

The Company has no exposure to real estate sector as at 31st March, 2016 (Previous year Nil).

30.2 Exposure to Capital Market

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(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;	**265.85**	39.85
(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;	**-**	-
(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)	**6.15**	7.68
	Total Exposure to Capital Market	**272.00**	47.53

30.3 Unsecured Advances against Intangible Assets

There are no such advances outstanding as at 31st March, 2016 (Previous year Nil) for which intangible collaterals such as rights, licenses, authority, etc. are charged in favour of the Company in respect of projects financed by the Company.

31. CONCENTRATION OF ADVANCES, EXPOSURES AND NPAS

	Particulars	As at 31.03.2016	As at 31.03.2015
(i)	**Concentration of Advances**		
	Total Advances to twenty largest borrowers (₹ in Crores)	**1,17,632.78**	1,08,066.67
	Percentage of Advances to twenty largest borrowers to Total Advances of the Company	**58.44%**	60.16%
(ii)	**Concentration of Exposures**		
	Total Exposure to twenty largest borrowers (₹ in Crores)	**1,94,864.96**	1,71,024.07
	Percentage of Exposures to twenty largest borrowers to Total Exposure of the Company on borrowers	**58.54%**	57.49%
(iii)	**Concentration of NPAs ***		
	Total Outstanding to top four NPA Accounts (₹ in Crores)	**3,444.72**	1,318.16
	Total Exposure to the above four NPA Accounts (₹ in Crores)	**3,444.72**	1,318.16

* Includes loans of ₹ 777.00 Crores (Previous year Nil) classified as NPAs due to restructuring/ non-achievement of DCCO.

32. The Company has not entered into any securitisation/ assignment transactions during the year ended 31st March, 2016 (Previous year Nil). Further, no assets have been sold to securitisation/ reconstruction company for asset reconstruction.

33. Considering the practical problems being faced by the borrowers in submission and adherance to the drawl schedule, the Company has revised the loan policy by waiving off the clause for requirement of Commitment Charges/ upfront fees for all ongoing as well as future projects of State Sector Generation and T&D projects including waiver of outstanding commitment charges of ₹ 8.83 Crores.

34. The National Electricity Fund (NEF), an interest subsidy scheme, has become operational during the year 2012-13. The scheme has been introduced by Govt. of India to promote the capital investment in the distribution sector. The scheme shall provide interest subsidy linked with reform measures, on the loans taken by public and private distribution power utilities for various capital works under Distribution sector. NEF would provide interest subsidy aggregating upto ₹ 8,466 Crores (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 Nodal Agency for operationalisation of the NEF scheme in entire country.

NOTES TO ACCOUNTS

35. Government of India has launched Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) with the following components:

(i) Separation of agriculture and non-agriculture feeders facilitating judicious rostering of supply to agriculture & non-agriculture 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) Rural electrification, as per CCEA approval dated 01.08.2013 for completion of the targets laid down under RGGVY for 12th and 13th Plans by carrying forward the approved outlay for RGGVY to DDUGJY.

The components at (i) and (ii) of the above scheme will have an estimated outlay of ₹ 43,033 crore including budgetary support of ₹ 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 will get subsumed in this scheme as a separate Rural Electrification (RE) component. REC has been nominated as nodal agency for operationalization of this scheme.

36. In the opinion of the management, the current assets, loans and advances appearing in the balance sheet have a value equivalent to the amount stated therein if realized during the ordinary course of business and all known liabilities have been provided.

37. As per the information available with the Company, there have been no reported cases of delayed payments of the principal amount or interest due thereon to Micro, Small & Medium enterprises.

38. DERIVATIVES RELATED DISCLOSURES

38.1 Forward Rate Agreements/ Interest Rate Swaps

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(i)	The notional principal of swap agreements	**24,770.59**	24,577.20
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**1,529.12**	2,662.28
(iii)	Collateral required by the NBFC upon entering into swaps	**Nil**	Nil
(iv)	Concentration of credit risk arising from the swaps	**Refer Note Below**	Refer Note Below
(v)	The fair value of the swap book	**1,223.39**	2,173.16

Note : 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.

38.2 The Company has not entered into any exchange traded Interest Rate (IR) derivatives.

38.3 Disclosure on Risk Exposure in Derivatives

38.3.1 Qualitative Disclosures

REC has Risk Management Policy duly approved by the Board.The policy covers the currency risk of the company. This policy provides the guiding parameters within which the Company can take decisions for managing the Currency Risk that it is exposed to on account of foreign currency loan. The purpose of the policy is to provide a framework to the Company for management of its foreign currency risk.

Risk Management Structure

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.

Derivative transactions include forwards, interest rate swaps, cross currency swaps and currency and cross currency options to hedge assets and liabilities. These derivative transactions are done for hedging purpose and not for trading or speculative purpose. These are accounted for on accrual basis and are not marked to market.

Type of Risks Involved

(i) Credit Risk - Credit risk is the risk of loss due to counterparty's failure to perform on an obligation to the Company.

(ii) Market Risk - Market risk is the risk of loss due to adverse changes in the market value (the price) of an instrument or portfolio of instruments. Such exposures occurs with respect to derivative instruments when changes occur in market factors such as underlying interest rates, exchange rates etc. or in the volitality of these factors.

(iii) Liquidity Risk - Liquidity risk is the risk of loss due to failure of the institution to meet its funding requirments or execute a transaction at a reasonable price. This may be market liquidity risk or funding liquidity risk.

(iv) Operational Risk - Operational risk is the risk of loss occuring as a result of inadequate system and control, deficiencies in information system, human error or a management failure. Derivative activities can pose challenging operational risk issue because of complexity of certain products and their continual evolution.

(v) Legal Risk - Legal risk is the risk of loss arising from contracts which are not legally enforceable or documented correctly.

(vi) Regulatory Risk - Regulatory risk is the risk of loss arising from failure to comply with regulatory or legal requirements.

38.3.2 Quantitative Disclosures

(₹ in Crores)

	Particulars	Currency Derivatives *		Interest Rate Derivatives **	
		As at 31.03.16	As at 31.03.15	**As at 31.03.16**	As at 31.03.15
(i)	Derivatives (Notional Principal Amount)				
	For hedging	**17,876.79**	17,433.40	**6,893.80**	7,143.80
(ii)	Marked to Market Positions				
a)	Asset (+)	**1,487.63**	2,569.44	**41.49**	92.83
b)	Liability (-)	**131.57**	294.66	**174.16**	194.46
(iii)	Credit Exposure	**17,876.79**	17,433.40	**6,893.80**	7,143.80
(iv)	Unhedged Exposures	**4,046.93**	6,594.80	**N.A.**	N.A.

* Includes Full Hedge, Principal only Swap and Call Spread.
** Includes Interest Rate Derivatives as a strategy of cost reduction

39. THE OUTSTANDING POSITION OF FOREIGN CURRENCY EXPOSURE AS AT 31ST MARCH, 2016 IS AS UNDER:

(Foreign Currency amounts in Millions, INR amounts in Crores)

Currency	Total		Hedged Portion (Currency & Interest rate)		Unhedged	
	Foreign Currency	INR Equivalent	Foreign Currency	INR Equivalent *	Foreign Currency	INR Equivalent *
JPY ¥	**30,014.85**	**1,795.17**	**27,940.48**	**1,672.66**	**2,074.37**	**122.51**
Previous Year	33,084.61	1,944.22	31,895.82	1,882.28	1,188.79	61.94
EURO €	**150.47**	**1,059.01**	**125.02**	**867.91**	**25.45**	**191.10**
Previous Year	153.82	1,083.03	150.70	1,061.94	3.12	21.09
USD $	**2,855.00**	**17,691.04**	**2,500.00**	**15,336.22**	**355.00**	**2,354.82**
Previous Year	3,555.00	19,715.51	2,720.00	14,489.18	835.00	5,226.33
CHF (Swiss Franc)	**200.00**	**1,378.50**	**-**	**-**	**200.00**	**1,378.50**
Previous Year	200.00	1,285.44	-	-	200.00	1,285.44
Total		**21,923.72**		**17,876.79**		**4,046.93**
Previous Year		24,028.20		17,433.40		6,594.80

* The portion of the foreign currency borrowings swapped into Indian Rupee is stated at the rate fixed in the swap transactions, and not translated at the year end rate. The unhedged portion of the foreign currency borrowings has been translated at the year end rate.

39.1 In terms of Accounting Policy 14.1, the foreign currency monetary items as at the reporting date have been translated at the following rates:

Exchange Rates	USD/INR	JPY/INR	Euro/INR	CHF/INR
As at 31st March, 2016	**66.3329**	**0.5906**	**75.0955**	**68.9249**
As at 31st March, 2015	62.5908	0.5211	67.5104	64.2719

NOTES TO ACCOUNTS

40. RELATED PARTY DISCLOSURES :

(1) Key Managerial Personnel

Sh. Rajeev Sharma	Chairman & Managing Director
Sh. Ajeet Kumar Agarwal	Director (Finance)
Sh. P.J. Thakkar	Director (Technical) (ceased w.e.f. 12.10.2015)
Sh. Sanjeev Kumar Gupta	Director (Technical) (appointed w.e.f. 16.10.2015)
Sh. J.S. Amitabh	GM & Company Secretary

(2) Other Related Parties

1. Subsidiary Companies

REC Transmission Projects Company Limited (RECTPCL)

REC Power Distribution Company Limited (RECPDCL)

2. Wholly owned Subsidiaries of REC Transmission Projects Company Limited

Nellore Transmission Limited - Incorporated on 04.12.2012

Baira Siul Sarna Transmission Limited - Incorporated on 24.01.2013

Gadarwara (B) Transmission Limited - Incorporated on 30.07.2014 and transferred to Power Grid Corporation of India Limited (PGCIL) on 24.04.2015, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Gadarwara (B) Transmission Limited and PGCIL.

Gadarwara (A) Transco Limited - Incorporated on 05.08.2014 and transferred to Power Grid Corporation of India Limited (PGCIL) on 24.04.2015, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Gadarwara (A) Transco Limited and PGCIL.

Maheshwaram Transmission Limited - Incorporated on 14.08.2014 and transferred to Sterlite Grid 3 Limited (SGL) on 20.08.2015, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Maheshwaram Transmission Limited and SGL.

Vemagiri II Transmission Limited - Incorporated on 06.04.2015 and transferred to Power Grid Corporation of India Limited (PGCIL) on 04.12.2015, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Vemagiri II Transmission Limited and PGCIL.

Alipurduar Transmission Limited - Incorporated on 13.04.2015 and transferred to Kalpataru Power Transmission Limited (KPTL) on 06.01.2016, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Alipurduar Transmission Limited and KPTL.

NER II Transmission Limited - Incorporated on 21.04.2015

NRSS XXXVI Transmission Limited - Incorporated on 18.08.2015

North Karanpura Transco Limited - Incorporated on 27.11.2015

Khargone Transmission Limited - Incorporated on 28.11.2015

Dinchang Transmission Limited - Incorporated on 02.12.2015

3. Joint Ventures

Energy Efficiency Services Limited (EESL)

Details of amount due from/ to the related parties :

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
Long-term Debt		
RECTPCL	**60.00**	60.00
RECPDCL	**10.44**	7.00
Key Managerial Personnel	**0.10**	0.17
Loans & Advances		
RECTPCL	**0.22**	2.04
RECPDCL	**0.73**	-
Key Managerial Personnel	**0.83**	0.29
Other Current Liabilities		
RECPDCL	**5.37**	2.27
RECTPCL	**-**	1.05

NOTES TO ACCOUNTS

Details of Transactions with the related parties :

(₹ in Crores)

Particulars	For the year ended 31.03.2016	For the year ended 31.03.2015
Long Term Debt - Amount Invested		
RECPDCL	**3.44**	-
Key Managerial Personnel	**0.01**	-
Loans & Advances		
Key Managerial Personnel	**0.53**	0.04
Sale of Fixed Assets		
RECPDCL	**0.01**	-
Investment in Share Capital (including applied for)		
EESL	**124.00**	-
Disbursement from Subsidy/ Grant Received from Govt. of India		
RECPDCL	**6.90**	-
Dividend from Subsidiaries		
RECTPCL	**9.51**	0.10
RECPDCL	**0.50**	0.25
Interest Income - Loans & Advances		
Key Managerial Personnel	**0.04**	0.06
Apportionment of Employee Benefit and Other Expenses		
RECTPCL	**2.35**	2.58
RECPDCL	**4.32**	2.20
Finance Cost		
Interest Paid to RECTPCL	**4.70**	4.70
Interest Paid to RECPDCL	**0.64**	0.54
Interest Paid to Key Managerial Personnel	**0.01**	0.01
Employee Benefits Expense - Managerial Remuneration	**2.33**	1.91
CSR Expenses		
RECPDCL	**91.77**	19.04
EESL	**0.28**	1.59
Other Expenses		
RECPDCL	**2.22**	7.31

41. DISCLOSURES FOR EMPLOYEE BENEFITS AS REQUIRED UNDER AS 15:

(1) Defined Contribution Plans

A. Provident Fund

Company pays fixed contribution of Provident Fund at pre-determined rates to a separate trust which invests the funds in permitted securities. The trust fixes the rate of interest on contribution to the members of the trust.

B. Defined Contribution Superannuation Scheme

The Company pays fixed contribution towards superannuation scheme at pre-determined rates to a separate trust which invests the funds with the Insurers. The Insurers fix the rate of interest on the balance standing to the credit of the accounts of the members of the trust. When the pension becomes payable to the member, the Insurers shall appropriate the member's accumulation towards various annuities, as opted for by the member.

Amount recognised as expenses towards defined contribution plans:

(₹ in Crores)

	Particulars	For the year ended 31.03.2016	For the year ended 31.03.2015
(i)	Provident Fund	**6.88**	6.52
(ii)	Defined Contribution Superannuation Scheme	**5.10**	4.77
	Total	**11.98**	11.29

(2) Defined Benefit Plans - Post-Employment Benefits

A. Gratuity

The Company has a defined benefit gratuity plan. Every employee is entitled to gratuity as per the provisions of the Payment of Gratuity Act, 1972. The scheme is funded by the Company and is managed by separate trust. The liability of Gratuity is recognized on the basis of actuarial valuation.

B. Post Retirement Medical Facility (PRMF)

The Company has Post Retirement Medical Facility under which the entitled retired employees (including his/her spouse) are covered as per Company Rules. The expenditure is recognized in the Statement of Profit & Loss on the basis of actuarial valuation.

C. Other Defined Retirement Benefit (ODRB)

The Company has a scheme for settlement of the employee and their dependents at the time of superannuation at home town. The expenditure is recognized in the Statement of Profit & Loss on the basis of actuarial valuation.
The summarized position of various defined benefits recognized in the Statement of Profit & Loss, Balance Sheet and the funded status is as under:

Expense recognised in Statement of Profit & Loss:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2016	31.03.2015	**31.03.2016**	31.03.2015	**31.03.2016**	31.03.2015
Current Service Cost	**2.02**	1.93	**1.45**	1.23	**0.05**	0.05
Interest Cost	**3.05**	3.24	**6.21**	5.66	**0.10**	0.10
Expected Return on Plan Assets	**3.03**	3.24	**-**	-	**-**	-
Actuarial (Gain)/ Loss	**(1.51)**	(1.33)	**7.67**	9.50	**(0.03)**	0.05
Expense recognized	**0.53**	0.60	**15.33**	16.39	**0.12**	0.20

Amounts recognised in Balance Sheet:

(Amounts below in 'Gratuity' columns denotes respective amounts in the Balance Sheet of gratuity trust)

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2016	31.03.2015	**31.03.2016**	31.03.2015	**31.03.2016**	31.03.2015
Present value of obligation as at the end of the year	**37.34**	38.16	**86.62**	77.61	**1.22**	1.20
Fair value of Plan Assets as at the end of the year	**35.48**	36.25	**-**	-	**-**	-
Net Assets/ (Liability) recognized	**(1.86)**	(1.91)	**(86.62)**	(77.61)	**(1.22)**	(1.20)

Changes in the Present value of defined benefit/ Obligation:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2016	31.03.2015	**31.03.2016**	31.03.2015	**31.03.2016**	31.03.2015
Present value of obligation as at the beginning of the year	**38.16**	38.07	**77.61**	66.64	**1.20**	1.16
Interest Cost	**3.05**	3.24	**6.21**	5.66	**0.10**	0.10
Current Service Cost	**2.02**	1.93	**1.45**	1.23	**0.05**	0.05
Benefit Paid	**4.42**	3.89	**6.32**	5.42	**0.10**	0.16
Actuarial (Gain)/ Loss on obligation	**(1.47)**	(1.19)	**7.67**	9.50	**(0.03)**	0.05
Present Value of defined benefit obligation at the end of the year	**37.34**	38.16	**86.62**	77.61	**1.22**	1.20

Changes in the Fair Value of Plan Assets:

(Amounts below in 'Gratuity' columns denotes respective amounts for the gratuity trust)

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2016	31.03.2015	**31.03.2016**	31.03.2015	**31.03.2016**	31.03.2015
Fair value of Plan Assets as at the beginning of the year	**36.25**	35.94	**-**	-	**-**	-
Return on Plan Assets	**3.03**	3.24	**-**	-	**-**	-
Contributions	**0.62**	0.82	**-**	-	**-**	-
Benefit Paid	**4.42**	3.89	**-**	-	**-**	-
Actuarial Gain/ (Loss) on Plan Assets	**-**	0.14	**-**	-	**-**	-
Fair value of Plan Assets as at the end of the year	**35.48**	36.25	**-**	-	**-**	-

Funded Status and Experience adjustments for liability towards Gratuity:

(₹ in Crores)

Particulars	**31.03.2016**	31.03.2015	31.03.2014	31.03.2013	31.03.2012
Present value of obligation at year end	**37.34**	38.16	38.07	37.85	36.46
Fair value of Plan Assets at year end	**35.48**	36.25	35.94	35.14	31.24
Funded Status	**(1.86)**	(1.91)	(2.13)	(2.71)	(5.22)
Experience adjustment;					
Gain/(Loss):					
Experience adjustment on plan liabilities	**(0.76)**	(0.01)	0.68	1.17	1.51
Experience adjustment on plan assets	**0.14**	0.58	(0.30)	(0.40)	(0.23)

The effect of an increase/ decrease of one percent point in inflation rate on PRMF:

(₹ in Crores)

Particulars	1% (+)		1% (-)	
	31.03.2016	31.03.2015	**31.03.2016**	31.03.2015
Service & Interest Cost	**1.25**	0.64	**(0.84)**	(1.09)
PBO (Closing)	**11.93**	11.09	**(8.45)**	(7.81)

Actuarial Assumptions:

Particulars	Gratuity		PRMF		ODRB	
	31.03.2016	31.03.2015	**31.03.2016**	31.03.2015	**31.03.2016**	31.03.2015
Method Used	**Projected Unit Credit (PUC)**	Projected Unit Credit (PUC)	**Projected Unit Credit (PUC)**	Projected Unit Credit (PUC)	**Projected Unit Credit (PUC)**	Projected Unit Credit (PUC)
Discount Rate	**8.00%**	8.00%	**8.00%**	8.00%	**8.00%**	8.00%
Expected Rate of Return on Plan Assets	**8.36%**	9.00%	**-**	-	**-**	-
Future Salary Increase	**6.00%**	6.00%	**6.00%**	6.00%	**6.00%**	6.00%

- The Expected Rate of Return on Assets is the assumed rate of return (annualised).
- The Principle assumptions are the discount rate and salary growth rate. The discount rate is generally based on the market yields available on govt. bonds at the 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.

42. 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), Kerala State Electricity Board (KSEB) and Meghalaya State Electricity Board (MSEB) are yet to be executed amongst the Company, new entities and the State Governments.

Agreements in case of Tamil Nadu State Electricity Board 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, if required, on finalization of the Transfer Scheme.

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 2nd 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).

(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.

43. The Ministry of Power launched a scheme 'Ujwal DISCOM Assurance Yojana' (UDAY) for achieving financial turnaround of the DISCOMs which are reeling under burden of heavy debt and losses. As per the OM dated 20th November, 2015 issued by MoP on the UDAY scheme, States shall take over 75% of the DISCOM debt as on 30th September, 2015 over 2 years - 50% to be taken over in FY 2015-16 and 25% in FY 2016-17.

The States of Uttar Pradesh, Rajasthan, Punjab, Haryana, Bihar and Chhattisgarh have signed MoU with MoP for participation in the scheme. The DISCOMs of Punjab, Uttar Pradesh and Chhattisgarh have pre-paid their outstanding loan amounting to ₹ 10,003.69 Crores out of which ₹ 1,214.14 crore was received in April 2016, as a result of takeover of their debt by the respective States under the scheme. An amount of ₹ 19,640.22 Crores is further expected to be prepaid by the DISCOMs during the financial year 2016-17.

44. The Company's main business is to provide finance to power sector. Accordingly, the Company does not have more than one segment eligible for reporting in terms of Accounting Standard-17.

45. CAPITAL TO RISK-WEIGHTED ASSETS RATIO (CRAR)

Being an Infrastructure Finance Company (IFC), REC is required to maintain a Capital to Risk Weighted Assets Ratio (CRAR) of 15% (with a minimum Tier I Capital of 10%).

Particulars	As at / For the year ended 31.03.2016	As at / For the year ended 31.03.2015
(i) CRAR (%)	**20.38%**	19.56%
(ii) CRAR - Tier I Capital (%)	**17.48%**	16.52%
(iii) CRAR - Tier II Capital (%)	**2.90%**	3.04%
(iv) Amount of subordinated debt raised as Tier-II capital (₹ in crore)	**-**	-
(v) Amount raised by issue of Perpetual Debt Instruments (₹ in crore)	**-**	-

46. ASSET LIABILITY MANAGEMENT - MATURITY PATTERN OF CERTAIN ITEMS OF ASSETS AND LIABILITIES :

(₹ in Crores)

As at 31.03.2016	Advances	Investments	Borrowings		Foreign Currency Items	
			Domestic Borrowings	Foreign Currency Borrowings	Assets	Liabilities (Other than Borrowings)
Upto 30/31 days	2,798	-	2,118	-	-	-
Over 1 month upto 2 months	1,971	-	2,999	-	-	-
Over 2 months upto 3 months	6,610	-	2,366	97	-	-
Over 3 month & upto 6 months	21,395	-	8,239	1,473	-	-
Over 6 months & upto 1 year	10,543	149	11,446	1,579	-	-
Over 1 year & upto 3 years	36,506	189	36,540	7,815	-	-
Over 3 years & upto 5 years	34,735	94	27,305	10,691	-	-
Over 5 years	86,720	2,035	56,170	269	-	-
Total	**2,01,278**	**2,467**	**1,47,183**	**21,924**	**-**	**-**

NOTES TO ACCOUNTS

(₹ in Crores)

As at 31.03.2015	Advances	Investments	Borrowings		Foreign Currency Items	
			Domestic Borrowings	Foreign Currency Borrowings	Assets	Liabilities (Other than Borrowings)
Upto 30/31 days	745	-	1,036	-	-	-
Over 1 month upto 2 months	664	-	355	-	-	-
Over 2 months upto 3 months	1,449	-	666	97	-	-
Over 3 month & upto 6 months	3,307	-	1,068	2,712	-	-
Over 6 months & upto 1 year	9,065	439	6,196	7,726	-	-
Over 1 year & upto 3 years	38,350	189	34,344	4,629	-	-
Over 3 years & upto 5 years	35,891	189	26,942	8,623	-	-
Over 5 years	90,176	796	56,389	241	-	-
Total	1,79,647	1,613	1,26,996	24,028	-	-

47. There are no Off-Balance Sheet SPVs sponsored by the Company, which need to be consolidated as per accounting norms.

48. No penalties have been levied on the Company by any regulator during the year ended 31st March, 2016 (Previous year Nil).

However, the Company has received a notice from National Stock Exchange of India Ltd. (NSE) vide its letter No. Fines/2015-16/45075 dated 5th October, 2015 and from BSE Ltd. (BSE) vide its letter No. LIST/COMP/49-Woman Dir/126/2015-16 dated 6th October, 2015 in pursuance of SEBI Circular No. CIR/CFD/CMD/1/2015 dated April 8, 2015 for payment of fine of ₹ 1,42,000 and ₹ 1,47,000 (inclusive of service tax) respectively for non-compliance of Clause 49(II)(A)(1) of the listing agreement regarding non-appointment of woman director on the Board as on 30th September, 2015.

The Company has requested the Stock Exchanges to waive the fine amounts since the power to appoint Woman Director/Independent Directors is vested with President of India through the administrative Ministry as per Articles of Association of the Company and the Board of Directors or the Company cannot appoint Woman Director/Independent Directors on the Board of the Company and there is no violation on the part of the Company in the appointment of Woman Director/Independent Directors. The reply of the Stock Exchanges is still awaited.

49. No complaints have been received by the Company from the borrowers under the Fair Practices Code during the year ended 31st March, 2016 (Previous year Nil).

50. Previous year figures have been reclassified/ regrouped to conform to the current classification.

51. Figures in Rupees have been rounded off to the nearest crores with two decimals, unless expressly stated.

The Significant Accounting Policies and Notes to Accounts 1 to 51 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

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

Rajeev Sharma
Chairman and Managing Director
DIN - 00973413

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Gopal Krishan
Partner
M.No. : 081085

Pawan K. Goel
Partner
M.No. : 072209

Place: New Delhi
Date: 27th May, 2016

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016

(₹ in Crores)

Particulars	Year Ended 31.03.2016		Year Ended 31.03.2015	
A. Cash Flow from Operating Activities :				
Net Profit before Tax	**8,045.21**		7,427.04	
Adjustments for:				
1. Profit (-) / Loss on Sale of Fixed Assets	**0.38**		0.09	
2. Depreciation & Amortization	**5.45**		6.76	
3. Provisions and Contingencies	**1,089.85**		802.96	
4. Interest on Commercial Paper	**285.91**		300.03	
5. Excess Provision written back	**-0.07**		-	
6. Profit on sale/redemption of investments	**-12.29**		-	
7. Loss/ Gain(-) on Exchange Rate fluctuation	**666.13**		259.99	
8. Dividend from Subsidiary Co.	**-10.01**		-0.35	
9. Dividend from Investments	**-3.05**		-3.63	
10. Interest on Long-term Investments/ Govt. Securities	**-85.97**		-149.18	
11. Provision made for Interest on Advance Income Tax	**-**		1.38	
12. Discount on Bonds written off	**3.99**		4.83	
13. Interest Accrued on Zero Coupon Bonds	**76.17**		70.39	
Operating Profit Before Changes In Operating Assets & Liabilities	**10,061.70**		8,720.31	
Increase / Decrease :				
1. Loan Assets	**-21,733.35**		-31,005.84	
2. Other Operating Assets	**27.89**		-366.08	
3. Operating Liabilities	**936.54**		944.51	
Cash flow from Operations	**-10,707.22**		-21,707.10	
1. Income Tax Paid (including TDS)	**-2,539.74**		-2,284.67	
2. Income Tax refund	**42.00**		-	
Net Cash Flow from Operating Activities		**-13,204.96**		-23,991.77
B. Cash Flow from Investing Activities				
1. Sale of Fixed Assets	**0.86**		0.18	
2. Purchase of Fixed Assets (incl. CWIP, Intangible Assets under development & Capital Advances)	**-104.63**		-7.64	
3. Investment in shares of Energy Efficiency Services Ltd. (including share application money pending allotment)	**-124.00**		-	
4. Investment in 11.15% Additional Tier-1 Perpetual Bonds of Indian Bank	**-500.00**		-	
5. Investment in 11.25% Additional Tier-1 Perpetual Bonds of Vijaya Bank	**-500.00**		-	
6. Investment in 11.25% Additional Tier-1 Perpetual Bonds of Syndicate Bank	**-500.00**		-	
7. Redemption of 8% Government of Madhya Pradesh Power Bonds-II	**94.32**		94.32	
8. Sale of Long-term Investments	**762.53**		-	
9. Profit on sale/redemption of investments	**12.29**		-	
10. Interest on Long-term Investments/ Govt. Securities	**106.05**		154.10	
11. Dividend from Subsidiary Co.	**10.01**		0.35	

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2016

(₹ in Crores)

Particulars	Year Ended 31.03.2016		Year Ended 31.03.2015	
12. Dividend from Investments	**3.05**		3.63	
Net Cash Flow from Investing Activities		**-739.52**		244.94
C. Cash Flow from Financing Activities				
1. Issue of Bonds (Net of redemptions)	**14,972.72**		21,806.74	
2. Raising of Term Loans/ STL from Banks/ FIs (Net of repayments)	**-459.07**		-955.40	
3. Raising of Foreign Currency Loan (Net of redemptions)	**-2,607.56**		6,344.25	
4. Funds received from GOI for further disbursement as Subsidy/ Grant including interest (Net of refund)	**4,436.52**		3,421.17	
5. Disbursement of grants	**-4,691.45**		-3,639.69	
6. Repayment of Govt. Loan	**-3.07**		-4.86	
7. Payment of Final Dividend	**-266.61**		-172.81	
8. Payment of Interim Dividend	**-1,184.95**		-789.97	
9. Payment of Corporate Dividend Tax	**-293.47**		-187.26	
10. Premium on issue of securities	**0.28**		-	
11. Issue of Commercial Paper (Net of repayments)	**5,246.79**		-2,745.74	
Net Cash flow from Financing Activities		**15,150.13**		23,076.43
Net Increase/Decrease in Cash & Cash Equivalents		**1,205.65**		-670.40
Cash & Cash Equivalents as at the beginning of the year		**522.54**		1,192.94
Cash & Cash Equivalents as at the end of the year		**1,728.19**		522.54
Components of Cash & Cash Equivalents as at end of the year are:				
- Balances with Banks in:				
- Accounts with RBI and other banks		**923.68**		131.69
- Undisbursed DDUGJY, AG&SP, NEF and Other Grants #		**34.17**		54.94
- Unpaid Dividend Accounts #		**2.73**		2.62
- Short-term Deposits with Scheduled Banks		**767.61**		333.29
Total Cash & Cash Equivalents		**1,728.19**		522.54

These balances are not available for free use by the Company as they represent earmarked balances held in respective grant accounts, balances in public issue account and unpaid dividends.

Further, Balances with Banks include ₹ 1.77 Crores (Previous year ₹ 2.15 Crores) set aside for grants disbursement and Short-term Deposits with Scheduled Banks include ₹ 2.14 Crores (Previous year ₹ 236.19 Crores) earmarked towards DDUGJY grant and not available for free use by the Company.

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

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

Rajeev Sharma
Chairman and Managing Director
DIN - 00973413

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Gopal Krishan
Partner
M.No. : 081085

Pawan K. Goel
Partner
M.No. : 072209

Place: New Delhi
Date: 27th May, 2016

ANNEXURE TO BE ENCLOSED WITH BALANCE SHEET AS AT 31ST MARCH, 2016

(AS PRESCRIBED BY RESERVE BANK OF INDIA)

(Particulars as required in terms of Paragraph 13 of Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015, in so far as they are applicable to Rural Electrification Corporation Ltd.)

(₹ In Crores)

	Particulars	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	65,259.50	-
	- Unsecured	74,473.23	-
	(b) Deferred Credits	-	-
	(c) Term Loans		
	- from Govt. of India	-	-
	- from Financial Institutions	1,100.00	-
	- from Banks	-	-
	(d) Inter-corporate Loans and Borrowing	-	-
	(e) Commercial Paper	5,600.00	-
	(f) Other Loans		
	- Foreign Currency Borrowings	21,923.72	-
	- Overdrafts from Bank	-	-
	- Loans Repayable on Demand from Banks & FIs	749.93	-

(₹ In Crores)

	Particulars	Amount Outstanding
	ASSETS SIDE :	
(2)	Break-up of Loans and Advances including bills receivables	
	(a) Secured	1,54,217.02
	(b) Unsecured	46,172.47
(3)	**INVESTMENTS :**	
	Current Investments:	
	Unquoted:	
	(i) Shares : Equity	102.00
	Long Term Investments:	
	Quoted:	
	(i) Debentures and Bonds	1,500.00
	Unquoted:	
	(i) Shares : (a) Equity	64.85
	(b) Preference	-
	(ii) Debentures and Bonds	380.50
	(iii) Units of mutual funds	6.15
	(iv) Government Securities	330.12
	(v) Share Application Money pending allotment	99.00

(4) Borrower Group-wise classification of assets financed in (2) above :

(₹ In Crores)

Category	AMOUNT NET OF PROVISIONS		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	-	0.95	0.95
(b) Companies in the same Group	-	-	-
(c) Other related Parties	0.02	0.81	0.83
2. Other than Related Parties	1,54,217.00	46,170.71	2,00,387.71
Total	**1,54,217.02**	**46,172.47**	**2,00,389.49**

(5) Investor group-wise classification of investments (current and long term) in shares and securities (both quoted and unquoted) :

(₹ In Crores)

Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties		
(a) Subsidiaries	0.10	0.10
(b) Companies in the same Group	-	-
(c) Other related Parties	146.50	146.50
2. Other than Related Parties	2,320.17	2,320.02
Total	**2,466.77**	**2,466.62**

(6) Other Information

(₹ In Crores)

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related Parties	-
(b) Other than related Parties	4,243.57
(ii) Net Non-Performing Assets	
(a) Related Parties	-
(b) Other than related Parties	3,230.30
(iii) Asset acquired in satisfaction of debts	-

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

Rajeev Sharma
Chairman and Managing Director
DIN - 00973413

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Gopal Krishan
Partner
M.No. : 081085

Pawan K. Goel
Partner
M.No. : 072209

Place: New Delhi
Date: 27th May, 2016

INDEPENDENT AUDITORS' REPORT

To,
The Members,
Rural Electrification Corporation Limited
New Delhi

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Rural Electrification Corporation Limited** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its jointly controlled entity, comprising of the Consolidated Balance Sheet as at 31st March, 2016, the Consolidated Statement of Profit and Loss, the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated Financial Statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance 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 Rule 7 of the Companies (Accounts) Rules, 2014 and MCA General Circular No. 15/2013 dated 13th September, 2013. This responsibility also includes 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 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 consolidated 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 presentation of the Consolidated Financial Statements by the Directors of the Holding Company, as aforesaid.

Auditor's Responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. While conducting an audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Consolidated Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the holding Company's Directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our audit opinion on the Consolidated Financial Statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by 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 the consolidated state of affairs of the Group and its jointly controlled entity as at 31st March, 2016, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to the following matter in the Notes to the Consolidated Financial Statements:-

(a) Note No. 13.2.7 in respect of classification of one of the borrower account as standard asset in view of ad-interim order of Hon'ble High Court of Madras.Our opinion is not modified in respect of above matter.

Other Matters

(a) We did not audit the financial statements of two subsidiaries whose financial statements reflect total assets of ₹ 350.92 Crores (Previous year ₹ 300.88 Crores) as at 31st March, 2016, total revenues of ₹ 195.69 Crores (Previous year ₹ 160.20 Crores) and net cash flows amounting to ₹ 8.70 Crores (Previous year ₹ 14.33 Crores) for the year ended on 31st March, 2016, as considered in the Consolidated Financial Statements. The Consolidated Financial Statements also include the subsidiaries' share of net profit after tax of ₹ 64.97 crores (Previous Year ₹ 82.31 crores) as considered in the Consolidated 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 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) 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) We did not audit the financial statements of one jointly controlled entity, whose financial statements reflect total assets of ₹ 434.54 Crores (Previous year ₹ 78.94 Crores) as at 31st March, 2016, total revenues of ₹ 205.87 Crores (Previous year ₹ 17.57 Crores) and net cash flows amounting to ₹ 60.51 Crores (Previous year ₹ 7.04 Crores) for the year ended on 31st March, 2016, as considered in the Consolidated Financial Statements. The Consolidated Financial Statements also include the jointly controlled entity's share of net profit after tax of ₹ 9.47 crores (Previous Year ₹ 2.27 crores) as considered in the Consolidated Financial Statements. These financial statements are unaudited and have been furnished to us by the Management and our opinion on the consolidated 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) of Section 143 of the Act in so far as it relates to the aforesaid jointly controlled entity, is based solely on such unaudited financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group & its jointly controlled entity.

Our opinion on the consolidated 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 certified by the Management.

Report on Other Legal and Regulatory Requirements

1. 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 of the aforesaid Consolidated Financial Statements.

(b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid Consolidated 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, 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 Financial Statements.

(d) In our opinion, the aforesaid Consolidated Financial Statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 and MCA General Circular No. 15/2013 dated 13th September, 2013.

(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:

   (i) The Consolidated Financial Statements disclose the impact of pending litigations on the consolidated financial position of the Group and its jointly controlled entity- Refer Note 30.1 to the consolidated financial statements;

   (ii) The Group and its jointly controlled entity does not have any such 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 Holding Company and its subsidiary companies and its jointly controlled entity incorporated in India.

For Raj Har Gopal & Co.
Chartered Accountants
Firm Regn. No. 002074N

Gopal Krishan
Partner
M. No. 081085

For A.R. & Co.
Chartered Accountants
Firm Regn. No. 002744C

Priyanshu Jain
Partner
M. No. 530262

Place : New Delhi
Date : 27th May, 2016

ANNEXURE-A TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS OF 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 financial statements of the Company as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of 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, 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 Companies Act, 2013.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Group and its jointly controlled entity 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 Companies Act, 2013, 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 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 over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Group and its jointly controlled entity'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 and its jointly controlled entity'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 and its jointly controlled entity;

(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 its jointly controlled entity; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Group and its jointly controlled entity'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 Group and its jointly controlled entity has, in all material aspects, an adequate internal financial controls system except improvement in ERP system relating to classification of loans & advances as secured or unsecured, determination of non-performing assets in the ERP system, shift in the moratorium period due to structuring/restructuring, revalidation of the sanctions of loans and recording of non-entertaining/rejection/disposal of applications of the loans and time frame for furnishing replies of Internal audit reports by concerned offices, over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2016, 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.

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 March 31, 2016 Consolidated 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 in so far 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.

The system of internal financial controls over financial reporting, with regard to its jointly controlled entity, M/s Energy Efficiency Services Ltd. which being unaudited, have not been provided to us to determine whether the company has established adequate internal financial control over financial reporting at the aforesaid jointly controlled entity and whether such internal financial controls were operating effectively as at March 31, 2016. The contribution of the, jointly controlled entity of the company, to the total assets of the group and its jointly controlled entity is not material.

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 its jointly controlled entity, and the above disclosure does not affect our opinion on the operating effectiveness of the Internal Financial Control over financial reporting of the Group and its jointly controlled entity.

For Raj Har Gopal & Co.
Chartered Accountants
Firm Regn No. 002074N

Gopal Krishan
Partner
M. No. 081085

For A.R. & Co.
Chartered Accountants
Firm Regn. No. 002744C

Priyanshu Jain
Partner
M. No. 530262

Place : New Delhi
Date : 27th May, 2016

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2016

(₹ in Crores)

Particulars		Note No.	As at 31.03.2016	As at 31.03.2015
I.	**EQUITY AND LIABILITIES**			
(1)	**Shareholders' Funds**			
	(a) Share Capital	2	**987.46**	987.46
	(b) Reserves and Surplus	3	**27,905.94**	24,085.12
	Sub-total (1)		**28,893.40**	**25,072.58**
(2)	**Non-current Liabilities**			
	(a) Long-term Borrowings	4	**138,783.85**	131,123.26
	(b) Deferred Tax Liabilities (Net)	5	**47.54**	105.80
	(c) Other Long-term Liabilities	6	**10.09**	36.18
	(d) Long-term Provisions	7	**1,295.46**	1,007.39
	Sub-total (2)		**140,136.94**	**132,272.63**
(3)	**Current Liabilities**			
	(a) Short-term Borrowings	8	**6,460.77**	734.00
	(b) Trade Payables	9	**118.69**	30.83
	(c) Other current liabilities	10	**30,476.70**	24,887.16
	(d) Short-term Provisions	7	**858.42**	458.71
	Sub-total (3)		**37,914.58**	**26,110.70**
	Total (1+2+3)		**206,944.92**	**183,455.91**
II.	**ASSETS**			
(1)	**Non-current Assets**			
	(a) Fixed assets	11		
	(i) Tangible Assets		**253.05**	108.50
	(ii) Intangible Assets		**1.03**	1.47
	(iii) Capital work-in-progress		**76.84**	9.81
	(iv) Intangible Assets under Development		**1.21**	-
			332.13	119.78
	(b) Non-current Investments	12	**2,202.14**	1,157.21
	(c) Long-term Loans & Advances	13	**157,796.82**	164,215.25
	(d) Other Non-current Assets	14	**109.26**	85.11
	Sub-total (1)		**160,440.35**	**165,577.35**
(2)	**Current Assets**			
	(a) Current Investments	12	**149.41**	438.81
	(b) Inventories	15	**66.79**	-
	(c) Trade Receivables	16	**231.89**	120.28
	(d) Cash & Bank Balances	17	**1,864.08**	645.71
	(e) Short-term Loans & Advances	18	**809.24**	1,100.45
	(f) Other Current Assets	19	**43,383.16**	15,573.31
	Sub-total (2)		**46,504.57**	**17,878.56**
	Total (1+2)		**206,944.92**	**183,455.91**

The Significant Accounting Policies and Notes to Accounts 1 to 60 are an integral part of these financial statements.

For and on behalf of the Board

J.S. Amitabh GM & Company Secretary	**Ajeet Kumar Agarwal** Director (Finance) DIN - 02231613	**Rajeev Sharma** Chairman and Managing Director DIN - 00973413

In terms of our Report of even date

	For Raj Har Gopal & Co. Chartered Accountants Firm Reg. No.: 002074N	**For A.R. & Co.** Chartered Accountants Firm Reg. No.: 002744C
Place: New Delhi Date: 27th May, 2016	**Gopal Krishan** Partner M.No. : 081085	**Priyanshu Jain** Partner M.No. : 530262

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2016

(₹ in Crores)

	Particulars	Note No.	Year ended 31.03.2016	Year ended 31.03.2015
I.	Revenue from Operations	20	**24,012.88**	20,384.34
II.	Other Income	21	**117.05**	165.55
III.	**Total Revenue (I+II)**		**24,129.93**	20,549.89
IV.	**Expenses**			
(i)	Finance Costs	22	**14,282.35**	11,839.59
(ii)	Employee Benefits Expense	23	**143.19**	136.75
(iii)	Depreciation & Amortization	11	**19.67**	8.32
(iv)	Corporate Social Responsibility Expenses	24	**120.29**	102.07
(v)	Other Expenses	25	**355.57**	104.10
(vi)	Provisions and Contingencies	26	**1,096.18**	806.18
(vii)	Purchases of Stock-in-Trade		**32.42**	0.44
(viii)	Changes in inventories of Stock-in-Trade & Work-in-Progress	27	**-66.79**	-
	Total Expenses (IV)		**15,982.88**	**12,997.45**
V.	**Profit before Prior Period Items & Tax (III-IV)**		**8,147.05**	7,552.44
VI.	Prior Period Items	28	**0.39**	0.10
VII.	Profit before Tax (V-VI)		**8,146.66**	7,552.34
VIII.	Tax Expense :			
(i)	Current Year		**2,516.85**	2,273.93
(ii)	Earlier Years/ (Refunds)		**(2.77)**	0.75
(iii)	Deferred Tax		**(58.84)**	(66.76)
	Total Tax Expense (i+ii+iii)		**2,455.24**	**2,207.92**
IX.	**Profit for the year from Continuing Operations (VII-VIII)**		**5,691.42**	5,344.42
X.	**Profit from Discontinuing Operations (after tax)**		**-**	-
XI.	**Profit for the year (IX+X)**		**5,691.42**	**5,344.42**
XII.	**Earnings per Equity Share (in ₹ for an equity share of ₹ 10 each)**			
	(1) Basic	29	**57.64**	54.12
	(2) Diluted	29	**57.64**	54.12

The Significant Accounting Policies and Notes to Accounts 1 to 60 are an integral part of these financial statements.

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

Rajeev Sharma
Chairman and Managing Director
DIN - 00973413

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Place: New Delhi
Date: 27th May, 2016

Gopal Krishan
Partner
M.No. : 081085

Priyanshu Jain
Partner
M.No. : 530262

CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES

A. Principles of Consolidation

The Consolidated Financial Statements relate to Rural Electrification Corporation Limited ('the Company'), its subsidiary companies and joint venture. The consolidated financial statements have been prepared on the following basis:

The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements."

The Financial Statements of Joint Venture entity has been combined by applying proportionate consolidation method on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating proportionate share of unrealized profits or losses in accordance with Accounting Standard (AS) 27 – "Financial Reporting of Interests in Joint Ventures".

As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's standalone financial statements.

B. Other Significant Accounting Policies

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS.

(a) **Accounting Convention:** - The financial statements are prepared under the historical cost convention on accrual basis and in accordance with generally accepted accounting principles and accounting standards as applicable under Section 133 of the Companies Act, 2013 read with MCA General Circular No. 15/2013 dated 13th September 2013. The financial statements adhere to the relevant presentational requirement of the Companies Act, 2013.

(b) **Use of Estimates:** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure thereof at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which results materialize.

2. INCOME RECOGNITION, ASSET CLASSIFICATION AND PROVISIONING.

The Company is following regulatory norms/ guidelines as prescribed by Reserve Bank of India (RBI) from time to time. However, RBI has allowed certain specific relaxations in respect of non-applicability of reduced period for NPA recognition in case of loans sanctioned on or before March 31, 2015 and exemption for certain projects from applicability of Restructuring norms of RBI and allowed the Company to continue to be regulated by the existing REC's prudential norms. The salient features in respect of Income Recognition, Asset classification and Provisioning are as under:

2.1. Income Recognition

a. Income on Non Performing Assets is recognized as and when received and appropriated. Any such income recognized before the asset becomes non-performing and remaining unrealized is reversed.

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

In respect of standard loans including those whose terms are renegotiated/rescheduled/ restructured and retained as Standard Loans, income is recognized on accrual basis.

b. Income of fee of DDUGJY Schemes is recognized on the basis of the services rendered and amount of fee sanctioned by the Ministry of Power.

c. Income of service charges of NEF (Interest Subsidy) Scheme is recognized on the basis of the services rendered and amount of service charges sanctioned by the Ministry of Power.

d. Income under the head processing fee, upfront fee, lead fee, fees/ charges received under the mutatis-mutandis clause and pre-payment premium is accounted for in the year in which it is received by the company.

e. Income from consultancy services is recognized based on proportionate completion method as per AS 9 – Revenue Recognition.

f. Income from investments

(1) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on accrual basis when REC's right to receive payment is established.

Provided that in case of final dividend, right to receive payment shall be considered as established only upon approval of the dividend by the shareholders in Annual General Meeting.

(2) Income from bonds and debentures of corporate bodies and from Government securities/bonds shall be taken into account on accrual basis.

Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

(3) Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government shall be taken into account on accrual basis.

2.2 Assets Classification

Loans and advances are classified as standard assets and non- performing assets, based on the guidelines issued by the RBI.

(i) **Standard Assets:** 'Standard asset' means an asset which is not an NPA and in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business.

In view of relaxation given by RBI vide letter dated June 11, 2015, for Transmission & Distribution, Renovation & Modernization and Life Extension projects and also the Hydro projects in Himalayan region or affected by natural disasters, the rescheduling or restructuring or renegotiation of a standard infrastructure loan asset shall not cause it to be reclassified if the revised project is found to be viable by the competent authority.

(ii) **Non performing Assets (NPA):** A Loan asset shall become NPA:-

(a) if interest and/ or instalment of principal remains overdue for a period of two quarters or more.

The above period of two quarters shall be 5 months for the financial year ending March 31, 2016, 4 months for the financial year ending March 31, 2017 and 3 months for the financial year ending March 31, 2018 and thereafter. However, RBI vide letter dated October 5, 2015 has permitted that the existing loans of the company i.e. loans sanctioned on or before March 31, 2015 are permitted to be regulated under the REC's existing asset classification norms (180 days) till March 31, 2017.

(b) In case of under implementation Generation Projects other than Hydro projects in Himalayan region or affected by natural disasters, the loan Asset shall also be classified as NPA if it fails to commence commercial operations within 2 years or upto 3/4 years (subject to certain conditions) from the original DCCO as the case may be depending upon the reasons of such delay.

NPAs are classified into Sub-Standard, Doubtful and Loss Assets, based on the following criteria.

(i) **Sub-Standard Assets:** 'Sub-standard asset' means an asset which has been classified as non-performing asset for a period not exceeding *16 months' for the financial year ending March 31, 2016; 'not exceeding 14 months' for the financial year ending March 31, 2017; and 'not exceeding 12 months' for the financial year ending March 31, 2018 and thereafter.*

An asset which has been renegotiated or rescheduled or restructured shall be a sub-standard asset or continue to remain in the same category in which it was prior to its renegotiation or re-schedulement or restructuring, as a doubtful asset or a loss asset as the case may be. Such asset may be upgraded only when all the outstanding loan/ facilities in the account perform satisfactorily during the period up to one year from the commencement of the first payment of interest or principal whichever is later on the credit facility with longest period of moratorium under the terms of restructuring package. Necessary provision is required to be made as applicable to such asset till it is upgraded.

(ii) **Doubtful Assets:** Doubtful asset means an asset which remains a substandard asset for a period 'exceeding 16 months' for the financial year ended March 31, 2016; 'exceeding 14 months' for the financial year ending March 31, 2017 and 'exceeding 12 months' for the financial year ending March 31, 2018 and thereafter.

(iii) **Loss Assets:** Loss asset means –

a) An asset which has been identified as loss asset by REC or its internal or external auditor or by RBI, to the extent it is not written off by REC, and

b) An asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non availability of security or due to any fraudulent act or omission on the part of the borrower.

For the purpose of classification of assets into standard, sub-standard, doubtful and loss categories, facilities shall be classified borrower wise with the following exception:

Government Sector loans, where cash flows from each project are separately identifiable and applied to the same project, REC shall classify such loans on project wise basis.

2.3 Provisioning against Loans

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

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

(ii) **Doubtful assets –**

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

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

CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES

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

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

(iv**) Standard assets -** Provision in respect of Standard Assets is made as below:

Particulars	Provisioning Requirement
For Restructured Loans other than under Transmission & Distribution, Renovation & Modernisation and Life Extension projects as also the hydro projects in Himalayan region or affected by natural disasters, if the original DCCO prescribed at the time of financial closure is extended beyond 2 years and upto:	In respect of the stock of outstanding loans as on 31st March, 2015, provisioning requirement shall be as below:
(a) 4 years in case the reason for extension of DCCO is arbitration proceedings or a court case. (b) 3 years in case the reason for extension of DCCO is beyond the control of promoters (other than court cases).	• 2.75% with effect from 31st March, 2015 • 3.50% with effect from 31st March, 2016 (spread over 4 quarters of 2015-16) • 4.25% with effect from 31st March, 2017 (spread over 4 quarters of 2016-17) • 5.00% with effect from 31st March, 2018 (spread over 4 quarters of 2017-18) The above provision is required from the date of restructuring till the revised DCCO or 2 years from the date of restructuring whichever is later. In respect of new projects loans restructured with effect from 1st April, 2015, the provisioning requirement would be 5.00% from the date of such restructuring till the revised DCCO or 2 years from the date of restructuring whichever is later.
For Standard Assets other than specified above	In respect of the stock of outstanding loans as on 31st March, 2015, provisioning requirement is as below: • 0.25% by 31st March, 2015 • 0.30% by 31st March, 2016 • 0.35% by 31st March, 2017 • 0.40% by 31st March, 2018. For incremental loans during the financial year 2015-16, 2016-17 and 2017-18, the provisioning shall be made @ 0.30%, 0.35% and 0.40% respectively and shall be further increased in a phased manner so as to make it equal to 0.40% by 31st March, 2018.

2.4 Treatment of Provisions held

The provisions in respect of Non Performing Assets (NPAs) is reversed only after the complete recovery of the outstanding/ regularization of the account.

2.5 For restructured/ rescheduled assets, provisions are made in accordance the guidelines (subject to specific relaxations) issued by RBI, which requires that the difference between the fair value of the loan assets before and after restructuring is provided for, in addition to provision for the respective loan assets.

3. FIXED ASSETS

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

4. DEPRECIATION

4.1. Depreciation on assets is provided on straight-line method in accordance with the useful lives prescribed under Schedule II to the Companies Act, 2013.

4.2. Depreciation on assets purchased / sold during the year is charged for the full month if the asset is in use for more than 15 days, instead of charging the same on pro-rata basis from the date of purchase/sale.

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

4.4. Leasehold land is amortized over the lease period.

CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES

5. INTANGIBLE ASSETS

An Intangible Asset is recognized where it is probable that the future economic benefits attributable to the assets will flow to the company. The depreciable amount of an intangible asset is allocated on straight line basis over the best estimate of its useful life. Management estimates useful life of intangible assets to be 5 years.

6. INVESTMENTS

Long term investments are carried at cost. However, provision for diminution is made to recognise a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually. Quoted current investments are carried individually at the cost or market value whichever is lower. Unquoted current investments are carried individually at the cost or fair value whichever is lower.

7. CURRENT TAX AND DEFERRED TAX

Income Tax expense comprises current Income Tax (Amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) is determined in accordance with Accounting Standard- 22. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially established by the Balance Sheet date. Deferred Tax Assets are recognized and carry forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

8. IMPAIRMENT OF ASSETS

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

9. PROVISIONS

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

10. BOND / DEBT ISSUE

10.1. Expenditure on raising of funds by way of bonds is charged to revenue in the year of issue of such bonds.

10.2. The Corporation discharges its obligation towards payment of principal and interest relating to bonds by depositing the amount in the designated Bank Accounts. Accordingly, the payments are treated as final payments and these amounts are not exhibited in the books till the validity of the instruments but reconciliation thereof is carried out.

10.3. Expenditure incurred on raising of funds is charged to the Statement of Profit & Loss in the year in which it is incurred except the discount/interest on the Commercial Papers/ Reg-S-Bonds (External Commercial Borrowings), which is amortized proportionately over the period of its tenure.

11. CASH FLOW STATEMENT

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

11.2. Cash comprises cash on hand, demand deposits with banks, imprest with postal authorities and cheques / drafts / pay orders in hand. The Company considers cash equivalents as all short term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

12. PRIOR PERIOD/ PREPAID ADJUSTMENTS

12.1. Considering the nature of business, interest income/expenditure for the earlier years ascertained and determined during the year is accounted for in the year in which it is so ascertained/determined.

12.2.Other items not exceeding ₹ 5,00,000/- in each case are accounted for under natural heads of account.

13. EMPLOYEES BENEFITS

13.1 The liability for employees benefit in respect of Gratuity ascertained on actuarial valuation is provided and funded to a separate trust.

13.2 Post employment and other long term employee benefits are recognized as an expense in the Statement of Profit & Loss for the year in which the employee has rendered services. The expense is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the Statement of Profit & Loss.

CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES

14. TRANSACTION IN FOREIGN CURRENCY

14.1 Foreign Currency transactions are initially recorded at the exchange rate prevailing on the date of transaction.

In respect of accounting periods commencing on or after the 1st April, 2011, the exchange differences arising on reporting of long-term foreign currency monetary items (having a term of twelve months or more at the date of origination) at RBI reference rates prevailing at the end of each reporting period or where the RBI reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg, different from those at which they were initially recorded during the period, or reported in previous financial statements, in so far as they relate to the acquisition of a depreciable capital asset, are capitalized in respective fixed assets and amortized over the remaining useful life of fixed assets, by recognition as income or expense in each of such periods, and in other cases, 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.

Short-term foreign currency monetary items (having a term of less than twelve months at the date of origination) are translated at RBI reference rates prevailing at the end of each reporting period or where the RBI reference rate is not available for any currency, the closing rate for the same date quoted on Bloomberg. The resultant exchange fluctuation is recognized as income or expense in each of such periods.

14.2 The portion of Foreign Currency loans swapped into Indian rupees is stated at the rate fixed in the swap transaction, and not translated at the year end rate.

15. GRANTS/FUNDS FROM GOVERNMENT

Un-disbursed funds of grant received for further disbursements are classified as current liabilities. Interest wherever earned on such funds is credited to respective grant account.

16. DERIVATIVE TRANSACTIONS

16.1 Derivative transactions include forwards, interest rate swaps, cross currency swaps and currency and cross currency options to hedge assets and liabilities.

16.2 These derivative transactions are done for hedging purpose and not for trading or speculative purpose. These are accounted for on accrual basis and are not marked to market.

17. INVENTORIES

17.1 Stock-in-trade is valued at lower of cost and net realizable value.

17.2 Work-in-progress comprising material procured and other directly attributable overheads is valued at lower of cost and net realizable value.

17.3 Cost is determined on weighted average basis.

CONSOLIDATED NOTES TO ACCOUNTS

1. The consolidated financial statements represent consolidation of accounts of the company (Rural Electrification Corporation Limited), its subsidiary companies and joint venture entity as detailed below:

Name of the Subsidiary Company/ Joint Venture	Country of Incorporation	Proportion of ownership Interest	Status of Accounts
Name of the Subsidiaries			
- REC Transmission Projects Company Limited (RECTPCL)	India	100%	Audited
- REC Power Distribution Company Limited (RECPDCL)	India	100%	Audited
Name of the Joint Ventures			
- Energy Efficiency Services Limited (EESL) *	India	28.79%	Un-audited

** The financial statements 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.*

RECTPCL forms wholly owned subsidiaries to act as SPVs for transmission projects with an intention that these SPVs will be handed over to the successful bidder on completion of the bidding process. As per Para 11 of AS-21, a subsidiary should be excluded from consolidation when control is intended to be temporary because the subsidiary is acquired and held exclusively with a view to its subsequent disposal in the near future. Therefore, the financial statements of the subsidiaries of RECTPCL (namely Dinchang Transmission Limited, NRSS XXXVI Transmission Limited, North Karanpura Transco Limited, Khargone Transmission Limited, NER II Transmission Limited, Nellore Transmission Limited and Baira Siul Sarna Transmission Limited have not been consolidated with the financial statements of the Company.

2. SHARE CAPITAL

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
	No. of Shares	Amount	No. of Shares	Amount
Authorised :				
Equity shares of ₹ 10 each	**1,20,00,00,000**	**1,200.00**	1,20,00,00,000	1,200.00
Issued, Subscribed and Paid up :				
Fully paid up Equity shares of ₹ 10 each	**98,74,59,000**	**987.46**	98,74,59,000	987.46
Total	**98,74,59,000**	**987.46**	**98,74,59,000**	**987.46**

2.1 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, 1956 (to the extent applicable), Companies Act, 2013 and rules made thereunder (to the extent notified), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Memorandum of Association and Articles of Association of the Company.

2.2 Shareholders holding more than 5% of fully paid-up equity shares :

Name	As at 31.03.2016		As at 31.03.2015	
	No. of Shares	Percentage	No. of Shares	Percentage
The President of India	**59,87,67,680**	**60.64%**	64,81,68,218	65.64%
Life Insurance Corporation of India	**8,64,90,414**	**8.76%**	3,08,77,781	3.13%

CONSOLIDATED NOTES TO ACCOUNTS

3. RESERVES AND SURPLUS

(₹ in Crores)

Particulars	As at 31.03.2016 Amount	As at 31.03.2015 Amount
Capital Reserve	**105.00**	105.00
Securities Premium Account (Refer Note 3.1)		
Balance as at the beginning of the year	**3,223.72**	3,223.72
Add: Additions during the year	**0.28**	-
Balance as at the end of the year	**3,224.00**	3,223.72
Debenture Redemption Reserve (Refer Note 3.2)		
Balance as at the beginning of the year	**531.77**	345.98
Add: Amount transferred from Surplus Account	**196.59**	185.79
Balance as at the end of the year	**728.36**	531.77
Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961		
Balance as at the beginning of the year	**8,449.64**	6,820.64
Add: Amount transferred from Surplus Account	**1,900.00**	1,629.00
Balance as at the end of the year	**10,349.64**	8,449.64
Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961		
Balance as at the beginning of the year	**1,621.97**	1,268.97
Add: Amount transferred from Surplus Account	**390.00**	353.00
Balance as at the end of the year	**2,011.97**	**1,621.97**
Foreign Currency Monetary Item Translation Difference Account (Refer Note 3.3)		
Balance as at the beginning of the year	**-335.46**	-532.65
Add: Foreign Currency Translation Gain/ Loss (-) on long term monetary items during the year	**-503.08**	-62.80
Amortisation during the year	**666.13**	259.99
Balance as at the end of the year	**-172.41**	**-335.46**
General Reserve		
Balance as at the beginning of the year	**4,154.15**	3,623.39
Add: Amount transferred from Surplus Account	**572.89**	530.76
Balance as at the end of the year	**4,727.04**	**4,154.15**
Surplus Account		
Balance as at the beginning of the year	**6,334.33**	4,959.99
Less: Transfer of Depreciation in accordance with provisions of Companies Act, 2013 (Refer Note 3.4)	**-**	0.74
Add: Profit during the year	**5,691.42**	5,344.42
Add: Adjustments during the year (Refer Note 3.6)	**0.30**	-
Less : Appropriations		
- Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	**1,900.00**	1,629.00
- Transfer to Reserve for Bad & Doubtful Debts u/s 36(1)(viia) of the Income Tax Act, 1961	**390.00**	353.00
- Dividend		
- Interim Dividend	**1,184.95**	789.97
- Proposed Dividend (Final) (Refer Note 3.5)	**503.60**	266.61
- Dividend Distribution Tax		
- Interim Dividend	**239.19**	157.89
- Proposed Dividend (Final)	**106.49**	56.32
- Transfer to Debenture Redemption Reserve	**196.59**	185.79
- Transfer to General Reserve	**572.89**	530.76
Balance as at the end of the year	**6,932.34**	**6,334.33**
Total Reserves and Surplus	**27,905.94**	**24,085.12**

3.1 Additions in Securities Premium Account for the year ended 31st March, 2016 represent the premium of ₹ 0.28 Crores (Previous year Nil) received on issue of Tax Free Bonds through private placement.

3.2 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.
Accordingly, during the year, the company has created DRR amounting to ₹ 196.59 Crores (Previous year ₹ 185.79 Crores).

3.3 FOREIGN CURRENCY MONETARY ITEM TRANSLATION DIFFERENCE ACCOUNT

The company has 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 Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates'. Amount remaining to be amortised in 'Foreign Currency Monetary Item Translation Difference Account' as at 31st March, 2016 is ₹ 172.41 Crores (Previous year ₹ 335.46 Crores).

3.4 DRAW DOWN FROM RESERVES

No amount has been drawn from reserves during the financial year 2015-16. However, an amount of ₹ 0.74 crores (net of tax ₹ 0.38 crores) had been adjusted in the retained earnings during the financial year 2014-15 in respect of fixed assets, where the remaining useful life of such assets was Nil as at 1st April, 2014 in line with the provisions of the Schedule-II to the Companies Act, 2013.

3.5 PROPOSED DIVIDEND

The final dividend proposed for the year is as follows :

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
On Equity Shares of ₹ 10 each		
- Amount of Dividend proposed (₹ in Crores)	**503.60**	266.61
- Rate of Dividend	**51.00%**	27.00%
- Dividend per equity share (₹)	**5.10**	2.70

3.6 During the previous year, an amount of ₹ 10.36 crore was reported by Energy Efficiency Services Ltd. (EESL), a Joint Venture of the Company, as profit after tax in their un-audited accounts, considered for consolidation of REC Group. Subsequently, the audited accounts of the Company reported a profit of ₹ 9.06 crore. The consequential reduction, in proportion to the Company's share holding in the joint venture, amounting to ₹ 0.33 crore has been included in the adjustments to the Surplus account during the current year alongwith the reduction for share in dividend distribution tax amounting to ₹ 0.14 crore.

Further, during the current year, REC has made fresh investments of ₹ 25 crores which has resulted into an increase in shareholding of REC Limited from 25% to 28.78%. Due to this change, REC Limited's share of opening balance of surplus account has increased by ₹ 0.77 crore which has been included in the adjustments to the surplus account during the current year. Hence, total adjustment carried out in Surplus account during the current year is ₹ 0.30 crore.

4 LONG-TERM DEBT

Non-current portion of the long term debt has been classified as 'Long-term borrowings' and the current portion of the long term debt has been classified as "Current Maturities of Long-term debt' in Note-10 'Other Current Liabilities'.

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
(A)	**Secured Long-Term Debt**				
(a)	Bonds				
	- Institutional Bonds	**27,591.90**	**7,854.80**	35,446.70	2,992.80
	- 54EC Capital Gain Tax Exemption Bonds	**11,814.48**	**5,349.91**	10,687.69	4,903.25
	- Tax Free Bonds	**12,577.97**	**-**	11,581.41	-
(b)	Term Loans				
	- from Financial Institutions	**750.00**	**350.00**	1,100.00	350.00
	Total Secured Long-Term Debt (a+b)	**52,734.35**	**13,554.71**	58,815.80	8,246.05

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
(B)	**Unsecured Long-Term Debt**				
(a)	Bonds				
	- Institutional Bonds	**66,184.40**	**7,055.80**	57,714.20	-
	- Infrastructure Bonds	**34.90**	**207.49**	162.98	213.34
	- Zero Coupon Bonds	**990.64**	**-**	914.48	-
(b)	Term Loans				
	- from Banks	**-**	**-**	-	125.00
	- from Govt. of India	**-**	**-**	-	3.07
(c)	Other Loans & Advances				
	- Foreign Currency Borrowings	**18,839.56**	**3,149.02**	13,515.80	10,534.34
	Total Unsecured Long-Term Debt (a+b+c)	**86,049.50**	**10,412.31**	72,307.46	10,875.75
	Total Long-Term Debt (A+B)	**1,38,783.85**	**23,967.02**	**1,31,123.26**	**19,121.80**
	Total Long-Term Debt (Non-Current + Current)	**1,62,750.87**		**1,50,245.06**	

Details of Long-term Debt :

4.1 Details of secured long-term debt :

(Refer Note 4.3 for details of the security)

4.1.1 Bonds

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
4.1.1.1	**Institutional Bonds**				
	123-IIIB Series	**1,955.00**	**-**	1,955.00	-
	9.34% Redeemable at par on 23.08.2024				
	123-I Series	**1,515.00**	**-**	1,515.00	-
	9.40% Redeemable at par on 17.07.2021				
	92-II Series	**945.30**	**-**	945.30	-
	8.65% Redeemable at par on 22.01.2020				
	91-II Series	**995.90**	**-**	995.90	-
	8.80% Redeemable at par on 18.11.2019				
	90-C-II Series	**1,040.00**	**-**	1,040.00	-
	8.80% Redeemable at par on 07.10.2019				
	90-B-II Series	**868.20**	**-**	868.20	-
	8.72% Redeemable at par on 04.09.2019				
	90th Series	**2,000.00**	**-**	2,000.00	-
	8.80% Redeemable at par on 03.08.2019				
	122nd Series	**1,700.00**	**-**	1,700.00	-
	9.02% Redeemable at par on 18.06.2019				
	119th Series	**2,090.00**	**-**	2,090.00	-
	9.63% Redeemable at par on 05.02.2019				
	88th Series	**1,495.00**	**-**	1,495.00	-
	8.65% Redeemable at par on 15.01.2019				
	118th Series	**1,655.00**	**-**	1,655.00	-
	9.61% Redeemable at par on 03.01.2019				
	117th Series	**2,878.00**	**-**	2,878.00	-
	9.38% Redeemable at par on 06.11.2018				
	87-A-III Series	**61.80**	**-**	61.80	-
	11.15% Redeemable at par on 24.10.2018				
	116-II Series	**850.00**	**-**	850.00	-
	9.24% Redeemable at par on 17.10.2018				
	87-II Series	**657.40**	**-**	657.40	-
	10.85% Redeemable at par on 01.10.2018				

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
	Non-Current	Current	Non-Current	Current
86-B-III Series	**432.00**	**-**	432.00	-
10.85% Redeemable at par on 14.08.2018				
86-A Series	**500.00**	**-**	500.00	-
10.70% Redeemable at par on 30.07.2018				
85th Series	**500.00**	**-**	500.00	-
9.68% Redeemable at par on 13.06.2018				
83rd Series	**685.20**	**-**	685.20	-
9.07% Redeemable at par on 28.02.2018				
82nd Series	**883.10**	**-**	883.10	-
9.85% Redeemable at par on 28.09.2017				
124-I Series	**2,610.00**	**-**	2,610.00	-
9.06% Redeemable at par on 22.09.2017				
123-IIIA Series	**1,275.00**	**-**	1,275.00	-
9.25% Redeemable at par on 25.08.2017				
121st Series	**-**	**1,600.00**	1,600.00	-
9.52% Redeemable at par on 24.03.2017				
120th Series	**-**	**1,100.00**	1,100.00	-
9.67% Redeemable at par on 10.03.2017				
81st Series	**-**	**314.80**	314.80	-
8.85% Redeemable at par on 20.01.2017				
116-I Series	**-**	**430.00**	430.00	-
9.05% Redeemable at par on 17.10.2016				
123-IV Series	**-**	**2,750.00**	2,750.00	-
8.97% Redeemable at par on 08.09.2016				
123-II Series	**-**	**1,660.00**	1,660.00	-
9.27% Redeemable at par on 08.08.2016				
80th Series	**-**	**-**	-	500.00
8.20% Redeemed at par on 20.03.2016				
79th Series	**-**	**-**	-	500.00
7.85% Redeemed at par on 14.03.2016				
78th Series	**-**	**-**	-	1,795.70
7.65% Redeemed at par on 31.01.2016				
77th Series	**-**	**-**	-	197.10
7.30% Redeemed at par on 30.06.2015				
Total - Institutional Bonds	**27,591.90**	**7,854.80**	**35,446.70**	**2,992.80**
4.1.1.2 **54EC Capital Gain Tax Exemption Bonds**				
Series X (2015-16)	**6,476.70**	**-**	-	-
6.00% Redeemable at par during financial year 2018-19				
Series IX (2014-15)	**5,337.78**	**-**	5,337.78	-
6.00% Redeemable at par during financial year 2017-18				
Series IX (2013-14)	**-**	**5,349.91**	5,349.91	-
6.00% Redeemable at par during financial year 2016-17				
Series VIII (2012-13)	**-**	**-**	-	4,903.25
6.00% Redeemed at par during financial year 2015-16				
Total - 54EC Capital Gain Tax Exemption Bonds	**11,814.48**	**5,349.91**	**10,687.69**	**4,903.25**

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
4.1.1.3	**Tax Free Bonds**				
	Series 2015-16 Tranche 1	**696.56**	**-**	-	-
	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**	**-**	-	-
	7.17% Redeemable at par on 23.07.2025				
	Series 2013-14 Tranche 2	**1,057.40**	**-**	1,057.40	-
	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**	**-**	150.00	-
	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				
	Series 2013-14 Tranche 1	**3,410.60**	**-**	3,410.60	-
	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**	**-**	1,350.00	-
	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**	**-**	131.06	-
	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**	**-**	1,982.35	-
	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**	**-**	500.00	-
	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**	**-**	3,000.00	-
	Redeemable at par. Bonds amounting to ₹ 839.67 Crores are redeemable on 27.03.2022 and bonds amounting to ₹ 2,160.33 Crores are redeemable on 27.03.2027 with interest rates varying from 7.93% to 8.32% payable annually				
	Total - Tax Free Bonds	**12,577.97**	**-**	**11,581.41**	**-**

CONSOLIDATED NOTES TO ACCOUNTS

4.1.2 Term Loans

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
	Non-Current	Current	Non-Current	Current
Term Loan from Financial Institutions				
- Life Insurance Corporation of India (LIC)	**750.00**	**350.00**	1,100.00	350.00
The Loan of ₹1500 Crores (present outstanding ₹ 200 Crores @ 6.242% and ₹ 100 Crores @ 6.231%) & ₹ 2,000 Crores (present outstanding ₹ 800 Crores @ 7.35%) repayable in 10 equal annual installments commencing from 01.10.2008 and 01.10.2010 respectively .				
Total - Term Loans	**750.00**	**350.00**	**1,100.00**	**350.00**
4.2 Details of Unsecured long-term debt :				
4.2.1 Bonds				
4.2.1.1 Institutional Bonds				
136th Series	**2,585.00**	**-**	-	-
8.11% Redeemable at par on 07.10.2025				
95-II Series	**1,800.00**	**-**	1,800.00	-
8.75% Redeemable at par on 14.07.2025				
94th Series	**1,250.00**	**-**	1,250.00	-
8.75% Redeemable at par on 09.06.2025				
133rd Series	**2,396.00**	**-**	-	-
8.30% Redeemable at par on 10.04.2025				
131st Series	**2,285.00**	**-**	2,285.00	-
8.35% Redeemable at par on 21.02.2025				
130th Series	**2,325.00**	**-**	2,325.00	-
8.27% Redeemable at par on 06.02.2025				
129th Series	**1,925.00**	**-**	1,925.00	-
8.23% Redeemable at par on 23.01.2025				
128th Series	**2,250.00**	**-**	2,250.00	-
8.57% Redeemable at par on 21.12.2024				
115th Series - Subordinate Tier-II Bonds	**2,500.00**	**-**	2,500.00	-
8.06% Redeemable at par on 31.05.2023				
114th Series	**4,300.00**	**-**	4,300.00	-
8.82% Redeemable at par on 12.04.2023				
111-II Series	**2,211.20**	**-**	2,211.20	-
9.02% Redeemable at par on 19.11.2022				
107th Series	**2,378.20**	**-**	2,378.20	-
9.35% Redeemable at par on 15.06.2022				
132nd Series	**700.00**	**-**	700.00	-
8.27% Redeemable at par on 09.03.2022				

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
	Non-Current	Current	Non-Current	Current
127th Series	**1,550.00**	**-**	1,550.00	-
8.44% Redeemable at par on 04.12.2021				
105th Series	**3,922.20**	**-**	3,922.20	-
9.75% Redeemable at par on 11.11.2021				
101-III Series	**3,171.80**	**-**	3,171.80	-
9.48% Redeemable at par on 10.08.2021				
100th Series	**1,500.00**	**-**	1,500.00	-
9.63% Redeemable at par on 15.07.2021				
98th Series	**3,000.00**	**-**	3,000.00	-
9.18% Redeemable at par on 15.03.2021				
97th Series	**2,120.50**	**-**	2,120.50	-
8.80% Redeemable at par on 30.11.2020				
96th Series	**1,150.00**	**-**	1,150.00	-
8.80% Redeemable at par on 26.10.2020				
135th Series	**2,750.00**	**-**	-	-
8.36% Redeemable at par on 22.09.2020				
134th Series	**2,675.00**	**-**	-	-
8.37% Redeemable at par on 14.08.2020				
113th Series	**1,542.00**	**-**	1,542.00	-
8.87% Redeemable at par on 09.03.2020				
111-I Series	**452.80**	**-**	452.80	-
9.02% Redeemable at par on 19.11.2019				
126th Series	**1,700.00**	**-**	1,700.00	-
8.56% Redeemable at par on 13.11.2019				
125th Series	**3,000.00**	**-**	3,000.00	-
9.04% Redeemable at par on 11.10.2019				
108-II Series	**960.00**	**-**	960.00	-
9.39% Redeemable at par on 20.07.2019				
95-I Series	**200.00**	**-**	200.00	-
8.70% Redeemable at par on 12.07.2019				
137th Series	**2,225.00**	**-**	-	-
8.05% Redeemable at par on 07.12.2018				
112th Series	**1,500.00**	**-**	1,500.00	-
8.70% Redeemable at par on 01.02.2018				
109th Series	**1,734.70**	**-**	1,734.70	-
9.25% Redeemable at par on 28.08.2017				
108-I Series	**2,125.00**	**-**	2,125.00	-
9.40% Redeemable at par on 20.07.2017				

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
	138th Series	-	**2,895.00**	-	-
	8.28% Redeemable at par on 04.03.2017				
	106th Series	-	**1,500.00**	1,500.00	-
	9.28% Redeemable at par on 15.02.2017				
	103-I Series	-	**50.00**	50.00	-
	9.35% Redeemable at par on 19.10.2016				
	102nd Series	-	**2,216.20**	2,216.20	-
	9.38% Redeemable at par on 06.09.2016				
	101-II Series	-	**394.60**	394.60	-
	9.45% Redeemable at par on 10.08.2016				
	Total - Institutional Bonds	**66,184.40**	**7,055.80**	**57,714.20**	**-**
4.2.1.2	**Infrastructure Bonds**				
	Series-II (2011-12)	**29.51**	**128.08**	157.59	-
	Redeemable at par. Refer Note 4.6				
	Series-I (2010-11)	**5.39**	**79.41**	5.39	213.34
	Redeemable at par. Refer Note 4.6				
	Total - Infrastructure Bonds	**34.90**	**207.49**	**162.98**	**213.34**
4.2.1.3	**Zero Coupon Bonds**				
	ZCB - Series II	**178.95**	**-**	164.60	-
	(Net of unamortised discount, 89,510 bonds with face value of ₹ 30,000 each redeemable at par on 03.02.2021)				
	ZCB - Series I	**811.69**	**-**	749.88	-
	(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	**990.64**	**-**	914.48	-
4.2.2	**Term Loans**				
4.2.2.1	**Term Loans from Banks**				
	- Bank of Maharashtra	-	-	-	125.00
4.2.2.2	**Loan from Govt. of India**	-	-	-	3.07
	Total - Term Loans	**-**	**-**	-	**128.07**
4.2.3	**Other Loans & Advances**				
4.2.3.1	**Foreign Currency Borrowings**				
	CHF Bonds - CHF 200 Mn	-	**1,378.50**	1,285.44	-
	3.50% Redeemable at par on 07.03.2017				
	Reg S Bonds - US $500 Mn	-	-	-	2,703.58
	4.25% Redeemed at par on 25.01.2016				
	JICA Loan - Guaranteed by Govt. of India	**400.61**	**210.13**	550.17	209.62
	0.75% JICA-I loan repayable in equal half-yearly instalments of ¥982.33 Mn till 20.03.2021, next instalment falling due on 20.09.2016 and 0.65% JICA-II loan repayable in equal half-yearly instalments of ¥995.33 Mn till 20.03.2023, next instalment falling due on 20.09.2016				

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
	Non-Current	Current	Non-Current	Current
KfW Loan - Guaranteed by Govt. of India	**93.33**	**51.10**	144.43	51.40
3.73% Loan repayable in equal half-yearly instalments of €3.68 Mn, next instalment due on 30.06.2016				
KfW Loan - Guaranteed by Govt. of India	**64.86**	**-**	21.94	-
1.96% Loan repayable first in 14 equal half-yearly instalments of €2.941 Mn and then in next 3 equal half-yearly instalments of €2.942 Mn , first instalment due on 30.06.2018. Total Loan Amount as on 31.03.2016 ₹ 226.34 Crores, REC'S share ₹ 64.86 cr)				
Syndicated Loan - US $400 Mn	**-**	**-**	-	1,788.96
Repaid on 22.09.2015				
Bilateral Term Loan - Mauritius - US $70 Mn	**-**	**-**	-	311.36
Repaid on 28.10.2015				
Bilateral Term Loan - Mizuho - US $100 Mn	**-**	**-**	-	446.50
Repaid on 30.03.2016				
Bilateral Term Loan - BTMU - US $100 Mn	**-**	**-**	-	446.50
Repaid on 30.03.2016				
Syndicated Loan- US $300 Mn	**-**	**1,367.24**	1,367.24	-
Repayable on 19.08.2016				
KfW-II Loan - Guaranteed by Govt. of India	**213.77**	**53.44**	267.22	53.44
2.89% Loan repayable in equal half-yearly instalments of €3.88 Mn, next instalment falling due on 30.06.2016				
Syndicated Loan- ¥19.029 Bn	**1,184.43**	**-**	1,184.43	-
Repayable on 10.04.2017				
Syndicated Loan- US $250 Mn	**-**	**-**	-	1,366.49
Repaid on 19.11.2015				
KfW-III Loan - Guaranteed by Govt. of India	**558.76**	**88.61**	477.36	89.18
1.86% Loan repayable in equal half-yearly instalments of €5.26 Mn, next instalment falling due on 30.06.2016				
Syndicated Loan- US $250 Mn	**-**	**-**	-	1,544.42
Repaid on 05.02.2016				
Syndicated Loan- US $250 Mn	**-**	**-**	-	1,522.89
Repaid on 21.03.2016				
Syndicated Loan- US $285 Mn	**1,780.28**	**-**	1,780.28	-
Repayable on 02.12.2018				
Syndicated Loan- US $250 Mn	**1,521.75**	**-**	1,499.29	-
Repayable on 29.05.2019				
Syndicated Loan- US $400 Mn	**2,435.78**	**-**	2,435.78	-
Loan of US$ 230 Mn and US$ 170 Mn repayable on 24.07.2019 and 27.10.2019 respectively				
Syndicated Loan- US $400 Mn	**2,539.64**	**-**	2,502.22	-
Repayable on 12.03.2020				
Syndicated Loan- US $300 Mn	**1,909.56**	**-**	-	-
Repayable on 29.07.2020				

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
	Non-Current	Current	Non-Current	Current
Syndicated Loan- US $250 Mn	**1,653.25**	**-**	-	-
Loan of US$ 150 Mn and US$ 100 Mn repayable on 18.09.2018 and 19.11.2018 respectively				
Syndicated Loan- US $300 Mn	**1,997.80**	**-**	-	-
Repayable on 01.12.2020				
Syndicated Loan- US $250 Mn	**1,688.46**	**-**	-	-
Repayable on 05.02.2019				
Syndicated Loan- US $120 Mn	**797.28**	**-**	-	-
Repayable on 21.03.2019				
Total - Foreign Currency Borrowings	**18,839.56**	**3,149.02**	**13,515.80**	**10,534.34**

4.3 Security Details of the Secured Borrowings

The Bond Series 81, 82, 83, 85, 86A, 86 B-III, 87-II, 87 A-III, 88, 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 IL&FS Trust Company Limited on the basis of joint hypothecation agreement dated September 24, 2010 in favour of IDBI Trusteeship Services Ltd.

The Bond Series 116-I, 116-II, 117, 118, 119, 120, 121 and 122 of Institutional Bonds are secured by a charge on first paripassu 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, 123-II, 123-IIIA, 123-IIIB, 123-IV and 124-I 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.

The Bond Series IX of 54EC Capital Gain Tax Exemption Bonds is 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 in favour 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 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 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 loans are secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to IL&FS Trust Company Limited on the basis of joint hypothecation agreement dated September 24, 2010 in favour of IDBI Trusteeship Services Ltd.

4.4 Foreign Currency Borrowings have been raised at interest rates ranging from a spread of 65 bps to 220 bps over 6 Months' USD/JPY LIBOR (London Inter Bank Offered Rate) except where rates have been stated above in Note No. 4.2.3.1.

4.5 Ratings assigned by credit rating agencies and migration of ratings during the year

Domestic and International Credit Rating

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

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

There has been no migration of ratings during the year.

4.6 **Details of Infrastructure Bonds Issued are as under :**

Series I (2010-11) allotted on 31.03.2011

Rate of Interest	Amount (₹ in Crores)	Redemption Details
8.00%	18.35	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%	61.06	
8.10%	1.61	Redeemable on the date falling 10 years from the date of allotment
8.20%	3.78	
Total	**84.80**	

Series II (2011-12) allotted on 15.02.2012

Rate of Interest	Amount (₹ in Crores)	Redemption Details
8.95% Cumulative	95.23	Redeemable on the date falling 10 years from the date of allotment with buyback option by bondholders after 5 years
8.95% Annual	32.85	
9.15% Cumulative	13.43	Redeemable on the date falling 15 years from the date of allotment with buyback option by bondholders after 7 years
9.15% Annual	5.01	
8.95% Cumulative	5.73	Redeemable on the date falling 10 years from the date of allotment
8.95% Annual	1.38	
9.15% Cumulative	2.83	Redeemable on the date falling 15 years from the date of allotment
9.15% Annual	1.13	
Total	**157.59**	

5. DEFERRED TAX LIABILITIES (NET)

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
Deferred Tax Liabilities on account of:		
Depreciation	4.48	4.15
Foreign Currency Exchange Fluctuation Loss	59.67	116.10
Total	**64.15**	**120.25**
Deferred Tax Assets on account of:		
Provision for Earned Leave	8.13	7.98
Provision for Medical Leave	5.49	4.83
Provision for Gratuity	0.03	-
Provision for Doubtful Debts	2.03	0.86
Provision for Contingencies of Project Cost Revisions	0.79	0.72
Provision for Employee benefits	0.11	0.06
Operating lease liabilities	0.03	-
Total	**16.61**	**14.45**
Deferred Tax Liabilities (Net)	**47.54**	**105.80**

5.1 The Company has no intention to make withdrawal from the special reserve created and maintained under section 36(1)(viii) of the Income Tax Act, 1961. Hence, the special reserve created and maintained is not capable of being reversed and thus, it becomes a permanent difference as per Accounting Standard 22. Accordingly, the Company is not creating any deferred tax liability on the said reserve.

CONSOLIDATED NOTES TO ACCOUNTS

6. OTHER LONG-TERM LIABILITIES

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
- Non-Current Portion of Interest accrued but not due on borrowings	**9.50**	36.16
- Others	**0.59**	0.02
Total	**10.09**	**36.18**

7. LONG-TERM AND SHORT-TERM PROVISIONS

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
	Provisions for				
(A)	**Employee Benefits**				
	Earned Leave Liability	**21.35**	**2.31**	20.51	2.68
	Post Retirement Medical Benefits	**82.50**	**4.12**	73.80	3.81
	Medical Leave Liability	**13.65**	**2.22**	13.26	1.96
	Settlement Allowance	**1.06**	**0.16**	1.04	0.16
	Economic Rehabilitation Scheme	**3.31**	**0.03**	2.71	0.01
	Long Service Award	**2.45**	**0.11**	2.34	0.50
	Loyalty Bonus	**0.08**	**0.07**	0.09	-
	Sub-total (A)	**124.40**	**9.02**	**113.75**	**9.12**
(B)	**Others**				
	Standard Loan Assets	**420.35**	**123.08**	446.13	44.79
	Restructured Standard Loans	**750.71**	**70.63**	447.51	4.26
	Interest on Loans Due & Converted into Equity	**-**	**3.96**	-	-
	Incentive	**-**	**18.13**	-	16.71
	Wealth Tax	**-**	**-**	-	0.37
	Fringe Benefit Tax	**-**	**-**	-	0.36
	Proposed Dividend	**-**	**503.60**	-	266.61
	Corporate Dividend Tax	**-**	**106.49**	-	56.32
	CSR Expenses	**-**	**21.22**	-	58.04
	Contigencies of project cost revisions	**-**	**2.29**	-	2.13
	Sub-total (B)	**1,171.06**	**849.40**	893.64	449.59
	Total (A+B)	**1,295.46**	**858.42**	**1,007.39**	**458.71**

7.1 Details of Provisions as required under AS-29 are as under :

(in ₹ Crores)

Provisions for	Opening Balance	Additions during the Year	Paid/ Adjusted during the year	Closing Balance
Earned Leave Liability	**23.19**	**6.38**	**5.87**	**23.66**
Previous year	23.00	5.70	5.51	23.19
Post Retirement Medical Benefits	**77.61**	**15.33**	**6.32**	**86.62**
Previous year	66.64	16.39	5.42	77.61
Medical Leave Liability	**15.22**	**2.11**	**1.46**	**15.87**
Previous year	14.74	1.81	1.33	15.22
Settlement Allowance	**1.20**	**0.12**	**0.10**	**1.22**
Previous year	1.16	0.20	0.16	1.20

(in ₹ Crores)

Provisions for	Opening Balance	Additions during the Year	Paid/ Adjusted during the year	Closing Balance
Economic Rehabilitation Scheme	**2.72**	**1.26**	**0.64**	**3.34**
Previous year	2.65	0.70	0.63	2.72
Long Service Award	**2.84**	**0.02**	**0.30**	**2.56**
Previous year	3.38	0.02	0.56	2.84
Loyalty Bonus	**0.09**	**0.06**	**-**	**0.15**
Previous year	-	0.09	-	0.09
Standard Loan Assets	**490.92**	**138.93**	**86.42**	**543.43**
Previous year	370.38	120.54	-	490.92
Restructured Standard Loans	**451.77**	**369.57**	**-**	**821.34**
Previous year	-	451.77	-	451.77
Interest on Loans Due & Converted into Equity	**-**	**3.96**	**-**	**3.96**
Previous year	-	-	-	-
Incentive	**16.71**	**14.34**	**12.92**	**18.13**
Previous year	15.42	13.30	12.01	16.71
CSR Expenses	**58.04**	**125.70**	**162.52**	**21.22**
Previous year	0.28	102.07	44.31	58.04
Wealth Tax	**0.37**	**0.02**	**0.39**	**-**
Previous year	0.37	0.37	0.37	0.37
Fringe Benefit Tax	**0.36**	**-**	**0.36**	**-**
Previous year	0.36	-	-	0.36
Interim Dividend	**-**	**1,184.95**	**1,184.95**	**-**
Previous year	-	789.97	789.97	-
Proposed Dividend	**266.61**	**503.60**	**266.61**	**503.60**
Previous year	172.81	266.61	172.81	266.61
Corporate Dividend Tax	**56.32**	**345.68**	**295.51**	**106.49**
Previous year	29.43	214.21	187.32	56.32
Income Tax	**5,322.76**	**2,560.78**	**1,351.30**	**6,533.48**
Previous year	4,031.20	2,276.62	985.06	5,322.76
Contigencies of project cost revisions	**2.13**	**2.96**	**2.80**	**2.29**
Previous year	1.15	1.71	0.73	2.13

8. SHORT-TERM BORROWINGS

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(A)	**Loans Repayable on Demand, unsecured**		
	- from Banks	**749.93**	734.00
(B)	**Commercial Paper, unsecured**	**5,600.00**	**-**
(C)	**Other Loans and Advances**		
	- from Banks		
	Secured *	**71.97**	-
	Unecured	**10.08**	-
	- from Financial Institutions, secured *	**28.79**	-
	Total (A+B+C)	**6,460.77**	**734.00**

*Other loans and advances from banks and financial institutions belonging to EESL, a Joint Venture of the Company are secured by pari-passu charge on book debts of EESL.

CONSOLIDATED NOTES TO ACCOUNTS

9. TRADE PAYABLES

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
Trade Payables	**118.69**	30.83
Total	**118.69**	**30.83**

10. OTHER CURRENT LIABILITIES

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
(A) Current maturities of long-term debt (Refer Note 4)	**23,967.02**	19,121.80
(B) Interest accrued but not due on borrowings	**6,227.74**	5,263.67
(C) Interest accrued and due on borrowings	**-**	1.10
(D) Income Received in Advance	**21.50**	24.17
(E) Unpaid Dividends	**2.73**	2.62
(F) Unpaid Principal & Interest on Bonds		
- Matured Bonds & Interest Accrued thereon	**44.83**	57.64
- Interest on Bonds	**12.57**	14.33
(G) Other payables		
- Funds Received from Govt. of India for Disbursement as Subsidy/ Grant	**38,111.60**	33,641.80
Add: Interest on Subsidy/ Grant *(Refer Note 10.3)*	**18.10**	51.38
Less: Disbursed to Beneficiaries	**-38,091.35**	-33,399.90
Undisbursed Funds to be disbursed as Subsidy/Grant	**38.35**	**293.28**
- Overdraft in Current Account	**-**	0.38
- Statutory Dues payable including PF and TDS	**36.37**	28.65
- Payable towards funded staff benefits	**0.53**	0.62
- Other Liabilities	**125.06**	78.90
Sub-total (G)	**200.31**	**401.83**
Total (A to G)	**30,476.70**	**24,887.16**

10.1 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 ₹ 1.26 Crores as at 31st March, 2016 (Previous year ₹ 2.22 Crores) 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	Year ended 31.03.2016	Year ended 31.03.2015
Opening Balance of Interest Subsidy Fund	**2.22**	3.53
Add: Interest earned during the year	**0.07**	0.13
Less: Interest subsidy passed on the borrower	**1.03**	1.44
Closing Balance of Interest Subsidy Fund	**1.26**	2.22

10.2 Goverment of india has appointed Rural Electrification Corporation Ltd. as a nodalagency for implementation of Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY). The Funds received for disbursement to various agenicies under the schema 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/Grants" under the head "Other Current Liabilities".

During the year, interest earned of ₹ 39.15 Crore (Previous year ₹ 61.78 Crore) has been taken to DDUGJY Subsidy account. Further, during the year, an account of ₹ 71.66 crore (Previous year ₹ 22.07 crore) has been refund back to MoP out of the total interest on subsidy.

10.3 The movement in Interest on Subsidy/Grant is explained as under:

(₹ in Crores)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Opening Balance	**51.38**	11.55
Add: Interest earned during the year	**41.49**	62.93
Less: Amount refunded to Govt. during the year	**74.19**	22.34
Less: Disbursement out of Interest earned on account of AG&SP Grant	**0.58**	0.76
Closing Balance	**18.10**	**51.38**

11. FIXED ASSETS AS AT 31ST MARCH 2016

(₹ In Crores)

FIXED ASSETS	GROSS BLOCK				DEPRECIATION/ AMORTISATION				NET BLOCK	
	As at 01.04.2015	Additions during the year	Sales/ adjustment during the year	Closing as on 31.03.2016	Upto 31.03.2015	During the year	Adjustment during the year	As on 31.03.2016	As at 31.03.2016	As at 31.03.2015
Tangible Assets										
Freehold Land	34.75	45.92	0.05	80.62	-	-	-	-	80.62	34.75
Leasehold Land	1.45	0.08	-0.40	1.93	0.22	0.05	-0.01	0.28	1.65	1.23
Buildings	33.71	0.04	0.58	33.17	7.29	0.47	-	7.76	25.41	26.42
Furniture & Fixtures	7.30	0.50	-0.32	8.12	4.60	0.70	0.18	5.12	3.00	2.70
Vehicles	0.46	-	0.03	0.43	0.22	0.04	0.02	0.24	0.19	0.24
EDP Equipments	17.41	2.20	0.80	18.81	11.62	2.77	0.60	13.79	5.02	5.79
Office Equipments	43.36	110.26	-4.67	158.29	6.00	15.06	-0.07	21.13	137.16	37.37
Total	138.44	159.00	-3.93	301.37	29.95	19.09	0.72	48.32	253.05	108.50
Previous year	95.21	46.53	3.31	138.43	24.56	7.28	1.91	29.93	108.50	
Intangible Assets										
Computer Software	7.06	0.12	-	7.18	5.59	0.58	0.02	6.15	1.03	1.47
Total	7.06	0.12	-	7.18	5.59	0.58	0.02	6.15	1.03	1.47
Previous year	6.99	0.06	-	7.05	4.54	1.04	-	5.58	1.47	
Capital Work-in-progress	9.81	195.23	128.20	76.84	-	-	-	-	76.84	9.81
Previous year	10.53	4.50	5.22	9.81	-	-	-	-	9.81	

11.1 The formalities regarding registration of conveyance deed in respect of certain immovable properties acquired by the Company amounting to ₹ 50.51 Crores (Previous year ₹ 4.59 Crores) are yet to be executed.

11.2 In the opinion of management, there is no impairment of the assets of the Company in terms of AS-28. Accordingly, no provision for impairment loss as required under Accounting Standard-28 'Impairment of Assets' has been made.

11.3 **Disclosure in respect of Intangible Assets as required in AS-26 "Intangible Assets"** :
Amortisation Rate - 20%, 100% in case the total cost of the asset is ₹ 5,000 or less

CONSOLIDATED NOTES TO ACCOUNTS

12. INVESTMENTS

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
	Number	Amount	Number	Amount
Valued at Cost				
(1) Non-Current Investments				
(A) Other Investments (Quoted)				
(i) Investment in Tax Free Bonds				
8.76% Bonds of HUDCO Ltd.	**50,000**	**5.00**	50,000	5.00
Bonds of Face Value of ₹ 1,000 each				
7.39% Bonds of HUDCO Ltd.	**86,798**	**8.68**	-	-
Bonds of Face Value of ₹ 1,000 each				
7.35% Bonds of NHAI	**42,855**	**4.29**	-	-
Bonds of Face Value of ₹ 1,000 each				
7.39% Bonds of NHAI	**35,463**	**3.55**	-	-
Bonds of Face Value of ₹ 1,000 each				
7.49% Bonds of IREDA Ltd.	**61,308**	**6.13**	-	-
Bonds of Face Value of ₹ 1,000 each				
7.35% Bonds of IRFC Ltd.	**22,338**	**2.23**	-	-
Bonds of Face Value of ₹ 1,000 each				
7.35% Bonds of NABARD	**14,028**	**1.40**	-	-
Bonds of Face Value of ₹ 1,000 each				
(B) Other Investments (Unquoted)				
(i) Investment in Equity Instruments				
- Subsidiaries				
- REC Power Distribution Company Limited	**50,000**	**-**	50,000	-
Equity shares of ₹10 each, fully paid up				
- REC Transmission Projects Company Limited	**50,000**	**-**	50,000	-
Equity shares of ₹10 each, fully paid up				
- Joint Ventures				
- Energy Efficiency Services Limited	**4,75,00,000**	**-**	2,25,00,000	-
Equity shares of ₹10 each, fully paid up				
- Others				
- India Energy Exchange Limited	**12,50,000**	**1.25**	12,50,000	1.25
Equity shares of ₹10 each, fully paid up				
- Universal Commodity Exchange Limited	**1,60,00,000**	**16.00**	1,60,00,000	16.00
Equity shares of ₹10 each, fully paid up				
Less: Provision for Diminution in Investment		**(16.00)**		-
		-		16.00

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
	Number	Amount	Number	Amount
(ii) Investment in Government Securities				
- 8% Government of Madhya Pradesh Power Bonds-II	6	282.96	8	377.28
Maturing in equal half yearly Instalments of one bond each, next instalment due on 01.10.2016				
(Bonds of Face Value of ₹ 47.16 Crores each)*				
(iii) Investment in Venture Capital Funds				
- 'Small is Beautiful' Fund	61,52,200	6.15	76,82,816	7.68
Units at face value of ₹ 10.00 per unit				
(iv) Investment in Debentures				
- 9.68% Bonds of UP Power Corporation Ltd.	38,050	380.50	75,000	750.00
Bonds of Face Value of ₹ 0.01 Crores each				
- 11.15% Additional Tier-1 Perpetual Bonds of Indian Bank	5,000	500.00	-	-
Bonds of Face Value of ₹ 0.10 Crores each				
- 11.25% Additional Tier-1 Perpetual Bonds of Vijaya Bank	5,000	500.00	-	-
Bonds of Face Value of ₹ 0.10 Crores each				
- 11.25% Additional Tier-1 Perpetual Bonds of Syndicate Bank	5,000	500.00	-	-
Bonds of Face Value of ₹ 0.10 Crores each				
Total - Non-Current Investments (1)		2,202.14		1,157.21
(2) Current Investments				
Valued at Lower of Cost and Fair Value				
(A) Investment in Equity Instruments (Unquoted)				
- Lanco Teesta Hydro Power Limited	10,20,00,000	102.00	-	-
Equity shares of ₹10 each, fully paid up				
- Dinchang Transmission Limited	50,000	0.05	-	-
Equity shares of ₹10 each, fully paid up				
- NRSS XXXVI Transmission Limited	50,000	0.05	-	-
Equity shares of ₹10 each, fully paid up				
- North Karanpura Transco Limited	50,000	0.05	-	-
Equity shares of ₹10 each, fully paid up				
- Khargone Transmission Limited	50,000	0.05	-	-
Equity shares of ₹10 each, fully paid up				
- NER II Transmission Limited	50,000	0.05	-	-
Equity shares of ₹10 each, fully paid up				
- Nellore Transmission Limited	50,000	-	50,000	-
Equity shares of ₹10 each, fully paid up				
- Baira Siul Sarna Transmission Limited	50,000	-	50,000	-
Equity shares of ₹10 each, fully paid up				

(₹ in Crores)

Particulars	As at 31.03.2016		As at 31.03.2015	
	Number	Amount	Number	Amount
- Gadarwara A Transco Limited	-	-	50,000	0.05
Equity shares of ₹10 each, fully paid up				
- Gadarwara B Transmission Limited	-	-	50,000	0.05
Equity shares of ₹10 each, fully paid up				
- Maheshwaram Transmission Limited	-	-	50,000	0.05
Equity shares of ₹10 each, fully paid up				
(B) Investment in Government Securities (Unquoted)				
- 8.57%-8.73% Government of Uttar Pradesh Special Bonds	-	-	-	391.50
- 8% Government of Madhya Pradesh Power Bonds-II				
Maturing in equal half yearly Instalments of one bond each, next instalment due on 01.10.2016	1	47.16	1	47.16
(Bonds of Face Value of ₹ 47.16 Crores each)*				
Total - Current Investments (2)		**149.41**		**438.81**
Total (1+2)		**2,351.55**		**1,596.02**

* The number of bonds and the amount of the investment in current portion represents the investments maturing within the next 12 months and the balance is the non-current portion.

12.1 Additional disclosures required in respect of the investments :

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
(1)	**Value of Investments**				
(i)	Gross Value of Investments				
	(a) In India	**2,218.14**	**149.51**	1,157.21	438.91
	(b) Outside India,	-	-	-	-
(ii)	Provisions for Depreciation				
	(a) In India	**16.00**	**0.10**	-	0.10
	(b) Outside India,	-	-	-	-
(iii)	Net Value of Investments				
	(a) In India	**2,202.14**	**149.41**	1,157.21	438.81
	(b) Outside India.	-	-	-	-
(2)	**Movement of provisions held towards depreciation on investments.**				
(i)	Opening balance	-	**0.10**	-	-
(ii)	Add : Provisions made during the year	**16.00**	-	-	0.10
(iii)	Less : Write-off / write-back of excess provisions during the year	-	-	-	-
(iv)	**Closing balance**	**16.00**	**0.10**	-	0.10
(3)	**Aggregate amount of Quoted Investments**	**1,531.28**	-	72.00	391.50
	Market Value of Quoted Investments	**1,532.32**	-	6.00	405.63
(4)	**Aggregate amount of Unquoted Investments**	**686.86**	**149.41**	1,152.21	47.31
(5)	**Aggregate provision for diminution in value of investments**	**16.00**	**0.10**	-	0.10

12.2 Investments include ₹ 6.15 Crores (Previous year ₹ 7.68 Crores) representing company's contribution in the units of 'Small is Beautiful (SIB) Venture Capital fund' promoted by KSK Energy Ventures Limited.

Name of the Company	Contribution towards Fund	Country of Residence	Percentage of Share
SIB Fund of KSK Energy Ventures Ltd	₹ 6.15 Crores	India	9.74%

The face value of the fund is ₹ 10 per unit. The NAV as on 31.03.2016 is ₹ 10.24 per unit (Previous year ₹ 9.70 per unit).

12.3 Information in relation to the interest of the Company in Joint Ventures (JVs):

1. Energy Efficiency Services Limited

Proportion of Interest in Equity		28.79%
Country of Incorporation		India
Area of Operation		India
JV Partners (% share)	1. NTPC Limited (28.79%)	
	2. Power Grid Corporation of India Limited (13.63%)	
	3. Power Finance Corporation Limited (28.79%)	

Further, an amount of ₹ 99.00 Crores has been paid to Energy Efficiency Services Limited (EESL) on 31st March, 2016 as share application money. EESL has allotted 9,90,00,000 equity shares of ₹ 10 each to the Company on 25th April, 2016 and the share of the Company in the JV has accordingly increased to 31.71%.

The Company's share of assets, liabilities, contingent liabilities and capital commitments as at 31.03.2016 and income and expenses for the period in respect of joint venture are given below :

(₹ in Crores)

	Particulars	As at / For the period ended 31.03.2016 (Unaudited)	As at / For the year ended 31.03.2015 (Unaudited)	As at / For the period ended 31.03.2015 (Audited) *
(i)	Total Assets	**434.53**	78.94	78.97
(ii)	Total Liabilities	**371.71**	50.21	51.39
(iii)	Total Reserves & Surplus	**15.32**	6.23	5.08
(iv)	Contingent Liabilities	**Nil**	Nil	Nil
(v)	Capital Commitments	**84.24**	Nil	14.99
(vi)	Total Income	**205.68**	17.57	17.78
(vii)	Total Expenses	**191.40**	14.37	14.38

** The consolidated financial statements of the Company for the FY 2014-15 had been prepared considering the unaudited financial statements of the joint venture, Energy Efficiency Services Limited (EESL). However, the financial statements of EESL were subsequently audited on 3rd July, 2015. The change in the unaudited and audited figures in the assets and liabilities has already been adjusted in the balance sheet figures of EESL for the financial year 2015-16. Further, the change in profit after tax has been adjusted in surplus account.*

13. LONG-TERM LOANS & ADVANCES

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(A)	**Capital Advances (Unsecured, considered good)**	**49.14**	20.20
(B)	**Security Deposits (Unsecured, considered good)**	**4.34**	1.31
(C)	**Loans & Advances to Related Parties**		
	- To Key Managerial Personnel (KMP)	**0.63**	0.21
		0.63	**0.21**
(D)	**Other Loans & Advances**		
	- Staff Loans & Advances (except to KMP)	**36.72**	40.40
	- Loan Assets	**1,57,703.84**	1,64,152.03
	- Others (Unsecured, considered good)	**2.15**	1.10
		1,57,742.71	**1,64,193.53**
	Total (A to D)	**1,57,796.82**	**1,64,215.25**

CONSOLIDATED NOTES TO ACCOUNTS

Details of Staff Loans & Advances and Loan Assets :

13.1 Staff Loans & Advances

Non-current portion of the staff loans & advances has been classified under 'Long-term Loans & Advances' above and the current portion of the staff loans & advances has been classified under Note-19 'Other Current Assets'.

(₹ in Crores)

	Particular	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
(A)	**Secured Staff Loans & Advances**				
(A1)	**To Key Managerial Personnel**				
	(a) Considered Good	**0.01**	**0.01**	0.04	0.02
(A2)	**To Others**				
	(a) Considered Good	**2.93**	**0.73**	2.82	1.08
	(b) Classified Doubtful	**-**	**-**	-	0.07
	Less: Provision for bad & doubtful debts	**-**	**-**	-	0.07
		-	**-**	-	-
	Sub-total (A1+ A2)	**2.94**	**0.74**	2.86	1.10
(B)	**Unecured Staff Loans & Advances**				
(B1)	**To Key Managerial Personnel**				
	(a) Considered Good	**0.62**	**0.19**	0.17	0.06
(B2)	**To Others**				
	(a) Considered Good	**33.79**	**10.24**	37.58	9.56
	Sub-total (B1+ B2)	**34.41**	**10.43**	**37.75**	**9.62**
	Grand Total (A+B)	**37.35**	**11.17**	**40.61**	**10.72**

13.2 Loan Assets

Non-current portion of the long-term loan assets has been classified under 'Long-term Loans & Advances' above and the current portion of the long-term loan assets has been classified under Note-19 'Other Current Assets'.

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
(A)	**Secured Loans**				
(A1)	**Loans to State Power Utilities/ State Electricity Boards/ Corpn. (Secured by hypothecation and/or mortgage of materials/ tangible assets)**				
	(a) Considered Good	**1,09,569.70**	**15,194.43**	95,970.62	8,981.75
(A2)	**Loans to Others (Secured by hypothecation and/or mortgage of tangible assets)**				
	(a) Considered Good	**24,377.49**	**1,841.42**	28,393.85	1,201.89
	(b) Classified Doubtful	**2,243.97**	**1,569.50**	849.53	429.66
	Less: Provision for bad & doubtful debts	**257.65**	**325.52**	208.67	100.59
		1,986.32	**1,243.98**	640.86	329.07
	Sub-total (A1+ A2)	**1,35,933.51**	**18,279.83**	**1,25,005.33**	**10,512.71**

(₹ in Crores)

	Particulars	As at 31.03.2016		As at 31.03.2015	
		Non-Current	Current	Non-Current	Current
(B)	**Unsecured Loans**				
(B1)	**Loans Guaranteed by respective State Governments**				
	(a) Considered good	**18,092.54**	**22,522.84**	35,334.41	2,651.53
(B2)	**Loans to State Governments**				
	(a) Considered good	**2,467.29**	**886.78**	2,878.29	377.24
(B3)	**Loans - Others**				
	(a) Considered Good	**1,210.50**	**99.51**	934.00	490.99
	(b) Classified Doubtful	**-**	**430.10**	56.19	-
	Less: Provision for Bad & doubtful debts	**-**	**430.10**	56.19	-
		-	-	-	-
	Sub-total (B1+ B2+B3)	**21,770.33**	**23,509.13**	**39,146.70**	**3,519.76**
	Grand Total (A+B)	**1,57,703.84**	**41,788.96**	**1,64,152.03**	**14,032.47**

13.2.1 Loan balance confirmations for 92.95% of total loan assets as at 31st March, 2016 have been received from the borrowers. Out of the remaining 7.05% loan assets amounting to ₹ 14,188 crore for which balance confirmations have not been received, 72.94% loans are secured by way of hypothecation of assets, 23.37% by way of Government Guarantee/ Loans to Government and 3.69% are unsecured loans.

13.2.2 Loan Assets also include amount financed by the Company as per the Scheme for Financial Restructuring of State Distribution Companies (Discoms).

13.2.3 Alaknanda Hydro Power Company Limited (AHPCL)Shrinagar HEP is located at Uttarakhand. Ministry of Finance, considering the natural disaster in June 2013 at Uttarakhand had taken a decision that Banks should announce a moratorium on repayment of loan and interest for a period of one year in respect of all project loans that are outstanding in Uttarakhand. Ministry of Power vide their letter dated 6th December 2013 extended such benefit to AHPCL. Accordingly, REC sanctioned Funded Interest Term Loan (FITL) to AHPCL in June 2014.

RBI had issued circular dated 23rd January 2014, the Norms on restructuring of advance by NBFCs, which inter-alia stated that "the unrealized income represented by FITL should have a corresponding credit in an account styled as Sundry Liabilities Account (Interest Capitalisation)". In response to applicability of above circular, REC represented vide letter dated 28th April 2014 to RBI requesting among other that, "Hydro projects in Himalayan region and power projects affected by natural disaster may be kept outside the restructuring norms".

In response to the above request, RBI Vide letter dated 11th June 2014, allowed that the Transmission & Distribution, Renovation & Modernization and Life Extension projects as also the Hydro projects in Himalayan region or affected by natural disaster (new loans and outstanding stock of loans as on March 31, 2014) may be regulated by the REC's existing restructuring norms till March 31, 2017.

Hence, the Management was of the view that the above project of AHPCL, being a Hydro project in Himalayan region and affected by natural disaster is outside the preview of circular dated 23rd January 2014 and shall continue to be governed by the existing REC's existing prudential norms, which states, "In case of funding of interest in respect of NPAs, where the interest funded is recognized as income, the interest funded shall be fully provided for." As AHPCL is a standard asset in the books of REC, as such no provision on funded interest is required to be created.

Pending clarification from RBI for the above, instead of creating a corresponding Sundry Liabilities Account (Interest Capitalisation), during the year ended 31st March, 2015, 100% provision was created in the books of accounts for the FITL in respect of AHPCL for ₹ 86.42 crores.

In response to the request, RBI, vide its letter No. DNBR.PD.CO.No. 123/03.10.001/2015-16 dated 17th July, 2015 has advised that FITL sanctioned to the said borrower will be exempted from provisions of RBI Restructuring Norms. Accordingly, the provision of ₹ 86.42 crores has been reversed and accounted for during the year ended 31st March, 2016.

13.2.4 M/s Teesta Urja Limited (TUL) is executing Hydro Electric Project in the North Eastern State of Sikkim. Substantial physical progress has been achieved in the project and as per the latest report of Lenders Independent Engineer, cumulative physical progress of the project is 96.59%

The issues regarding infusion of equity into the project was resolved amongst the promoters and subsequently, the Share Purchase Agreement was executed on 6th August, 2015 amongst the shareholders of TUL to enable Sikkim Power Investment Corporation Limited (wholly owned company of Govt. of Sikkim) to increase its stake to 51% in TUL by way of infusion of equity and purchase of shares from other shareholders. Accordingly, the current shareholding of Sikkim Power Investment Corporation Limited in TUL is 51% and TUL has been recognised as Govt. of Sikkim undertaking.

During the year ended 31st March 2015, some of the lenders including REC, adjusted their outstanding interest due on the basis of bilateral agreement with the company, against the loan sanctioned towards 2nd cost overrun to TUL. Accordingly, pending documentation, as on 31st March 2015, an amount of ₹ 202.15 Crores was classified as unsecured loan. The disbursement made under 2nd cost overrun have since been secured by extending the charge on movable assets. The joint documentation between the lenders have concluded on 29th June, 2015 excluding PNB and Canara Bank, who are yet to join the documentation by deed of accession. Accordingly as on 31st March 2016, the loan disbursements under 2nd cost overrun to the borrower has been classified as secured loan.

13.2.5 REC, as a lead lender had sanctioned ₹ 650 Crore as initial sanction to Corporate Power Limited for 540 MW Phase-I TPP at Chandwa, Jharkhand. The Debt is secured by way of combination of securities representing charge on all the Company's present and future immovable properties, movables, all bank accounts, project documents, clearances, letter of credits, guarantees, insurance contracts and insurance proceeds etc., pledge of shares representing 51% of the total paid up equity share capital of the Company and Corporate Guarantee of Corporate Ispat and Alloys Limited (CIAL). Subsequently, REC, has sanctioned ₹ 196 Crore as additional loan towards funding of cost overrun. As at 31st March, 2016, the loan outstanding is ₹ 811.74 crores.

The progress of Phase-I of the Project (where REC is Lead) as per last available Lender Independent Engineer's Report, is approximately 96%. However, the account has become NPA on 30th June, 2014. As on 31st March 2016, the account of the borrower is classified as Doubtful asset. As per the Independent valuer's report, the fair market value of Phase-I project assets is ₹ 1,401.94 Crores. Accordingly, 100% provision to the extent of loan not covered by the realizable value of the security amounting to ₹ 399.08 Crores and for the balance loan amount of ₹ 412.66 Crores, 20% provision amounting to ₹ 82.53 Crores is created in the books as per Significant Accounting Policy no 2.3(ii). As such, total provision created as on 31 March 2016 is ₹ 481.61 Crores.

Further, recall notice has been served to the borrower and Corporate guarantee of promoter Company, CIAL, has been invoked. Further, action as per SARFAESI Act has also been initiated. Lenders are in the process of filing Original Application (OA) in Debt Recovery Tribunal (DRT) for recovery of dues.

13.2.6 REC has sanctioned ₹ 1,150 Crore to Jas Infrastructure & Power Limited (JIPL) wherein total disbursement is ₹ 33.24 Crore till 31st March, 2016. As project has been delayed considerably, lenders are discussing the future strategy and exploring the various options for the implementation of the project.

The account has become NPA on 30th June, 2014. As on 31st March 2016, the account of the borrower is classified as Doubtful asset. As per the Independent valuer's report, the fair market value of project assets is valued at ₹ 180.17 Crores. Accordingly, 100% provision to the extent of loan not covered by the realizable value of the security amounting to ₹ 31.02 crore and for the balance loan amount of ₹ 2.22 crores, 20% provision amounting to ₹ 0.44 crore is created in the books as per Significant Accounting Policy No. 2.3(ii). As such, total provision created as on 31st March 2016 is ₹ 31.46 Crore on total loan outstanding of ₹ 33.24 crore.

Further, recall notice has been served to the borrower and Personal guarantee of promoter has been invoked. Joint application for recovery of their dues is being filed by the lenders in DRT.

13.2.7 As at 31st March 2016, the dues of one of the borrowers amounting to ₹ 366.30 Crores were overdue for more than 6 months, thus, exceeding the time limit for classification of the borrower as 'Standard Asset'. However, the borrower had obtained an ad-interim order from Hon'ble High Court of Madras on 18th September, 2015 not to classify the account as NPA and the classification of the borrower has been retained as 'Standard Asset' pending final decision of the Court. Accordingly, 10% provision as applicable for sub-standard loans on the loan outstanding ₹ 1,875.71 Crores has not been created and interest income of ₹ 366.30 Crores has also been recognized on accrual basis in accordance with the accounting policy of the Company for recognition of income on standard assets. However, since the account is currently into Restructured Standard Loan Assets category, a provision of 5% amounting to ₹ 93.79 Crores has been created in full in respect of the loan as against creating the same in phased manner in accordance with Significant Accounting Policy B-2.3(iv).

13.2.8 REC had sanctioned ₹ 390 Crores to M/s Lanco Teesta Hydro Power Limited with ICICI Bank as Lead lender having initial project SCOD in May'12. However, due to equity crunch of promoters, geological surprises and poor rock strata, project couldn't be commissioned till date. In order to revive the Project, which is stalled at present, change in ownership is an important imperative which ensures that additional resources are brought in by the new investor. Towards this end, change of ownership could be effectively considered under the recent RBI dispensation on Strategic Debt Restructuring (SDR) dated 8th June, 2015. In terms of SDR Regulations dated 8th June, 2015 issued by RBI, the Lenders' consortium had decided to invoke the SDR in the lenders' meet held on 24th July, 2015. Accordingly, REC, on 24th September, 2015, has approved the Strategic Debt Restructuring (SDR) package pursuant to RBI circular dated June 08, 2015, for conversion of ₹ 102 Crores out of REC's outstanding loan into equity at face value of ₹ 10/- per share towards effecting the change in Management. Subsequently, on 20th October, 2015, necessary documentation has been carried out along with the signing of shareholder's agreement and an amount of ₹ 102 Crores of REC's sanction has been converted into equity on 20th October, 2015.

A provision of ₹ 3.96 crores has been made against the interest due that was converted into equity in terms of RBI guidelines. Further, as a matter of prudence, an additional provision amounting to ₹ 15.50 Crores on the residual loan outstanding of ₹ 236.80 Crores as at 31st March, 2016 has been made in terms of RBI Circular dated 25th Febraury, 2016. Income accrued & remaining unpaid as at 31st March, 2016 amounting to ₹ 32.27 crores on the outstanding loan amount has not been recognised due to uncertainty in view of SDR implementation.

CONSOLIDATED NOTES TO ACCOUNTS

14. OTHER NON-CURRENT ASSETS

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(A)	**Non-Current Portion of Interest Accrued on Staff Advances**	**6.79**	5.01
(B)	**Advance Income-tax & TDS**	**6,633.82**	5,399.62
	Less : Provision for Income Tax	**6,533.48**	5,322.76
	Advance Income-tax & TDS (Net)	**100.34**	76.86
(C)	**Non-current Portion of Unamortized Expenses :**		
	- Discount on Issue of Bonds	**-**	0.14
(D)	**Term Deposits with Banks with more than 12 months maturity**	**2.13**	3.10
	Total (A to D)	**109.26**	**85.11**
	- Of the above		
	Term deposits held as security/ margin money	**2.13**	3.10

15. INVENTORIES

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
(a) Stock-in-trade *	**49.68**	-
(b) Work-in-progress	**17.11**	-
Total	**66.79**	-

** Stock-in-trade includes goods-in-transit amounting to ₹ 3.32 crores.*

16. TRADE RECEIVABLES

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
(a) Unsecured		
Outstanding for a period more than 6 months		
- Considered Good	**90.19**	50.53
- Considered Doubtful	**5.87**	2.53
Less: Provision for bad & doubtful debts	**5.87**	2.53
	-	-
Less than 6 months		
- Considered Good	**141.70**	69.75
Total	**231.89**	**120.28**

17. CASH AND BANK BALANCES

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
(A) Cash & Cash Equivalents		
- Balances with Banks	**1,038.01**	202.35
- Cash on Hand (including postage & imprest)	**0.01**	-
- Others		
- Short Term Deposits with Scheduled Banks	**778.54**	356.57
Sub-total (A)	**1,816.56**	**558.92**

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
(B) Others		
- Term Deposits with Scheduled Banks	**47.52**	86.79
Sub-total (B)	**47.52**	86.79
Total (A+B)	**1,864.08**	**645.71**
Balances with Banks include:		
- Earmarked Balances with Banks in separate accounts		
- For unpaid dividends	**2.73**	2.62
- For DDUGJY, AG&SP, NEF and other grants	**34.17**	54.94
- For Unutilised CSR Fund	**-**	-
- Amount set aside for grants disbursement	**1.77**	2.15

Further, Short-term Deposits with Scheduled Banks include ₹ 2.41 Crores (Previous year ₹ 236.19 Crores) earmarked towards DDUGJY and other grants and ₹ 7.86 Crores (Previous year Nil) earmarked towards Swachh Vidyalaya Abhiyan (SVA) Project. Figure in (B) Others - Term Deposits with Scheduled Banks includes the deposit for ₹ 0.36 Crores (Previous year ₹ 0.36 Crores) made and earmarked in compliance of a Court order.

- Term deposits held as security/ margin money	**0.49**	-
- Term Deposits with Scheduled Banks with more than twelve months original maturity	**15.86**	16.20

17.1 The Company has made public issue of Tax Free Bonds of face value of ₹1,000/- each aggregating to ₹ 700 Crores during the financial year 2015-16 in addition to private placement of the Tax Free Bonds of ₹ 300 Crores. The bonds had been allotted in line with the prescribed guidelines and the issue proceeds have been utilised for the purposes as mentioned in the Offer document.

18. SHORT-TERM LOANS & ADVANCES

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(A)	**Loans & Advances to Related Parties**		
	- Unsecured		
	(a) Considered Good	**3.35**	2.09
	(b) Classified Doubtful	**0.06**	0.06
	Less: Provision for bad & doubtful debts	**0.06**	0.06
		-	-
(B)	**Others**		
(i)	**Advances recoverable in cash or in kind or value to be received**		
	(a) Secured, Considered Good	**-**	0.02
	(b) Unsecured		
	(a) Considered Good	**33.67**	1.35
	(b) Classified Doubtful	**2.06**	2.06
	Less: Provision for bad & doubtful debts	**2.06**	2.06
		-	-
	Total (i)	**33.67**	**1.37**

CONSOLIDATED NOTES TO ACCOUNTS

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(ii)	**Loan Assets**		
(a)	Secured Loans		
	- Loans to State Power Utilities/ State Electricity Boards/Corpn. (Secured by hypothecation and/or mortgage of materials/ tangible assets)		
	Considered Good	-	485.88
	Sub-total (a)	**-**	**485.88**
(b)	Unsecured Loans		
	- Loans Guaranteed by respective State Governments		
	- Considered Good	**672.22**	500.00
	- Loans - Others		
	- Considered Good	**100.00**	111.11
	Sub-total (b)	**772.22**	**611.11**
	Total (ii)	**772.22**	**1,096.99**
	Grand Total	**809.24**	**1,100.45**

19. OTHER CURRENT ASSETS

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(A)	**Current recoverable of Long-term Loan Assets (Net) (Refer Note 13.2)**	**41,788.96**	14,032.47
(B)	**Current recoverable of Staff Advances (Net) (Refer Note 13.1)**	**11.17**	10.72
(C)	**Interest Accrued & Not Due on:**		
	- Govt. Securities	-	7.89
	- Long Term Investments	**18.40**	30.78
	- Term Deposits	**3.20**	4.30
	Sub-total	**21.60**	42.97
(D)	**Interest Accrued & Due on Loan Assets**	**1,112.89**	1,019.94
(E)	**Interest Accrued & Not Due on Loan Assets**	**301.73**	444.30
(F)	**Current Portion of Interest Accrued on Staff Advances**	**0.30**	0.28
(G)	**Recoverable from GOI**		
	- RGGVY/ DDUGJY Expenses	**9.71**	8.49
	- NEF Expenses	**0.37**	0.29
	Sub-total	**10.08**	8.78
(H)	**Recoverable from SEBs/ Govt. Deptt/Others**	**16.28**	9.35
(I)	**Income Tax Recoverable**	**0.18**	0.39
(J)	**Prepaid Financial Charges on Commercial Paper**	**67.30**	-
(K)	**Prepaid Expenditure**	**9.90**	0.11
(L)	**Current Portion of Unamortized Expenses**		
	- Discount on Issue of Bonds	**0.14**	3.99
(M)	**Others**	**42.63**	0.01
	Total (A to M)	**43,383.16**	**15,573.31**

CONSOLIDATED NOTES TO ACCOUNTS

20. REVENUE FROM OPERATIONS

(₹ in Crores)

	Particulars	Year ended 31.03.2016		Year ended 31.03.2015	
(A)	**Interest on Loan Assets**				
(i)	Long term financing	**23,375.20**		19,904.21	
	Less: Rebate for timely payments/ completion etc.	**1.49**	**23,373.71**	2.70	19,901.51
(ii)	Short term financing		**96.95**		170.57
	Sub-total (A)		**23,470.66**		**20,072.08**
(B)	**Revenue from Other Financial Services**				
(i)	Processing, Upfront, Lead fees, LC Commission etc.		**24.71**		51.93
(ii)	Prepayment Premium		**30.50**		11.23
(iii)	Fee for RGGVY/ DDUGJY Implementation/ others		**32.78**		15.29
	Sub-total (B)		**87.99**		78.45
(C)	**Income from Short-term Investment of Surplus Funds**				
(i)	Interest from Deposits		**68.21**		69.46
(ii)	Gain on Sale of Mutual Funds		**11.49**		9.54
	Sub-total (C)		**79.70**		**79.00**
(D)	**Income from Consulting Engineer Services**		**374.53**		154.81
	Total (A to D)		**24,012.88**		**20,384.34**

21. OTHER INCOME

(₹ in Crores)

	Particulars	Year ended 31.03.2016	Year ended 31.03.2015
(A)	**Interest Income (Other than Operating Income)**		
	- Interest from Govt. Securities	**43.23**	47.51
	- Interest from Long Term Investments/Term Deposits/Others	**52.05**	106.87
	- Interest from Staff Advances	**2.22**	1.72
	- Interest from Subsidiary Companies/SPVs	**0.29**	0.09
	- Interest on Application Money	**0.19**	-
	Sub-Total (A)	**97.98**	**156.19**
(B)	**Dividend Income**		
	- Dividend from Long-Term Investments	**2.37**	3.63
	Sub-Total (B)	**2.37**	**3.63**
(C)	**Net Gain on Sale of Long Term Investments**	**12.29**	-
(D)	**Other Non-Operating Income**		
	- Profit on sale of assets	**-**	0.02
	- Provision Written Back	**1.04**	0.78
	- Miscellaneous Income	**3.37**	4.93
	Sub-Total (D)	**4.41**	**5.73**
	Total (A to D)	**117.05**	**165.55**

CONSOLIDATED NOTES TO ACCOUNTS

22. FINANCE COSTS

(₹ in Crores)

	Particulars	Year ended 31.03.2016	Year ended 31.03.2015
(A)	**Interest Expense**		
	- On Govt. Loans	**0.15**	0.43
	- On REC Bonds	**11,369.39**	9,503.41
	- On Loans from Banks/ Financial Institutions	**134.18**	207.43
	- On External Commercial Borrowings	**1,616.97**	1,358.86
	- On Commercial Paper	**285.91**	300.03
	- On AREP Subsidy	**0.04**	0.08
	- Interest on Advance Income Tax	**0.46**	1.38
	Sub-Total (A)	**13,407.10**	**11,371.62**
(B)	**Other Borrowing Costs**		
	- Guarantee Fee	**19.14**	18.31
	- Public Issue Expenses	**0.70**	-
	- Bonds Handling Charges	**1.04**	1.05
	- Bonds Brokerage	**19.33**	20.48
	- Stamp Duty on Bonds	**3.88**	4.03
	- Debt Issue and Other Finance Charges	**157.80**	168.75
	Sub-Total (B)	**201.89**	**212.62**
(C)	**Net Translation/ Transaction Exchange Loss**	**673.36**	**255.35**
	Total (A to C)	**14,282.35**	**11,839.59**

23. EMPLOYEE BENEFITS EXPENSE

(₹ in Crores)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
- Salaries and Allowances	**101.50**	94.76
- Contribution to Provident Fund and Other Funds	**12.44**	11.48
- Gratuity	**0.57**	0.60
- Expenses towards Post Retirement Medical Facility	**15.33**	16.39
- Staff Welfare Expenses	**13.35**	13.52
Total	**143.19**	**136.75**

24 CORPORATE SOCIAL RESPONSIBILITY EXPENSES

(₹ in Crores)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
- Direct Expenditure	**116.81**	99.77
- Overheads	**3.48**	2.30
Total	**120.29**	**102.07**

CONSOLIDATED NOTES TO ACCOUNTS

24.1 Disclosure in respect of CSR Expenses:

Amount spent during the year (₹ in Crores) :

	Particulars	Year ended 31st March, 2016			Year ended 31st March, 2015		
		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	99.07	21.22	120.29	44.31	57.76	102.07

** denotes amount provided for.*

25. OTHER EXPENSES

(₹ in Crores)

Particulars	Year ended 31.03.2016		Year ended 31.03.2015	
- Travelling and Conveyance		12.85		10.97
- Publicity & Promotion Expenses		7.51		6.29
- Repairs and Maintenance				
- Building	3.18		2.97	
- ERP & Data Centre	4.64		3.75	
- Others	1.20	9.02	0.73	7.45
- Rent & Hiring Charges		4.92		4.91
- Rates and Taxes		0.44		0.90
- Power & Fuel		2.30		1.43
- Insurance Charges		0.05		0.04
- Postage and Telephone		2.12		2.36
- Auditors' Remuneration		1.09		0.67
- Consultancy Charges		5.13		1.78
- Project Expenses		279.45		37.12
- Loss on Sale of Assets		0.38		0.12
- Loss on SPVs written off		-		1.77
- Miscellaneous Expenses		30.31		28.29
Total		**355.57**		**104.10**

25.1 Auditors' Remuneration includes :

(₹ in Crores)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
- Audit Fees	0.50	0.41
- Tax Audit Fees	0.09	0.09
- Limited Review Fees	0.21	0.08
- Payment for Other Services #		
(i) Certification of Prospectus for Tax Free Bonds Public Issue	0.12	0.01
(ii) Other Certifications	0.03	0.02
- Expenses Incurred	0.09	0.03
- Service tax component	0.05	0.03
Total	**1.09**	**0.67**

25.2 Earnings and Expenditure in Foreign Currency :

(₹ in Crores)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
Earnings	-	-
Expenditure		
- Royalty, Know-how, Professional, Consultation Fees	0.49	-
- Interest	550.96	455.29
- Finance Charges	130.91	149.36
- Other Expenses	3.11	3.21
Total	**685.47**	**607.86**

25.3 The Group Companies has taken office space, accommodations for staff and space for ERP Data Centre on lease. These are classified as operating lease. Lease payments in respect of office space and data centre amounting to ₹ 6.60 Crores (Previous year ₹ 5.07 Crores) is shown under the head 'Other Expenses'. Lease payments in respect of accommodations for staff amounting to ₹ 2.99 Crores (Previous year ₹ 2.50 Crores) form part of 'Employees Benefit Expense.' Future lease payments in respect of these lease agreements are as under:

(₹ in Crores)

Future minimum lease rent payments	As at 31.03.2016		As at 31.03.2015	
	Data Centre	Office & Accomodations	Data Centre	Office & Accomodations
Not later than one year	0.36	4.85	0.29	3.53
Later than one year and not later than 5 years	0.62	6.53	-	6.52
Later than 5 years	-	4.73	-	0.66
Total	**0.98**	**16.11**	**0.29**	**10.71**

26. PROVISIONS AND CONTINGENCIES

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
Provision for bad & doubtful debts	651.18	232.06
Contingent Provision against Standard Loan Assets	52.51	120.54
Provision against Restructured Standard Loans	369.57	451.77
Provision for Interest due & Converted into Equity	3.96	-
Provision for depreciation on Investment	16.00	0.10
Provision for contigencies of project cost revision	2.96	1.71
Total	**1,096.18**	**806.18**

27. CHANGES IN INVENTORIES

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
Stock-in-Trade		
Opening Balance	-	-
Closing Balance	49.68	-
Changes in inventories of Stock-in-Trade	(49.68)	-
Work-in-Progress		
Opening Balance	-	-
Closing Balance	17.11	-
Changes in inventories of Work-in-Progress	(17.11)	-
Total	**(66.79)**	**-**

CONSOLIDATED NOTES TO ACCOUNTS

28. PRIOR PERIOD ITEMS

(₹ in Crores)

Particulars	Year ended 31.03.2016	Year ended 31.03.2015
- Others	**0.39**	0.10
Total	**0.39**	**0.10**

29. EARNINGS PER SHARE

Particulars	As at 31.03.2016	As at 31.03.2015
Numerator		
Profit after Tax as per Statement of Profit and Loss (₹ in Crores)	**5,691.42**	5,344.42
Denominator		
Weighted average Number of equity shares	**98,74,59,000**	98,74,59,000
Basic & Diluted Earnings per share of ₹10 each (in ₹)	**57.64**	54.12

30 CONTINGENT LIABILITIES AND COMMITMENTS :

30.1 Contingent Liabilities not provided for in respect of:

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(A)	Claims against the Company not acknowledged as debts	**58.28**	56.54
(B)	Guarantees	**28.04**	40.36
(C)	Others		
	- Letters of Comfort	**461.56**	260.84

The amount referred to in 'A' above includes ₹ 3.86 Crores (Previous year ₹ 3.75 Crores) in respect of cases pending in various courts including arbitration cases and is dependent upon the outcome of settlement of court/arbitration cases.

Further, it also includes ₹ 53.59 Crores (Previous year ₹ 51.96 Crores) 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.

30.2 Commitments not provided for in respect of:

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
- Contracts remaining to be executed on capital account		
- Towards Tangible Assets	**372.20**	16.06
- Towards Intangible Asset	**2.84**	4.32
- Other Commitments		
- CSR Commitments	**89.44**	182.73

31. DETAILS OF REGISTRATION/ LICENSE/ AUTHORISATION OBTAINED FROM FINANCIAL SECTOR REGULATORS:

	Particulars	Regulator Name	Registration Details
(i)	Corporate Identification No.	Ministry of Corporate Affairs	L40101DL1969GOI005095
(ii)	Registration Number	Reserve Bank of India	14.000011

CONSOLIDATED NOTES TO ACCOUNTS

32. The Company is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company (NBFC) since 1997-98. As per notification No.DNBS(PD).CC No.12/02.01/99-2000 dated 13.1.2000 of RBI, Govt. companies as defined under Section 617 of the Companies Act, 1956 have been exempted from applicability of the provisions of Reserve Bank of India Act, 1934 relating to maintenance of liquid assets and creation of Reserve Funds and the Directions relating to acceptance of public deposits and Prudential Norms. The said notification is also applicable to REC, being a Govt. company as defined under Section 2 (45) of the Companies Act, 2013 (Section 617 of the erstwhile Companies Act, 1956). Accordingly, the Reserve Fund is not created.

Further, as per Para No. 1(3)(ii) of RBI's Master Circular No. DNBR (PD) CC. No.043 / 03.10.119 / 2015-16 dated July 1, 2015, REC being a Government Company continues to be exempted from the applicability of "Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015". However, RBI, vide its letters dated 25th July, 2013 and 4th April, 2014, has conveyed to the Company to comply with the Prudential Norms of RBI by 31st March, 2016 and follow the instructions contained in RBI Circular dated January 23, 2014 issued vide Notification No. DNBS (PD) No. 271/ CGM (NSV)-2014 in respect of restructuring of assets. Later, RBI vide its letter dated 11th June, 2014 has allowed exemption to the Company from RBI restructuring norms till March 31, 2017 for Transmission & Distribution, Renovation & Modernisation and Life Extension projects and also the Hydro projects in Himalayan region or affected by natural disasters. Further for new project loans to generating companies restructured w.e.f 01st April 2015, the provisioning requirement would be 5% and for stock of loans as on 31st March 2015 of such projects, the provisioning shall commence with a provision of 2.75% w.e.f 31st March 2015 and reaching 5% by 31st March 2018.

33. RBI, vide its letter dated September 17, 2010 had categorized REC as an Infrastructure Finance Company (IFC) in terms of instructions contained in RBI Circular CC No.168 dated February 12, 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 DNBS.CO.ZMD-N. No. 4868/55.18.014/2013-14 dated 4th April, 2014 has exempted REC from RBI Prudential Exposure limits till 31st March, 2016. The Company has again represented to RBI for extension of above exemption till 31st March, 2022. The matter is under active consideration and the communication from RBI is expected to be received shortly. 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, 2016 and 31st March, 2015.

34. CHANGES IN ACCOUNTING POLICIES OF RURAL ELECTRIFICATION CORPORATION LIMITED

During the year ended 31st March, 2016, the Company had revised the accounting policy in respect of asset classification in line with RBI Guidelines. Further, the accounting policy for creation of allowance against Standard Loan assets has been modified to align it with the revised provisioning requirements for Standard Loans as per RBI Notification dated 10th November, 2014. Due to these changes in accounting policy, profit before tax for the year ended 31st March, 2016 is lower by ₹ 87.87 Crores.

Further, minor modifications have been made in the Accounting Policy in respect of basis of preparation of financial statements, revenue recognition, intangible assets and cash flow statements. However, there is no financial impact of such modifications.

35. QUALITY OF LOAN ASSETS

35.1 The Classification of Loan Assets of the Company (classified in Note No. 13 and 18) as per RBI Prudential Norms is as under:

(₹ in Crores)

	Asset Classification	As at 31.03.2016		As at 31.03.2015	
		Loan Balance	Provision created against Loan Assets	Loan Balance	Provision created against Loan Assets
(i)	**Standard Assets**				
(a)	Restructured Standard Loan Assets (Refer Note below)	**21,058.26**	**821.34**	16,428.15	451.77
(b)	Other than (a) above	**1,75,976.46**	**543.43**	1,61,883.41	490.92
	Sub-total (i)	**1,97,034.72**	**1,364.77**	1,78,311.56	942.69
(ii)	**Non Performing Assets**				
(a)	Sub-standard Assets *	**2,908.19**	**291.01**	844.98	206.28
(b)	Doubtful Assets	**1,318.16**	**705.04**	473.18	141.95

(₹ in Crores)

	Asset Classification	As at 31.03.2016		As at 31.03.2015	
		Loan Balance	Provision created against Loan Assets	Loan Balance	Provision created against Loan Assets
(c)	Loss Assets	**17.22**	**17.22**	17.22	17.22
	Sub-total (ii)	**4,243.57**	**1,013.27**	1,335.38	365.45
	Total	**2,01,278.29**	**3,742.81**	3,57,958.50	2,250.83

** Includes loans classified as NPAs due to restructuring/ non-achievement of DCCO amounting to ₹ 811.33 Crores (Previous year Nil) and provisioning thereof ₹ 81.27 Crores (Previous year Nil).*

Note : Loan assets as mentioned in (i)(a) refer to restructured standard loan assets as specified in Accounting Policy No. B-2.3(iv).

35.2 Sector-wise NPAs - Percentage of NPAs to Total Advances in that sector

Particulars	As at 31.03.2016	As at 31.03.2015
- Power Sector *	**2.11%**	0.74%

** Includes 0.40% (Previous year Nil) loans classified as NPAs due to restructuring/ non-achievement of DCCO, amounting to ₹ 811.33 Crores (Previous year Nil).*

35.3 Movement of NPAs

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(i)	**Net NPAs to Net Advances (%)**	**1.61%**	0.54%
(ii)	**Movement of NPAs (Gross)**		
(a)	Opening balance	**1,335.38**	490.40
(b)	Additions during the year	**2,910.13**	844.98
(c)	Reductions during the year	**1.94**	-
(d)	Closing balance	**4,243.57**	1,335.38
(iii)	**Movement of NPAs (Net)**		
(a)	Opening balance	**969.93**	353.54
(b)	Additions during the year	**2,262.31**	616.39
(c)	Reductions during the year	**1.94**	-
(d)	Closing balance	**3,230.30**	969.33
(iv)	**Movement of provisions for NPAs**		
(a)	Opening balance	**365.45**	136.86
(b)	Provisions made during the year	**647.82**	228.59
(c)	Write-off / write-back of excess provisions	**-**	-
(d)	Closing balance	**1,013.27**	365.45

Note - The figures above include loans classified as NPAs due to restructuring/ non-achievement of DCCO, amounting to ₹ 811.33 Crores (Gross) (Previous year Nil) and provisioning thereof ₹ 81.27 Crores (Previous year Nil).

36. EXPOSURE RELATED DISCLOSURES

36.1 Exposure to Real Estate Sector

The Company has no exposure to real estate sector as at 31st March, 2016 (Previous year Nil).

36.2 Exposure to Capital Market

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(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;	**119.25**	17.25
(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;	**-**	-
(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)	**6.15**	7.68
	Total Exposure to Capital Market	**125.40**	**24.93**

36.3 Unsecured Advances against Intangible Assets

There are no such advances outstanding as at 31st March, 2016 (Previous year Nil) for which intangible collaterals such as rights, licenses, authority, etc. are charged in favour of the Company in respect of projects financed by the Company.

37. Concentration of Advances, Exposures and NPAs

	Particulars	As at 31.03.2016	As at 31.03.2015
(i)	**Concentration of Advances**		
	Total Advances to twenty largest borrowers (₹ in Crores)	**1,17,632.78**	1,08,066.67
	Percentage of Advances to twenty largest borrowers to Total Advances of the Company	**58.44%**	60.16%
(ii)	**Concentration of Exposures**		
	Total Exposure to twenty largest borrowers (₹ in Crores)	**1,94,864.96**	1,71,024.07
	Percentage of Exposures to twenty largest borrowers to Total Exposure of the Company on borrowers	**58.54%**	57.49%
(iii)	**Concentration of NPAs ***		
	Total Outstanding to top four NPA Accounts (₹ in Crores)	**3,444.72**	1,318.16
	Total Exposure to the above four NPA Accounts (₹ in Crores)	**3,444.72**	1,318.16

** Includes loans of ₹ 777.00 Crores (Previous year Nil) classified as NPAs due to restructuring/ non-achievement of DCCO.*

38. The Company has not entered into any securitisation/ assignment transactions during the year ended 31st March, 2016 (Previous year Nil). Further, no assets have been sold to securitisation/ reconstruction company for asset reconstruction.

CONSOLIDATED NOTES TO ACCOUNTS

39. Considering the practical problems being faced by the borrowers in submission and adherance to the drawl schedule, the Company has revised the loan policy by waiving off the clause for requirement of Commitment Charges/ upfront fees for all ongoing as well as future projects of State Sector Generation and T&D projects including waiver of outstanding commitment charges of ₹ 8.83 Crores.

40. The National Electricity Fund (NEF), an interest subsidy scheme, has become operational during the year 2012-13. The scheme has been introduced by Govt. of India to promote the capital investment in the distribution sector. The scheme shall provide interest subsidy linked with reform measures, on the loans taken by public and private distribution power utilities for various capital works under Distribution sector. NEF would provide interest subsidy aggregating upto ₹ 8,466 Crores (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 Nodal Agency for operationalisation of the NEF scheme in entire country.

41. Government of India has launched Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) with the following components:

(i) Separation of agriculture and non-agriculture feeders facilitating judicious rostering of supply to agriculture & non-agriculture 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) Rural electrification, as per CCEA approval dated 01.08.2013 for completion of the targets laid down under RGGVY for 12th and 13th Plans by carrying forward the approved outlay for RGGVY to DDUGJY.

The components at (i) and (ii) of the above scheme will have an estimated outlay of ₹ 43,033 crore including budgetary support of ₹ 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 will get subsumed in this scheme as a separate Rural Electrification (RE) component. REC has been nominated as nodal agency for operationalization of this scheme.

42. In the opinion of the management, the current assets, loans and advances appearing in the balance sheet have a value equivalent to the amount stated therein if realized during the ordinary course of business and all known liabilities have been provided.

43. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006:

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
Principal amount remaining unpaid but due as at year end	**4.21**	0.11
Interest due thereon as at year end	**0.14**	0.03
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.	**-**	0.13
Interest due and payable for the period of delay in making payment but without adding the interest specified under MSME Development Act, 2006.	**0.11**	-
Interest accrued and remaining unpaid as at year end.	**0.14**	-
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 enterеprises.	**-**	0.03

44. DERIVATIVES RELATED DISCLOSURES

44.1 Forward Rate Agreements/ Interest Rate Swaps

(₹ in Crores)

	Particulars	As at 31.03.2016	As at 31.03.2015
(i)	The notional principal of swap agreements	**24,770.59**	24,577.20
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	**1,529.12**	2,662.28
(iii)	Collateral required by the NBFC upon entering into swaps	**Nil**	Nil
(iv)	Concentration of credit risk arising from the swaps	**Refer Note Below**	Refer Note Below
(v)	The fair value of the swap book	**1,223.39**	2,173.16

Note : 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.

44.2 The Company has not entered into any exchange traded Interest Rate (IR) derivatives.

44.3 DISCLOSURE ON RISK EXPOSURE IN DERIVATIVES

44.3.1 Qualitative Disclosures

REC has Risk Management Policy duly approved by the Board.The policy covers the currency risk of the company. This policy provides the guiding parameters within which the Company can take decisions for managing the Currency Risk that it is exposed to on account of foreign currency loan. The purpose of the policy is to provide a framework to the Company for management of its foreign currency risk.

Risk Management Structure

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.

Derivative transactions include forwards, interest rate swaps, cross currency swaps and currency and cross currency options to hedge assets and liabilities. These derivative transactions are done for hedging purpose and not for trading or speculative purpose. These are accounted for on accrual basis and are not marked to market.

Type of Risks Involved

(i) Credit Risk - Credit risk is the risk of loss due to counterparty's failure to perform on an obligation to the Company.

(ii) Market Risk - Market risk is the risk of loss due to adverse changes in the market value (the price) of an instrument or portfolio of instruments. Such exposures occurs with respect to derivative instruments when changes occur in market factors such as underlying interest rates, exchange rates etc or in the volitality of these factors.

(iii) Liquidity Risk - Liquidity risk is the risk of loss due to failure of the institution to meet its funding requirments or execute a transaction at a reasonable price. This may be market liquidity risk or funding liquidity risk.

(iv) Operational Risk - Operational risk is the risk of loss occuring as a result of inadequate system and control, deficiencies in information system, human error or a management failure. Derivative activities can pose challenging operational risk issue because of complexity of certain products and their continual evolution.

(v) Legal Risk - Legal risk is the risk of loss arising from contracts which are not legally enforceable or documented correctly.

(vi) Regulatory Risk - Regulatory risk is the risk of loss arising from failure to comply with regulatory or legal requirements.

44.3.2 QUANTITATIVE DISCLOSURES

(₹ in Crores)

	Particulars	Currency Derivatives *		Interest Rate Derivatives **	
		As at 31.03.16	As at 31.03.15	As at 31.03.16	As at 31.03.15
(i)	Derivatives (Notional Principal Amount)				
	For hedging	**17,876.79**	**17,433.40**	6,893.80	7,143.80
(ii)	Marked to Market Positions				
a)	Asset (+)	**1,487.63**	**2,569.44**	41.49	92.83
b)	Liability (-)	**131.57**	**294.66**	174.16	194.46
(iii)	Credit Exposure	**17,876.79**	**17,433.40**	6,893.80	7,143.80
(iv)	Unhedged Exposures	**4,111.79**	**6,616.74**	N.A.	N.A.

** Includes Full Hedge, Principal only Swap and Call Spread.*

*** Includes Interest Rate Derivatives as a strategy of cost reduction*

CONSOLIDATED NOTES TO ACCOUNTS

45. THE OUTSTANDING POSITION OF FOREIGN CURRENCY EXPOSURE AS AT 31ST MARCH, 2016 IS AS UNDER:

(Foreign Currency amounts in Millions, INR amounts in Crores)

Currency	Total		Hedged Portion (Currency & Interest rate)		Unhedged	
	Foreign Currency	INR Equivalent	Foreign Currency	INR Equivalent *	Foreign Currency	INR Equivalent *
JPY ¥	**30,014.85**	**1,795.17**	**27,940.48**	**1,672.66**	**2,074.37**	**122.51**
Previous year	33,084.61	1,944.22	31,895.82	1,882.28	1,188.79	61.94
EURO €	**159.15**	**1,123.87**	**125.02**	**867.91**	**34.13**	**255.96**
Previous year	157.07	1,104.97	150.70	1,061.94	6.37	43.03
USD €	**2,855.00**	**17,691.04**	**2,500.00**	**15,336.22**	**355.00**	**2,354.82**
Previous year	3,555.00	19,715.51	2,720.00	14,489.18	835.00	5,226.33
CHF (Swiss Franc)	**200.00**	**1,378.50**	**-**	**-**	**200.00**	**1,378.50**
Previous year	200.00	1,285.44	-	-	200.00	1,285.44
Total		**21,988.58**		**17,876.79**		**4,111.79**
Previous year		24,050.14		17,433.40		6,616.74

** The portion of the foreign currency borrowings swapped into Indian Rupee is stated at the rate fixed in the swap transactions, and not translated at the year end rate. The unhedged portion of the foreign currency borrowings has been translated at the year end rate.*

45.1 In terms of Accounting Policy B-14.1, the foreign currency monetary items as at the reporting date have been translated at the following rates:

Exchange Rates	USD/INR	JPY/INR	Euro/INR	CHF/INR
As at 31st March, 2016	66.3329	0.5906	75.0955	68.9249
As at 31st March, 2015	62.5908	0.5211	67.5104	64.2719

46. RELATED PARTY DISCLOSURES :

(1) Key Managerial Personnel

Sh. Rajeev Sharma	Chairman & Managing Director
Sh. Ajeet Kumar Agarwal	Director (Finance)
Sh. P.J. Thakkar	Director (Technical) (ceased w.e.f. 12.10.2015)
Sh. Sanjeev Kumar Gupta	Director (Technical) (appointed w.e.f. 16.10.2015)
Sh. J.S. Amitabh	GM & Company Secretary

(2) Wholly owned Subsidiaries of REC Transmission Projects Company Limited

Nellore Transmission Limited - Incorporated on 04.12.2012

Baira Siul Sarna Transmission Limited - Incorporated on 24.01.2013

Gadarwara (B) Transmission Limited - Incorporated on 30.07.2014 and transferred to Power Grid Corporation of India Limited (PGCIL) on 24.04.2015, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Gadarwara (B) Transmission Limited and PGCIL.

Gadarwara (A) Transco Limited - Incorporated on 05.08.2014 and transferred to Power Grid Corporation of India Limited (PGCIL) on 24.04.2015, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Gadarwara (A) Transco Limited and PGCIL.

Maheshwaram Transmission Limited - Incorporated on 14.08.2014 and transferred to Sterlite Grid 3 Limited (SGL) on 20.08.2015, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Maheshwaram Transmission Limited and SGL.

Vemagiri II Transmission Limited - Incorporated on 06.04.2015 and transferred to Power Grid Corporation of India Limited (PGCIL) on 04.12.2015, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Vemagiri II Transmission Limited and PGCIL.

Alipurduar Transmission Limited - Incorporated on 13.04.2015 and transferred to Kalpataru Power Transmission Limited (KPTL) on 06.01.2016, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, Alipurduar Transmission Limited and KPTL.

NER II Transmission Limited - Incorporated on 21.04.2015

NRSS XXXVI Transmission Limited - Incorporated on 18.08.2015

North Karanpura Transco Limited - Incorporated on 27.11.2015

Khargone Transmission Limited - Incorporated on 28.11.2015

Dinchang Transmission Limited - Incorporated on 02.12.2015

Details of amount due from/ to the related parties :

(₹ in Crores)

Particulars	As at 31.03.2016	As at 31.03.2015
Long-term Debt		
Key Managerial Personnel	**0.10**	0.17
Loans & Advances		
Key Managerial Personnel	**0.83**	0.29

DETAILS OF TRANSACTIONS WITH THE RELATED PARTIES :

(₹ in Crores)

Particulars	For the year ended 31.03.2016	For the year ended 31.03.2015
Long Term Debt - Amount Invested		
Key Managerial Personnel	**0.01**	-
Loans & Advances		
Key Managerial Personnel	**0.53**	0.04
Interest Income - Loans & Advances		
Key Managerial Personnel	**0.04**	0.06
Finance Cost		
Interest Paid to Key Managerial Personnel	**0.01**	0.01
Employee Benefits Expense - Managerial Remuneration	**2.33**	1.91

47. DISCLOSURES FOR EMPLOYEE BENEFITS AS REQUIRED UNDER AS 15:

(1) Defined Contribution Plans

A. Provident Fund

Company pays fixed contribution of Provident Fund at pre-determined rates to a separate trust which invests the funds in permitted securities. The trust fixes the rate of interest on contribution to the members of the trust.

B. Defined Contribution Superannuation Scheme

The Company pays fixed contribution towards superannuation scheme at pre-determined rates to a separate trust which invests the funds with the Insurers. The Insurers fix the rate of interest on the balance standing to the credit of the accounts of the members of the trust. When the pension becomes payable to the member, the Insurers shall appropriate the member's accumulation towards various annuities, as opted for by the member.

Amount recognised as expenses towards defined contribution plans:

(₹ in Crores)

	Particulars	For the year ended 31.03.2016	For the year ended 31.03.2015
(i)	Provident Fund	**7.15**	6.60
(ii)	Defined Contribution Superannuation Scheme	**5.10**	4.77
	Total	**12.25**	**11.37**

(2) Defined Benefit Plans - Post-Employment Benefits

A. Gratuity

The Company has a defined benefit gratuity plan. Every employee is entitled to gratuity as per the provisions of the Payment of Gratuity Act, 1972. The scheme is funded by the Company and is managed by separate trust. The liability of Gratuity is recognized on the basis of actuarial valuation.

In case of EESL, there is no separate trust and the liability for gratuity is provided for in the books of accounts as per the provisions of the Payment of Gratuity Act, 1972 and is recognized on the basis of actuarial valuation

B. Post Retirement Medical Facility (PRMF)

The Company has Post Retirement Medical Facility under which the entitled retired employees (including his/her spouse) are covered as per Company Rules. The expenditure is recognized in the Statement of Profit & Loss on the basis of actuarial valuation.

C. Other Defined Retirement Benefit (ODRB)

The Company has a scheme for settlement of the employee and their dependents at the time of superannuation at home town. The expenditure is recognized in the Statement of Profit & Loss on the basis of actuarial valuation.

The summarized position of various defined benefits recognized in the Statement of Profit & Loss, Balance Sheet and the funded status is as under:

Expense recognised in Statement of Profit & Loss:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Current Service Cost	2.05	1.93	1.45	1.23	0.05	0.05
Interest Cost	3.05	3.24	6.21	5.66	0.10	0.10
Expected Return on Plan Assets	3.03	3.24	-	-	-	-
Actuarial (Gain)/ Loss	(1.50)	(1.33)	7.67	9.50	(0.03)	0.05
Expense recognized	0.57	0.60	15.33	16.39	0.12	0.20

Amounts recognised in Balance Sheet:

(Amounts below in 'Gratuity' columns denotes respective amounts in the Balance Sheet of gratuity trust)

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Present value of obligation as at the end of the year	37.42	38.16	86.62	77.61	1.22	1.20
Fair value of Plan Assets as at the end of the year	35.48	36.25	-	-	-	-
Net Assets/ (Liability) recognized	(1.78)	(1.91)	(86.62)	(77.61)	(1.22)	(1.20)

Changes in the Present value of defined benefit/ Obligation:

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Present value of obligation as at the beginning of the year	38.21	38.07	77.61	66.64	1.20	1.16
Interest Cost	3.05	3.24	6.21	5.66	0.10	0.10
Current Service Cost	2.05	1.93	1.45	1.23	0.05	0.05
Benefit Paid	4.42	3.89	6.32	5.42	0.10	0.16
Actuarial (Gain)/ Loss on obligation	(1.47)	(1.19)	7.67	9.50	(0.03)	0.05
Present Value of defined benefit obligation at the end of the year	37.42	38.16	86.62	77.61	1.22	1.20

CONSOLIDATED NOTES TO ACCOUNTS

Changes in the Fair Value of Plan Assets:

(Amounts below in 'Gratuity' columns denotes respective amounts for the gratuity trust)

(₹ in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Fair value of Plan Assets as at the beginning of the year	36.25	35.94	-	-	-	-
Return on Plan Assets	3.03	3.24	-	-	-	-
Contributions	0.62	0.82	-	-	-	-
Benefit Paid	4.42	3.89	-	-	-	-
Actuarial Gain/ (Loss) on Plan Assets	-	0.14	-	-	-	-
Fair value of Plan Assets as at the end of the year	35.48	36.25	-	-	-	-

Funded Status and Experience adjustments for liability towards Gratuity:

(₹ in Crores)

Particulars	31.03.2016	31.03.2015	31.03.2014	31.03.2013	31.03.2012
Present value of obligation at year end	37.42	38.16	38.07	37.85	36.46
Fair value of Plan Assets at year end	35.48	36.25	35.94	35.14	31.24
Funded Status	(1.94)	(1.91)	(2.13)	(2.71)	(5.22)
Experience adjustment;					
Gain/(Loss):					
Experience adjustment on plan liabilities	(0.76)	(0.01)	0.68	1.17	1.51
Experience adjustment on plan assets	0.14	0.58	(0.30)	(0.40)	(0.23)

The effect of an increase/ decrease of one percent point in inflation rate on PRMF:

(₹ in Crores)

Particulars	1% (+)		1% (-)	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Service & Interest Cost	1.25	0.64	(0.84)	(1.09)
PBO (Closing)	11.93	11.09	(8.45)	(7.81)

Actuarial Assumptions:

Particulars	Gratuity		PRMF		ODRB	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015	31.03.2016	31.03.2015
Method Used	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)	Projected Unit Credit (PUC)
Discount Rate	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Expected Rate of Return on Plan Assets	8.36%	9.00%	-	-	-	-
Future Salary Increase *	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

** In case of EESL, the future salary increase rate has been assumed to be 5.5%.*

- The Expected Rate of Return on Assets is the assumed rate of return (annualised).
- The Principle assumptions are the discount rate and salary growth rate. The discount rate is generally based on the market yields available on govt. bonds at the 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.

CONSOLIDATED NOTES TO ACCOUNTS

48. 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), Kerala State Electricity Board (KSEB) and Meghalaya State Electricity Board (MSEB) are yet to be executed amongst the Company, new entities and the State Governments.

Agreements in case of Tamil Nadu State Electricity Board 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, if required, on finalization of the Transfer Scheme.

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 2nd 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).

(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.

49. The Ministry of Power launched a scheme 'Ujwal DISCOM Assurance Yojana' (UDAY) for achieving financial turnaround of the DISCOMs which are reeling under burden of heavy debt and losses. As per the OM dated 20th November, 2015 issued by MoP on the UDAY scheme, States shall take over 75% of the DISCOM debt as on 30th September, 2015 over 2 years - 50% to be taken over in FY 2015-16 and 25% in FY 2016-17.

The States of Uttar Pradesh, Rajasthan, Punjab, Haryana, Bihar and Chhattisgarh have signed MoU with MoP for participation in the scheme. The DISCOMs of Punjab, Uttar Pradesh and Chhattisgarh have pre-paid their outstanding loan amounting to ₹ 10,003.69 Crores out of which ₹ 1,214.14 crore was received in April 2016, as a result of takeover of their debt by the respective States under the scheme. An amount of ₹ 19,640.22 Crores is further expected to be prepaid by the DISCOMs during the financial year 2016-17.

50. The Company's main business is to provide finance to power sector. Accordingly, the Company does not have more than one segment eligible for reporting in terms of Accounting Standard-17.

51. CAPITAL TO RISK-WEIGHTED ASSETS RATIO (CRAR)

Being an Infrastructure Finance Company (IFC), REC is required to maintain a Capital to Risk Weighted Assets Ratio (CRAR) of 15% (with a minimum Tier I Capital of 10%).

	Particulars	As at / For the year ended 31.03.2016	As at / For the year ended 31.03.2015
(i)	CRAR (%)	**20.38%**	19.56%
(ii)	CRAR - Tier I Capital (%)	**17.48%**	16.52%
(iii)	CRAR - Tier II Capital (%)	**2.90%**	3.04%
(iv)	Amount of subordinated debt raised as Tier-II capital (₹ in crore)	**-**	-
(v)	Amount raised by issue of Perpetual Debt Instruments (₹ in crore)	**-**	-

52. ASSET LIABILITY MANAGEMENT - MATURITY PATTERN OF CERTAIN ITEMS OF ASSETS AND LIABILITIES :

(₹ in Crores)

As at 31.03.2016	Advances	Investments	Borrowings		Foreign Currency Items	
			Domestic Borrowings	Foreign Currency Borrowings	Assets	Liabilities (Other than Borrowings)
Upto 30/31 days	2,798	-	2,118	-	-	-
Over 1 month upto 2 months	1,971	-	2,999	-	-	-
Over 2 months upto 3 months	6,610	-	2,366	97	-	-
Over 3 month & upto 6 months	21,395	-	8,256	1,473	-	-
Over 6 months & upto 1 year	10,543	149	11,539	1,579	-	-
Over 1 year & upto 3 years	36,506	189	36,540	7,828	-	-
Over 3 years & upto 5 years	34,735	94	27,305	10,716	-	-
Over 5 years	86,720	1,920	56,100	296	-	-
Total	**2,01,278**	**2,352**	**1,47,222**	**21,989**	**-**	**-**

(₹ in Crores)

As at 31.03.2015	Advances	Investments	Borrowings		Foreign Currency Items	
			Domestic Borrowings	Foreign Currency Borrowings	Assets	Liabilities (Other than Borrowings)
Upto 30/31 days	745	-	1,036	-	-	-
Over 1 month upto 2 months	664	-	355	-	-	-
Over 2 months upto 3 months	1,449	-	666	97	-	-
Over 3 month & upto 6 months	3,307	-	1,068	2,712	-	-
Over 6 months & upto 1 year	9,065	439	6,196	7,726	-	-
Over 1 year & upto 3 years	38,350	189	34,344	4,629	-	-
Over 3 years & upto 5 years	35,891	189	26,942	8,643	-	-
Over 5 years	90,176	779	56,322	243	-	-
Total	1,79,647	1,596	1,26,929	24,050	-	-

53. Disclosures in respect of Entities Consolidated as required under Schedule III to the Companies Act, 2013

Sl. No.	Name of the Entity	Net Assets i.e. Total Assets minus Total Liabilities		Share in Profit or Loss	
		As % of Consolidated Net Assets	Amount (₹ in Crores)	As % of Consolidated Profit or Loss	Amount (₹ in Crores)
(1)	**Parent Subsidiaries - Indian**				
1.	REC Power Distribution Company Limited	**0.41%**	**117.51**	**0.64%**	**36.17**
2.	REC Transmission Projects Company Limited	**0.43%**	**123.41**	**0.51%**	**28.81**
(2)	**Joint Venture - Indian**				
1.	Energy Efficiency Services Limited	**0.22%**	**62.82**	**0.17%**	**9.47**
	Total	**1.06%**	**303.74**	**1.31%**	**74.45**

54. Disclosures in respect of different accounting policies of Group Companies

(i) RECPDCL, during the year, has adopted different useful life for certain fixed assets item- mobile/tablet, furniture & fixtures and intangible assets from that of Rural Electrification Corporation Limited. Accordingly, depreciation on each such asset recomputed from the beginning resulted into an additional depreciation of ₹ 0.22 crores being charged during the year 2015-16.

CONSOLIDATED NOTES TO ACCOUNTS

(ii) In case of Energy Efficiency Services Limited (EESL), depreciation on cell phone is provided at different rates from that of Rural Electrification Corporation Limited. The total amount of gross block and depreciation on cell phone pertaining to the Company's share in the Joint Venture, EESL consolidated in these Consolidated Financial Statements for the year 2015-16 is ₹ 0.05 crores and ₹ 0.01 crores, the impact of which is immaterial.

(iii) One of the group companies follows First-in-First-Out (FIFO) basis for determining the cost instead of weighted average method. The inventories, as specified in the Note 15, include ₹ 17.11 crores valued on FIFO basis.

55. Two projects namely Nellore Transmission Limited (NTL) and Baira Siul Sarna Transmission Limited (BSTL), which are subsidiary companies (SPVs) of REC Transmission Projects Company Limited (REC TPCL), were denotified vide notification No. 15/9/2013-Trans dated 03.01.2014 and 100/1/EC(33)/SP&PA/2013 dated 09.02.2015 respectively by the Ministry of Power (MoP). Consequent to the de-notification the management has submitted the application for dissolution of the said two SPVs through "fast track mode of exit" and as on 31st March 2016 the status as shown in the website of the Registrar of Companies is "under process of striking off".

56. RECPDCL, a subsidiary of REC Limited, has made, based on past experience, a provision for contingencies of Project Cost Revisions @ 2% of its annual turnover to mitigate the likely income reversal on account of revision in project cost. Accordingly, a provision has been made during the year for ₹ 2.96 crores (Previous year ₹ 1.71 crores).

Further, RECPDCL's major dues are from State Sovereign Power Utilities and same are considered good. However, realisation generally takes longer time. A Provision for Doubtful Debts has been made by RECPDCL during the year on the basis of aging of its Trade Receivables amounting to ₹ 3.37 crores (Previous year ₹ 1.41 crores).

56.1 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, 2016 (Previous year Nil).

However, the Company has received a notice from National Stock Exchange of India Ltd. (NSE) vide its letter No. Fines/2015-16/45075 dated 5th October, 2015 and from BSE Ltd. (BSE) vide its letter No. LIST/COMP/49-Woman Dir/126/2015-16 dated 6th October, 2015 in pursuance of SEBI Circular No. CIR/CFD/CMD/1/2015 dated April 8, 2015 for payment of fine of ₹ 1,42,000 and ₹ 1,47,000 (inclusive of service tax) respectively for non-compliance of Clause 49(II)(A)(1) of the listing agreement regarding non-appointment of woman director on the Board as on 30th September, 2015.

The Company has requested the Stock Exchanges to waive the fine amounts since the power to appoint Woman Director/ Independent Directors is vested with President of India through the administrative Ministry as per Articles of Association of the Company and the Board of Directors or the Company cannot appoint Woman Director/Independent Directors on the Board of the Company and there is no violation on the part of the Company in the appointment of Woman Director/ Independent Directors. The reply of the Stock Exchanges is still awaited.

58. No complaints have been received by the Company from the borrowers under the Fair Practices Code during the year ended 31st March, 2016 (Previous year Nil).

59. Previous year figures have been reclassified/ regrouped to conform to the current classification.

60. Figures in Rupees have been rounded off to the nearest crores with two decimals, unless expressly stated.

The Significant Accounting Policies and Notes to Accounts 1 to 60 are an integral part of the Consolidated Financial Statements.

For and on behalf of the Board

J.S. Amitabh	**Ajeet Kumar Agarwal**	**Rajeev Sharma**
GM & Company Secretary	Director (Finance)	Chairman and Managing Director
	DIN - 02231613	DIN - 00973413

In terms of our Report of even date

	For Raj Har Gopal & Co.	**For A.R. & Co.**
	Chartered Accountants	Chartered Accountants
	Firm Reg. No.: 002074N	Firm Reg. No.: 002744C
	Gopal Krishan	**Priyanshu Jain**
Place: New Delhi	Partner	Partner
Date: 27th May, 2016	M.No. : 081085	M.No. : 530262

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016

(₹ in Crores)

Particulars	YEAR ENDED 31.03.2016		YEAR ENDED 31.03.2015	
A. Cash Flow from Operating Activities :				
Net Profit Before Tax	**8,146.66**		7,552.34	
Adjustments for:				
1. Profit / Loss on Sale of Fixed Assets	**0.38**		0.10	
2. Depreciation & Amortization	**19.67**		8.32	
3. Provisions and Contingencies	**1,096.18**		806.08	
4. Interest on Commercial Paper	**285.91**		300.03	
5. Interest Expense of Misc. Borrowings	**3.90**		0.19	
6. Excess Provision written back	**-0.05**		0.03	
7. Profit on sale/redemption of investments	**-12.29**		-	
8. Loss/ Gain(-) on Exchange Rate fluctuation	**666.13**		259.99	
9. Dividend from Investments	**-2.37**		-3.63	
10.Interest on Long-term Investments/ Govt. Securities	**-95.76**		-154.47	
11.Provision made for Interest on Advance Income Tax	**-**		1.38	
12.Discount on Bonds written off	**3.99**		4.83	
13.Interest Accrued on Zero Coupon Bonds	**76.17**		70.39	
14.Provision for Diminution in value of Investment	**-**		0.10	
Operating profit before Changes in Operating Assets & Liabilities:	**10,188.52**		8,845.68	
Increase / Decrease :				
1. Loan Assets	**-21,733.35**		-31,005.84	
2. Other Operating Assets	**-229.97**		-435.35	
3. Operating Liabilities	**1,029.88**		1,027.56	
Cash flow from Operations	**-10,744.92**		-21,567.95	
1. Income Tax Paid (including TDS)	**-2,575.09**		-2,330.28	
2. Income Tax refund	**42.00**		-	
Net Cash Flow from Operating Activities		**-13,278.01**		-23,898.23
B. Cash Flow from Investing Activities				
1. Sale of Fixed Assets	**0.85**		0.18	
2. Purchase of Fixed Assets (incl. CWIP, Intangible Assets under development & Capital Advances)	**-259.41**		-45.34	
3. Investment in 11.15% Additional Tier-1 Perpetual Bonds of Indian Bank	**-500.00**		-	
4. Investment in 11.25% Additional Tier-1 Perpetual Bonds of Vijaya Bank	**-500.00**		-	

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016

(₹ in Crores)

Particulars	YEAR ENDED 31.03.2016		YEAR ENDED 31.03.2015	
5. Investment in 11.25% Additional Tier-1 Perpetual Bonds of Syndicate Bank	**-500.00**		-	
6. Redemption of 8% Government of Madhya Pradesh Power Bonds-II	**94.32**		94.32	
7. Sale of Long-term Investments	**762.53**		-	
8. Profit on sale/redemption of investments	**12.29**		-	
9. Interest on Long term Investments/ Govt. Securities	**114.96**		158.41	
10. Dividend from Investments	**3.05**		3.63	
11. Investment in Shares of Fellow Subsidiary Companies	**-0.10**		-	
12. Investment in Tax Free Bonds/Others	**-26.28**		-	
13. Fixed Deposit made during the year	**-1.25**		-84.49	
14. Fixed Deposit matured during the year	**43.34**		24.38	
Net Cash Flow from Investing Activities		**-755.70**		151.09
C. Cash Flow from Financing Activities				
1. Issue of Bonds (Net of redemptions)	**14,969.28**		21,806.74	
2. Raising of Term Loans/ STL from Banks/ FIs (Net of repayments)	**-308.65**		-955.40	
3. Raising of Foreign Currency Loan (Net of redemptions)	**-2,607.56**		6,366.18	
4. Funds received from GOI for further disbursement as Subsidy/Grant including interest (Net of refund)	**4,436.52**		3,421.17	
5. Disbursement of grants	**-4,691.45**		-3,639.69	
6. Repayment of Govt. Loan	**-3.07**		-4.86	
7. Payment of Final Dividend	**-266.61**		-172.81	
8. Payment of Interim Dividend	**-1,184.95**		-789.97	
9. Payment of Corporate Dividend Tax	**-295.51**		-187.32	
10. Interst Paid on Misc. Borrowings	**-3.90**		-0.19	
11. Premium on issue of securities	**0.28**		-	
12. Issue of Commercial Paper (Net of repayments)	**5,246.79**		-2,745.74	
Net Cash flow from Financing Activities		**15,291.17**		23,098.11
Net Increase/Decrease in Cash & Cash Equivalents		**1,257.46**		-649.03
Cash & Cash Equivalents as at the beginning of the year		**559.10**		1,207.95
Cash & Cash Equivalents as at the end of the year		**1,816.56**		558.92

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2016

Components of Cash & Cash Equivalents as at end of the year are:

(₹ in Crores)

Particulars	AS AT 31.03.2016		AS AT 31.03.2015	
- Cash in Hand (including postage & imprest)		**0.01**		-
- Balances with Banks in:				
- Accounts with RBI and other banks		**1,001.11**		144.79
- Undisbursed DDUGJY, AG&SP, NEF and Other Grants #		**34.17**		54.94
- Unpaid Dividend Accounts #		**2.73**		2.62
-Short Term Deposits with Scheduled Banks		**778.54**		356.57
Total Cash & Cash Equivalents		**1,816.56**		558.92

These balances are not available for free use by the Company as they represent earmarked balances held in respective grant accounts and unpaid dividends.

Further, Balances with Banks include ₹ 1.77 Crores (Previous year ₹ 2.15 Crores) set aside for grants disbursement. Short-term Deposits with Scheduled Banks include ₹ 2.41 Crores (Previous year ₹ 236.19 Crores) earmarked towards DDUGJY and other grants and ₹ 7.86 Crores (Previous year Nil) earmarked towards Swachh Vidyalaya Abhiyan (SVA) Project.

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

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

Rajeev Sharma
Chairman and Managing
DIN - 00973413

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

Gopal Krishan
Partner
M.No. : 081085

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Priyanshu Jain
Partner
M.No. : 530262

Place: New Delhi
Date: 27th May, 2016

FORM AOC-1

STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENTS OF SUBSIDIARIES/ ASSOCIATES/ JOINT VENTURES FOR THE YEAR 2015-16

PART A: SUBSIDIARIES

(₹ in Crores)

1	Sl. No.	I	II	III	IV	V	VI	VII	VIII	IX
2	Name of the Subsidiary	**REC Power Distribution Company Limited**	**REC Transmission Projects Company Limited**	**Nellore Transmission Limited**	**Baira Siul Sarna Transmission Limited**	**NER-II Transmission Limited**	**NRSS XXXVI Transmission Limited**	**North Karanpura Transco Limited**	**Khargone Transmission Limited**	**Dinchang Transmission Limited**
3	Reporting period for the subsidiary concerned, if different from the holding company's reporting period	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	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	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
5	Share Capital	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05
6	Reserves & Surplus	117.45	123.35	(0.05)	(0.05)	-	-	-	-	-
7	Total Assets	216.23	134.69	-	-	1.49	0.73	0.45	0.42	0.52
8	Total Liabilities	98.73	11.28	-	-	1.44	0.69	0.41	0.37	0.47
9	Investments	15.44	86.53	-	-	-	-	-	-	-
10	Turnover	151.54	44.15	-	-	-	-	-	-	-
11	Profit Before Taxation	55.44	42.42	-	-	-	-	-	-	-
12	Provision for Taxation	19.27	13.61	-	-	-	-	-	-	-
13	Profit After Taxation	36.17	28.80	-	-	-	-	-	-	-
14	Proposed Dividend	10.85	8.65	-	-	-	-	-	-	-
15	% Shareholding	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

1. **Name of subsidiaries which are yet to commence operations:**

   Five Subsidiaries of REC Transmission Projects Company Limited (RECTPCL) namely NER-II Transmission Limited, NRSS XXXVI Transmission Limited, North Karanpura Transco Limited, Khargone Transmission Limited and Dinchang Transmission Limited are yet to commence operations as at 31st March, 2016.

   Two subsidiaries of REC Transmission Projects Company Limited (RECTPCL) namely Nellore Transmission Limited and Baira Siul Sarna Transmission Limited, were denotified vide notification No. 15/9/2013-Trans dated 03.01.2014 and 100/1/EC(33)/SP&PA/2013 dated 09.02.2015, respectively by the Ministry of Power (MoP). Consequent to the de-notification the management has submitted the application for dissolution of the said two SPVs through "fast track mode of exit" and as on 31st March 2016 the status as shown in the website of the Registrar of Companies is "under process of striking off".

2. **Name of subsidiaries which have been liquidated or sold during the year:**

   Five Subsidiaries of REC Transmission Projects Company Limited (RECTPCL) namely Gadarwara (A) Transco Limited, Gadarwara (B) Transmission Limited, Maheshwaram Transmission Limited, Vemagiri II Transmission Limited and Alipurduar Transmission Limited have been sold during the year.

PART B: ASSOCIATES AND JOINT VENTURES

Name of Associates/Joint Ventures		Energy Efficiency Services Limited
1	Latest audited Balance Sheet Date	31st March, 2015
2	Shares of Associate/Joint Ventures held by the company on the year end	
	Number	4,75,00,000
	Amount of Investment in Associates/Joint Venture (₹ in Crores)	47.50
	Extend of Holding (%)	28.79%
3	Description of how there is significant influence	Holding 28.79% 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 (₹ in Crores)	27.58
6	Profit / Loss for the year (₹ in Crores)	
i.	Considered in Consolidation	9.47
ii.	Not Considered in Consolidation	Nil

Further, an amount of ₹ 99.00 Crores has been paid to Energy Efficiency Services Limited (EESL) on 31st March, 2016 as share application money. EESL has allotted 9,90,00,000 Equity shares of ₹ 10 each to the Company on 25th April, 2016 and the share of the Company in the JV has accordingly increased to 31.71%.

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

Rajeev Sharma
Chairman and Managing Director
DIN - 00973413

In terms of our Report of even date

For Raj Har Gopal & Co.
Chartered Accountants
Firm Reg. No.: 002074N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Gopal Krishan
Partner
M.No. : 081085

Priyanshu Jain
Partner
M.No. : 530262

Place: New Delhi
Date: 27th May, 2016

THE ISSUER

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