IMPORTANT NOTICE

THIS OFFERING CIRCULAR IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBs (AS DEFINED BELOW) UNDER RULE 144A UNDER THE SECURITIES ACT (AS DEFINED BELOW), (2) INSTITUTIONAL ACCREDITED INVESTORS (AS DEFINED BELOW) OR (3) ADDRESSEES WHO ARE PURCHASING THE NOTES OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN RELIANCE ON REGULATION S UNDER THE SECURITIES ACT AND, IN CERTAIN CIRCUMSTANCES, ARE NON-U.S. PERSONS (AS DEFINED BELOW).

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the **Offering Circular**) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES 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 (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS OR, IN CERTAIN CIRCUMSTANCES, TO ANY U.S. PERSON. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must be either (1) qualified institutional buyers (**QIBs**) (within the meaning of Rule 144A under the Securities Act), (2) “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act that are institutions (**Institutional Accredited Investors**) who agree to purchase the Notes for their own account and not with a view to the distribution thereof or (3) addressees who are eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act (**Regulation S**) and, in certain circumstances, are non-U.S. persons as defined under Regulation S. By accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs, (b) Institutional Accredited Investors or (c) addressees who are eligible to purchase the securities outside the United States in an offshore transaction in reliance on Regulation S under the Securities Act (**Regulation S**) and, in certain circumstances, are non-U.S. persons as defined under Regulation S, and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) you consent to delivery of such Offering Circular and any amendments or supplements thereto by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver the offering circular to any other person.

The materials relating to any offering of securities described in the Offering Circular do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of our Company in such jurisdiction.

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 or public issue under the Companies Act, 2013 as amended from time to time, or any other applicable Indian laws) with the Registrar of Companies of India or the Securities and Exchange Board of India or the Reserve Bank of India 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 in all respects and will not be an offshore branch or subsidiary of an Indian bank or a related party of the Issuer as defined in the Indian Accounting Standard - 24.

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 or subsidiary of an Indian bank or a related party of the Issuer as defined in the Indian Accounting Standard - 24.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING CIRCULAR

REC Limited
(formerly known as Rural Electrification Corporation Limited)

(incorporated with limited liability in the Republic of India)

U.S.$5,000,000,000
Global Medium Term Note Programme

Under this U.S.$5,000,000,000 Global Medium Term Note Programme (the **Programme**), REC Limited (formerly known as 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.$5,000,000,000 (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.

Application has been 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 2014/65/EU. **International Securities Market is a market designated for professional investors. Securities admitted to trading on International Securities Market are not admitted to the Official List of the UKLA. London Stock Exchange has not approved or verified the contents of this Offering Circular.**

Application has been made to the India International Exchange IFSC Limited (the **India INX**) for the Notes to be admitted for trading on the India INX. **The India INX has not approved or verified the contents of the listing particulars.**

Application has been made to the NSE IFSC Limited (the **NSE IFSC**) for the Notes to be admitted for trading on the NSE IFSC. **The NSE IFSC has not approved or verified the contents of the listing particulars.**

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, the India INX, and the NSE IFSC) 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, the ISM, the India INX and the NSE IFSC will be accepted for clearance through Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**) and/or The Depository Trust Company (**DTC**).

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.

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

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 **Regulations S Global Note**) and Registered Notes sold in the U.S. to qualified institutional buyers (**QIBs**) (within the meaning of Rule 144A under the Securities Act (**Rule 144A**)) in transactions exempt from registration in reliance on Rule 144A will be represented by a global note in registered form, without receipts or interest coupons (a **Rule 144A Global Note** and, together with a Regulation S Global Note, the **Registered Global Notes**, and each a **Registered Global Note**) and, in each case, deposited with a common depositary for Euroclear and Clearstream, Luxembourg, and registered in the name of a nominee of such common depositary, or deposited with a custodian for, and registered in the name of, a nominee of DTC.

Registered Notes sold to Institutional Accredited Investors pursuant to Section 4(a)(2) under the Securities Act will be in definitive form, registered in the name of the holder thereof (**Definitive IAI Registered Notes**). Institutional Accredited Investors that hold Definitive IAI Registered Notes may not elect to hold such Notes through DTC, Euroclear or Clearstream, Luxembourg, but transferees acquiring such Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144A under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under "*Subscription and Sale*" and "*Transfer Restrictions*".

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, 2013, as amended from time to time, 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 or statutory authority in India, including, but not limited to, the Securities and Exchange Board of India, the Reserve Bank 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. 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 (**Regulation S**)) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. See "*Form of the Notes*" for a description of the manner in which Notes will be issued. Registered Notes are subject to certain restrictions on transfer, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Joint Arrangers

Barclays	**Citigroup**	**HSBC**	**J.P. Morgan**	**MUFG**	**Standard Chartered Bank**

Dealers

Barclays	**Citigroup**	**HSBC**	**J.P. Morgan**	**MUFG**	**Standard Chartered Bank**

The date of this Offering Circular is October 22, 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 authorized 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 authorized 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 or superseded, 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 or superseded, 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*" and "*Transfer Restrictions*".

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.

U.S. INFORMATION

This Offering Circular is being submitted on a confidential basis in the United States to a limited number of QIBs and Institutional Accredited Investors (**IAIs**) for informational use solely in connection with the consideration of the purchase of certain Notes issued under the Programme. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

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 United States persons, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and the regulations promulgated thereunder.

Registered Notes may be offered or sold within the United States only to QIBs or to Institutional Accredited Investors, in either case in transactions exempt from registration under the Securities Act in reliance on Rule 144A or any other applicable exemption. Each U.S. purchaser of Registered Notes is hereby notified that the offer and sale of any Registered Notes to it may be being made in reliance upon the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Purchasers of Definitive IAI Registered Notes will be required to execute and deliver an IAI Investment Letter (as defined under "*Terms and Conditions of the Notes*"). Each purchaser or holder of Definitive IAI Registered Notes, Notes represented by a Rule 144A Global Note or any Notes issued in registered form in exchange or substitution therefor (together **Legended Notes**) will be deemed, by its acceptance or purchase of any such Legended Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in "*Subscription and Sale*" and "*Transfer Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Form of the Notes*".

The Notes have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with any resales or other transfers of Notes that are "restricted securities" within the meaning of the Securities Act, we will furnish, upon the request of a holder of such Notes or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, any of the Notes remain outstanding as "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act and we are neither a reporting company under Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, (the **Exchange Act**) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

Our Company is a limited liability public company incorporated under the laws of the Republic of India (**India**). All of our directors and executive officers named herein reside outside the United States and all or a substantial portion of our assets and of such officers and directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside India upon us or such persons, or to enforce judgments against them obtained in courts outside India predicated upon civil liabilities of our Company or such directors and executive officers under laws other than Indian law, including any judgment predicated upon United States federal securities laws. As indicated above, the enforcement of a decree solely based on United States federal securities laws may be carried out by filing a suit under Section 13 of the Code of Civil Procedure. Under Indian law, foreign law has to be proven as a matter of fact before an Indian court. Accordingly, in the event that such action is filed, United States federal securities law will have to be proven as a matter of fact by expert witness.

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*" and "*Transfer Restrictions*".

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the SFA) – Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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) and, for financial periods from the three month period ended June 30, 2018, in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (IND-AS). Indian GAAP and IND-AS differ in certain important respects from International Financial Reporting Standards (IFRS). For a discussion of the principal differences between Indian GAAP, IND-AS and IFRS as they relate to us, see "*Summary of Significant Differences Between IFRS, Indian GAAP and IND-AS*". The non-consolidated and consolidated financial statements for the years ended March 31, 2016, 2017 and 2018; and the non-consolidated financial statements for the three months ended June 30, 2018, each as included in this Offering Circular have been audited or reviewed, as appropriate, by the auditors as set out in paragraph 10 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 REC Limited (formerly known as 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., INR** 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 our industry.

Any forward-looking statements contained in this Offering Circular speak only as at the date of this Offering Circular. Without prejudice to any requirements under applicable laws and regulations, we expressly disclaim any obligation or undertaking to disseminate after the date of this Offering Circular any updates or revisions to any forward-looking statements contained in it to reflect any change in expectations or any change in events, conditions or circumstances on which any such forward looking statement is based.

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 recognize 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 .	REC Limited (formerly known as 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
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 from time to time
Depositories Act	The Depositories Act, 1996, as amended from time to time
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
Electricity Act	The Electricity Act, 2003, as amended from time to time
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 from time to time
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 March 31 of that particular year
GDP	Gross Domestic Product
Gen	Generation
GST Act	The Central Goods and Services Tax Act, 2017, as amended from time to time
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 für 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 Indian 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 Act, 2005, as amended
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
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 REC Limited (formerly known as Rural Electrification Corporation Limited)
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)
kV	kilovolt
kWh	kilowatt hour
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 (b) if published later, the most recently published audited or reviewed, as the case may be, interim non-consolidated financial results (see "*General Information*" for a description of the financial statements currently published by us).

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, the ISM, the NSE IFSC or the India INX.

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, the ISM, the NSE IFSC or the India INX 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.$5,000,000,000 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:	REC Limited (formerly known as Rural Electrification Corporation Limited)
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:	Global Medium Term Note Programme
Joint Arrangers:	Barclays Bank PLC Citigroup Global Markets Limited The Hongkong and Shanghai Banking Corporation Limited J.P. Morgan Securities plc MUFG Securities Asia Limited Standard Chartered Bank
Dealers:	Barclays Bank PLC Citigroup Global Markets Limited The Hongkong and Shanghai Banking Corporation Limited J.P. Morgan Securities plc MUFG Securities Asia Limited Standard Chartered Bank 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*" and "*Transfer Restrictions*").
Principal Paying Agent:	The Bank of New York Mellon, London Branch (in respect of Notes other

than DTC Notes)

DTC Paying Agent and Exchange Agent:	The Bank of New York Mellon (in respect of DTC Notes (as defined in "*Book-Entry Clearance Systems*"))
Transfer Agents:	The Bank of New York Mellon SA/NV, Luxembourg Branch (in respect of Notes other than DTC Notes), The Bank of New York Mellon (in respect of DTC Notes)
Registrars:	The Bank of New York Mellon SA/NV, Luxembourg Branch (in respect of Notes other than DTC Notes), The Bank of New York Mellon (in respect of DTC Notes)
Programme Size:	U.S.$5,000,000,000 (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:	The applicable Pricing Supplement will indicate either that:
	(a) 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); or

(b) such Notes will be redeemable at the option of the Issuer upon giving notice to the Noteholders on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as set forth in the Terms and Conditions of the Notes or as may be agreed between us and the relevant Dealer.

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.

Unless otherwise stated in the applicable Pricing Supplement, the minimum denomination of each Legended Note will be U.S.$200,000, or U.S.$500,000 in the case of each Definitive IAI Registered Note, or their respective approximate equivalent in other Specified Currencies.

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 6.8.

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. Application has been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's ISM. The ISM is not a regulated market for the purposes of Directive 2014/65/EU. Application has also been made to the India INX for the Notes to be admitted for trading on the India INX. Application has also been made to the NSE IFSC for the Notes to be admitted for trading on the NSE IFSC. 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, DTC 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*" and "*Transfer Restrictions*").
United States Selling Restrictions:	Regulation S, Category 1 or 2, Rule 144A and/or Section 4(a)(2). TEFRA C or D (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**")), 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**). Bearer Notes will only be issued outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act (**Regulation S**), and Registered Notes will be issued both outside the United States and, in certain circumstances, only to non-U.S. persons, in reliance on the exemption from registration provided by Regulation S and within the United States in reliance on Rule 144A or Regulation D under the Securities Act or otherwise in private transactions that are exempt from the registration requirements of the Securities Act.

Notes to be listed on the SGX-ST, the ISM, the India INX or the IFSC NSE will be accepted for clearance through Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**) and/or The Depository Trust Company (**DTC**).

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, receipts, talons 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 offered and sold in reliance on Regulation S, which will be sold outside the United States and, in certain circumstances, only to non-U.S. persons, will initially be represented by a global note in registered form (a **Regulation S Global Note**). If Category 2 is specified in the applicable Pricing Supplement, prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to each Tranche of Notes, beneficial interests in a Regulation S 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 Condition 2 and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and such Regulation S Global Note will bear a legend regarding such restrictions on transfer.

The Registered Notes of each Tranche offered and sold in the United States may only be offered and sold in private transactions (i) to "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act (**QIBs**) or (ii) to "accredited investors" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) that are institutions (**Institutional Accredited Investors**) and who execute and deliver an IAI Investment Letter (as defined in the "*Terms and Conditions of the Notes*") in which they agree to purchase the Notes for their own account and not with a view to the distribution thereof. The Registered Notes of each Tranche sold to QIBs will be represented by a global note in registered form (a **Rule 144A Global Note** and, together with a Regulation S Global Note, each a **Registered Global Note**). No sale of Legended Notes (as defined under "*U.S. Information*" above) in the United States to any one purchaser will be for less than U.S.$200,000 (or its foreign currency equivalent) principal amount.

Registered Global Notes will either (i) be deposited with a custodian for, and registered in the name of a nominee of, DTC or (ii) 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**).

The Registered Notes of each Tranche sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (**Definitive IAI Registered Notes**). Unless otherwise set forth in the applicable Pricing Supplement, Definitive IAI Registered Notes will be issued only in minimum denominations of U.S.$500,000 and integral multiples of U.S.$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Registered Notes will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under "*Subscription and Sale*" and "*Transfer Restrictions*". Institutional Accredited Investors that hold Definitive IAI Registered Notes may not elect to hold such Notes through DTC, Euroclear or Clearstream, Luxembourg, but transferees acquiring such Notes in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144A under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under "*Subscription and Sale*" and "*Transfer Restrictions*". The Registered Global Notes and the Definitive IAI Registered Notes will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

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. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) in the case of Notes registered in the name of a nominee for DTC, either DTC has notified us that it is unwilling or unable to continue to act as depository for the Notes and no alternative clearing system is available or DTC has ceased to constitute a clearing agency registered under the Exchange Act and no alternative clearing system is available, (iii) in the case of Notes registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg, 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, in any such case, no successor clearing system is available or (iv) we have or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. We will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, DTC, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (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 (iv) above, we may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 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 or in the form of a Definitive IAI Registered Note and Definitive IAI Registered Notes may, subject to compliance with all applicable restrictions, be transferred to a person who wishes to hold such Notes in the form of an interest in a 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 DTC, Euroclear and Clearstream, Luxembourg, in each case to the extent applicable. **Registered Notes are also subject to the restrictions on transfer set forth therein and will bear a legend regarding such restrictions, see "*Subscription and Sale*" and "*Transfer Restrictions*".**

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 and, where applicable, a CUSIP and CINS number which are different from the common code, ISIN, CUSIP and CINS 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 and/or DTC 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 and/or DTC, 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 and/or DTC on and subject to the terms of the Notes. In addition, holders of interests in such Global Note credited to their accounts with DTC may require DTC to deliver definitive Notes in registered form in exchange for their interest in such Global Note in accordance with DTC's standard operating procedures.

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 7.2), 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 (as amended or superseded, 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 or superseded, 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.]

[**Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (**the **SFA) -** [*To insert notice if classification of the Notes is not "prescribed capital markets products", pursuant to Section 309B of the SFA or "Excluded Investment Products" (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products)*].1

[*Date*]

REC Limited (formerly known as Rural Electrification Corporation Limited)
Legal entity identifier (LEI): [335800B4YRYWAMIJZ374]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.$5,000,000,000
Global 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 October 22, 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.

[1] Relevant Dealer(s) to consider whether it / they have received the necessary product classification from the Issuer prior to the launch of the offer, pursuant to Section 309B of the SFA.

[*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:		REC Limited (formerly known as 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 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) authorization is required for the particular tranche of Notes*)
12.	Put/Call Options:		[Issuer Call] [(*further particulars specified below*)]
13.	(a)	Status of the Notes:	[Senior]
	(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:		[SGX-ST/ISM/India INX/NSE IFSC/*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.	Final Redemption Amount:			[ ] per Calculation Amount
23.	Early Redemption Amount payable on redemption for taxation reasons or on event of			[[ ] per Calculation Amount/*specify other/*see Appendix]

	default and/or the method of calculating the same (if required):	

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24.	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: [Regulation S Global Note(s) [(U.S.$[ ] aggregate nominal amount)] registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg] (*specify nominal amount*)] [Rule 144A Global Note(s) [(U.S.$[ ] aggregate nominal amount)] registered in the name of a nominee for [DTC/a common depositary for Euroclear and Clearstream, Luxembourg] (*specify nominal amount*)] [Definitive IAI Registered Notes [(U.S.$[ ] aggregate nominal amount)] (*specify nominal amount*)] *(In the case of an issue with more than one Global Note or a combination of one or more Global Notes and Definitive IAI Registered Notes, specify the nominal amounts of each Global Note and, if applicable, the aggregate nominal amount of all Definitive IAI Registered Notes if such information is available)*]
25.	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)*
26.	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]

27.	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*]
28.	Details relating to Instalment Notes:	[*Not Applicable*]
	(a) [Instalment Amount(s):	[*give details*]]
	(b) [Instalment Date(s):	[*give details*]]
29.	Permitted Security Interest Date:	[ ] *(See Condition [4])*
30.	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

31.	(a) If syndicated, names of Managers:	[Not Applicable/*give names*]
	(b) Stabilisation Manager(s) (if any):	[Not Applicable/*give name(s)*]
32.	If non-syndicated, name of relevant Dealer:	[●]
33.	U.S. Selling Restrictions:	Regulation S Compliance Category [1/2]; [Rule 144A/Rule 144A and Section 4(a)(2)] (*Notes offered in reliance on Category 1 must be in registered form*)
34.	Whether TEFRA D or TEFRA C rules applicable or TEFRA rules not applicable:	[TEFRA D/TEFRA C/TEFRA not applicable]
35.	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.*)
36.	Additional selling restrictions:	[Not Applicable/*give details*]

37.	Additional U.S. federal income tax considerations:	[Not Applicable/*give details*] [The Notes are [not] Specified Notes for purposes of Section 871(m) of the U.S. Internal Revenue Code of 1986.] [Additional information regarding the application of Section 871(m) to the Notes will be available from [provide appropriate contact details or location of such information].] [As at the date of this Pricing Supplement, the Issuer has not determined whether the Notes are Specified Notes for purposes of Section 871(m) of the U.S. Internal Revenue Code of 1986; however, indicatively it considers that they will [not] be Specified Notes for these purposes. This is indicative information only subject to change and if the Issuer's final determination is different then it will give notice of such determination. Further information regarding the application of Section 871(m) to the Notes will be available [provide appropriate contact details or location of such information].] [(*The Notes will not be Specified Notes if they (i) are issued prior to January 2021 and provide a return that differs by more than a de minimis amount from the return on an investment in any referenced U.S. equity (including any U.S. equity that is a component of a referenced index) or (ii) do not reference any U.S. equity or any index that contains any component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities. If the Notes are issued on or after January 1, 2021 and reference a U.S. equity or an index that contains a component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities, further analysis would be required.*)]

OPERATIONAL INFORMATION

38.	Any clearing system(s) other than DTC, 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):	[ ]
41.	ISIN:	[ ]
42.	Common Code:	[ ]
43.	CUSIP:	[ ]
44.	CINS:	[ ]

45.	FISN:	[ ]/Not Applicable
46.	CFI	[ ]/Not Applicable (*If the CFI and/or FISN is not required, requested or available, it/they should be specified as "Not Applicable"*)

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on [SGX-ST]/[ISM]/[India INX]/[NSE IFSC] of the Notes described herein pursuant to the U.S.$5,000,000,000 Global Medium Term Note Programme of REC Limited (formerly known as Rural Electrification Corporation Limited).

[STABILISATION

In connection with this issue, [●] (the **Stabilisation Manager**) (or persons acting on behalf of any Stabilisation Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes 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 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 Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or person(s) acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.]

INVESTMENT CONSIDERATIONS

There are significant risks associated with the Notes including, but not limited to, counterparty risk, country risk, price risk and liquidity risk. Investors should contact their own financial, legal, accounting and tax advisers about the risks associated with an investment in these Notes, the appropriate tools to analyse that investment, and the suitability of the investment in each investor's particular circumstances. No investor should purchase the Notes unless that investor understands and has sufficient financial resources to bear the price, market liquidity, structure and other risks associated with an investment in these Notes.

Before entering into any transaction, investors should ensure that they fully understand the potential risks and rewards of that transaction and independently determine that the transaction is appropriate given their objectives, experience, financial and operational resources and other relevant circumstances. Investors should consider consulting with such advisers as they deem necessary to assist them in making these determinations.

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: ______________________________

Duly authorized

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.

*The issuance of, and the Terms and Conditions in relation to, the Notes are subject to applicable laws including the Foreign Exchange Management Act, 1999, as amended from time to time ("**FEMA**") and rules, regulations, directions, circulars, and guidelines issued by the RBI in force from time to time. The Notes will, when issued, be issued overseas in accordance with the ECB Guidelines (as defined below).*

This Note is one of a Series (as defined below) of Notes issued by REC Limited (formerly known as 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 may be further amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated on or about October 22, 2018 and made between the Issuer, The Bank of New York Mellon, London Branch as principal paying agent (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 and the DTC Paying Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents), The Bank of New York Mellon as DTC registrar (the "**DTC Registrar**", which expression shall include any successor registrar), as exchange agent (the "**Exchange Agent**", which expression shall include any additional or successor exchange agents), as DTC transfer agent (the "**DTC Transfer Agent**", which expression shall include any substitute or any additional transfer agents) and as DTC paying agent (the "**DTC Paying Agent**", which expression shall include any additional or successor paying agents) and

The Bank of New York Mellon SA/NV, Luxembourg Branch as Euroclear/Clearstream registrar (the "**Euroclear/Clearstream Registrar**", which expression shall include any successor registrar) and as Euroclear/Clearstream transfer agent (the "**Euroclear/Clearstream Transfer Agent**", which expression shall include any substitute or any additional transfer agents).

In these Conditions, "**Registrar**" shall mean (i) in respect of Notes to be cleared through DTC, the DTC Registrar, and (ii) in respect of all other Notes, the Euroclear/Clearstream Registrar, "**Transfer Agent**" shall mean (i) in respect of Notes to be cleared through DTC, the DTC Transfer Agent, and (ii) in respect of all other Notes, the Euroclear/Clearstream Transfer Agent, and "**Agents**" shall mean the Principal Paying Agent, the Paying Agents, the Registrar, the Exchange Agent, the Calculation Agent and the Transfer Agents, collectively.

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, London 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, as amended from time to time, 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, updated, modified and supplemented from time to time, 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 SA/NV ("**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.

For so long as The Depository Trust Company ("**DTC**") or its nominee is the registered owner or holder of a Registered Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Registered Global Note for all purposes except to the extent that in accordance with DTC's published rules and procedures any ownership rights may be exercised by its participants or beneficial owners through participants.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, as the case may be. References to DTC, 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 DTC, 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 DTC, Euroclear or Clearstream, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement. Transfers of a Registered Global Note registered in the name of a nominee for DTC shall be limited to transfers of such Registered Global Note, in whole but not in part, to another nominee of DTC or to a successor of DTC or such successor's nominee.

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.

2.5 Transfers of Interests in Regulation S Global Notes

Transfers by the holder of, or of a beneficial interest in, a Regulation S Global Note to a transferee in the United States will only be made:

(i) upon receipt by the Registrar of a written certification substantially in the form set out in Schedule 7 to the Agency Agreement, amended as appropriate (a "**Transfer Certificate**"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Note or beneficial interest therein to the effect that such transfer is being made:

(A) to a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; or

(B) to a person who is an Institutional Accredited Investor;

together with, in the case of (B), a duly executed investment letter from the relevant transferee substantially in the form set out in Schedule 8 to the Agency Agreement (an "**IAI Investment Letter**") and such other satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States; or

(ii) otherwise pursuant to an effective registration statement under the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States, and,

in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

In the case of Condition 2.5(i)(A) above, such transferee may take delivery through a Legended Note in global or definitive form and, in the case of Condition 2.5(i)(B) above, such transferee may take delivery only through a Legended Note in definitive form. After expiry of the Distribution Compliance Period, if applicable, (i) beneficial interests in Regulation S Global Notes registered in the name of a nominee for DTC may be held through DTC directly, by a participant in DTC, or indirectly through a participant in DTC and (ii) such certification requirements will no longer apply to such transfers.

2.6 Transfers of Interests in Legended Notes

Transfers of Legended Notes or beneficial interests therein may be made:

(i) to a transferee who takes delivery of such interest through a Regulation S Global Note, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made in accordance with Regulation S and that in the case of a Regulation S Global Note registered in the name of a nominee for DTC, if such transfer is being made prior to expiry of the applicable Distribution Compliance Period, the interests in the Notes being transferred will be held immediately thereafter through Euroclear and/or Clearstream; or

(ii) to a transferee who takes delivery of such interest through a Legended Note:

(A) where the transferee is a person whom the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, without certification; or

(B) where the transferee is an Institutional Accredited Investor, subject to delivery to the Registrar of a Transfer Certificate from the transferor to the effect that such transfer is being made to an Institutional Accredited Investor, together with a duly executed IAI Investment Letter from the relevant transferee and such other satisfactory evidence as the Issuer may reasonably require from the transferor, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction;

(iii) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or

(iv) pursuant to an effective registration statement under the Securities Act,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Notes transferred by Institutional Accredited Investors to QIBs pursuant to Rule 144A or outside the United States pursuant to Regulation S will be eligible to be held by such QIBs or non-U.S. investors through DTC, Euroclear or Clearstream, as appropriate, and the Registrar will arrange for any Notes which are the subject of such a transfer to be represented by the appropriate Registered Global Note, where applicable.

Upon the transfer, exchange or replacement of Legended Notes, or upon specific request for removal of the legend (the "**Legend**") applicable to Legended Notes, the Registrar shall deliver only Legended Notes or refuse to remove such Legend, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the Legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

2.7 Exchanges of Registered Notes Generally

Holders of Registered Notes in definitive form, other than Institutional Accredited Investors, may exchange such Notes for interests in a Registered Global Note of the same type at any time.

2.8 Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered:

(i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note;

(ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 7.4;

(iii) after any such Note has been called for redemption; or

(iv) during the period of seven days ending on (and including) any Record Date.

2.9 Definitions

In these Conditions, the following expressions shall have the following meanings:

"**Distribution Compliance Period**" means the period that ends 40 days after the completion of the distribution of each Tranche of Notes, as certified by the relevant Dealer (in the case of a non-syndicated issue) or the relevant Lead Manager (in the case of a syndicated issue);

"**Institutional Accredited Investor**" means an institutional investor that qualifies as an "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act);

"**Legended Note**" means Registered Notes in definitive form that are issued to Institutional Accredited Investors and Registered Notes (whether in definitive form or represented by a Registered Global Note) sold in private transactions to QIBs in accordance with the requirements of Rule 144A;

"**QIB**" means a "qualified institutional buyer" within the meaning of Rule 144A;

"**Regulation S**" means Regulation S under the Securities Act;

"**Regulation S Global Note**" means a Registered Global Note representing Notes sold outside the United States in reliance on Regulation S;

"**Rule 144A**" means Rule 144A under the Securities Act;

"**Rule 144A Global Note**" means a Registered Global Note representing Notes sold in the United States to QIBs; and

"**Securities Act**" means the United States Securities Act of 1933, as amended.

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 (U.S.$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 designated authorised dealer bank ("**AD Bank**") pursuant to the ECB Guidelines 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 AD Bank pursuant to the ECB Guidelines 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:

(A) the number of days in such Determination Period; and

(B) 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 AD Bank pursuant to the ECB Guidelines 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 AD Bank pursuant to the ECB Guidelines 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 AD Bank pursuant to the ECB Guidelines 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:

(A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366; and

(B) 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:

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

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:

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

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 Benchmark discontinuation

(a) Independent Adviser

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5.3(b)) and, in either case, an Adjustment Spread if any (in accordance with Condition 5.3(c)) and any Benchmark Amendments (in accordance with Condition 5.3(d)).

An Independent Adviser appointed pursuant to this Condition 5.3 shall act in good faith and in a commercially reasonable manner as an expert and in consultation with the Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Principal Paying Agent, the Paying Agents, or the Noteholders, the Receiptholders or the Couponholders for any determination made by it, pursuant to this Condition 5.3.

If:

(i) the Issuer is unable to appoint an Independent Adviser; or

(ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5.3(a) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest.

Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this Condition 5.3(a) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.3(a).

(b) Successor Rate or Alternative Rate

If the Independent Adviser, determines that:

(i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5.3(c)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5.3); or

(ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5.3(c)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5.3).

(c) Adjustment Spread

If the Independent Adviser determines:

(i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be); and

(ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(d) ***Benchmark Amendments***

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5.3 and the Independent Adviser, determines:

(i) that amendments to these Conditions and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**"); and

(ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5.3(e), without any requirement for the consent or approval of Noteholders, vary these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Principal Paying Agent of a certificate signed by two directors of the Issuer pursuant to Condition 5.3(e), the Principal Paying Agent shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments, provided that the Principal Paying Agent shall not be obliged so to concur if in the opinion of the Principal Paying Agent doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Principal Paying Agent in these Conditions in any way.

In connection with any such variation in accordance with this Condition 5.3(d), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(e) ***Notices, etc.***

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5.3 will be notified promptly by the Issuer to the Principal Paying Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 14, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Principal Paying Agent of the same, the Issuer shall deliver to the Principal Paying Agent a certificate signed by two directors of the Issuer:

(a) confirming:

  (i) that a Benchmark Event has occurred;

  (ii) the Successor Rate or, as the case may be, the Alternative Rate and;

  (iii) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5.3; and

(b) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread.

The Principal Paying Agent shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the

Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Principal Paying Agent's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Principal Paying Agent, the Calculation Agent, the Paying Agents and the Noteholders.

(f) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Condition 5.3 (a), (b), (c) and (d), the Original Reference Rate and the fallback provisions provided for in Clauses 8.2(b) and (c) of the Agency Agreement will continue to apply unless and until a Benchmark Event has occurred.

(g) Definitions:

As used in this Condition 5.3:

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders, Receiptholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(ii) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged);

(iii) the Independent Adviser, determines to be appropriate.

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser, determines in accordance with Condition 5.3(b) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"**Benchmark Amendments**" has the meaning given to it in Condition 5.3(d).

"**Benchmark Event**" means:

(1) the Original Reference Rate ceasing be published for a period of at least five Business Days or ceasing to exist; or

(2) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(3) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or

(4) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes, in each case within the following six months; or

(5) it has become unlawful for any Paying Agent, Calculation Agent the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5.3(a).

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

5.4 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 AD Bank pursuant to the ECB Guidelines or any other statutory or regulatory authority.

5.5 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 AD Bank pursuant to the ECB Guidelines or any other regulatory authority.

5.6 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.

5.7 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) 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

(b) 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, in respect of Notes clearing through Euroclear and Clearstream, a day on which Euroclear and Clearstream are open for business and, in respect of Notes clearing through DTC, a day on which DTC is 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, Clearstream and DTC 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.

All amounts payable to DTC or its nominee as registered holder of a Registered Global Note in respect of Notes denominated in a Specified Currency other than U.S. dollars shall be paid by transfer by the Registrar to an account in the relevant Specified Currency of the Exchange Agent on behalf of DTC or its nominee for payment in such Specified Currency for conversion into U.S. dollars in accordance with the provisions of the Agency Agreement.

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, Clearstream or DTC as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear, Clearstream or DTC, 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; and

(c) in the case of any payment in respect of a Registered Global Note denominated in a Specified Currency other than U.S. dollars and registered in the name of DTC or its nominee and in respect of which an accountholder of DTC (with an interest in such Registered Global Note) has elected to receive any part of such payment in U.S. dollars, a day other than a Saturday or Sunday or any other day on which commercial banks are not authorized or required by law or regulation to be closed in New York City.

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 7.5); 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, (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, and (iii) any withholding or deduction required pursuant to Section 871(m) of the Code ("**871(m) Withholding**"). In addition, in determining the amount of 871(m) Withholding imposed with respect to any amounts to be paid on the Notes, the Issuer shall be entitled to withhold on any "dividend equivalent" (as defined for purposes of Section 871(m) of the Code) at the highest rate applicable to such payments regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law.

Payments on the Notes that reference U.S. securities or an index that includes U.S. securities may be calculated by reference to dividends on such U.S. securities that are reinvested at a rate of 70%. In such case, in calculating the relevant payment amount, the holder will be deemed to receive, and the Issuer will be deemed to withhold, 30% of any dividend equivalent payments (as defined in Section 871(m) of the Code) in respect of the relevant U.S. securities. The Issuer will not pay any additional amounts to the holder on account of the Section 871(m) amount deemed withheld.

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 a.m. to 3 p.m., 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 7.5 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 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 Redemption at the Option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having given:

(a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and

(b) not less than 15 days before the giving of the notice referred to in Condition 7.4(a), notice to:

  (i) the Principal Paying Agent; and

  (ii) in the case of a redemption of Registered Notes, the Registrar,

(which notices shall specify the date fixed for redemption and which shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and/or not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will:

(i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot not more than 30 days prior to the date fixed for redemption; and

(ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream and/or, as the case may be, DTC.

In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

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.

7.5 Early Redemption Amounts

For the purpose of Condition 7.2 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:

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

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.

7.6 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 7.5 above.

7.7 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.

7.8 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.

7.9 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 7.8 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.

7.10 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 7.5(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 approval received by the Issuer from the RBI or AD Bank pursuant to the ECB Guidelines or any other statutory or regulatory authority.

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 19.4 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,

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);

(c) so long as any of the Registered Global Notes denominated in a Specified Currency other than U.S. dol-lars are held through DTC or its nominee, there will at all times be an Exchange Agent; and

(d) so long as the Notes are listed on the SGX-ST, the India INX or the NSE IFSC, if the Notes are issued in definitive form, (i) in relation to Notes listed on the SGX-ST, there will at all times be a Paying Agent in Singapore unless the Issuer obtains an exemption from the SGX-ST, and (ii) the Issuer will make through the SGX ST, the India INX or the NSE IFSC, an announcement of the exchange that will include all material information with respect to the delivery of the Notes issued in definitive form, including, in relation to Notes listed on the SGX-ST, details of the paying agent in Singapore.

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 and/or DTC, 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 and/or DTC 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 and/or DTC.

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 and/or DTC, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream and/or DTC, 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 (except as a result of any modification contemplated in Condition 5.3) 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 or proven error or to comply with mandatory provisions of 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 PROVISION OF INFORMATION

The Issuer has covenanted for the benefit of the Noteholders, Receiptholders and Couponholders that for so long as any Notes remain outstanding and are "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any Noteholder, Receiptholder or Couponholder of, or beneficial owner of an interest in, such Notes, Receipts or Coupons in connection with any resale thereof and to any prospective purchaser designated by such Noteholder, Receiptholder or Couponholder or beneficial owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

18 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.

19 GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 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.

19.2 Submission to jurisdiction

(a) Subject to Condition 19.2(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 19.2, 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 19.2 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.

19.3 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.

19.4 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.

CAPITALIZATION

The following table sets forth our unconsolidated capitalization and indebtedness as of June 30, 2018. This table should be read in conjunction with our reviewed unconsolidated financial statement as of June 30, 2018 (which has been prepared in accordance with Ind-AS) included elsewhere in this Offering Circular, and the notes presented therein.

	As of June 30, 2018	
	(Rs. in million)	**(U.S.$ in million)[2]**
Debt:		
Current liabilities[1]		
Financial liabilities		
(i) Borrowings	60,283.7	879.1
(ii) Other financial liabilities	428,838.5	6,253.5
Provisions	653.4	9.5
Current tax liabilities (net)	613.3	8.9
Other current liabilities	201.4	2.9
Total current liabilities	490,590.3	7,153.9
Non-current liabilities		
Financial liabilities		
(i) Borrowings	1,595,102.7	23,260.6
(ii) Other financial liabilities	41,325.5	602.6
Provisions	1,368.7	20.0
Total non-current liabilities	1,637,796.9	23,883.2
Shareholders' funds:		
Equity share capital[3]	19,749.2	288.0
Other equity	305,029.1	4,448.1
Total capitalization	**324,778.3**	**4,736.1**

Notes:

(1) Current liabilities are liabilities payable within the 12 months following June 30, 2018.

(2) U.S. dollar translations have been made using the exchange rate of U.S.$1.00 = Rs.68.5753 as of June 29, 2018, based on the reference rate of the RBI prevailing at that date.

(3) As of June 30, 2018, our authorized 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.

Our total unconsolidated contingent liabilities as of March 31, 2018 amounted to Rs. 1,081.8 million (U.S.$ 15.8 million).

There has been no significant change to our total unconsolidated capitalization and indebtedness since June 30, 2018.

SELECTED FINANCIAL AND OTHER DATA

The following tables present our selected financial and other data. The selected financial data as of and for each of the financial years ended March 31, 2016, 2017 and 2018 is derived from our consolidated audited financial statements for those periods and as of the dates indicated, as included elsewhere in this Offering Circular, which have been prepared and presented in accordance with Indian GAAP (which may differ in material respects from generally accepted accounting principles in other jurisdictions), the accounting standards referred to in Sub Section (2) of Companies Act 2013 and the other applicable provisions of the Companies Act. The selected financial data as of and for the three-month period ended June 30, 2018 and 2017 is derived from our reviewed unconsolidated financial statements as of and for the three-month period ended June 30, 2018, as included elsewhere in this Offering Circular, which have been prepared in accordance with Ind-AS.

Our unaudited unconsolidated statements of profit and loss for the three months ended June 30, 2018 and 2017 have been reviewed in accordance with SRE-2410 "Review of Interim Financial Information performed by the Independent Auditor of the entity", issued by the ICAI. Our unaudited unconsolidated balance sheet as at June 30, 2018 and 2017 has been reviewed in accordance with SRS-810 "Standard on Engagement to Compile Financial Information" issued by the ICAI. The reviewed financial statements as of and for the three-month period ended June 30, 2018 contain all adjustments that our management believes are necessary for the fair presentation of such information. Results for interim periods are not indicative of results for the full year.

The selected financial data below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and the notes to those statements included elsewhere in this Offering Circular.

Comparability of Results

The comparability of our consolidated and unconsolidated results of operations for the financial year ended March 31, 2017 has been significantly impacted by certain events. Certain financial information in the financial statements for the financial year ended March 31, 2017 were regrouped or reclassified under the financial statements for the financial year ended March 31, 2018, in order to conform to the current classification under Indian GAAP. As such, the financial information for the financial year ended March 31, 2017 contained in this Offering Circular has been taken or derived from the financial statements for the financial year ended March 31, 2018, unless stated otherwise. As a result, these figures may not be entirely comparable to the financial information relating to the financial year ended March 31, 2016.

Selected Income Statement Information for Fiscal 2016, Fiscal 2017 and Fiscal 2018

	Year ended March 31, 2018	Year ended March 31, 2017[(1)]	Year ended March 31, 2016
		(audited, consolidated)	
		(Rs. in millions)	
Income			
Revenue from Operations	230,544.2	241,949.2	240,128.8
Other Income	469.8	1,663.1	1,170.5
Total Income (I+II)	**231,014.0**	**243,612.3**	**241,299.3**
Expenses			
Finance Costs	138,595.9	134,615.9	142,823.5
Employee Benefits Expense	1,984.6	1,927.5	1,431.9

	Year ended March 31, 2018	Year ended March 31, 2017[1]	Year ended March 31, 2016
Depreciation & Amortization	695.9	403.3	196.7
Corporate Social Responsibility Expenses	509.4	689.4	1,202.9
Other Expenses	2,852.9	2,205.8	1,643.9
Provisions and Contingencies	14,210.6	11,103.1	10,961.8
Purchases of Stock-in-Trade	3,285.3	2,731.2	2,236.0
Changes in inventories of Stock-in-Trade & Work-in-Progress.	(533.2)	227.6	(667.9)
Impairment losses on financial assets	-	-	-
Total Expenses (IV)	**161,601.4**	**153,903.8**	**159,828.8**
Profit before Prior Period Items & Tax (III-IV)	69,412.6	89,708.5	81,470.5
Prior Period Items	**0.20**	**(15.1)**	**3.9**
Profit before Tax (V-VI)	69,412.4	89,723.6	81,466.6
Tax Expense			
Current period	22,121.7	26,483.7	25,168.5
Earlier periods/ (Refunds)	122.1	(277.9)	(27.7)
Deferred Tax	274.0	384.1	-588.4
Total Tax Expense (i+ii+iii)	**22,517.8**	**26,589.9**	**24,552.4**
Profit for the period from Continuing Operations (VII-VIII)	**46,894.6**	**63,133.7**	**56,914.2**
Profit from Discontinuing Operations (after tax)	**-**	**-**	**-**
Profit for the period (IX+X)	**46,894.6**	**63,133.7**	**56,914.2**
Earnings per Equity Share (in Rs. for an equity share of Rs.10 each)			
Basic	**23.75**	**31.97**	**28.82**
Diluted	**23.75**	**31.97**	**28.82**

Notes:

(1) In relation to the comparability of certain financial information, see the section entitled “Comparability of Results” above.

Selected Income Statement Information for the three-month period ended June 30, 2017 and June 30, 2018

	Three months ended June 30, 2017	Three months ended June 30, 2018
	(reviewed, unconsolidated)	
(Rs. in millions)		
Income		
Revenue from Operations	56,268.5	57,385.9
Other Income	11.6	5,804.2
Total Revenue (I+II)	**56,280.1**	**63,190.1**

	Three months ended June 30, 2017	Three months ended June 30, 2018
Expenses		
Finance Costs	31,865.5	36,280.5
Employee Benefits Expense	565.0	431.8
Depreciation & Amortization	12.9	15.9
Corporate Social Responsibility Expenses	53.4	474.7
Other Expenses	2,544.2	3,560.4
Impairment losses on financial assets	7,229.9	1,318.4
Total Expenses (IV)	**42,270.9**	**42,081.7**
Profit before Tax (III-IV)	14,009.2	21,108.4
Tax Expense		
Current period.	5,728.7	3,441.4
Deferred Tax.	(2,479.1)	2,980.0
Total Tax Expense (i+ii)	**3,249.6**	**6,421.4**
Net Profit/(loss) for the year	**10,759.6**	**14,687.0**
Other comprehensive Income/(Loss)		
(i) Items that will not be reclassified to profit or loss		
Changes in Fair Value FVOCI Equity Instruments	(153.9)	(714.4)
Income tax relating to these items	-	(8.3)
Other comprehensive Income/(Loss) for the period	**(153.9)**	**(722.7)**
Total comprehensive Income/(Loss) for the period	**10,605.7**	**13,964.3**
Earnings per Equity Share (in Rs. for an equity share of Rs.10 each)		
Basic	**5.45**	**7.44**
Diluted	**5.45**	**7.44**

Selected Balance Sheet Information as at March 31, 2016, March 31, 2017 and March 31, 2018

Particulars	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016
		(audited, consolidated)	
		(Rs. in millions)	
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	19,749.2	19,749.2	9,874.6
Reserves and Surplus	338,973.8	316,956.4	279,059.4
Total Shareholder' Funds	358,723.0	336,705.6	288,934.0
Share Application Money pending Allotment	313.9	-	-
Non-Current Liabilities			
Long-term Borrowings	1,614,347.8	1,496,808.9	1,387,838.5
Deferred Tax Liabilities (Net)	657.3	399.2	475.4

Particulars	As at March 31, 2018	As at March 31, 2017	As at March 31, 2016
Other Long-term Liabilities................	40,384.6	134.2	100.1
Long-term Provisions	13,405.7	18,494.7	12,955.4
Total Non-Current Liabilities	1,668,795.4	1,515,837.0	1,401,369.4
Current Liabilities			
Short-term Borrowings	57,279.0	1,109.8	64,607.7
Trade Payables	4,486.4	1,603.9	1,179.6
Other Current Liabilities	394,265.4	245,249.9	304,774.3
Short-term Provisions	2,524.0	1,943.0	8,584.2
Total Current Liabilities	458,554.8	249,906.6	379,145.8
TOTAL	**2,486,387.1**	**2,102,449.2**	**2,069,449.2**
ASSETS			
Non-current Assets			
Fixed assets			
Tangible Assets	4,241.4	3,541.1	2,530.5
Intangible Assets	101.6	7.4	10.3
Capital work-in-progress....................	5,300.7	1,641.3	768.4
Intangible Assets under Development	14.6	14.6	12.1
	9,658.3	5,204.4	3,321.3
Non-current Investments	23,968.7	24,325.7	22,021.4
Long-term Loans & Advances...........	2,064,952.8	1,773,515.8	1,577,968.2
Other Non-current Assets	47,439.2	3,940.7	1,092.6
Total Non-Current Assets	2,146,019.0	1,806,986.6	1,604,403.5
Current Assets			
Current Investments	1,838.5	1,843.6	1,494.1
Inventories	1,024.8	511.8	667.9
Trade Receivables	5,418.6	4,384.0	2,318.9
Cash & Bank Balances	23,682.4	46,507.9	18,640.8
Short-term Loans & Advances	57,020.7	36,187.2	8,093.7
Other Current Assets	251,383.1	206,028.1	433,830.3
Total Current Assets	340,368.1	295,462.6	465,045.7
TOTAL	**2,486,387.1**	**2,102,449.2**	**2,069,449.2**

Selected Balance Sheet Information as at June 30, 2017 and June 30, 2018

Particulars	As at June 30, 2017	As at June 30, 2018
	(reviewed, unconsolidated)	
	(Rs. in millions)	
EQUITY AND LIABILITIES		
Shareholders' Funds		
Equity Share Capital...	19,749.2	19,749.2
Other equity..	296,002.9	305,029.1
Total equity..	315,752.1	324,778.3

Particulars	As at June 30, 2017	As at June 30, 2018
Non-Current Liabilities		
Financial Liabilities		
(i) Borrowings	1,490,180.4	1,595,102.7
(ii) Other financial liabilities	2,407.0	41,325.5
Provisions	1,516.2	1,368.7
Total Non-Current Liabilities	1,494,103.6	1,637,796.9
Current Liabilities		
Financial Liabilities		
(i) Borrowings	14,842.3	60,283.7
(ii) Other financial liabilities	241,875.9	428,838.5
Provisions	595.9	653.4
Current tax liabilities (net)	2,456.8	613.3
Other current liabilities	85.9	201.4
Total Current Liabilities	259,856.8	490,590.3
TOTAL	**2,069,712.5**	**2,453,165.5**
ASSETS		
Non-current Assets		
Property, Plant & Equipment	1,200.1	1,392.2
Capital Work-in-Progress	732.1	1,342.7
Investment Property	0.1	0.1
Intangible Assets	3.4	48.8
Intangible Assets under Development	14.6	19.1
Financial Assets		
(i) Investments	27,866.9	26,448.0
(ii) Loans	1,788,125.6	2,020,838.8
(iii) Other financial assets	4,137.0	47,439.9
Deferred tax assets (net)	24,254.6	25,851.3
Other non-current Assets	501.5	447.7
Total Non-Current Assets	1,846,835.9	2,123,828.6
Current Assets		
Financial Assets		
(i) Investments	2,979.1	1,459.9
(ii) Cash and cash equivalents	9,358.9	3,632.9
(iii) Other bank balances	4,628.8	24,723.6
(iv) Loans	204,399.0	291,080.8
(v) Other financial assets	1,445.6	8,421.4
Other current Assets	65.2	18.3
Total Current Assets	222,876.6	329,336.9
TOTAL	**2,069,712.5**	**2,453,165.5**

Selected Cash Flow Information for Fiscal 2016, Fiscal 2017 and Fiscal 2018

	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2016
	(audited, consolidated)		
	(Rs. in millions)		
Cash Flow from Operating Activities			
Net Profit before Tax	69,412.4	89,723.6	81,466.6
Adjustments for:			
Profit / Loss on Sale of Fixed Assets	5.6	5.2	3.8
Depreciation & Amortization	695.9	396.9	196.7
Provisions and Contingencies	14,158.3	11,103.1	10,961.8
Interest on Commercial Paper	1,356.0	3,004.6	2,859.1
Interest Expense of Misc. Borrowings	299.1	157.9	39.0
Excess Provision written back	(7.1)	(14.2)	(0.9)
Gain on Changes in Fair Value of Interest Rate Swaps	-	-	-
Profit on sale/redemption of investments	-	(797.5)	(122.9)
Loss/ Gain(-) on Exchange Rate fluctuation.	616.5	473.7	6,661.3
Dividend from Investments	(268.5)	(631.5)	(23.7)
Interest on Long-term Investments/ Govt. Securities	(2,318.7)	(2,392.2)	(957.6)
Provision made for Interest on Advance Income Tax	55.3	28.2	-
Provision in respect of Amounts recoverable	61.9	-	-
Discount on Bonds written off.	16.6	1.4	39.9
Interest Accrued on Zero Coupon Bonds	895.0	824.5	761.7
Operating profit before Changes in Operating Assets & Liabilities	84,978.3	101,883.7	101,884.8
Increase/Decrease:			
Loan Assets	(374,746.4)	(6,503.8)	(217,333.5)
Other Operating Assets	(43,663.7)	(1,773.4)	(2,299.5)
Operating Liabilities	48,764.3	138.7	10,299.0
Cash flow from Operations	(284,667.5)	93,745.2	(107,449.2)
Income Tax Paid (including TDS)	(22,137.7)	(25,920.7)	(25,750.9)
Income Tax refund	25.7	220.7	420.0
Net Cash Flow from Operating Activities	(306,779.5)	68,045.2	(132,780.1)
Cash Flow from Investing Activities			
Sale of Fixed Assets	1.4	0.6	8.5
Purchase of Fixed Assets (incl. CWIP, Intangible Assets under development & Capital Advances)	(5,062.9)	(2,031.9)	(2,594.1)
Investment in shares of Energypro Assets Limited	(565.4)	(6.0)	-
Investment in 11.15% Additional Tier-1 Perpetual Bonds of Indian Bank	-	-	(5,000.0)
Investment in 11.25% Additional Tier-1 Perpetual Bonds of Vijaya Bank	-	-	(5,000.0)
Investment in 11.25% Additional Tier-1 Perpetual Bonds of Syndicate Bank	-	-	(5,000.0)
Investment in shares of NHPC Ltd. (net of sale)	-	(4,008.0)	-
Investment in shares of HUDCO Ltd	(20.8)	-	-
Redemption of 8% Government of Madhya Pradesh Power Bonds-II	943.2	943.2	943.2
Redemption of Bonds of UP Power Corporation Ltd	-	766.5	7,625.3
Profit on sale/redemption of investments	-	797.5	122.9

	Year ended March 31, 2018	Year ended March 31, 2017	Year ended March 31, 2016
Interest on Long term Investments/ Govt. Securities	2,324.9	2,424.3	1,149.6
Dividend from Investments..	397.7	665.4	30.5
Investment in Shares of Fellow Subsidiary Companies	1.0	0.5	(1.0)
Investment in Tax Free Bonds/Others...................................	-	-	(262.8)
Fixed Deposit made during the year......................................	(2,125.8)	(381.2)	(12.5)
Fixed Deposit matured during the year	464.0	169.5	433.4
Investments in CP/CDs (Net)..	(290.0)	(350.0)	-
Investment in Intangible Assets	-	-	-
Net Cash Flow from Investing Activities..............................	(3,932.7)	(1,009.6)	(7,557.0)
Cash Flow from Financing Activities			
Issue of Shares including Share Application Money	313.9	313.9	-
Issue of Bonds (Net of redemptions)	195,585.5	58,716.6	149,692.8
Raising of Term Loans/ STL from Banks/ FIs (Net of repayments)	182.7	(8,810.4)	(3,086.5)
Raising of Foreign Currency Loan (Net of redemptions and inclusive of related derivative payments)	83,604.1	(8,333.3)	(26,075.6)
Funds received from GOI for further disbursement as Subsidy/ Grant including interest (Net of refund)	106,352.4	80,271.5	44,365.2
Disbursement of grants.	(105,639.1)	(80,396.6)	(46,914.5)
Repayment of Government Loan.	-	-	(30.7)
Payment of Dividend on Equity Shares	(19,977.1)	(18,894.3)	(14,515.6)
Payment of Corporate Dividend Tax	(4,049.4)	(3,846.6)	(2,955.1)
Interest Paid on Misc. Borrowings	(299.1)	(157.3)	(39.0)
Premium on issue of securities	-	-	2.8
Issue of Commercial Paper (Net of repayments)	30,148.4	(58,331.6)	52,467.9
Net Cash Flow from Financing Activities	286,222.3	(39,468.1)	152,911.7
Net Increase/Decrease in Cash and Cash Equivalents	(24,489.9)	27,567.5	12,574.6
Cash & Cash Equivalents as at the beginning of the year	45,802.8	18,235.9	5,591.0
Cash & Cash Equivalents as at the end of the year	21,312.9	45,803.4	18,165.6

Selected Cash Flow Information for the three-month period ended June 30, 2017 and June 30, 2018

	Three months ended June 30, 2017	Three months ended June 30, 2018
	(reviewed, unconsolidated)	
	(Rs. in millions)	
Cash Flow from Operating Activities		
Net Profit before Tax.	14,009.2	21,108.4
Adjustments for:		
Profit / Loss on Sale of Fixed Assets	0.9	1.8
Depreciation & Amortization..	12.9	15.9
Interest on Commercial Paper...	75.0	580.8
Loss/ Gain(-) on Exchange Rate fluctuation	564.4	3,576.6
Interest on Long-term Investments/ Govt. Securities	(540.0)	(521.1)
Interest Accrued on Zero Coupon Bonds	221.3	234.6
Impairment losses on financial assets	7,229.9	1,318.4
Adjustments in respect of Effective Interest Rate	300.8	(36.3)
Changes in fair value of derivatives	(133.0)	(7,643.1)
Operating profit before Changes in Operating Assets & Liabilities..	21,741.4	18,636.0
Increase/Decrease:		

	Three months ended June 30, 2017	Three months ended June 30, 2018
Loan Assets	(58,737.5)	(24,636.5)
Other Operating Assets..	(5,824.1)	(9,595.1)
Operating Liabilities	1,431.7	2,569.4
Cash flow from Operations...	**(41,388.5)**	**(13,026.2)**
Income Tax Paid (including TDS)	(2,895.7)	(2,617.9)
Income Tax refund	13.5	-
Net Cash Flow from Operating Activities	(44,270.7)	(15,644.1)
Cash Flow from Investing Activities		
Sale of Property, Plant & Equipment	0.1	0.6
Purchase of Fixed Assets (incl. CWIP, Intangible Assets under development & Capital Advances)	(150.0)	(239.2)
Investment in shares of HUDCO Ltd	(20.8)	-
Interest on Long term Investments/ Govt. Securities	146.6	146.6
Investments in CP/CDs (Net)..	(1,500.3)	-
Investment in Intangible Assets	(0.4)	(4.5)
Net Cash Flow from Investing Activities	(1,524.8)	(96.5)
Cash Flow from Financing Activities		
Issue of Bonds (Net of redemptions)	4,127.6	(4,594.9)
Raising of Term Loans/ STL from Banks/ FIs (Net of repayments)...	-	4,160.0
Raising of Foreign Currency Loan (Net of redemptions and inclusive of related derivative payments)	(12,736.4)	(854.6)
Funds received from GOI for further disbursement as Subsidy/ Grant including interest (Net of refund)	10,099.4	48,591.4
Disbursement of grants	(5,763.0)	(30,104.7)
Issue of Commercial Paper (Net of repayments)	14,767.3	-
Net Cash Flow from Financing Activities.............................	10,494.9	17,197.2
Net Increase/Decrease in Cash and Cash Equivalents......	(35,300.6)	1,456.6
Cash & Cash Equivalents as at the beginning of the year......	44,659.5	2,120.0
Cash & Cash Equivalents as at the end of the year	9,358.9	3,576.6

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Offering Circular. You should also read the section titled "Risk Factors" in this Offering Circular, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. This discussion also contains forward looking statements and you should refer to the section "Forward-Looking Statements" in this Offering Circular.

The following discussion relates to the audited consolidated financial statements of the Group for Fiscal 2016, 2017 and 2018 that have been prepared in accordance with Indian GAAP, the accounting standards referred to in Sub Section (2) of Section 2 of Companies Act 2013 (the ***Companies Act****) and the other applicable provisions of the Companies Act. In addition, this discussion relates to the unaudited unconsolidated financial statements of the Company for the three months ended June 30, 2017 and 2018, that have been prepared in accordance with Ind-AS and which have been subjected to a limited review. Our unaudited unconsolidated statements of profit and loss for the three months ended June 30, 2017 and 2018 have been reviewed in accordance with SRE-2410 "Review of Interim Financial Information performed by the Independent Auditor of the entity", issued by the ICAI. Our unaudited unconsolidated balance sheet as at June 30, 2017 and 2018 has been reviewed in accordance with SRE-2410 "Review of Interim Financial Information performed by the Independent Auditor of the entity", issued by the ICAI. The following discussion, in relevant parts, is also based on internally prepared statistical information and on publicly available information.*

The financial or fiscal year of our Company ends on March 31 every year, so all references to a particular financial or fiscal year are to the twelve months ended March 31.

In relation to the comparability of certain financial information, see the section entitled "Comparability of Results" under "Selected Financial and Other Data" in this Offering Circular.

OVERVIEW

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

As at June 30, 2018, we have received 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.

For the fiscal years ended March 31, 2016, 2017 and 2018, our consolidated total revenue was Rs. 241,299.3 million, Rs. 243,612.3 million and Rs. 231,014.0 million respectively, and our consolidated profit for the year was Rs. 56,914.2 million, Rs. 63,133.7 million and Rs. 46,894.6 million respectively. For the three months ended June 30, 2017 and 2018, our unconsolidated total revenue was Rs. 56,280.1 million and Rs. 63,190.1 million respectively, and our unconsolidated profit for the period was Rs. 10,759.6 million and Rs. 14,687.0 million respectively.

Our total revenue for the year had a CAGR of 17.42%, 0.96% and -5.17% respectively during the three fiscal years ended March 31, 2016, 2017 and 2018. Our total profit for the year had a CAGR of 6.49%, 10.93% and -25.72% respectively during the three fiscal years ended March 31, 2016, 2017 and 2018.

FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our Company's financial results are dependent on the performance of the Indian economy and the power sector generally along with the projects that our Company finances in particular. Power sector projects are subject to various risks and uncertainties and as such our business is subject to the same, including those discussed in the section titled "Risk Factors" of this Offering Circular. Some of the important factors that have affected, and which may continue to affect our results of operations, financial condition and cash flows are discussed in this section.

Performance of the Indian Economy and Power Sector

Despite the global financial crisis in late 2008, India continued to show one of the highest annual real GDP growth rates in the world. The real GDP growth rate of India for the calendar year 2015, 2016 and 2017 amounted to 8.2%, 7.1% and 6.7%, respectively. (Source: IMF). According to the Reserve Bank of India and professional forecasters the real GDP growth is expected to be around 7.4% for the year 2018-19 and 7.6% for the year 2019-20. (Source: RBI Monetary Policy Report October 2018). The growth prospects of our business, including the quality of our assets and our ability to grow our asset portfolio and implement our strategy, are influenced by the growth rate of the economy as a whole. The level of credit disbursed and recovery of loans are affected by these factors. Any slowdown in the growth of the economy, coupled with inflationary pressures, could adversely impact our business.

Our Company's financial results are significantly affected by general economic conditions prevailing in India and, in particular, by developments in the power sector, including increases in the demand for power and expectations regarding power-related projects.

The Indian power sector is undergoing a significant change that has redefined the industry's outlook. While sustained economic growth continues to drive demand for electricity in India; the Government's focus on attaining 'Power for all' has further accelerated capacity addition in India. At the same time, competition is increasing in relation to both the supply of, and demand for, power related inputs including fuel, logistics, finances, and manpower. All the states and union territories of India are on board to fulfil the Government's vision of ensuring 24x7 affordable and quality power for all by March 2019, as per the MoP and the MNRE.

As of August 2018, the total installed capacity of power stations in India stood at 344.69 Gigawatt (**GW**) according to the executive summary on the power sector for August 2018 published by the Central Electricity Authority. The Government has identified the power sector as a key sector of focus so as to promote sustained industrial growth. Some initiatives of the Government mentioned in the aforesaid report to boost the Indian power sector are described below.

- As of September 2018, a draft amendment to the Electricity Act, 2003 was introduced which discusses, amongst others, the separation of content and carriage, direct benefit transfer of subsidies, 24x7 power supply as an obligation, penalization of violations of power purchase agreements and setting up of smart meters and prepaid meters, along with regulations related to the same. On September 7, 2018, the revised draft amendment was put forward by the MoP for comments. The amendment will come into effect 45 days after deliberations on the comments are concluded and therefore, it is uncertain as at the date of this Offering Circular as to whether such amendment will become effective.

- UDAY was launched by the Government to encourage an operational and financial turnaround of DISCOMS, with an aim to reduce AT&C losses to 15 per cent. by Fiscal 2019.

- The Government approved the National Policy on Biofuels – 2018. The expected benefits of this policy relate to health, a cleaner environment, employment generation, reduced import dependency, a boost to infrastructural investment in rural areas and additional income for farmers.

- The Government has released its roadmap to achieve an additional 175 GW capacity in renewable energy by 2022, which includes 100 GW of solar power and 60 GW of wind power. The Government is preparing a 'rent a roof' policy for supporting its target of generating GW through solar rooftop projects by 2022. The Government is taking a number of steps and initiatives, such as the 10-year tax exemption for solar energy projects, in order to achieve India's ambitious renewable energy targets of adding 175 GW of renewable energy, including the addition of 100 GW of solar power, by the year 2022. The Government has also sought to restart the stalled hydro power projects and increase the wind energy production target to 60 GW by 2022 from the current 20 GW.

Competition

The primary providers of power sector financing in India are power sector specific government companies, financial institutions, public sector banks and institutions, multilateral development institutions and private banks.

Our primary competitors are power sector specific government companies, engaged in power sector financing, including PFC. Such companies provide funds for power projects in India and act as developmental financial institutions for the power sector in India. Another competitor is the Indian Renewable Energy Development Agency Limited which promotes, develops and extends financial assistance for renewable energy, energy efficiency and energy conservation projects. In addition to power sector specific government companies, there are public sector banks and institutions, private sector banks, financial institutions, state level financial institutions and multilateral development financial institutions who also participate, either in a consortium or otherwise, in extending funding to the power sector.

We are exposed to the risk of increased and more aggressive competition from banks expanding their infrastructure finance operations across the markets in which we operate, resulting in margin pressures. We believe that our strong financial position, knowledge of the Indian power sector, consistent relationships with our customers and our role as a key strategic player in the Government's plans for growth of the power sector will enable us to remain competitive.

Availability of Cost Effective Funding Sources and Impact of Interest Rate Volatility

With the growth of our business, we are increasingly relying on funding from the debt capital markets and commercial borrowings. The market for such funds is competitive and our ability to obtain funds at competitive rates will depend on various factors including our ability to maintain our credit ratings. While our borrowing costs have been competitive in the past due to our credit rating and the quality of our asset portfolio, if we are unable to access funds at an effective cost that is comparable to or lower than our competitors, we may not be able to offer competitive interest rates for our loans. This may adversely affect our results of operations and financial condition.

Our operations are susceptible to interest rate movements. Interest rates are sensitive to many factors which are beyond our control, including the monetary policies of the RBI, de-regulation of the financial sector in India, domestic and international economic and political conditions, inflation and other factors. We are exposed to interest rate risks. In order to mitigate the same, we have a mix of long-term and short-term borrowings with both fixed and variable rates.

Credit Quality, Write-Offs and Provisions

The credit quality of our loans is a key driver of our results of operations, as quality loans help reduce the risk of losses from loan impairment. Credit risk is 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. The credit risk arises because of the quality of the loan portfolio and it is extremely important to control this risk in the infrastructure finance industry. Any inability to control such risk could adversely affect our financial results and operations.

Our NPA level is a function of our credit quality, which is further dependent upon our recovery mechanisms and credit appraisal processes. Our consolidated gross NPAs were 2.11%, 2.41% and 7.15% as at March 31, 2016, 2017 and 2018 respectively. The increase as at March 31, 2018 was due to the notification of ‘Revised Framework for Resolution of Stressed Assets’ by the RBI, which per se was not applicable to REC, being a NBFC. However, as a matter of prudence, loans amounting to Rs. 95,913.9 million as non-performing assets beginning in Fiscal 2018 were classified in line with the above circular. Accordingly, as at March 31, 2018, our gross NPAs stood at Rs. 171,284.2 million (7.15% of loan assets) and our net NPAs were Rs. 136,121.6 million (5.68% of loan assets). As at June 30, 2018, our gross NPAs on an unconsolidated basis were 8.12%. Without the impact of the above circular, our gross NPAs would have been Rs. 75,370.3 million (3.14% of loan assets) and our net NPAs would have been Rs. 49,799.1 million (2.07% of loan assets) as at March 31, 2018. We expect to continue to recognize non-performing assets in accordance with the foregoing RBI circular.

Our write-offs in respect of loan assets on a consolidated basis were nil as at March 31, 2016, 2017 and 2018 respectively. Our ability to continue to reduce or contain the level of our NPAs depend on a number of factors beyond our control, such as increased competition, economic conditions, including with respect to specific industries to which we are exposed, decreases in agricultural production, decline in commodity prices, adverse fluctuations in interest and exchange rates or adverse changes in Indian policies, laws or regulations and also on our ability to manage our risk. As at June 30, 2018, our write-offs on a standalone basis were nil.

Interest Rate Risk, Liquidity Risk and Foreign Currency Exchange Rate Risk

Please refer to the section entitled *“Assets and Liabilities – Risk Management – Risk Monitored under ALCO”* in this Offering Circular for more information on our exposure to interest rate risk, liquidity risk and foreign currency exchange rate risk and our management of such risks.

CERTAIN ACCOUNTING POLICIES

Unconsolidated Accounting Policies under Ind-AS

The unconsolidated financial statements of the Company as of and for the three months ended June 30, 2018 (the **interim financial statements**), included elsewhere in this Offering Circular have been prepared for the purpose of inclusion in this Offering Circular and comply with the recognition and measurement requirements of Ind-AS as notified by the MCA pursuant to section 133, of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time. The Company has uniformly applied the accounting policies during the periods presented. These are the Company's first interim financial statements prepared using recognition and measurement requirements of Ind-AS (see note 29 to the interim financial statements for an explanation of the Company’s transition to Ind-AS). Unless otherwise stated, all amounts are stated in millions of Rupees.

Summary of Significant Unconsolidated Accounting Policies Under Ind-AS

The interim financial statements have been prepared using the accounting policies and measurement basis summarized below.

Foreign Currency Translation

Functional and presentation currency

The interim financial statements are presented in Indian Rupees which is also the functional currency of the Company, since substantially the entire operational income and majority of its funding is denominated in Rupees.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss. However, for long-term monetary items recognized in the financial statements as at April 1, 2018, such gains and losses are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortized over the balance period of such long-term monetary item, by recognition as income or expense in each such period.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date).

Intangible Assets

Intangible assets comprise computer software which is initially measured at the acquisition cost thereof. All intangible assets with definite useful life are amortized on a straight-line basis over the estimated useful lives and a possible impairment is assessed if there is an indication that the intangible asset may be impaired. Residual values and useful lives for all intangible assets are reviewed at each reporting date. Changes, if any, are accounted for as changes in accounting estimates. The estimated useful life of computer software is five years.

Property, Plant and Equipment

Recognition of land and other tangible assets

Land held for use is initially recognized at cost. For land, as no finite useful life can be determined, related carrying amounts are not depreciated. Land also includes land held under finance lease, which is depreciated over the lease term. Property, plant and equipment other than land are initially recognized at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management.

The cost of property, plant and equipment under construction at the balance sheet date are disclosed as 'Capital-work-in-progress'. Advances paid for the acquisition or construction of property, plant and equipment which are outstanding at the balance sheet date are classified under 'Capital Advances'.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within 'other income' or 'other expenses' respectively.

Subsequent measurement and depreciation

Depreciation on assets is provided on a straight-line method in accordance with the useful lives under Schedule II to the Companies Act, 2013. Depreciation on assets purchased or 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 or sale. Leasehold land is amortized over the lease period. Material residual value estimates and estimates of useful life are updated as required, and in any case at least annually.

Leased Assets

Finance leases

Our management applies judgment in considering the substance of a lease agreement and whether the lessee receives substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value and whether the Company obtains ownership of the asset at the end of the lease term. Where the Company is a lessee in this type of arrangement, the related asset is recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance lease liability.

The assets held under finance leases are depreciated over the lease term. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding liability and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term, except where the increase is in line with general inflation. Associated costs, such as maintenance and insurance, are expensed as incurred.

Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are stated at cost less accumulated depreciation. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other repair and maintenance costs are recognized in the statement of profit and loss as incurred.

Subsequent measurement, depreciation and useful lives

Depreciation on investment properties is provided on a straight-line method, computed on the basis of useful lives prescribed under Part C of Schedule II to the Companies Act, 2013. The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

De-recognition

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss for the period in which the property is derecognized.

Impairment of Non-Financial Assets

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Intangible assets with an indefinite useful life are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessment of the time value of money and asset-specific risks factors.

Impairment losses for cash-generating units are charged pro rata to the non-financial assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount. Impairment losses relating to goodwill are not reversed in future periods.

Financial Instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. The subsequent measurement of financial assets and financial liabilities is described below. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- amortized cost;
- financial assets at fair value through profit or loss (**FVTPL**);
- financial assets at fair value through other comprehensive income (**FVOCI**);
- investments in equity shares of subsidiaries and joint ventures (carried at cost in accordance with Ind-AS 27).

All financial assets except for those at FVTPL of equity instruments at FVOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Amortized cost

A financial asset shall be measured at amortized cost using effective interest rates if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's loans and advances, security deposits, staff loans, cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. A loss allowance for expected credit losses is recognized on financial assets carried at amortized cost.

Modification of cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified, and the renegotiation or modification does not result in the de-recognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and shall recognizes a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (**EIR**). Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Expected credit loss

The Company has recognized impairment provisions based on the ECL model. The Company has applied the ECL model to all debt-type assets that are not measured at fair value through profit and loss or classified as fair value through other comprehensive income. The ECL method involves a probability-weighted estimate of credit losses and is calculated as the present value of all cash shortfalls. The Company calculates loss allowances by multiplying the 12 months probability of default by the total credit losses that would result from that default for the instruments that have not deteriorated significantly in credit quality since initial recognition or (where the optional low credit risk simplification is applied) that have low credit risk, based on assessed credit quality and recognized industry standards.

On the other hand, the Company recognizes lifetime expected credit losses for any assets which are not considered to have 'low' credit risk and where credit quality is considered to have significantly deteriorated. When determining whether the credit quality has significantly deteriorated, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort, and the corresponding increase in the probability of default.

Definition of default

The Company considers a financial asset to be in default when the borrower is 90 days past due on any material obligation to the Company, or when the Company considers that the borrower will be unlikely to pay its credit obligations to the Company in full. The Company considers qualitative and quantitative data of the borrower, received from both internal and external sources, to determine whether a borrower is in default. For assets where default has occurred, interest income is not recognized.

Incorporation of forward looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The estimates of probability of default are suitability adjusted by the Company based on the assessment of relevant economic variables.

Recovery rates

The Company estimates loss given default as the magnitude of the expected loss if there is a default. The Company considers the collateral type, coverage, structure of the instrument, and disposal costs of any collateral. Such estimates are adjusted based on the current economic conditions and expectations of future, and are discounted to their present values using the EIR. In cases where the Company does not have adequate internal data for estimation of expected credit losses, it uses external data, and engages with market experts.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either do not meet the criteria for amortized cost classification or are equity instruments held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments also fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements may apply. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at FVOCI

FVOCI financial assets comprise of equity instruments measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the FVOCI reserve within equity, except for dividend income, which is recognized in profit or loss.

Classification and subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognized in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL. All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss and are included within finance costs or finance income.

De-recognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at FVTPL. The Company does not apply hedge accounting.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments (with an original maturity of less than three months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax asset (**DTA**) is recognized for all deductible temporary differences, carry forward of unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary difference, and the carry forward of unused tax credits and unused tax losses can be utilized or to the extent of taxable temporary differences except:

(a) Where the DTA relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

(b) in respect of deductible temporary differences arising from investments in subsidiaries, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilized.

This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

Post-Employment Benefits and Short-Term Employee Benefits

Defined contribution plan

A defined contribution plan is a plan under which the Company pays fixed contributions into an independent fund administered by the Government. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The contributions to national pension schemes are charged to the profit or loss in the period to which the contributions relate.

Defined benefit plan

The defined benefit plans sponsored by the Company define the amount of the benefit that an employee will receive on completion of services by reference to length of service and last drawn salary. The legal obligation for any benefits remains with the Company. Gratuity is post-employment benefit and is in the nature of a defined benefit plan. The liability recognized in the financial statements in respect of gratuity is the present value of the defined benefit obligation net of fair value of plan assets at the reporting date, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated at or near the reporting date by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are credited or charged to the statement of OCI in the period in which such gains or losses are determined.

Other long-term employee benefits

Liability in respect of compensated absences becoming due or expected to be availed more than one-year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to statement of profit and loss in the period in which such gains or losses are determined.

Short-term employee benefits

Expense in respect of other short-term benefits is recognized on the basis of the amount paid or payable for the period during which services are rendered by the employee.

Government Grants

Government grants are only recognized if it is sufficiently certain that the assistance will be granted and the conditions attached to the assistance are satisfied. Where the grant relates to an asset value, it is recognized as deferred income, and amortized over the expected useful life of the asset. Other grants are recognized in the consolidated statement of profit and loss concurrent to the expenses to which such grants relate/ are intended to cover. The benefit of a Government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

In those cases where the outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized or disclosure is made. Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation (such as from insurance) is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

Income Recognition

Income from Government schemes

Income from agency fees on Government schemes is recognized on accrual basis on the basis of the services rendered.

Interest income

Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all financial assets measured at amortized cost (refer policy on financial instruments above), interest income is recorded using the EIR, the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets.

Dividend income

Income from dividends on shares of corporate bodies and units of mutual funds recognized on an accrual basis when the Company’s right to receive payment is established. In respect of final dividends, the right to receive payment is considered as established only upon approval of the dividend by the shareholders in an Annual General Meeting.

Other services

Income of the nature of processing fee, upfront fee, lead fee, fees/charges received under the mutatis - mutandis clause and pre-payment premium, which are not considered an adjustment to EIR are accounted for in the year in which it is received by the Company.

Fair Value Measurement

The Company measures financial instruments such as derivatives at fair value at each reporting date. Fair value is the price that would be received from the sale of an asset, or paid to transfer a liability, in a transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) in the principal market for the asset or liability, or

(b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefit by using the asset for its optimal use or by selling it to another market participant that would use the asset for its optimal use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(a) Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

(b) Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

(c) Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Consolidated Accounting Policies under Indian GAAP

Principles of Consolidation

Our consolidated audited financial statements as of and for each of the financial years ended March 31, 2016, 2017 and 2018 included elsewhere in this Offering Circular relate to the Company, its subsidiaries and joint ventures. Our consolidated financial statements have been prepared on the following basis:

(a) the financial statements of the Company and its subsidiaries 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 AS 21 – "Consolidated Financial Statements"; and

(b) the financial statements of any joint venture are combined by applying a 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 a proportionate share of unrealized profits or losses in accordance with 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.

Summary of Significant Accounting Policies under Indian GAAP

Except where otherwise noted, the discussion and analysis of our financial condition and results of operations are based upon our financial statements, which 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 September 13, 2013. The preparation of these financial statements requires us 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. We base our estimates on our historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amount values of assets and liabilities that are not readily apparent from other sources. The actual results could differ from these estimates, and difference between the actual results and estimates are recognized in the period in which such results materialize.

We believe that application of the following critical accounting policies entails the most significant judgments and estimates used in the preparation of our unconsolidated financial statements.

Income Recognition, Asset Classification and Provisioning

Income Recognition

(a) Income on NPA 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 the Company (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 agency fee on Government schemes is recognized on accrual basis on the basis of the services rendered.

(c) 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.

(d) Income from consultancy services is recognized based on proportionate completion method as per AS 9 – Revenue Recognition.

(e) Revenue from contracts is recognized:

(i) in cost-plus contracts by including eligible contractual items of expenditure plus proportionate margin as per the contract; and

(ii) in fixed-price contracts on the basis of the contractual price breakup of deliverables. In the absence of the same, at the cost of work performed on the contract plus proportionate margin using the percentage of completion method.

(f) Revenue from sale of goods is recognized at the time of delivery of goods to customers.

(g) Income from investments

(i) 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.

(ii) 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.

(iii) Income on securities of corporate bodies or public-sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by the Central Government or a State Government shall be taken into account on accrual basis.

Assets Classification

Our Company 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:

(a) 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.

(b) 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.

In case of under-implementation generation projects (other than hydro projects in the Himalayan region or those affected by natural disasters), the loan asset shall also be classified as NPA if it fails to commence commercial operations within two years (or up to four years (subject to certain conditions)) from the original date of commencement of commercial operations (**DCCO**) (as the case may be), depending upon the reasons of such delay.

For the purpose of classification of assets into standard, sub-standard, doubtful and loss categories, facilities shall be classified borrower-wise, except in the case of government sector loans, where cash flows from each project are separately identifiable and applied to the same project, and we classify such loans on project-wise basis.

NPAs are classified into Sub-Standard, Doubtful and Loss Assets, An NPA is an asset that is a substandard asset, a doubtful asset or a loss asset.

(c) *Sub-standard assets.*

A sub-standard asset is an asset which has been classified as an NPA for a period not exceeding 12 months. 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-scheduling 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 or 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 the longest period of moratorium under the terms of the restructuring package. Necessary provisioning is required to be made as applicable to such asset until it is upgraded.

(d) *Doubtful assets.*

A doubtful asset is defined as an asset which remains a substandard asset for a period exceeding 12 months.

(e) *Loss assets*. A loss asset is defined as:

(i) 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

(ii) 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.

Loans, advances and any other form of credit are classified as standard assets, sub-standard assets, doubtful assets and loss assets.

Provisioning against Loss

The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted is as follows:

(a) *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.

(b) *Doubtful assets*

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.

In addition to the 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.

(c) *Sub-standard assets.*

A provision of 10 per cent. is made.

(d) *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) four years in case the reason for extension of DCCO is arbitration proceedings or a court case; and (b) three years in case the reason for extension of DCCO is beyond the control of promoters (other than court cases).	5.00 per cent. from the date of such restructuring till the revised DCCO or 2 years from the date of restructuring.
For standard assets other than those specified above	0.40 per cent.

Treatment of Provisions Held

The provisions in respect of NPAs are reversed only after the complete recovery of the outstanding/regularization of the account.

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.

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.

Depreciation

Depreciation on assets is provided on straight-line method in accordance with the useful lives prescribed under Schedule II to the Companies Act, 2013.

Depreciation on assets purchased/sold during the year is charged for the full month if the asset is in use for more than 15 days, instead of charging the same on pro-rata basis from the date of purchase/sale.

Depreciation on assets purchased during the year up to Rs. 5,000 is provided at 100 per cent.

Leasehold land is amortized over the lease period.

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. We estimate useful life of intangible assets to be five years.

Investments

Long term investments are carried at cost. However, provision for diminution is made to recognize 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.

Current Tax and Deferred Tax

Income tax expense comprises current income tax (being the 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 AS 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.

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.

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.

Bond / Debt Issue

Expenditure on the raising of funds by way of bonds is charged to revenue in the year of issue of such bonds.

The Company 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.

Expenditure incurred on the raising of funds is charged to the statement of profit and loss in the year in which it is incurred, except the arrangement fee paid on the raising of external commercial borrowings, discount and interest on commercial papers or Regulation S bonds, which is amortized proportionately over the period of its tenure.

Cash Flow Statement

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

Cash comprises cash on hand, demand deposits with banks, interest with postal authorities and cheques, drafts and 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.

Prior Period / Prepaid Adjustments

Considering the nature of business, interest income and expenditure for the earlier years ascertained and determined during the year is accounted for in the year in which it is so ascertained or determined.

Other items not exceeding Rs. 500,000 in each case are accounted for under natural heads of account.

Employee Benefits

The liability for employees benefit in respect of gratuity ascertained on actuarial valuation is provided and funded to a separate trust.

Post-employment and other long-term employee benefits are recognized as an expense in the statement of profit and 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 and loss.

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 April 1, 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.

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.

Derivative Transactions

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.

Derivative contracts in the nature of foreign exchange forward contracts are accounted for as per AS 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, including but not limited to interest rate swaps, are accounted for as per the “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 and loss.

Any one-time hedging premium paid on derivative transactions shall be amortized over the tenor of such derivative contract.

Changes in Accounting Policies in the last three Fiscal Years

Changes in Accounting Policies for Fiscal 2018

The RBI has recently issued a guideline on “Resolution of Stressed Assets – Revised Framework” dated February 12, 2018, under which 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, SDR, change in ownership outside SDR, and scheme for sustainable structuring of stressed assets are withdrawn with immediate effect. See “*Risk Factors—Risks Relating to Our Business—If the level of credit impaired assets or non-performing assets in our loan portfolio were to increase, our financial condition would be adversely affected*” for more information on the impact of the guideline on our Company’s loan portfolio.

During Fiscal 2018, the Company revised its accounting policy for the amortization of one-time arrangement fee incurred in the raising of foreign currency borrowings and premiums paid towards hedging contracts over the period of such borrowings or contracts. Due to this change in accounting policy, profit before tax for Fiscal 2018 was higher by Rs. 2,207.5 million.

Further, the policy for recognizing the agency fee on Government schemes has now been changed to recognize such income on an accrual basis. Due to this change in accounting policy, profit before tax for Fiscal 2018 was higher by Rs. 1,364.5 million.

Since the validity of certain exemptions given by RBI had expired during Fiscal 2018 in respect of the classification of loan assets, the Company has modified the accounting policy in respect of asset classification and provisioning to bring it in line with RBI master directions. Due to this change in accounting policy, profit before tax for Fiscal 2018 was lower by Rs. 1,460.9 million.

Due to the combined effect of these changes in accounting policies, profit before tax for Fiscal 2018 was higher by Rs. 2,111.1 million.

Changes in Accounting Policies for Fiscal 2017

Rural Electrification Corporation Limited

During Fiscal 2017, the Company revised its significant accounting policies in respect of accounting for derivatives contracts in order to align it with the 'Guidance Note on Accounting for Derivative Contracts' (the **Guidance Note**) issued by The Institute of Chartered Accountants of India which has become applicable from

April 1, 2016. In accordance with the transitional provisions mentioned in the Guidance Note, an amount of Rs. 867.5 million after netting of taxes of Rs. 459.2 million had been adjusted in the opening balance of reserves, representing the change in the fair value of the interest rate swaps until March 31, 2016. Further, the fair value gain on interest rate swaps of Rs. 3,247.7 million has been booked to the statement of profit and loss for Fiscal 2017 in accordance with the revised accounting policy.

Further, the accounting policy on the treatment of foreign currency exchange differences on 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 or gain on the long term foreign currency monetary items over the balance period of such items in accordance with AS 11. Due to this change, foreign exchange fluctuation loss pertaining to Fiscal 2016 of Rs. 297.9 million and foreign exchange fluctuation gains pertaining to Fiscal 2017 amounting to Rs. 66.9 million were adjusted in the finance cost for Fiscal 2017.

Due to these changes in accounting policies, profit before tax for Fiscal 2017 was higher by Rs. 3,016.7 million.

Group Companies

During Fiscal 2017, RECPDCL, a subsidiary of the Company, discontinued its policy of making a provision for contingencies of project cost revisions at 2.0% of its annual turnover. Due to this change in accounting policy, profit before tax for Fiscal 2017 was higher by Rs. 36.5 million.

Further, during Fiscal 2017, RECPDCL 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 Fiscal 2017 was higher by Rs. 27.2 million.

Changes in Accounting Policies for Fiscal 2016

During Fiscal 2016, the Company revised its 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 an RBI notification dated November 10, 2014. Due to these changes in accounting policy, profit before tax for Fiscal 2016 was lower by Rs. 878.7 million.

Further, minor modifications were made in the accounting policy in respect of the basis of preparation of financial statements, revenue recognition, intangible assets and cash flow statements. However, there was no financial impact in relation to such modifications.

DESCRIPTION OF PRINCIPAL COMPONENTS OF INCOME AND EXPENSES

Income

Revenue from Operations

Revenue from operations includes the following:

- Interest on loan assets, which comprises interest income from long term and short-term financing.
- Revenue from other financial services, which comprises fee-based income, prepayment income and income from implementation of Government schemes.
- Income from short-term investment of surplus funds, which comprises interest from deposits, gain on the sale of mutual funds and interest from CP/ ICD.

- Other interest income, which comprises interest from Government securities, interest from staff advances and others.

- Revenue from sale of goods, which comprises income from sale of energy efficient equipment by EESL.

- Income from consulting engineer services, which comprises income derived from consultancy in the fields of Transmission, Distribution and other related fields provided by RECPDCL and RECTPCL, (the two subsidiaries of the Company) and EESL (a joint venture of the Company).

- Income from execution of IT implementation project, which comprises implementation and installation of IT infrastructure under R-APDRP and other Government schemes by RECPDCL.

Other Income

Other income primarily consists of dividend income and other non-operating income.

Expenses

Finance Costs

Financing costs primarily consists of interest expenses on our borrowings and other borrowing costs.

Employee Benefits Expenses

Employee benefits expenses include employee salaries and allowances, contribution to the Provident Fund and other funds, gratuity, expenses towards post-retirement medical facility and staff welfare expenses.

Depreciation and Amortization

Depreciation represents depreciation charges on our fixed assets including intangible assets.

Corporate Social Responsibility Expenses

Corporate social responsibility expenses mainly include expenses undertaken in accordance with the provisions of the Companies Act, 2013 in accordance with the Company's CSR Policy.

Other Expenses

Other expenses include expenses in relation to travelling and conveyance, publicity and promotion, project expenses, distribution expenses, repairs and maintenance of building, rent and hiring charges and other various expenses.

Provisions and Contingencies

Provisions and contingencies represent provisioning made against NPAs as well as provisioning made against standard loan assets and provisioning made for diminution in investments.

Purchases of Stock-in-Trade

Purchases of Stock-in-Trade represents, amongst others, inventory of energy efficiency equipment of EESL and IT equipment of RECPDCL.

Changes in Inventories of Stock-in-Trade and Work-in-Progress

Changes in inventories of Stock-in-Trade and Work-in-Progress represents changes in inventories over the period of the items purchased.

Results of Operations

	For the year ended March 31,			For the three months ended June 30,	
	2016	**2017 (1)**	**2018**	**2017**	**2018**
		(consolidated)		**(unconsolidated)**	
			(Rs. in millions)		
Revenue from Operations	240,128.8	241,949.2	230,544.2	56,268.5	57,385.9
Other Income	1,170.5	1,663.1	469.8	11.6	5,804.2
Total Revenue	**241,299.3**	**243,612.3**	**231,014.0**	**56,280.1**	**63,190.1**
Expenses					
- Finance Costs	142,823.5	134,615.9	138,595.9	31,865.5	36,280.5
- Employee Benefits Expense	1,431.9	1,927.5	1,984.6	565.0	431.8
- Depreciation and Amortization	196.7	403.3	695.9	12.9	15.9
- Corporate Social Responsibility Expenses	1,202.9	689.4	509.4	53.4	474.7
- Other Expenses	1,643.9	2,205.8	2,852.9	2,544.2	3,560.4
- Provisions and Contingencies	10,961.8	11,103.1	14,210.6	-	-
- Purchases of Stock-in-Trade	2,236.0	2,731.2	3,285.3	-	-
- Changes in Inventories of Stock-in-Trade and Work-in-Progress	(667.9)	227.6	(533.2)	-	-
- Impairment Losses on Financial Assets	-	-	-	7,229.9	1,318.4
Total Expenses	**159,828.8**	**153,903.8**	**161,601.4**	**42,270.9**	**42,081.7**
Profit before Prior Period Items and Tax	81,470.5	89,708.5	69,412.6	14,009.2	21,108.4
Prior Period Items	3.9	(15.1)	0.2	-	-
Profit before Tax	**81,466.6**	**89,723.6**	**69,412.4**	**14,009.2**	**21,108.4**
Tax Expense					
- Current Year/Period	25,168.5	26,483.7	22,121.7	5,728.7	3,441.4
- Earlier Years/Periods / (Refunds)	(27.7)	(277.9)	122.1	-	-
- Deferred Tax	(588.4)	384.1	274.0	(2,479.1)	2,980.0
Total Tax Expense	**24,552.4**	**26,589.9**	**22,517.8**	**3,249.6**	**6,421.4**
Profit for the Year/Period	**56,914.2**	**63,133.7**	**46,894.6**	**10,759.6**	**14,687.0**

Notes:

(1) In relation to the comparability of certain financial information, see the section entitled "Comparability of Results" under "Selected Financial and Other Data" in this Offering Circular

Comparison of the relevant unconsolidated financial results for the three months ended June 30, 2018 with the three months ended June 30, 2017

Total Revenue

Total revenue for the three months ended June 30, 2018 increased by 12.28% from Rs. 56,280.1 million in the three months ended June 30, 2017 to Rs. 63,190.1 million in the three months ended June 30, 2018, mainly due to an increase in interest income (see below for details).

Revenue from Operations

Revenue from operations for the three months ended June 30, 2018 increased by 1.99% from Rs. 56,268.5 million in the three months ended June 30, 2017 to Rs. 57,385.9 million in the three months ended June 30, 2018, mainly due to an increase in interest income (see below for details).

The detailed breakdown and explanations of our revenue from operations is given below:

	For the three months ended June 30,		
	2017	**2018**	**% Growth**
	(Rs. in millions, except percentages)		
(A) Interest on Loan Assets			
- Long Term Financing	53,814.90	55,510.20	3.15
- Less: Rebate for Timely Payments/Completion etc.	81.80	27.00	(66.99)
- Short Term Financing	935.20	1,205.00	28.85
Sub-total (A)	54,668.30	56,688.20	3.69
(B) Revenue from Other Financial Services			
- Processing, Upfront, Lead Fees, LC Commission etc.	26.90	7.30	(72.86)
- Prepayment Premium	711.00	33.90	(95.23)
- Fee for Implementation of Government Schemes	74.00	-	(100.00)
Sub-total (B)	811.90	41.20	(94.93)
(C) Income from Short-term Investment of Surplus Funds			
- Interest from Deposits	172.70	107.20	(37.93)
- Change in fair value of Mutual Funds	60.50	16.80	(72.23)
- Interest from CP/ ICD	0.30	3.30	1,000.00
Sub-total (C)	233.50	127.30	(45.48)
(D) Other Interest Income			
- Interest from Government Securities	47.20	28.30	(40.04)
- Interest from Long Term Investments/Term Deposits/Others	492.80	492.80	-
- Interest from Staff Advances	14.80	8.10	(45.27)
Sub-total (D)	554.80	529.20	(4.61)
Revenue from Sale of Goods (E)	-		-
Income from Consulting Engineer Services (F)	-	-	-
Income from Execution of IT Implementation Project (G)	-	-	-
Total (A to G)	56,268.5	57,385.9	1.99

Interest on Loan Assets

Our interest on loan assets for the three months ended June 30, 2018 increased by 3.69% from Rs. 54,668.3 million in the three months ended June 30, 2017 to Rs. 56,688.2 million in the three months ended June 30, 2018, primarily due to an increased loan portfolio of the Company. Further, the Company has not recognized the interest income on credit impaired loan assets amounting to Rs. 3,277.0 million for the three months ended June 30, 2018 as compared to Rs. 889.9 million for the three months ended June 30, 2017 as a matter of prudence, pending the outcome of resolutions in relation to stressed assets.

Revenue from Other Financial Services

Our revenue from other financial services for the three months ended June 30, 2018 decreased by 94.93% from Rs. 811.9 million in the three months ended June 30, 2017 to Rs. 41.2 million in the three months ended June 30, 2018, primarily due to no lead fees (i.e. fees charged by the Company when acting as lead lender in a consortium of banks) received during the three months ended June 30, 2018 as compared to Rs. 14.7 million in such fees received during the three months ended June 30, 2017. In addition, no agency fee on Government schemes has been recognized during the three months ended June 30, 2018 as compared to Rs. 74.0 million during the three months ended June 30, 2017. Further prepayments decreased by 97.44% from Rs. 27,957.4 million in the three months ended June 30, 2017 to Rs. 714.4 million in the three months ended June 30, 2018.

Income from Short-term Investment of Surplus Funds

Our income from short-term investment of surplus funds for the three months ended June 30, 2018 decreased by 45.48% from Rs. 233.5 million in the three months ended June 30, 2017 to Rs. 127.3 million in the three months ended June 30, 2018, primarily due to lower availability of surplus funds.

Other Interest Income

Our other interest income for the three months ended June 30, 2018 decreased by 4.61% from Rs. 554.8 million in the three months ended June 30, 2017 to Rs. 529.2 million in the three months ended June 30, 2018, primarily due to the periodic redemption of bonds.

Other Income

Our other income for the three months ended June 30, 2018 increased by 49,936.21% from Rs. 11.6 million in the three months ended June 30, 2017 to Rs. 5,804.2 million in the three months ended June 30, 2018, primarily due to mark-to-market gains during the quarter on the derivative contracts, which are undertaken by the Company to hedge the foreign currency risk and interest rate risk on its borrowings.

The table below sets forth the breakdown of our other income:

	For the three months ended June 30,		
	2017	**2018**	**% Growth**
	(Rs. in millions, except percentages)		
(A) Dividend Income	-	-	-
(B) Net Gain on Sale of Long Term Investments	-	-	-
(C) Changes in fair Value of Swap	-	**5,788.7**	-
(D) Other Non-Operating Income			
- Provision and Liabilities No Longer Required Written Back	-	-	-
- Miscellaneous Income	11.6	15.5	33.60
Sub-total (D)	**11.6**	**15.5**	**33.60**
Total (A to D)	**11.6**	**5,804.2**	**49,936.21**

Expenses

The detailed breakdown and explanations of our expenses is given below:

	For the three months ended June 30,		
	2017	**2018**	**% Growth**
	(Rs. in millions, except percentages)		
- Finance Costs	31,865.5	36,280.5	13.86
- Employee Benefits Expense	565.0	431.8	-23.58
- Depreciation and Amortization	12.9	15.9	23.26
- Corporate Social Responsibility Expenses	53.4	474.7	788.95
- Other Expenses	2,544.2	3,560.4	39.94
- Impairment Losses on Financial Assets	7,229.9	1,318.4	-81.76
Total Expenses	**42,270.9**	**42,081.7**	**-0.45**

Our total expenses for the three months ended June 30, 2018 decreased by 0.45% from Rs. 42,270.9 million in the three months ended June 30, 2017 to Rs. 42,081.7 million in the three months ended June 30, 2018, primarily due to a decrease in the impairment losses on financial assets (see below for further details).

Finance Costs

Our finance costs for the three months ended June 30, 2018 increased by 13.86% from Rs. 31,865.5 million in the three months ended June 30, 2017 to Rs. 36,280.5 million in the three months ended June 30, 2018, primarily due to an increase in interest expenses due to higher borrowings. Interest expenses increased by 13.87% from Rs. 31,788.7 million in the three months ended June 30, 2017 to Rs. 36,198.3 million in the three months ended June 30, 2018, primarily due to an increase in borrowings. However, even though there was a 18.99% increase in outstanding borrowings, the interest expense during the three months ended June 30, 2018 increased by only 13.87%. This was due to lower interest rates prevailing in the market and also due to the swapping of high-interest foreign currency loans at much lower rates.

Employee Benefits Expense

Our employee benefits expense for the three months ended June 30, 2018 decreased by 23.58% from Rs. 565.0 million in the three months ended June 30, 2017 to Rs. 431.8 million in the three months ended June 30, 2018, primarily due to lower provisions for staff benefits amounting to Rs. 51.6 million (covering earned leave liability, medical leave liability, post-retirement medical facility, gratuity and long service awards) as compared to Rs. 113.8 million of such provisions made during the three months ended June 30, 2017 on the basis of actuarial valuation and due to super annulation of the staff over the aforesaid period in the normal course of business. Further, an increased amount of liabilities was booked towards salary and allowances during the three months ended June 30, 2017 due to an expected increase as per the initial recommendations relating to a pay revision.

Depreciation and Amortization

Our depreciation and amortization expenses increased by 23.26% from Rs. 12.9 million in the three months ended June 30, 2017 to Rs. 15.9 million in the three months ended June 30, 2018 due to regular additions of fixed assets based upon the useful lives of such fixed assets, as adopted in line with Schedule II to the Companies Act, 2013.

Corporate Social Responsibility Expenses

Our corporate social responsibility expenses for the three months ended June 30, 2018 increased by 788.95% from Rs. 53.4 million in the three months ended June 30, 2017 to Rs. 474.7 million in the three months ended June 30, 2018, primarily due to higher disbursements for CSR projects. Disbursements for our CSR projects are based on the projects sanctioned and the actual progress made in relation to each project as determined by the milestones achieved during the relevant period.

Other Expenses

Our other expenses for the three months ended June 30, 2018 increased by 39.94% from Rs. 2,544.2 million in the three months ended June 30, 2017 to Rs. 3,560.4 million in the three months ended June 30, 2018, primarily due to losses caused by foreign exchange rate fluctuations of Rs. 3,327.2 million in the three months ended June 30, 2018 compared to Rs. 550.6 million in the three months ended June 30, 2017, partially set off by income on account of a favorable change in the fair value of derivatives, booked under other income during the three months ended June 30, 2018 as against an amount of Rs. 1,745.2 million on account of adverse movements in the fair value of derivatives booked under other expense in the three months ended June 30, 2017. The foreign exchange rate fluctuation losses for the three months ended June 30, 2018 were caused by adverse movements in the U.S.$/INR exchange rates from Rs. 65.0441 per U.S.$1.00 as at March 31, 2018 to Rs. 68.5753 per U.S.$1.00 as at June 30, 2018.

Impairment Losses on Financial Assets

For the financial statements for the three months ended June 30, 2018, beginning Fiscal 2019, the Company adopted Ind-AS, which requires the Company to provision for impairment losses on financial assets in accordance with the ECL model as prescribed by Indian Accounting Standard 109 'Financial Instruments'.

The ECL model calculates the provisioning for the loan assets on the basis of the probability of default by the borrower and the expected loss to the Company.

Following the adoption of Ind-AS and the implementation of the ECL model, during the three months ended June 30, 2018, an amount of Rs. 1,318.4 million has been recognized as provisioning in respect of impairment losses on financial assets. This was a decrease in impairment losses on financial assets by 81.76% from Rs. 7,229.9 million in the three months ended June 30, 2017. Further, provision of Rs 114,060.0 million has been created in the Company's books of accounts against the loan book of Rs 2,419,130.0 million as at June 30, 2018. The provision coverage ratio in respect of NPAs was 47.41% as at June 30, 2018 as per the details below:

Particulars	**As at June 30, 2018,** ***(Rs. in millions, except percentages)***
(1) Credit-impaired loan assets	19,650.67
(2) Impairment Allowance Maintained	9,316.17
Impairment Allowance Coverage (%) (Item 2/Item 1)	47.41%

Profit for the relevant Period

As a result of the foregoing, our net profit for the three months ended June 30, 2018 increased by 36.50% from Rs. 10,759.6 million in the three months ended June 30, 2017 to Rs. 14,687.0 million in the three months ended June 30, 2018.

Comparison of the relevant consolidated financial results for Fiscal 2018 with Fiscal 2017

Total Revenue

Total revenue for Fiscal 2018 decreased by 5.17% from Rs. 243,612.3 million in Fiscal 2017 to Rs. 231,014.0 million in Fiscal 2018, mainly due to decreased revenue from operations (see below for further details).

Revenue from Operations

Revenue from operations for Fiscal 2018 decreased by 4.71% from Rs. 241,949.2 million in Fiscal 2017 to Rs. 230,544.2 million in Fiscal 2018, mainly due to a decrease in interest on loan assets (see below for further details).

The detailed breakdown and explanations of our revenue from operations is given below:

	For the year ended March 31,		
	2017	**2018**	**% Growth**
	(Rs. in millions, except percentages)		
(A) Interest on Loan Assets			
- Long Term Financing	224,799.8	213,387.7	(5.08)
- Less: Rebate for Timely Payments/ Completion etc.	(2.6)	(164.3)	6,219.23
- Short Term Financing	4,558.9	4,266.1	(6.42)
Sub-total (A)	**229,356.1**	**217,489.5**	**(5.17)**
(B) Revenue from Other Financial Services			
- Processing, Upfront, Lead Fees, LC Commission etc.	484.9	151.1	(68.84)
- Prepayment Premium	1,474.4	1,064.1	(27.83)
- Fee for Implementation of Government Schemes	238.6	1,877.9	687.05
Sub-total (B)	**2,197.9**	**3,093.1**	**40.73**
(C) Income from Short-term Investment of Surplus Funds			
- Interest from Deposits	983.9	686.6	(30.22)
- Gain on Sale of Mutual Funds	671.3	133.9	(80.05)
- Interest from CP/ ICD	298.7	9.8	(96.72)
Sub-total (C)	**1,953.9**	**830.3**	**(57.51)**
(D) Other Interest Income			
- Interest from Government Securities	245.2	169.8	(30.75)
- Interest from Long Term Investments/Term Deposits/Others	2,141.8	2,144.0	0.10
- Interest from Income Tax Refund	90.3	6.2	(93.13)
- Interest from Staff Advances	15.2	16.9	11.18
- Interest from Subsidiary Companies	5.1	6.6	29.41
Sub-total (D)	**2,497.6**	**2,343.5**	**(6.17)**
(E) Revenue from Sale of Goods	**3,267.2**	**3,327.9**	**1.86**
(F) Income from Consulting Engineer Services	**1,929.6**	**2,788.2**	**44.50**
(G) Income from Execution of IT Implementation Project	**746.9**	**671.7**	**(10.07)**
Total (A to G)	**241,949.2**	**230,544.2**	**(4.71)**

Interest on Loan Assets

Our interest on loan assets for Fiscal 2018 decreased by 5.17% from Rs. 229,356.1 million in Fiscal 2017 to Rs. 217,489.5 million in Fiscal 2018, primarily due to interest income of Rs. 14,650.0 million being reversed during Fiscal 2018 on account of fresh NPAs being partially compensated by new disbursements.

Revenue from Other Financial Services

Our revenue from other financial services for Fiscal 2018 increased by 40.73% from Rs. 2,197.9 million in Fiscal 2017 to Rs. 3,093.1 million in Fiscal 2018, primarily due to a change in accounting policy in Fiscal 2018 relating to the recognition of agency fees from the Government. Starting from Fiscal 2018, such income is recognized on an accrual basis and due to this change, profit before tax for Fiscal 2018 was higher by Rs. 1,364.5 million compared to Fiscal 2017.

Income from Short-term Investment of Surplus Funds

Our income from short-term investment of surplus funds for Fiscal 2018 decreased by 57.51% from Rs. 1,953.9 million in Fiscal 2017 to Rs. 830.3 million in Fiscal 2018, primarily due to reduced surplus funds available during the period as compared to Fiscal 2017.

Other Interest Income

Our other interest income for Fiscal 2018 decreased by 6.17% from Rs. 2,497.6 million in Fiscal 2017 to Rs. 2,343.5 million in Fiscal 2018, primarily due to periodic redemption of Government of Madhya Pradesh power bonds.

Revenue from Sale of Goods

Our revenue from sale of goods for Fiscal 2018 increased by 1.86% from Rs. 3,267.2 million in Fiscal 2017 to Rs. 3,327.9 million in Fiscal 2018, primarily due to income from the sale of goods by EESL, a joint venture of the Company, which was marginally higher than in Fiscal 2017.

Income from Consulting Engineer Services

Our income from consulting engineer services for Fiscal 2018 increased by 44.50% from Rs. 1,929.6 million in Fiscal 2017 to Rs. 2,788.2 million in Fiscal 2018, primarily due to higher consultancy income of RECPDCL, a subsidiary of the Company, and EESL.

Income from Execution of IT Implementation Project

Our income from execution of IT implementation project for Fiscal 2018 decreased by 10.07% from Rs. 746.9 million in Fiscal 2017 to Rs. 671.7 million in Fiscal 2018, primarily due to fewer IT projects being executed by RECPDCL during Fiscal 2018 as compared to Fiscal 2017.

Other Income

Our other income for Fiscal 2018 decreased by 71.75% from Rs. 1,663.1 million in Fiscal 2017 to Rs. 469.8 million in Fiscal 2018, primarily due to lower dividends from the Company's investment in equity shares of NHPC Ltd. These lower dividends were as a result of the partial sale of shares under a buy-back by NHPC Ltd. at the end of Fiscal 2017 which was partially set off from a gain on the partial sale of NHPC Ltd. shares amounting to Rs. 797.5 million as booked in Fiscal 2017.

The table below sets forth the breakdown of our other income:

	For the year ended March 31,

	2017	2018	% Growth
	(Rs. in millions, except percentages)		
(A) Dividend Income	**631.5**	**268.5**	(57.48)
(B) Net Gain on Sale of Long Term Investments	**797.5**	**-**	(100)
(C) Other Non-Operating Income			
- Provision and Liabilities No Longer Required Written Back	28.7	7.1	(75.26)
- Miscellaneous Income	205.4	194.2	(5.45)
Sub-total (C)	**234.1**	**201.3**	**(14.01)**
Total (A to C)	**1,663.1**	**469.8**	**(71.75)**

Expenses

The detailed breakdown and explanations of our expenses is given below:

	For the year ended March 31,		
	2017	2018	% Growth
	(Rs. in millions, except percentages)		
- Finance Costs	134,615.9	138,595.9	2.96
- Employee Benefits Expense	1,927.5	1,984.6	2.96
- Depreciation and Amortization	403.3	695.9	72.55
- Corporate Social Responsibility Expenses	689.4	509.4	-26.11
- Other Expenses	2,205.8	2,852.9	29.34
- Provisions and Contingencies	11,103.1	14,210.6	27.99
- Purchases of Stock-in-Trade	2,731.2	3,285.3	20.29
- Changes in Inventories of Stock-in-Trade and Work-in-Progress	227.6	(533.2)	-334.27
Total Expenses	**153,903.8**	**161,601.4**	**5.00**

Our total expenses increased by 5.00% from Rs. 153,903.8 million in Fiscal 2017 to Rs. 161,601.4 million in Fiscal 2018, due to the reasons described below.

Finance Costs

Our finance costs for Fiscal 2018 increased by 2.96% from Rs. 134,615.9 million in Fiscal 2017 to Rs. 138,595.9 million in Fiscal 2018, primarily due to an increase in interest and other borrowing costs on account of increased borrowings. Interest expenses increased by 3.68% from Rs. 132,531.0 million in Fiscal 2017 to Rs. 137,412.5 million in Fiscal 2018, primarily due to higher outstanding long-term borrowings of Rs. 1,937,652.4 million as against Rs. 1,677,406.6 million partially compensated by a decrease in the cost of funds. Other borrowing costs decreased by 38.96% from Rs. 1,212.0 million in Fiscal 2017 to Rs. 739.8 million in Fiscal 2018 primarily due to the Company's revision of its accounting policy for the amortization of one-time arrangement fees incurred in the 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 Fiscal 2018 was higher by Rs. 2,207.5 million. Net translation and transaction exchange loss decreased by 49.18% from Rs. 872.9 million in Fiscal 2017 to Rs. 443.6 million in Fiscal 2018, primarily due to a decrease in unhedged foreign currency exposure.

Employee Benefits Expense

Our employee benefits expense increased marginally by 2.96% from Rs. 1,927.5 million in Fiscal 2017 to Rs. 1,984.6 million in Fiscal 2018 primarily due to increased salary and allowance expenses in Fiscal 2018 arising from the recommendations of the pay revision committee that were implemented with effect from January 1, 2017.

Depreciation and Amortization

Our depreciation and amortization expenses increased by 72.55% from Rs. 403.3 million in Fiscal 2017 to Rs. 695.9 million in Fiscal 2018, primarily due to higher capital expenditure by EESL.

Corporate Social Responsibility Expenses

Our corporate social responsibility expenses for Fiscal 2018 decreased by 26.11% from Rs. 689.4 million in Fiscal 2017 to Rs. 509.4 million in Fiscal 2018, primarily due to lower disbursements for CSR projects during Fiscal 2018.

Other Expenses

Our other expenses for Fiscal 2018 increased by 29.34% from Rs. 2,205.8 million in Fiscal 2017 to Rs. 2,852.9 million in Fiscal 2018, primarily due to higher project expenses of Rs. 1,247.5 million associated with RECPDCL as compared to Rs. 884.0 million in Fiscal 2017.

Provisions and Contingencies

Provisions and contingencies for Fiscal 2018 increased by 27.99% from Rs. 11,103.1 million in Fiscal 2017 to Rs. 14,210.6 million in Fiscal 2018, primarily due to the 'RBI circular DBR No.BP.BC.101/21.04.048/2017-18 dated February 12, 2018 which substituted the existing guidelines with a harmonized and simplified generic framework for the resolution of stressed assets. The circular is applicable to banks and all other Indian financial institutions. The Company applied the provisions of this circular which has resulted in increased NPAs and higher provisioning and contingencies expenses. For further details, see the section titled *"Risk Factors"* in this Offering Circular.

Purchases of Stock-in-Trade

Our purchased of stock-in-trade for Fiscal 2018 increased by 20.29% from Rs. 2,731.2 million in Fiscal 2017 to Rs. 3,285.3 million in Fiscal 2018, primarily due to increased purchases made by EESL of Rs. 3,205.9 million during Fiscal 2018 as compared to Rs. 2,599.9 million during Fiscal 2017.

Changes in Inventories of Stock-in-Trade and Work-in-Progress

Changes in inventories of stock-in-trade and work-in-progress decreased by 334.27% from Rs. 227.6 million in Fiscal 2017 to Rs. (533.2) million in Fiscal 2018, primarily due to better inventory management by EESL.

Profit for the Fiscal Year

As a result of the foregoing, our profit for the year decreased by 25.72% from Rs. 63,133.7 million in Fiscal 2017 to Rs. 46,894.6 million in Fiscal 2018.

Comparison of the relevant consolidated financial results for Fiscal 2017 with Fiscal 2016

Basis of Information

The discussion in this section relates to the audited consolidated financial results of the Group for Fiscal 2016 and Fiscal 2017 and is derived from the consolidated audited financial statements included in the 48th Annual Report of the Group for Fiscal 2017 (the **48th Annual Report**). Please note that certain financial information in the financial statements for Fiscal 2017 were subsequently revised under the financial statements for Fiscal 2018. See the section entitled *"Comparability of Results"* under *"Selected Financial and Other Data"* in this Offering Circular for more information. However, for the purposes of this discussion, and in order to aid such a comparison, we have used financial information derived from the 48th Annual Report.

Total Revenue

Total revenue for Fiscal 2017 increased by 2.30% from Rs. 241,299.3 million in Fiscal 2016 to Rs. 246,860.0 million in Fiscal 2017, mainly due to an increase in prepayments (see below for further details).

Revenue from Operations

Revenue from operations for Fiscal 2017 decreased by 0.28% from Rs. 240,128.8 million in Fiscal 2016 to Rs. 239,451.6 million in Fiscal 2017, mainly due to lower interest income (see below for further details).

The table below sets forth the breakdown of our revenue from operations:

	For the year ended March 31,		
	2016	**2017**	**% Growth**
	(Rs. in millions, except percentages)		
(A) Interest on Loan Assets			
- Long Term Financing	233,752.0	224,799.8	-3.83
- Less: Rebate for Timely Payments/ Completion etc.	(14.9)	(2.6)	82.55
- Short Term Financing	969.5	4,558.9	370.23
Sub-total (A)	**234,706.6**	**229,356.1**	**-2.28**
(B) Revenue from Other Financial Services			
- Processing, Upfront, Lead Fees, LC Commission etc.	247.1	484.9	96.24
- Prepayment Premium	305.0	1,474.4	383.41
- Fee for Implementation of Government Schemes	327.8	238.6	-27.21
Sub-total (B)	**879.9**	**2,197.9**	**149.79**
(C) Income from Short-term Investment of Surplus Funds			
- Interest from Deposits	682.1	983.9	44.25
- Gain on Sale of Mutual Funds	114.9	671.3	484.25
- Interest from CP/ ICD	-	29.87	100.00
Sub-total (C)	**797.0**	**1,953.9**	**145.16**
(D) Revenue from Sale of Goods	**1,733.6**	**3,267.2**	**88.46**
(E) Income from Consulting Engineer Services	**1,702.1**	**1,929.6**	**13.37**
(F) Income from Execution of IT Implementation Project	**309.6**	**746.9**	**141.25**
Total (A to F)	**240,128.8**	**239,451.6**	**-0.28**

Interest on Loan Assets

Our interest on loan assets for Fiscal 2017 decreased by 2.28% from Rs. 234,706.6 million in Fiscal 2016 to Rs. 229,356.1 million in Fiscal 2017, primarily due to lower interest income owing to prepayments under the UDAY scheme of Rs. 427,000 million and a consequent decrease in yields. These were partially compensated by new disbursements.

Revenue from Other Financial Services

Our revenue from other financial services for Fiscal 2017 increased by 149.79% from Rs. 879.9 million in Fiscal 2016 to Rs. 2,197.9 million in Fiscal 2017, primarily due to higher fee-based income owing to underwriting fees of Rs. 208.3 million received during Fiscal 2017 as against Rs. 10.7 million during Fiscal 2016 and higher prepayment premiums received during Fiscal 2017 amounting to Rs. 1,474.4 million as against Rs. 305.0 million during Fiscal 2016, on account of prepayments received under the UDAY Scheme during Fiscal 2017. This increase was partially set-off by lower agency fees received in respect of DDUGJY of Rs.

238.6 million during Fiscal 2017 as against Rs. 327.8 million received during Fiscal 2016 on the basis of the amount sanctioned by MoP.

Income from Short-term Investment of Surplus Funds

Our income from short-term investment of surplus funds for Fiscal 2017 increased by 145.16% from Rs. 797.0 million in Fiscal 2016 to Rs. 1,953.9 million in Fiscal 2017, primarily due to greater surplus funds being available during Fiscal 2017 as a result of higher prepayments under the UDAY scheme as compared to Fiscal 2016.

Revenue from Sale of Goods

Our revenue from sale of goods for Fiscal 2017 increased by 88.46% from Rs. 1,733.6 million in Fiscal 2016 to Rs. 3,267.2 million in Fiscal 2017, primarily due to higher income from EESL due to its increased business operations.

Income from Consulting Engineer Services

Our income from consulting engineer services for Fiscal 2017 increased by 13.37% from Rs. 1,702.1 million in Fiscal 2016 to Rs. 1,929.6 million in Fiscal 2017, primarily due to higher income from EESL due to its increased business operations.

Income from Execution of IT Implementation Project

Our income from execution of IT implementation project for Fiscal 2017 increased by 141.25% from Rs. 309.6 million in Fiscal 2016 to Rs. 746.9 million in Fiscal 2017, primarily due to a larger number of projects executed by RECPDCL.

Other Income

Our other income for Fiscal 2017 increased by 532.93% from Rs. 1,170.5 million in Fiscal 2016 to Rs. 7,408.4 million in Fiscal 2017, primarily due to:

(a) higher interest income on investments of Rs. 5,000.0 million each made during Fiscal 2017 in perpetual bonds of Vijaya Bank, Indian Bank and Syndicate Bank amounting to Rs. 1,682.5 million as against nil in Fiscal 2016;

(b) higher dividends received on investment in shares of NHPC Ltd made during Fiscal 2017 amounting to Rs. 594.0 million as against nil in Fiscal 2016; and

(c) the buyback process of shares of NHPC Ltd which resulted in a gain of Rs. 797.5 million.

(d) Further during Fiscal 2017, the Company revised the accounting policy in respect of accounting for derivatives contracts in order to align it with the Guidance Note. The fair value changes on interest rate swaps derived on the basis of mark-to-market values have been favourable to the Company. Accordingly, an amount of Rs. 3,247.7 million has been booked to the statement of profit and loss for Fiscal 2017 in accordance with the revised accounting policy.

The table below sets forth the breakdown of our other income:

	For the year ended March 31,		
	2016	**2017**	**% Growth**
	(Rs. in millions, except percentages)		
(A) Interest Income (Other than Operating Income)			

	For the year ended March 31,		
	2016	2017	% Growth
	(Rs. in millions, except percentages)		
- Interest from Government Securities	432.3	245.2	(43.28)
- Interest from Long Term Investments/Term Deposits/Others	520.5	2,141.8	311.49
- Interest from Income Tax Refund	-	90.3	N/A
- Interest from Staff Advances	22.2	15.2	(31.53)
- Interest from Subsidiary Companies	2.9	5.1	75.86
- Interest on Application Money	1.9	-	(100)
Sub-total (A)	**979.8**	**2,497.6**	**154.91**
(B) Dividend Income	**23.7**	**631.5**	**2,564.56**
(C) Net Gain on Sale of Long Term Investments	**122.9**	**797.5**	**548.90**
(D) Changes in Fair Value of Swap	**-**	**3,247.7**	**N/A**
(E) Other Non-Operating Income			
- Provision and Liabilities No Longer Required Written Back	10.4	28.7	175.96
- Miscellaneous Income	33.7	205.4	509.50
Sub-total (E)	**44.1**	**234.1**	**430.84**
Total (A to E)	**1,170.5**	**7,408.4**	**532.93**

Expenses

The detailed breakdown and explanations of our expenses is given below:

	For the year ended March 31,		
	2016	2017	% Growth
	(Rs. in millions, except percentages)		
- Finance Costs	142,823.5	137,863.6	-3.47
- Employee Benefits Expense	1,431.9	1,927.5	34.61
- Depreciation and Amortization	196.7	403.3	105.03
- Corporate Social Responsibility Expenses	1,202.9	689.4	-42.69
- Other Expenses	1,643.9	2,205.8	34.18
- Provisions and Contingencies	10,961.8	11,103.1	1.29
- Purchases of Stock-in-Trade	2,236.0	2,731.2	22.15
- Changes in Inventories of Stock-in-Trade and Work-in-Progress	(667.9)	227.6	134.08
Total Expenses	**159,828.8**	**157,151.5**	**-1.68**

Our total expenses decreased by 1.68% from Rs. 159,828.8 million in Fiscal 2016 to Rs. 157,151.5 million in Fiscal 2017, primarily due to decreased finance costs (see below for further information).

Finance Costs

Our finance costs for Fiscal 2017 decreased by 3.47% from Rs. 142,823.5 million in Fiscal 2016 to Rs. 137,863.6 million in Fiscal 2017, primarily due to a decrease in funds raised (net of repayments) due to increased prepayments under the UDAY scheme during Fiscal 2017. Interest expenses increased by 1.27% from Rs. 134,071.0 million in Fiscal 2016 to Rs. 135,778.7 million in Fiscal 2017, primarily due to marginally higher interest costs on bonds. Other borrowing costs decreased by 39.97% from Rs. 2,018.9 million in Fiscal 2016 to Rs. 1,212.0 million in Fiscal 2017 primarily due to fewer funds raised during Fiscal 2017. Net translation and transaction exchange loss decreased by 87.04% from Rs. 6,733.6 million in Fiscal 2016 to Rs.872.9 million in Fiscal 2017, primarily due to less volatile foreign currency markets during Fiscal 2017.

Employee Benefits Expenses

Our employee benefits expense increased by 34.61% from Rs. 1,431.9 million in Fiscal 2016 to Rs. 1,927.5 million in Fiscal 2017, primarily due to the implementation of the recommendations of the Third Pay Revision Committee constituted by the DPE including an increase in the upper limit of the gratuity payment per employee from Rs. 1.0 million to Rs. 2.0 million.

Depreciation and Amortization

Our depreciation and amortization expenses increased by 105.03% from Rs. 196.7 million in Fiscal 2016 to Rs. 403.3 million in Fiscal 2017, primarily due to higher capital expenditure by EESL during Fiscal 2017.

Corporate Social Responsibility Expenses

Our corporate social responsibility expenses for Fiscal 2017 decreased by 42.69% from Rs. 1,202.9 million in Fiscal 2016 to Rs. 689.4 million in Fiscal 2017, primarily due to lower disbursements for CSR projects during Fiscal 2017.

Other Expenses

Our other expenses for Fiscal 2017 increased by 34.18% from Rs. 1,643.9 million in Fiscal 2016 to Rs. 2,205.8 million in Fiscal 2017, primarily due to higher project expenses of Rs. 884.0 million in Fiscal 2017 associated with RECPDCL as compared to Rs. 649.5 million in Fiscal 2016.

Provisions and Contingencies

Provisions and contingencies for Fiscal 2017 increased by 1.29% from Rs. 10,961.8 million in Fiscal 2016 to Rs. 11,103.1 million in Fiscal 2017, primarily due to provisioning having been made on NPAs recognized during Fiscal 2017 and additional provisions on existing NPAs as per the Company’s prudential norms. Contingent provisions against Standard Loan Assets were maintained at 0.35% as at March 31, 2017 as against 0.30% as at March 31, 2016. For the outstanding stock of restructured loans as at March 31, 2015, the provisioning was to commence with a provision of 2.75% with effect from March 31, 2015 and reach 5% by March 31, 2018 in accordance with RBI norms which required this staggered increase in provisioning. For loans restructured after March 31, 2015, the provision was created at 5%. Further, no restructuring provisioning had been made as RBI had allowed an exemption to the Company from RBI restructuring norms till March 31, 2017 for transmission and distribution, renovation and modernisation and life extension projects and also the hydro projects in the Himalayan region or affected by natural disasters.

Purchases of Stock-in-Trade

Our purchased of stock-in-trade for Fiscal 2017 increased by 22.15% from Rs. 2,236.0 million in Fiscal 2016 to Rs. 2,731.2 million in Fiscal 2017, primarily due to increased purchases made by EESL of Rs. 2,599.9 million during Fiscal 2017 as against Rs. 1,911.8 million during Fiscal 2016.

Changes in Inventories of Stock-in-Trade and Work-in-Progress

Changes in inventories of stock-in-trade and work-in-progress increased by 134.08% from Rs. (667.9) million in Fiscal 2017 to Rs. 227.6 million in Fiscal 2017, primarily due to increased business operations of EESL leading to higher inventories.

Profit for the Fiscal Year

As a result of the foregoing, our profit for the year increased by 10.93% from Rs. 56,914.2 million in Fiscal 2016 to Rs. 63,133.7 million in Fiscal 2017.

LIQUIDITY AND CAPITAL RESOURCES

Summary of Cash Flow

We need cash primarily to finance new borrowers and meet working capital requirements. We fund these requirements through a variety of sources, including taxable bonds, capital gains exemption bonds, foreign currency borrowings and commercial paper. The following table sets forth cash flows from operating activities, investing activities and financing activities of the Group for the fiscal years ended March 31, 2016, 2017 and 2018 derived from the relevant audited consolidated financial statements and of the Company for the three months ended June 30, 2017 and 2018 derived from the relevant unaudited reviewed financial statements.

	For the year ended March 31,			For the three months ended June 30,	
	2016	**2017**	**2018**	**2017**	**2018**
		(consolidated)		**(unconsolidated)**	
			(Rs. in millions)		
Net Cash Flow from Operating Activities	(132,780.1)	68,045.2	(306,779.5)	(44,270.7)	(15,644.1)
Net Cash Flow from Investing Activities	(7,557.0)	(1,009.6)	(3,932.7)	(1,524.8)	(96.5)
Net Cash Flow from Financing Activities	152,911.7	(39,468.1)	286,222.3	10,494.9	17,197.2
Net Increase/(Decrease) in Cash and Cash Equivalents	**12,574.6**	**27,567.5**	**(24,489.9)**	**(35,300.6)**	**(1,456.6)**

Net Cash Flow from Operating Activities

Operating activities consisted of loans disbursed net of recoveries made thereof, cash profits earned during the period from operating activities and changes in operating assets and liabilities. Our net cash flow from operating activities on a standalone basis was Rs. (44,270.7) million and Rs. (15,644.1) million in the three months ended June 30, 2017 and 2018 respectively, representing an increase of Rs. 28,626.6 million, or 64.66%. This was mainly due to lower disbursements (net of recoveries) of loan assets during the three months ended June 30, 2018 as compared to the three months ended June 30, 2017.

Our consolidated net cash flow from operating activities was Rs. (132,780.1) million, Rs. 68,045.2 million and Rs. (306,779.5) million in the fiscal years ended March 31, 2016, 2017 and 2018 respectively, representing a decrease of Rs. 374,824.7 million, or 550.85% in Fiscal 2018 compared to Fiscal 2017 and an increase of Rs. 200,825.3 million, or 151.25% in Fiscal 2017 compared to Fiscal 2016. The decrease in Fiscal 2018 was mainly due to a greater increase in loan assets (net of repayments) of Rs. 374,746.4 million in Fiscal 2018 as against an increase of Rs. 6,503.8 million in Fiscal 2017. The increase in Fiscal 2017 was mainly due to lesser increase in loan assets (net of repayment) by Rs. 6,503.8 million in Fiscal 2017 compared to an increase of Rs. 217,333.5 million in Fiscal 2016 mainly due to repayments of loans under the UDAY Scheme. Our net cash flow from operating activities was primarily used in loans disbursed net of recoveries made thereof, cash profits earned during the period from operating activities and changes in operating assets and liabilities.

Net Cash Flow from Investing Activities

Investing activities consisted of the purchase of fixed assets including capital work in progress, investments made and income earned thereon. Our net cash flow from investing activities on an unconsolidated basis was Rs. (1,524.8) million and Rs. (96.5) million in the three months ended June 30, 2017 and 2018 respectively, representing an increase of Rs. 1,428.3 million, or 93.67%. This was mainly due to no investments being made in inter-corporate deposits in the three months ended June 30, 2018 as compared to an investment of Rs. 1,500.3 million made in the three months ended June 30, 2017.

Our consolidated net cash flow from investing activities amounted to Rs. (7,557.0) million, Rs. (1,009.6) million and Rs. (3,932.7) million in the fiscal years ended March 31, 2016, 2017 and 2018 respectively, representing a decrease of Rs. 2,923.1 million, or 289.53% in Fiscal 2018 compared to Fiscal 2017 and an increase of Rs.

6,547.4 million, or 86.64% in Fiscal 2017 compared to Fiscal 2016. The decrease in net cash flow from investing activities in Fiscal 2018 was mainly due to increased investment in the Company's Gurgaon office and fixed deposits made by subsidiaries of the Company. The increase in net cash flow from investing activities in Fiscal 2017 was mainly due to investments made by the Company in Fiscal 2016 in perpetual bonds of Indian Bank, Vijaya Bank and Syndicate Bank amounting to Rs. 15,000.0 million which were partially compensated by the sale of long term investments by the Company amounting to Rs. 7,625.3 million in Fiscal 2016. Our net cash flow from investing activities was primarily used for the purchase of fixed assets including capital work in progress, investments made and income earned thereon.

Net Cash Flow from Financing Activities

Financing activities consisted of the issue of bonds net of redemptions, the payment of dividend on equity shares and dividend tax paid thereon. Our net cash flow from financing activities on a standalone basis was Rs. 10,494.9 million and Rs. 17,197.2 million in the three months ended June 30, 2017 and 2018 respectively, representing an increase of Rs. 6,702.3 million, or 63.86%. This is mainly due to increased funds received from the Government for further disbursement as a subsidy net of disbursement amounting to Rs. 18,486.7 million in the three months ended June 30, 2018 as compared to an amount of Rs. 4,336.4 million in the three months ended June 30, 2017.

Our consolidated net cash flow from financing activities amounted to Rs. 152,911.7 million, Rs. (39,468.1) million and Rs. 286,222.3 million in the fiscal years ended March 31, 2016, 2017 and 2018 respectively, representing an increase of Rs. 325,690.4 million, or 825.2% in in Fiscal 2018 compared to Fiscal 2017, and a decrease of Rs. 192,379.8 million, or 125.81% Fiscal 2017 compared to Fiscal 2016. The substantial increase in net cash flow from financing activities in Fiscal 2018 is mainly due to an increase in funds borrowed (net of repayments) and included short term funds of Rs. 309,520.7 million in Fiscal 2018 as against a decrease of Rs. 16,758.7 million in Fiscal 2017. The decrease in net cash flow from financing activities in Fiscal 2017 is mainly due to a decrease in funds borrowed (net of repayments) and included short term funds of Rs. 16,758.7 million in Fiscal 2017 as against an increase of Rs. 172,998.6 million in Fiscal 2016. Our net cash flow from financing activities was primarily used towards making loan disbursements.

Reconciliation Statement for Net-Worth Movement from Indian GAAP to Ind-AS

The material Ind-AS adjustments including ECL, recognition of Deferred Tax Asset on ECL provisioning, changes in fair value of investments and recognition of interest income and expenses on the basis of EIR have resulted in an adverse impact of Rs. 31,927.0 million on Net Worth as of June 30, 2018. Due to this, the unconsolidated net worth of the Company has decreased from Rs. 354,905.1 million as at March 31, 2018 (based on Indian GAAP) to Rs. 324,778.3 million as of June 30, 2018 (based on Ind-AS).

Particulars	Amount (Rs. in millions)
Net Worth as at March 31, 2018	**354,905.1**
Add: Profit for the three months ended June 30, 2018	13,964.3
Less; FMITDA Movement	(12,164.1)
Net Worth as at June 30, 2018 without considering impact of Ind-AS Adjustments	**356,705.3**
Less: Accelerated Provisioning under ECL Model till June 30, 2018	(61,305.4)
Add: Movement in Deferred Tax Asset till June 30, 2018	26,520.9
Add: Cumulative Gains in Fair Value of Investments till June 30, 2018	1,387.7
Add: Other Misc. Adjustments including MTM Accounting	1,469.8
Net Worth (as per Ind-AS) as at June 30, 2018	**324,778.3**
Net Worth (as per Ind-AS) as at June 30, 2017	**315,752.1**

FINANCIAL CONDITION

Shareholders' Funds

Our consolidated shareholders' funds increased by 16.53% from Rs. 288,934.0 million as at March 31, 2016 to Rs. 336,705.6 million as at March 31, 2017, and further increased by 6.54% to Rs. 358,723.0 million as at March 31, 2018. This was mainly due to an increase in the balance of the surplus account due to profits earned by the Company.

Our unconsolidated shareholders' funds marginally increased by 2.85% to Rs. 324,778.3 million as at June 30, 2018 from Rs. 315,752.1 million as at June 30, 2017.

Assets

Unconsolidated as at June 30, 2017 and June 30, 2018

The following table sets forth the principal components of our assets on an unconsolidated basis as at June 30, 2017 and June 30, 2018:

	As at June 30, 2017	**As at June 30, 2018**
	(Rs. in millions)	
Non-Current Assets		
Property, Plant & Equipment	1,200.1	1,392.2
Capital Work-in-Progress	732.1	1,342.7
Investment Property	0.10	0.10
Intangible Assets	3.4	48.8
Intangible Assets Under Development	14.6	19.1
Financial Assets		
– Investments	27,866.9	26,448.0
– Loans	1,788,125.6	2,020,838.8
– Other Financial Assets	4,137.0	47,439.9
Deferred tax Assets (net)	24,254.6	25,851.3
Other non-current assets	501.5	447.7
Total non-current assets (1)	1,846,835.9	2,123,828.6
Current Assets		
Financial Assets		
– Investments	2,979.1	1,459.9
– Cash and cash equivalents	9,358.9	3,632.9
– Other bank balances	4,628.8	24,723.6
– Loans	204,399.0	291,080.8
– Other financial assets	1,445.6	8,421.4
Other Current Assets	65.20	18.30
Total current assets	**222,876.6**	**329,336.9**
Total	**2,069,712.5**	**2,453,165.5**

Our total assets on an unconsolidated basis increased by 18.53% from Rs. 2,069,712.5 million as at June 30, 2017 to Rs. 2,453,165.5 million as at June 30, 2018, primarily due to increased business operations which led to increases in the loan asset book of the Company. The net loan asset book of the Company increased to Rs. 2,311,563.5 million (including current loans of Rs. 245,538.9 million and short-term loans of Rs. 45,436.4 million classified under Current Assets) as at June 30, 2018 from Rs. 1,992,124.7 million (including current loans of Rs. 175,469.5 million and short-term loans of Rs. 28,823.5 million classified under Current Assets) as at June 30, 2017.

Our non-current investments on an unconsolidated basis decreased by 5.09% from Rs. 27,866.9 million as at June 30, 2017 to Rs. 26,448.0 million as at June 30, 2018, primarily due to a decrease in the fair value of investments made in equity shares by Rs. 475.2 million. The regular redemption of Madhya Pradesh power bonds amounting to Rs. 943.2 million also contributed to this decrease.

Our current investments on an unconsolidated basis decreased by 51.00% from Rs. 2,979.1 million as at June 30, 2017 to Rs. 1,459.9 million as at June 30, 2018, primarily due to the maturity of investments in inter-corporate deposits amounting to Rs. 1,500.3 million outstanding as at June 30, 2017.

Consolidated as at March 31, 2016, 2017 and 2018

The following table sets forth the principal components of our consolidated assets as at March 31, 2016, 2017 and 2018:

	As at March 31,		
	2016	**2017**	**2018**
	(Rs. in millions)		
Non-Current Assets			
Fixed Assets			
- Tangible Assets	2,530.5	3,541.1	4,241.4
- Intangible Assets	10.3	7.4	101.6
- Capital Work-in-Progress	768.4	1,641.3	5,300.7
- Intangible Assets under Development	12.1	14.6	14.6
	3,321.3	5,204.4	9,658.3
Non-Current Investments	22,021.4	24,325.7	23,968.7
Long-Term Loans and Advances	1,577,968.2	1,773,515.8	2,064,952.8
Other Non-Current Assets	1,092.6	3,940.7	47,439.2
	1,604,403.5	**1,806,986.6**	**2,146,019.0**
Current Assets			
Current Investments	1,494.1	1,843.6	1,838.5
Inventories	667.9	511.8	1,024.8
Trade Receivables	2,318.9	4,384.0	5,418.6
Cash and Bank Balances	18,640.8	46,507.9	23,682.4
Short-Term Loans and Advances	8,093.7	36,187.2	57,020.7
Other Current Assets	433,830.3	206,028.1	251,383.1
	465,045.7	**295,462.6**	**340,368.1**
Total	**2,069,449.2**	**2,102,449.2**	**2,486,387.1**

Our total assets increased by 1.59% from Rs. 2,069,449.2 million as at March 31, 2016 to Rs. 2,102,449.2 million as at March 31, 2017, and further increased by 18.26% to Rs. 2,486,387.1 million as at March 31, 2018. The most significant element of this change was the increase in our long-term loans and advances primarily due to an increase in the non-current portion of loan assets from Rs. 1,577,038.4 million in Fiscal 2016 to Rs. 1,772,752.4 million in Fiscal 2017 and further to Rs. 2,064,194.7 million in Fiscal 2018. The current portion of loan assets classified under Other Current Assets decreased from Rs. 417,889.6 million in Fiscal 2016 to Rs. 194,292.5 million in Fiscal 2017 and increased to Rs. 238,656.6 million in Fiscal 2018.

Long-term loans and advances increased by 12.39% from Rs. 1,577,968.2 million as at March 31, 2016 to Rs. 1,773,515.8 million as at March 31, 2017, and further increased by 16.43% to Rs. 2,064,952.8 million as at March 31, 2018.

Our tangible assets have increased by 39.94% from Rs. 2,530.5 million as at March 31, 2016 to Rs. 3,541.1 million as at March 31, 2017, and further increased by 19.78% to Rs. 4,241.4 million as at March 31, 2018. This was primarily due to smart devices purchased for the employees of the Company and regular purchases of furniture and IT equipment.

Our capital work-in-progress increased by 113.60% from Rs. 768.4 million as at March 31, 2016 to Rs. 1,641.3 million as at March 31, 2017, and further increased by 222.96% to Rs. 5,300.7 million as at March 31, 2018. This was mainly due to investment made in the Company's Gurgaon office amounting to Rs. 480.0 million in Fiscal 2017 and Rs. 595.0 million in Fiscal 2018 and a net increase in our capital work-in-progress of Rs. 3,064.4 million in EESL during Fiscal 2018 mainly due to increased business operations of EESL.

Our other non-current assets increased by 260.67% from Rs. 1,092.6 million as at March 31, 2016 to Rs. 3,940.7 million as at March 31, 2017, and further increased by 1103.83% to Rs. 47,439.2 million as at March 31, 2018. The significant increase as at March 31, 2018 was mainly on account of an amount recoverable by the Company from the Government for bonds issued on behalf of the Government during Fiscal 2018 amounting to Rs. 40,000.0 million outstanding as at March 31, 2018.

Our non-current investments increased by 10.46% from Rs. 22,021.4 million as at March 31, 2016 to Rs. 24,325.7 million as at March 31, 2017 and decreased by 1.47% to Rs. 23,968.7 million as at March 31, 2018. The increase as at March 31, 2017 was mainly due to investment made in the shares of NHPC Ltd amounting to Rs 4,008.0 million partially compensated by regular redemption of Madhya Pradesh power bonds and Uttar Pradesh power bonds. The decrease in Fiscal 2018 was primarily due to the regular redemption of Madhya Pradesh power bonds.

Our current investments increased by 23.39% from Rs. 1,494.1 million as at March 31, 2016 to Rs. 1,843.6 million as at March 31, 2017 and decreased slightly by 0.28% to Rs. 1,838.5 million as at March 31, 2018. The increase as at March 31, 2017 was mainly due to an increase in ICDs made by RECTPCL amounting to Rs.350.0 million.

Our trade receivables increased by 89.06% from Rs. 2,318.9 million as at March 31, 2016 to Rs. 4,384.0 million as at March 31, 2017 and further increased by 23.60% to Rs. 5,418.6 million as at March 31, 2018. This was mainly due to an increase in the trade receivables of EESL, owing to augmented business operations, from Rs. 975.8 million in Fiscal 2016 to Rs. 2,746.8 million in Fiscal 2017 and further to Rs. 3,732.8 million in Fiscal 2018.

Our cash and bank balance increased by 149.50% from Rs. 18,640.8 million as at March 31, 2016 to Rs. 46,507.9 million as at March 31, 2017 and decreased by 49.08% to Rs. 23,682.4 million as at March 31, 2018. The increase in cash and bank balances as at March 31, 2017 was mainly due to prepayments under UDAY Scheme received on the last day of the fiscal year and hence unutilized. The decrease as at March 31, 2018 was mainly due to the large amount of funds that were available as at March 31, 2017 received due to prepayments under the UDAY scheme, having been utilized during Fiscal 2017. As at March 31, 2018, the Company's cash and bank balance mainly represented bond application money which was unutilized pending allotment.

Our short-term loans and advances increased by 347.10% from Rs. 8,093.7 million as at March 31, 2016 to Rs. 36,187.2 million as at March 31, 2017 and further increased by 57.57% to Rs. 57,020.7 million as at March 31, 2018. This was mainly due to an increase in the Company's outstanding short-term loan assets from Rs. 7,722.2 million in Fiscal 2016 to Rs. 35,888.5 million in Fiscal 2017 and further to Rs. 56,479.2 million in Fiscal 2018.

Our other current assets decreased by 52.51% from Rs. 433,830.3 million as at March 31, 2016 to Rs. 206,028.1 million as at March 31, 2017 and increased by 22.01% to Rs. 251,383.1 million as at March 31, 2018. The decrease as at March 31, 2017 was mainly due to a decrease in the current portion of loan assets from Rs. 417,889.6 million in Fiscal 2016 to Rs. 194,292.5 million in Fiscal 2017. The increase as at March 31, 2018 was mainly due to an increase in the current portion of loan assets from Rs. 194,292.5 million in Fiscal 2017 to Rs. 238,656.6 million in Fiscal 2018.

Liabilities

Unconsolidated as at June 30, 2017 and June 30, 2018

The following table sets forth the principal components of our liabilities on an unconsolidated basis as at June 30, 2017 and June 30, 2018:

	As at June 30, 2017	As at June 30, 2018
	(Rs. in millions)	
Non-Current Liabilities		
Financial Liabilities		
- Borrowings	1,490,180.4	1,595,102.7
- Other financial liabilities	2,407.0	41,325.5
Provisions	1,516.2	1,368.7
Total Non-Current Liabilities	1,494,103.6	1,637,796.9
Current Liabilities		
Financial Liabilities		
- Borrowings	14, 842.3	60,283.7
- Other financial liabilities	241,875.9	428,838.5
- Other current liabilities	85.9	201.4
Provisions	595.9	653.4
Current tax Liabilities (net)	2,456.8	613.3
Total Current Liabilities	**259,856.8**	**490,590.3**
Total Liabilities	**1,753,960.4**	**2,128,387.2**

Our total liabilities increased by 21.35% to Rs. 2,128,387.2 million as at June 30, 2018 from Rs. 1,753,960.4 million as at June 30, 2017. This was mainly due to increased borrowings in line with increased lending operations of the Company. Our total long-term borrowings have increased to Rs. 1,938,299.1 million (including current maturities of long-term debt of Rs 343,196.4 million classified in Other Financial Liabilities under Current Liabilities) as at June 30, 2018 from Rs. 1,664,819.8 million (including current maturities of long term debt of Rs 174,639.4 million classified in Other Financial Liabilities under Current Liabilities) as at June 30, 2017. Short-term borrowings have increased to Rs. 60,283.7 million as at June 30, 2018 from Rs. 14,842.3 million as at June 30, 2017.

Consolidated as at March 31, 2016, 2017 and 2018

The following table sets forth the principal components of our consolidated liabilities as at March 31, 2016, 2017 and 2018:

	As at March 31,		
	2016	2017	2018
		(Rs. in millions)	
Non-Current Liabilities			
Long-Term Borrowings	1,387,838.5	1,496,808.9	1,614,347.8
Deferred Tax Liabilities (Net)	475.4	399.2	657.3
Other Long-Term Liabilities	100.1	134.2	40,384.6
Long-Term Provisions	12,955.4	18,494.7	13,405.7
	1,401,369.4	1,515,837.0	1,668,795.4
Current Liabilities			
Short-Term Borrowings	64,607.7	1,109.8	57,279.0
Trade Payables	1,179.6	1,603.9	4,486.4

	As at March 31,		
	2016	2017	2018
	(Rs. in millions)		
Other Current Liabilities..................................	304,774.3	245,249.9	394,265.4
Short-Term Provisions.....................................	8,584.2	1,943.0	2,524.0
	379,145.8	249,906.6	458,554.8
Total Liabilities..	**1,780,515.2**	**1,765,743.6**	**2,127,350.2**

Our total liabilities decreased by 0.83% from Rs. 1,780,515.2 million as at March 31, 2016 to Rs. 1,765,743.6 million as at March 31, 2017 and increased by 20.48% to Rs. 2,127,350.2 million as at March 31, 2018. The decrease as at March 31, 2017 was mainly due to lower borrowings during the year owing to higher prepayments under the UDAY scheme. The increase as at March 31, 2018 was mainly due to an increase in total outstanding borrowings from Rs. 1,678,516.4 million (including current maturities of long term borrowings classified under Other Current Liabilities amounting to Rs. 180,597.7 million and short-term borrowings amounting to Rs. 1,109.8 million) in Fiscal 2017 to Rs. 1,994,931.4 million (including current maturities of long term borrowings classified under Other Current Liabilities amounting to Rs. 323,304.6 million and short-term borrowings amounting to Rs. 57,279.0 million) in Fiscal 2018.

Our trade payables increased by 35.97% from Rs. 1,179.6 million as at March 31, 2016 to Rs. 1,603.9 million as at March 31, 2017, mainly due to an increase in the trade payables of EESL from Rs. 685.4 million in Fiscal 2016 to Rs. 1,176.2 million in Fiscal 2017. Our trade payables further increased by 179.72% to Rs. 4,486.4 million as at March 31, 2018. The substantial increase as at March 31, 2018 was mainly due to an increase in the trade payables of EESL from Rs. 1,176.2 million in Fiscal 2017 to Rs. 3,857.4 million in Fiscal 2018 owing to increased business activity of EESL.

The following tables set forth the principal components of our consolidated long-term debt (including the non-current portion of long-term debt classified under long-term borrowings and the current portion of long-term debt classified under Other Current Liabilities) as at March 31, 2016, 2017 and 2018.

	As at March 31,		
	2016	2017	2018
	(Rs. in millions)		
Secured Long-Term Debt			
Bonds			
Institutional Bonds..	354,467.0	277,504.5	222,971.5
54EC Capital Gain Tax Exemption Bonds	171,643.9	194,774.0	222,358.9
Tax Free Bonds..	125,779.7	125,779.7	125,779.7
Term Loans			
From Financial Institutions..............................	11,000.0	7,817.1	4,000.0
Other Loans and Advances			
Bond Application Money.................................	-	-	14,692.3
Total Secured Long-Term Debt....................	**662,890.6**	**605,875.3**	**589,802.4**
Unsecured Long-Term Debt			
Bonds			
Institutional Bonds...	732,402.0	847,844.0	1,058,154.5
Infrastructure Bonds	2,423.9	1,116.4	1,104.7
Zero Coupon Bonds...	9,906.4	10,730.9	11,625.9
Other Loans and Advances			
Foreign Currency Borrowings	219,885.8	211,840.0	276,964.9
Total Unsecured Long-Term Debt	**964,618.1**	**1,071,531.3**	**1,347,850.0**

	As at March 31,		
	2016	**2017**	**2018**
Total Long-Term Debt	**1,627,508.7**	**1,677,406.6**	**1,937,652.4**
Less: Current maturities of Long-Term debt	**239,670.2**	**180,597.7**	**323,304.6**
Non-Current portion of Long-Term debt.....	**1,387,838.5**	**1,496,808.9**	**1,614,347.8**

Our consolidated long-term debt increased by 3.07% from Rs. 1,627,508.7 million as at March 31, 2016 to Rs. 1,677,406.6 million as at March 31, 2017, and further increased by 15.51% to Rs. 1,937,652.4 million as at March 31, 2018, mainly due to borrowings made to fund requirements for increased loan assets of the Company.

Our unsecured institutional bonds increased by 15.76% from Rs. 732,402.0 million as at March 31, 2016 to Rs. 847,844.0 million as at March 31, 2017, and further increased by 24.81% to Rs. 1,058,154.5 million as at March 31, 2018, mainly due to increased capital raisings through unsecured institutional bonds to meet our increased funding requirements for lending operations. In contrast, our secured institutional bonds decreased by 21.71% from Rs. 354,467.0 million as at March 31, 2016 to Rs. 277,504.5 million as at March 31, 2017, and further decreased by 19.65% to Rs. 222,971.5 million as at March 31, 2018. This was mainly due to no new capital raisings made through secured institutional bonds.

Our short-term borrowings decreased by 98.28% from Rs. 64,607.7 million as at March 31, 2016 to Rs. 1,109.8 million as at March 31, 2017, mainly due to a lower requirement for short term funds in our business at such time. Our short-term borrowings increased by 5,061.20% to Rs. 57,279.0 million as at March 31, 2018, mainly due to funds raised through commercial papers and foreign currency borrowings to meet our short-term funding requirements.

The following table sets forth the principal components of our other long-term liabilities and other current liabilities on a consolidated basis as at March 31, 2016, 2017 and 2018:

	As at March 31,		
	2016	**2017**	**2018**
		(Rs. in millions)	
Other Long-Term Liabilities			
Non-Current Portion of Interest Accrued but Not Due on Borrowings..	95.0	123.8	155.0
Other Payables...	5.1	10.4	40,229.6
Total Other Long-Term Liabilities................	**100.1**	**134.2**	**40,384.6**
Other Current Liabilities			
Current Maturities of Long-Term Debt...................	239,670.2	180,597.7	323,304.6
Interest Accrued but Not Due on Borrowings...	62,277.4	60,254.5	61,618.0
Income Received in Advance	215.0	84.1	52.7
Unpaid Dividends	27.3	27.5	34.9
Unpaid Principal and Interest on Bonds			
- Matured Bonds and Interest Accrued Thereon	448.3	515.4	470.3
- Interest on Bonds...	125.7	151.9	142.7
Other Payables...	2,010.4	3,618.8	8,642.2
Total Other Current Liabilities	**304,774.3**	**245,249.9**	**394,265.4**

Our Other Long-term Liabilities increased from Rs. 100.1 million as at March 31, 2016 to Rs. 134.2 million as at March 31, 2017, and further increased to Rs. 40,384.6 million as at March 31, 2018, primarily due to bonds amounting to Rs. 40,000.0 million issued in Fiscal 2018 on behalf of the Government by the Company. This amount is recoverable from the Government as set out in the letter issued by the Government dated March 19, 2018.

Our Other Current liabilities decreased by 19.53% from Rs. 304,774.3 million as at March 31, 2016 to Rs. 245,249.9 million as at March 31, 2017 and increased by 60.76% to Rs. 394,265.4 million as at March 31, 2018. The decrease in Fiscal 2017 was primarily due to lower current maturities of long-term debt of Rs. 180,597.7 million as at March 31, 2017 compared to Rs. 239,670.2 million as at March 31, 2016. The increase in Fiscal 2018 was primarily due to higher current maturities of long-term debt of Rs. 323,304.6 million as at March 31, 2018 compared to Rs. 180,597.7 million as at March 31, 2017.

OFF-BALANCE SHEET ITEMS

Contingent Liabilities

The following table sets forth the principal components of our consolidated contingent liabilities as at March 31, 2016, 2017 and 2018:

	As at March 31,		
	2016	2017	2018
		(Rs. in millions)	
Claims against the Company not acknowledged as debts	582.8	976.3	1,660.3
Guarantees	280.4	353.2	325.8
Letters of Comfort	4,615.6	1,733.6	135.1
Total Contingent Liabilities	**5,478.8**	**3,063.1**	**2,121.2**

Our total consolidated contingent liabilities decreased by 44.09% from Rs. 5,478.8 million as at March 31, 2016 to Rs. 3,063.1 million as at March 31, 2017, and further decreased by 30.75% to Rs. 2,121.2 million as at March 31, 2018. The decrease is primarily due to a reduction in contingent liabilities in respect of letters of comfort from Rs. 4,615.6 million in Fiscal 2016 to Rs. 1,733.6 million in Fiscal 2017 and further to Rs. 135.1 million in Fiscal 2018. This was partially offset by an increase in contingent liability in respect of various demands raised by the income tax and other Government departments including cases pending in courts from Rs. 544.2 million in Fiscal 2016 to Rs. 952.6 million in Fiscal 2017 and further to Rs. 1,659.5 million in Fiscal 2018.

Capital to Risk-Weighted Assets Ratio (CRAR)

Pursuant to the RBI Master Direction RBI/DNBR/2016-17/45 DNBR. PD. 008/03.10.119/2016-17 dated September 1, 2016, our Company, being an IFC, is required to have a CRAR of 15 per cent. (with a minimum Tier-l capital of 10 per cent.).

The table below sets forth capital adequacy ratios as at March 31, 2016, 2017 and 2018 on a consolidated basis and as at June 30, 2017 and June 30, 2018 on a standalone basis.

	As at March 31,			As at June 30,	
Particulars	2016	2017	2018	2017	2018
		(Consolidated)		(Unconsolidated)	
			(%)		
CRAR	20.38	21.18	19.39	18.77	16.66
CRAR – Tier I Capital	17.48	18.43	16.84	16.01	14.35
CRAR – Tier II Capital	2.90	2.75	2.55	2.76	2.31

COMPETITIVE CONDITIONS

Please refer to the sections entitled *“Business”*, *“Industry Overview”* and *“Risk Factors”* in this Offering Circular regarding competition.

UNUSUAL OR INFREQUENT EVENTS OR TRANSACTIONS

Except as described in this Offering Circular, there have been no other events or transactions to the best of our knowledge which may be described as “unusual” or “infrequent”.

KNOWN TRENDS OR UNCERTAINTIES

Except as described in the section titled “Risk Factors”, this section and elsewhere in this Offering Circular, to the best of our knowledge there are no known trends or uncertainties that have or had or are expected to have any material adverse impact on the Group’s revenues or income from continuing operations.

FUTURE RELATIONSHIP BETWEEN COST AND INCOME

Except as described in the sections titled “Risk Factors”, “Business” and this section, to the best of our knowledge there are no known factors that will have a material adverse impact on our operations and finances.

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 September 30, 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 June 30, 2018, we had aggregate loans outstanding to state sector borrowers of Rs. 2,089,716.1 million, which constituted about 86.38 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 June 30, 2018, our single borrower having the largest amount of outstanding loans accounted for 5.40 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 12.58 per cent. of our total outstanding loans. As of June 30, 2018, the top ten individual borrowers to whom we had the largest amount of outstanding loans in the aggregate accounted for 36.05 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 74.15 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 credit-impaired assets or 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.

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 utilize 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 the three months ended on June 30, 2018, was 7.27 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 the 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, some 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, possibly 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, 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 observations in their annexure to auditor's reports on our audited financial statements for Fiscal 2016, 2017 and 2018 and raised matters of emphasis in their annexure to auditor's reports on our audited financial statements for Fiscal 2016.

Our statutory auditors have not given any qualification, reservation, adverse remark or disclaimer in their report on the unconsolidated and consolidated financial statements of the Company but have made certain observations on further strengthening of our internal financial controls. This can be referred to in the respective annexure to the auditors reports on our audited financial statements for Fiscal 2016, 2017 and 2018.

In addition, the auditors also included a matter of emphasis in their report on our audited financial statements for Fiscal 2016. Please see the Independent Auditors' Report on our unconsolidated and consolidated financial statements for Fiscal 2016 and note no. 11.2.7 and note no. 13.2.7 of our unconsolidated and consolidated financial statements for Fiscal 2016, respectively, on pages F-270 and F-324 of this Offering Circular.

Our Company may be subject to similar observations and matters of emphasis in the future, which could have a material adverse impact on our financial condition, profitability and operations.

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 gains 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 February 1, 2018, the MoF approved the extension of the holding period of capital gains 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 June 30, 2018, we had long-term borrowings outstanding of Rs. 1,941,584.9 million, which constituted 81.79 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 categorizes 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 September 17, 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 June 30, 2018, we had foreign currency borrowings outstanding equal to Rs. 312,595.2 million out of which 37.02 per cent. of our total borrowings were unhedged, while as of September 30, 2018 33.73 per cent. of our total borrowings were 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 June 30, 2018, we had long-term loan assets outstanding of Rs. 2,373,735.9 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 August 31, 2018, the Government owns 57.99 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.

As long as 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.

The Company may face difficulties in realising the benefits of any acquisitions

On February 1, 2017, the Finance Minister of India, in his speech on the annual budget, referred to the opportunities to strengthen CPSEs through consolidation, mergers and acquisitions. The Company continually evaluates potential acquisition opportunities and prior to completing any acquisition it would identify expected synergies, potential cost savings and growth opportunities but, due to legal, regulatory and business limitations, the Company may not have access to all necessary information. As a result, the Company may face the operational and financial risks inherent in such acquisitions. In addition, the integration process following any such acquisition may be complex, costly and time-consuming. As such, any acquisition by the Company could impact the financial and operating results of the Company.

An inability to develop or implement effective risk management policies and procedures could expose us to unidentified risks or unanticipated levels of risk.

Although we follow various risk management policies and procedures to identify, monitor and manage risks, there can be no assurance that such policies and procedures will be effective in addressing all risks that the Company encounters in its business and operations or that such policies and procedures are as comprehensive as those implemented by other banks and financial institutions. Our risk management policies and procedures are based on, among other considerations, historical market behaviour, information regarding borrowers, and market knowledge. Consequently, these policies and procedures may not accurately predict future risk exposures that could vary from, or be greater than, those indicated by historical measures. In addition, information available to us may not be accurate, complete, up-to-date or properly evaluated. Unexpectedly large or rapid movements or disruptions in one or more financial markets or other unforeseen developments could have a material adverse effect on the Company's results of operations and financial condition. Our risk management policies and procedures are also influenced by applicable Government policies and regulations and may prove inadequate or ineffective in addressing risks that arise as a consequence of any development in Government policies and regulations that adversely affect our business and operations.

In addition, we intend to continue to diversify our borrower portfolio and extend fund based and non-fund based financial and other assistance and services to projects that represent forward and backward linkages to the core power sector projects. These business initiatives may involve operational and other risks that are different from those that are currently faced or anticipated, and there can be no assurance that we will be able to effectively identify and address any additional risks that apply to such business initiatives. An inability to develop, modify and implement effective and dynamic risk management policies and procedures may adversely affect our growth strategy. The management of operational, legal and regulatory risk requires, among others, policies and procedures to accurately record and verify transactions and events. There can be no assurance that our policies and procedures will effectively and accurately record and verify such information. Failure of our risk management policies and procedures or exposure to unanticipated risks could lead to losses and adversely affect our business, financial condition and results of operations.

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 2016, Fiscal 2017 and Fiscal 2018, our Company's effective tax liability as a percentage (computed by dividing our Company's current unconsolidated tax by profit before tax, according to our Company's unconsolidated financial statements) was 30.80 per cent., 29.41 per cent. and 31.64 per cent. respectively, compared to statutory corporate tax rates (including surcharge and cess) of 34.61 per cent., 34.61 per cent. and 34.61 per cent. in Fiscal 2016, Fiscal 2017 and Fiscal 2018, 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 June 30, 2018, we had total loan assets outstanding of Rs. 2,419,129.7 million, of which Rs. 2,015,121.5 million, or 83.30 per cent., were secured by charges on assets, Rs. 307,012.5 million, or 12.69 per cent. which were backed by way of state government guarantee including loans to state governments and Rs. 96,995.7 million, or 4.01 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 be unable 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 June 30, 2018, Rs. 329,413.6 million or 13.62 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 March 31, 2018, our Company had, on an unconsolidated basis, non-funded contingent liabilities not provided for of Rs.1,081.8 million (as disclosed in our unconsolidated 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	946.7
(b)	Others	
	– Letters of Comfort	135.1
Total		1,081.8

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 materialize or materialize 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 flow 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 flow from financing activities. Consequently, cash flow of our Company (on an unconsolidated basis) reflects negative net cash flow from operating activities of Rs. 132,049.6 million, Rs. 312,833.2 million for Fiscal 2016 and Fiscal 2018, respectively. 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 unconsolidated cash flow, 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 2018 is 7.53 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 materialize, 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 risks 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 materialize, 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 materialize.

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 ''*Regulations 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. The registered trademark of the logo of our Company has expired in 2017 and we are in the process of renewing the same. In the interim we do not enjoy statutory protection accorded to a registered trademark and may not be able to enforce or protect our intellectual property in this regard. 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.

The RBI, in its letter dated September 17, 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 a 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 September 25, 2010. In view of the exemption granted by the RBI through the letter dated June 16, 2016, to our Company from concentration norms in respect of exposure to central and state entities in the power sector until March 31, 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. 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 March 31, 2018 and March 31, 2017.

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 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 recognize 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.

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 unionized 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 utilize 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 June 30, 2018, our Company has made investments aggregating to an amount of approximately Rs.27,907.9 million on an unconsolidated basis, of which Rs.19,970.0 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 September 2, 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 July 1, 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 increase overall and entail higher demand for loans from our Company.

The General Anti-Avoidance Rules (**GAAR**) have been made effective from April 1, 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 materialize. 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 unauthorized 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.

The effects of the convergence with IFRS and the adoption of "Indian Accounting Standards converged with IFRS" are in the process of being established.

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 are 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 April 1, 2018 onwards with comparatives for the periods ending March 31, 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 April 1, 2019 onwards with comparatives for the periods ending March 31, 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 the process of convergence is still in an early phase, there is not yet a significant body of established practice from which to draw upon when forming judgements regarding its implementation and application. The new accounting standards significantly change our methodology for estimating allowances for probable loan losses and 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, they require us to adjust this estimate by considering future economic conditions. This has resulted in our Company recognising higher allowances for probable loan losses than as required as per the earlier standards. However, the new accounting standards require significantly more use of judgment, and there are still several areas where diversity in industry practice is being seen. It is possible that the regulators may issue further clarifications or rules in the future, or that industry practice may otherwise become aligned. Accordingly, there can be no assurance that such developments in the future, with respect to Ind-AS, will not adversely affect our reported results of operations or financial condition.

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 unconsolidated financial results in relation to our Company, for the three months ended June 30, 2018 and June 30, 2017, in respect of which M/s G.S. Mathur & Co., Chartered Accountants and M/s A.R. & Co., Chartered Accountants, the statutory auditors of our Company for Fiscal 2019, have issued their limited review report dated October 12, 2018 for the three-month period ended June 30, 2018. As this financial information has been subject only to limited review, in accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and not subject to an audit, any reliance by prospective investors on such unaudited unconsolidated financial information for the three months ended June 30, 2018 should, accordingly, be limited. Moreover, our financial results for any given fiscal quarter or period, including the three months ended June 30, 2018, may not be directly comparable with our financial results for any full fiscal or for any other fiscal quarter or period.

Further, the Company has adopted the Indian Accounting Standards (**Ind-AS**) with effect from April 1, 2018 in line with the roadmap notified by the MCA. The financial results for the three months ended June 30, 2018 and comparables for June 30, 2017 have been drawn up on the basis that Ind-AS is applicable to the Company as at June 30, 2018, as against the financial statements of the financial year ended March 31, 2018 and earlier which were drawn as per the earlier accounting framework.

Accordingly, prospective investors in the Notes are advised to read such unaudited unconsolidated financial information for the three months ended June 30, 2018 and June 30, 2017 in conjunction with the audited financial statements set out elsewhere in this Offering Circular while keeping the aforesaid in view.

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

Our Company's gross credit impaired assets (NPAs) are Rs. 42,435.7 million, Rs.48,726.9 million, Rs.171,284.2 million and Rs. 196,506.7 million, which constitute 2.11 per cent., 2.41 per cent., 7.15 per cent. and 8.12 per cent. of our total loan assets as of March 31, 2016, 2017 and 2018 and June 30, 2018, respectively. Upon the implementation of Ind-AS, the provisioning in respect of loan assets is made on the basis of Expected Credit Loss (ECL) methodology, which considers the probability of default and the expected loss to the Company. We may, from time to time, amend our policies and procedures regarding asset classification of our loans, which may increase our level of credit impaired assets.

The RBI has recently issued a guideline on "Resolution of Stressed Assets – Revised Framework" dated February 12, 2018. These guidelines are 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 are not strictly applicable to our Company, being a NBFC. Under these guidelines, 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 have been withdrawn with immediate effect. These guidelines are applicable to all accounts, including such accounts where any of the above schemes have been invoked but not yet implemented. Although the above guidelines are 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 same may have an impact. However, in case the above guidelines are made applicable to the Company through subsequent directions/ notification of RBI, the same may impact:

(a) provisioning requirements as the accounts restructured under these guidelines 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 September 1, 2016; and

(b) the timing of any enforcement and terms of loan recovery,

each of which may affect our asset quality and the profitability.

As a matter of prudence, in accordance with the abovementioned circular, loans amounting to Rs. 95,913.9 million were classified as non-performing assets during the year ended March 31, 2018, in line with the above circular. Accordingly, as on March 31, 2018, our gross NPAs stood at Rs. 171,284.2 million (7.15% of loan assets) and our net NPAs were Rs. 136,121.6 million (5.68% of loan assets). Without the impact of the above circular, our gross NPAs were Rs. 75,370.3 million (3.14% of loan assets) and our net NPAs were Rs. 49,799.1 million (2.07% of loan assets).

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

As of June 30, 2018, our Company had outstanding foreign currency borrowing of approximately JPY 4,100.17 million, U.S.$4,420.87 million and EUR86.29 million. Approximately 62.98 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 the 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.$ 399,609.3 million as of October 5, 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 and statutory frameworks and market structures. Any adverse change in the policies relating to the power sector may leave us with unutilized 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. India's power sector is characterised by a myriad, and often highly inefficient, policy interventions. Controls on supply and the lack of transparent price signals reduce incentives to invest. Distribution creates a bottleneck and poses a bigger problem than generation capacity. Political constraints will make any change incremental rather than wholesale.

Some of the defining features of energy policy and regulation in India are (i) subsidies that are aimed at improving access for poor and rural communities; (ii) central and state governments providing financial support for distribution companies, including occasional bailouts, to cover losses for supplying power at artificially low rates; (iii) regulated energy prices such as electricity tariffs to end-users are regulated by state utilities below the cost of supply in many states, making any pass-through of higher priced imports difficult; (iv) no formal provision for different peak and off-peak tariffs making it harder for distribution companies to recover costs; (v) difficult land acquisition laws; (vi) development of transnational pipelines which is limited due to strict land acquisition laws; (vii) environmental concerns; (vii) policy and investment decisions being influenced by the sensitivity of land and water use, as well as the worsening air quality in many of India's major cities.

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 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 any failure to 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 or 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. India's natural gas demand has been mainly affected by (i) lower availability; (ii) price affordability; (iii) inadequate transmission and distribution infrastructure; and (iv) limited gas import facilities. 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.

On June 23, 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. The International Monetary Fund forecasts that the global economy will expand at 3.9 per cent in both 2018 and 2019, slightly higher than the 3.7 per cent growth rate achieved in 2017. The International Monetary Fund has also provided a list of downside risk factors, including mounting trade tensions, rising interest rates, political uncertainty and complacent 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 Uttarakhand 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. In 2018, there was extensive flooding in Kerala, as a consequence of which there has been a mounting economic toll on Kerala's economy. These floods may have caused nearly a percentage point decrease in Kerala's economic growth which presently accounts for 2.8 per cent. of India's population and contributes nearly 4 per cent. to the economy.

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. Southeast Asia has been affected by a number of emerging infectious diseases, including those which have a pandemic potential. For example, influenza A H5N1 has had a profound effect on the poultry industry and Nipah virus encephalitis, is an emerging infectious disease of public health importance in the Southeast Asia region. India's southern state of Kerala was put under a lot of stress in May 2018 due to an outbreak of the Nipah virus.. Southeast Asia is home to dynamic systems in which biological, social, ecological, and technological processes interconnect in ways that enable microbes to exploit new ecological niches. These processes include population growth and movement, urbanisation, changes in food production, agriculture and land use, water and sanitation, and the effect of health systems through generations of drug resistance.

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 borrowers including SPUs might source their fund requirement directly from the market. We have a large exposure to SPUs (which have weak financial risk profiles) 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. The overall risks to the banking sector remain elevated due to asset quality concerns. 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. Deterioration in the asset quality and the progressive implementation of Basel III norms which require greater buffers, have led to public sector banks (**PSBs**) receiving capital infusions through the issuance of recapitalization bonds and budgetary support. The RBI's revised prompt corrective action framework became effective in April 2017. Eleven PSBs placed under this framework so far have been restricted in their operations and have been subjected to remedial action plans to prevent further capital erosion.

The stress tests carried out by the RBI suggest that, under the baseline assumption of the prevailing economic situation, the gross non-performing assets ratio of scheduled commercial banks may increase in 2018-19, as per RBI's latest annual report. Further, the gross non-performing assets plus restructured standard advances in the banking system remained elevated at 12.1 per cent of the gross advances at the end of March 2018. Accordingly, the combined impact of the increase in provisioning against non-performing assets and the mark-to-market treasury losses on account of the hardening of yields eroded the profitability of banks, resulting in net losses.

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. Insolvency laws in India are currently being overhauled and are evolving, with a new legal framework thereof being established and codified as part of the major economic reforms of the Government of India in the financial and banking services sector. As such, their impact on companies cannot be fully ascertained at this point.

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 effectively subordinated to all of our present and future secured indebtedness.

The Notes are our unsecured obligations and will rank effectively 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 June 30, 2018, our Company had total Rupee-denominated borrowings of Rs. 1,689,651.1 million, of which Rs. 584,326.4 million, or 34.58 per cent., were secured by charges on assets. The Notes will rank effectively 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 effectively 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 57.95 per cent. of our issued and paid up share capital as of June 30, 2018, 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 8.2) 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. Application has been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's ISM. Application has also been made to the India INX for the Notes to be admitted for trading on the India INX. Application has also been made to the NSE IFSC for the Notes to be admitted for trading on the NSE IFSC.

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.

Transfers of interests in the Notes will be subject to certain restrictions and interests in Global Notes can only be held through a clearing system.

The Notes have not been and are not expected to be registered: (a) under the Securities Act or any applicable state's or other jurisdiction's securities laws; or (b) with the U.S. Securities and Exchange Commission or any other applicable state's or other jurisdiction's regulatory authorities. The offering of the Notes will be made pursuant to exemptions from the registration requirements of the Securities Act and from other securities laws. Prospective investors may not offer or sell any Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Similar restrictions will apply in other jurisdictions. Accordingly, reoffers, resales, pledges and other transfers of interests in the Notes will be subject to certain transfer restrictions. Each investor is advised to consult its legal advisers in connection with any such reoffer, resale, pledge or other transfer. See "*Subscription and Sale*" and "*Transfer Restrictions*".

Because transfers of interests in the Global Notes can be effected only through book entries at Euroclear, Clearstream, Luxembourg and/or DTC (as applicable) for the accounts of their respective participants, the liquidity of any secondary market for investments in the Global Notes may be reduced to the extent that some investors are unwilling to invest in notes held in book-entry form in the name of a participant in Euroclear, Clearstream, Luxembourg or DTC as applicable. The ability to pledge interests in the Notes may be limited due to the lack of a physical certificate. Beneficial owners of Global Notes may, in certain cases, experience a delay in the receipt of payments of principal or interest since such payments will be forwarded by the paying agent to Clearstream, Euroclear or DTC, as applicable, who will then forward payment to their respective participants, who (if not themselves the beneficial owners) will thereafter forward the payments to the beneficial owners of the interests in the Global Notes. In the event of the insolvency of Euroclear, Clearstream, DTC or any of their respective participants in whose name interests in the Notes are recorded, the ability of beneficial owners to obtain timely or ultimate payment of principal and interest on the Notes may be impaired.

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 or may be deposited with a nominee for DTC. Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of DTC, 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*".

We are not registered, and will not register, as an "investment company" under the Investment Company Act.

We will seek to qualify for an exemption from the definition of "investment company" under the Investment Company Act and will not register as an investment company in the United States under the Investment Company Act. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which will be applicable to us or our investors.

U.S. Dividend Equivalent Withholding may affect payments on the Notes

Section 871(m) of the U.S. Internal Revenue Code of 1986 causes a 30 per cent. withholding tax on amounts attributable to U.S. source dividends that are paid or "deemed paid" under certain financial instruments if certain conditions are met (such instruments, **Specified Notes**). If the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld. Prospective investors should refer to the section "*Taxation---U.S. Dividend Equivalent Withholding*".

For purposes of withholding under the U.S. Foreign Account Tax Compliance Act, commonly known as FATCA, Specified Notes are subject to a different grandfathering rule than other Notes. Prospective investors should refer to the section "*Taxation---Foreign Account Tax Compliance Act*".

We will follow the applicable corporate disclosure standards for debt securities listed on the ISM, which standards may be different from those applicable to debt securities listed in certain other countries.

We will be subject to reporting obligations in respect of the Notes to be listed on the ISM. The disclosure standards imposed by the ISM may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

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.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks".

Interest rates and indices which are deemed to be or are used as "benchmarks" are the subject of recent international regulatory guidance and proposals for reform, particularly in the United Kingdom. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark. Regulation (EU) 2016/1011 (the **Benchmarks Regulation**) was published in the Official Journal of the EU on June 29, 2016 and applies from January 1, 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that apply from June 30, 2016 and July 3, 2016). The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorized or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognized or endorsed) and (ii) prevent certain uses by EU supervised entities of benchmarks of administrators that are not authorized or registered (or, if non-EU based, not deemed equivalent or recognized or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international reforms, particularly in the United Kingdom or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, the sustainability of the London interbank offered rate (**LIBOR**) has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including as a result of regulatory reforms) for market participants to continue contributing to such benchmarks. On July 27, 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the **FCA Announcement**). The FCA Announcement indicated that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to floating rate Notes whose interest rates are linked to LIBOR). Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark; or (iii) lead to the disappearance of the benchmark.

Any of the above changes or any other consequential changes as a result of international reforms, particularly in the United Kingdom, or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any other international reforms, particularly in the United Kingdom, in making any investment decision with respect to any Notes linked to or referencing a benchmark. 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. In addition, the Conditions provide that we may appoint an Independent Adviser to determine a Successor Rate or an Alternative Rate applicable to Floating Rate Notes if a Benchmark Event occurs (each term as defined in "*Terms and Conditions of the Notes*"). 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 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 Financial Action Task Force (**FATF**) or a member of an FATF-style regional body and whose securities market regulator is a signatory to the International Organisation of Securities Commission's (**IOSCO's**) multilateral memorandum of understanding (Appendix A Signatories) or a signatory to a bilateral memorandum of understanding with SEBI for information sharing arrangements. Additionally, investors should not be residents of a country identified in the public statement of the FATF as: (i) a jurisdiction having strategic anti-money laundering or combating the financing of terrorism deficiencies to which countermeasures 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. Additionally, investors should not be classified as related parties of the Issuer under the Indian accounting standards.

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 the Rupee 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.

Early redemption of Rupee Denominated Notes may require RBI approval

Early redemption of Rupee Denominated Notes prior to its stated maturity (whether as a result of an event of default or any early redemption event) requires prior RBI or AD Bank approval, as the case may be. Compliance with any conditions specified in any such RBI or AD Bank approval will be required. There can be no assurance that the RBI or the AD Bank will provide such approval in a timely manner or at all.

BUSINESS

*In this section, unless the context otherwise requires, a reference to **the Company** or **our Company** is a reference to REC Limited (formerly known as Rural Electrification Corporation Limited) and, unless the context otherwise requires, a reference to **we**, **us** or **our** refers to REC Limited (formerly known as 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 unconsolidated 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 segments in the power sector, including renewable energy projects throughout India. We believe our organization 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 at August 31, 2018, the President of India, acting through the MoP, holds 57.99 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.

RECENT DEVELOPMENTS

Government proposal for possible integration within the power sector

On February 1, 2017, the Finance Minister of India, in his speech on the annual budget, referred to the opportunities to strengthen CPSEs through consolidation, mergers and acquisitions. As a result, there have been related media reports on the potential for consolidation in the power industry, including reports on the possibility of the Company acquiring the Government's shareholding in another major Indian public sector power company which presently has a majority shareholding of the Government.

Change of name of the Company

Our Company is currently involved in financing relating to all segments of the Indian power sector (including generation, transmission, distribution, renewable energy and others) and in order to reflect this, and to also remove the misconception that rural electrification is the primary business of the Company, the Board in its meeting held on May 28, 2018, proposed changing the name of the Company from "Rural Electrification Corporation Limited" to "REC Limited", subject to the approval of shareholders and other approvals as may be required.

Subsequently, the shareholders of the Company, in the 49th Annual General Meeting held on September 25, 2018 approved the proposal. Final approval was obtained from the RBI and MCA on October 4, 2018 and October 13, 2018, respectively. As such, the change of name was effected on October 13, 2018. For a period of two years following the name change, the Company will be known as REC Limited (formerly known as Rural Electrification Corporation Limited).

Business growth

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

- Our Company's yearly loan disbursements have grown from Rs. 460,258.3 million in Fiscal 2016 to Rs. 617,124.7 million in Fiscal 2018.

- For Fiscal 2018, our Company sanctioned Rs. 1,075,340.6 million of loans, including Rs. 532,235.5 million relating to generation projects, Rs. 70,342.4 million relating to renewable energy projects, Rs. 363,262.7 million relating to transmission and distribution projects and Rs. 109,500.0 million under STLs, MTLs and other loan assistance.

- For Fiscal 2018, our Company disbursed Rs. 617,124.7 million of loans, including Rs. 180,857.2 million relating to generation projects, Rs. 54,032.7 million relating to renewable energy projects, Rs. 266,758.6 million relating to transmission and distribution projects and Rs. 115,476.2 million under STLs, DDUGJY and MTLs.

- Our Company's loan assets have grown from Rs. 2,002,650.2 million in Fiscal 2016 to Rs. 2,359,330.5 million in Fiscal 2018, based on our consolidated financial statements.

- Our Company's profit after tax, based on our consolidated financial statements, for Fiscals 2016, 2017 and 2018 was Rs. 56,914.2 million, Rs. 63,133.7 million and Rs. 46,894.6 million respectively. Our Company's profit after tax, based on our unconsolidated financial statements for the three months ended June 30, 2018 was Rs. 14,687.0 million.

- As of June 30, 2018, our Company had total loan assets of Rs. 2,311,563.5 million and a net worth of Rs. 324,778.3 million, based on our un-consolidated financial statements.

KEY FINANCIAL PARAMETERS

Some of our key financial parameters based on our consolidated financials for Fiscal 2016, 2017 and 2018 and unconsolidated financials for the three months ended June 30, 2018 are as follows:

	Figures on a consolidated basis			Figures on an unconsolidated basis
Parameters	**Fiscal 2016**	**Fiscal 2017[(1)]**	**Fiscal 2018**	**Three Months Ended June 30, 2018**
	(in Rs. million, except in percentages and ratios)			
Net worth	288,934.0	336,705.6	358,723.0	324,778.3
Total Debt	1,692,116.4	1,678,516.4	1,994,931.4	1,998,582.8
of which – Non-Current Maturities of Long-Term Borrowing	1,387,838.5	1,496,808.9	1,614,347.8	1,595,102.7
– Short-Term Borrowing	64,607.7	1,109.8	57,279.0	60,283.7
– Current Maturities of Long-Term Borrowing	239,670.2	180,597.7	323,304.6	343,196.4
Net Fixed Assets	3,321.3	5,204.4	9,658.3	2,802.9
Non-Current Assets	1,604,403.5	1,806,986.6	2,146,019.0	2,123,828.6
Cash and Cash Equivalents	18,165.6	45,803.4	21,312.9	3,632.9
Current Investments	1,494.1	1,843.6	1,838.5	1459.9
Current Assets	465,045.7	295,462.6	340,368.1	329,336.9
Current Liabilities	379,145.8	249,906.6	458,554.8	490,590.3
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	234,706.6	229,356.1	217,489.5	56,688.2
Finance Costs	142,823.5	137,863.6	138,595.9	36,280.5
Net interest income	91,883.1	91,492.5	78,893.6	20,407.7
Provisioning and Write-offs	10,961.8	11,103.1	14,210.6	1,318.4
PAT	56,914.2	63,133.7	46,894.6	14,687.0
Gross NPA (%)	2.11%	2.41%	7.15%[(2)]	8.12%
Net NPA (%)	1.61%	1.62%	5.77%	4.27%
Tier I Capital Adequacy Ratio (%)	17.48%	18.43%	16.84%	14.35%
Tier II Capital Adequacy Ratio (%)	2.90%	2.75%	2.55%	2.31%
Total Loan Assets (net)	2,002,650.2	2,002,933.4	2,359,330.5	2,311,563.5
Capital Adequacy ratio (%)	20.38%	21.18%	19.39%	16.66%
Net interest margin (Annualized)	4.90%	4.65%	3.89%	3.72%
Yield on Loan Assets (Annualized)	12.51%	11.64%	10.55%	10.32%
Cost of funds (Annualized)	8.50%	8.13%	7.53%	7.27%
Return on Net worth (average) (Annualized)	21.09%	20.18%	13.49%	18.15%
Debt equity ratio (times)	5.86	4.99	5.56	6.16
Total Assets	2,069,449.2	2,102,449.2	2,486,387.1	2,453,165.5
Return on Assets (Average) (Annualized)	2.92%	3.03%	2.04%	2.39%

Note:

(1) In relation to the comparability of certain financial information herein, see the section entitled *"Comparability of Results"* under *"Selected Financial and Other Data"* in this Offering Circular.

(2) RBI through its circular dated February 12, 2018 has notified a Revised Framework for Resolution of Stressed Assets, which was not strictly applicable to REC, being an NBFC. However, as a matter of prudence, loans amounting to Rs. 95,913.9 million have been classified as Non-performing Assets (NPAs) during the year, in line with the above circular. Accordingly, as at March 31, 2018, Gross NPAs were Rs. 171,284.2 million (7.15% of Total Loan Assets) and Net NPAs were Rs. 136,121.6 million (5.68% of Total Loan Assets). However, Gross NPAs were Rs. 75,370.3 million (3.14% of Total Loan Assets) and Net NPAs were Rs. 49,799.1 million (2.07% of Total Loan Assets), without considering the impact of the above RBI circular.

MAJOR EVENTS AND MILESTONES

Calendar Year	Event
1969	Incorporation of our Company.
1970	Commenced lending operations to SEBs.
1974	Authorized 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.
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.

Calendar Year	Event
	• 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.$500 million 4.25 per cent. 5-year Regulation S senior unsecured notes transaction. Our Company was the first Indian NBFC-IFC to enter into the international debt market.
2012	• Our Company was appointed as a nodal agency for the implementation of the National Electricity Fund scheme. • Our Company issued a tax-free bond of Rs. 30,000 million under Section 10(15)(iv)(h) of the IT Act in Fiscal 2012. • Our Company issued CHF200 million in aggregate principal amount of CHF-denominated bonds which are listed on the SIX Swiss Exchange, Switzerland. • Our Company entered into an agreement with KfW, Germany to avail of official development assistance (**ODA**) under a loan facility of EUR100 million.
2013	Our Company issued tax-free bonds of Rs. 26,484.1 million under Section 10(15)(iv)(h) of the Income Tax Act.
2014	Our Company issued tax-free bonds of Rs. 60,000 million under Section 10(15)(iv)(h) of the Income Tax Act. Appointed as the nodal agency for the DDUGJY scheme.
2015	Our Company issued tax-free bonds of Rs. 10,000 million under Section 10(15)(iv)(h) of the Income Tax Act, 1961.
2016	• Our Company successfully set up a U.S.$ 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.
2018	• Our Company successfully updated and upsized its Medium Term Note Programme to U.S.$3 billion. • Our Company entered into an agreement with KfW, Frankfurt am Main to establish a loan facility of EUR200 million.

Calendar Year	Event
	• Our Company presented its first Indian Accounting Standards (Ind-AS) compliant financial results.

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 consolidated basis of Rs. 56,914.2 million, Rs. 63,133.7 million and Rs. 46,894.6 million for Fiscals 2016, Fiscal 2017 and 2018. For the three months ended June 30, 2018 our profit after tax on an unconsolidated basis was Rs. 14,687.0 million. We have paid dividends each year since Fiscal 1998. As of June 30, 2018, our Company had a net worth of Rs. 324,778.3 million based on our unconsolidated financial statements. Our Company's annualized return on average net worth for June 30, 2018 was 18.15 per cent. based on our unconsolidated financial statements.

Our projects portfolio for loans sanctioned is also diversified by sector and customer base. For the three months ended June 30, 2018, 15 per cent. of our unconsolidated loan sanctions are related to generation projects, 16 per cent related to renewable energy projects, 66 per cent. related to transmission and distribution projects and 3 per cent. related to sanctions relating to STLs. As of June 30, 2018, credit impaired assets (non-performing loan assets) constituted 8.12 per cent. of our unconsolidated gross loan assets. As of June 30, 2018, our exposure in the form of unconsolidated outstanding loan assets to our top ten borrowers was 36.05 per cent. of our total unconsolidated outstanding loan assets, and the largest borrower holding is 5.40 per cent. of our total unconsolidated 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 three months ended June 30, 2018 based on our unconsolidated financial statements was 7.27 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 during the three months ended June 30, 2018, based on our unconsolidated financial statements, being 3.72 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 nearly 50 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 22 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 a 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 into the 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 consolidated loan disbursements have grown from Rs. 460,258.3 million in Fiscal 2016 to Rs. 617,124.7 million in Fiscal 2018. 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 June 30, 2018, our unconsolidated loan assets comprised 56 per cent. transmission and distribution-related loans. We have utilized our broad mandate to capture the higher rates of return available in the generation sector and diversify our loan asset portfolio. As of June 30, 2018, 38 per cent. of our unconsolidated loan asset portfolio was comprised of generation-related loans (in addition to 4 per cent of our unconsolidated loan asset portfolio allocated towards renewable energy generation projects). 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.

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 capitalize 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 consolidated 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					
	2016		2017		2018	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)					
Transmission and distribution[1]	236,276.1	36.09	409,531.2	48.82	363,262.7	33.78
Generation[2]	307,941.6	47.03	302,987.0	36.13	602,577.9	56.04
Other[3]	110,493.3	16.88	126,190.0	15.05	109,500.0	10.18
Total	**654,711.0**	**100.00**	**838,708.2**	**100.00**	**1,075,340.6**	**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 sets forth our unconsolidated loan sanctions by type of project and the percentage such amount represented of our total unconsolidated loan sanctions for all projects for the three months ended June 30, 2018 and June 30, 2017.

	Three Months Ended June 30, 2017		Three Months Ended June 30, 2018	
Sector	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)			
Transmission and distribution[1]	142,410.0	42.05	123,870.0	66.00
Generation[2]	190,270.0	56.18	57,800.0	30.80
Other[3]	6,000.0	1.77	6,000.0	3.20
Total	**338,680.0**	**100.00**	**187,670.0**	**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 consolidated 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					
	2016		2017		2018	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)					
Transmission and distribution[1]	307,022.3	66.71	299,483.2	51.60	315,884.7	51.18
Generation[2]	131,236.0	28.51	233,152.9	40.17	234,890.0	38.06
Other[3]	22,000.0	4.78	477,50.0	8.23	66,350.0	10.76
Total	**460,258.3**	**100.00**	**580,386.1**	**100.00**	**617,124.7**	**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.

The table below sets forth our unconsolidated loan disbursements by type of project and the percentage such amount represented of our total loan unconsolidated disbursements for all projects for the three months ended June 30, 2018 and June 30, 2017.

	Three Months Ended June 30, 2017		Three Months Ended June 30, 2018	
Sector	**Amount**	**%**	**Amount**	**%**
			(in Rs. million, except in percentages)	
Transmission and distribution(1)	71,486.7	55.91	41,058.0	49.37
Generation(2)	48,860.0	38.22	35,104.4	42.21
Other(3)	7,500.0	5.87	7,000.0	8.42
Total	**127,846.7**	**100.00**	**83,162.4**	**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.

The table below shows our consolidated 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 March 31,					
	2016		2017		2018	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
		(in Rs. million, except in percentages)				
Transmission and distribution(1)	1,159,389.4	57.60	1,025,149.2	50.78	1,178,533.4	49.22
Generation(2)	834,170.3	41.44	958,249.0	47.45	1,159,480.0	48.42
Other(3)	19,222.2	0.96	35,888.5	1.77	56,480.0	2.36
Total	**2,012,781.9**	**100.00**	**2,019,286.7**	**100.00**	**2,394,493.4**	**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.

The table below sets forth our unconsolidated loan amount outstanding by the type of project and the percentage such amount represented of our total unconsolidated loan amounts outstanding for all projects for the three months ended June 30, 2018 and June 30, 2017.

	Three Months Ended June 30, 2017		Three Months Ended June 30, 2018	
Sector	**Amount**	**%**	**Amount**	**%**
		(in Rs. million, except in percentages)		
Transmission and distribution(1)	1,005,672.9	48.40	1,186,475.9	49.05
Generation(2)	1,043,470.0	50.21	1,187,260.0	49.08
Other(3)	28,881.74	1.39	45,393.8	1.87
Total	2,078,024.7	100.0	**2,419,129.7**	**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.

Transmission and Distribution Projects

Within the transmission sector, 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 three months ended June 30, 2018, our Company sanctioned generation, renovation and modernisation projects, including additional loan assistance, with a total unconsolidated financial outlay of Rs. 27,394.80 million (excluding renewable power generation projects). These included consortium financing with other financial institutions.

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 three months ended June 30, 2018, our Company sanctioned unconsolidated loan assistance of Rs. 15,412.3 million to four new, grid-connected renewable energy projects with installed generation capacity aggregating to 6.65 MW including renewable purchase obligations. The total cost of these projects aggregated to Rs. 15,563.2 million. Furthermore, during the same period, the total unconsolidated loan disbursements by our Company in relation to renewable energy projects amounted to Rs. 14,517.2 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 allow 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 organized 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".

Calendar Year	Awards/Accreditations
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. • 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 & Navratna)" and "SCOPE Meritorious Award for Best Managed Bank, Financial Institution Category" at

Calendar Year	Awards/Accreditations
	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 organized by the SCOPE.
2018	• Received the Vishwakarma award for Gurugram World HQ project.
	• Received two awards at the Dainik Bhaskar India Pride Awards 2018 for 'Excellence in Navratna' and HOD in the Finance category.
	• Received the most efficient NBFC award at the Chambers of Indian Micro, Small and Medium Enterprise Awards 2018.
	• Received the award for 'Excellence in Financial Services' at the Dun & Bradstreet PSU Awards 2018.

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 consolidated 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 March 31,					
	2016		2017		2018	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)					
Long-term loans	2,004,812.3	99.60	1,983,266.0	98.22	2,338,013.4	97.64
Short-term loans	7,720.0	0.39	35,888.5	1.78	56,480.0	2.36
Other[1]	250.6	0.01	132.3	0.01	0.0	0.00
Total	**2,012,782.9**	**100.00**	**2,019,286.8**	**100.00**	**2,394,493.4**	**100.00**

Notes:

(1) Includes debt refinancing and bridge loans.

The table below sets forth our unconsolidated total loan amounts 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.

Sector	As of June 30, 2017 Amount	%	As of June 30, 2018 Amount	%
	(in Rs. million, except in percentages)			
Long-term loans	2,049,143.0	98.61	2,373,735.9	98.12
Short-term loans	28,881.7	1.39	45,393.8	1.88
Other[(1)]	0.0	0.00	0.0	0.00
Total	**2,078,024.7**	**100.00**	**2,419,129.7**	**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 of 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 of 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:

(a) entity appraisal guidelines;

(b) conventional generation project appraisal guidelines;

(c) renewable energy project appraisal guidelines;

(d) guidelines for transmission and distribution schemes;

(e) guidelines for renewable energy projects;

(f) guidelines for generation Renovation & Modernisation Projects;

(g) guidelines for system improvement (**SI**);

(h) policy for STL;

(i) policy for MTL;

(j) project monitoring guidelines for generation and SI projects;

(k) guidelines for financing coal mining projects;

(l) guidelines on the framework for projects under implementation and monitoring of stressed assets based on RBI notifications;

(m) guidelines on project financing framework for flexible structuring based on the RBI notifications;

(n) guidelines on refinancing of project loans based on the RBI notifications;

(o) policy for funding against regulatory assets (excluding return on equity component) of power utilities; and

(p) 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: Our Company has its own guidelines for the appraisal of private sector conventional and renewable power generation projects. The appraisal is carried out for the core promoters on the basis of the financial performance, creditworthiness, management proficiency and sectoral experience of the promoter entities. The interest rates charged, and security structure required, by our Company are linked to the grades assigned to the private sector projects.

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, the commercial performance of the borrower, 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.

Grading of State Power Utilities

Our Company has well defined policies and guidelines for the grading of SPUs (the **SPU Grading Guidelines**). The guidelines for grading of SPUs (generation/transmission and trading utilities) are reviewed periodically in view of significant changes in the power sector. During 2018, the SPU Grading Guidelines were reviewed and modified incorporating suitable parameters in line with the changing scenario.

For the purposes of funding, the Company has classified state power generation and transmission utilities into A++, A+, B and C categories. The categorization (biannually) of state power generation and transmission utilities is based on the evaluation of the utility's performance against specific parameters covering operational and financial performance including, among others, the regulatory environment and audited financial statements and others. With regard to state power distribution utilities (including SEBs/utilities with integrated operations), the Company adopts the MoP's integrated ratings by aligning such ratings or grading with the Company's standard categories of A+, A, B and C. The categorization enables our Company to determine credit exposure limits and interest rates to SPUs.

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 consolidated loan sanctions by the borrower's sector and the percentage of such amount against our total consolidated loan sanctions for all sectors for the periods indicated.

	Fiscal					
	2016		2017		2018	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)					
Public sector	627,399.7	95.83	771,202.9	91.95	1,068,279.0	99.34
Private sector	27,311.3	4.17	67,505.3	8.05	7,061.6	0.66
Total	**654,711.0**	**100.00**	**838,708.2**	**100.00**	**1,075,340.6**	**100.00**

The table below sets forth our unconsolidated loan sanctions by the borrower's sector and the percentage of such amount against our total unconsolidated loan sanctions for all sectors for the three months ended June 30, 2018 and June 30, 2017.

	Three Months Ended June 30, 2017		Three Months Ended June 30, 2018	
Sector	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)			
Public sector	326,046.7	96.27	187,261.7	99.78
Private sector	12,628.9	3.73	412.3	0.22
Total	**338,675.6**	**100.00**	**187,674.0**	**100.00**

The table below sets forth our consolidated loan disbursements by the borrower's sector and the percentage of such amount against our total consolidated loan disbursements for all sectors for the periods indicated.

	Fiscal					
	2016		2017		2018	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)					
Public sector	376,670.1	81.84	491,146.2	84.62	548,451.7	88.87
Joint sector	30,606.1	6.65	31,437.3	5.42	39,562.0	6.41
Private sector	52,982.1	11.51	57,802.6	9.96	29,111.0	4.72
Total	**460,258.3**	**100.00**	**580,386.1**	**100.00**	**617,124.7**	**100.00**

The table below sets forth our unconsolidated loan disbursements by the borrower's sector and the percentage of such amount against our total unconsolidated loan disbursements for all sectors for the three months ended June 30, 2018 and June 30, 2017.

	Three Months Ended June 30, 2017		Three Months Ended June 30, 2018	
Sector	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)			
Public sector	96,664.3	75.61	78,531.4	94.43
Joint sector	27,660.9	21.64	3,973.0	4.78
Private sector	3,521.5	2.75	658.0	0.79
Total	**127,846.7**	**100.00**	**83,162.4**	**100.00**

The table below sets forth our consolidated loan amount outstanding by the borrower's sector and the percentage of such amount against our total consolidated loan amounts outstanding for all sectors as of the respective dates indicated.

	As of March 31,					
	2016		2017		2018	
Sector	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)					
Public sector	1,542,393.6	76.6	1,519,750.3	75.27	1,812,193.4	75.68
Joint sector	165,063.0	8.2	167,279.2	8.28	250,260.0	10.45
Private sector	305,287.0	15.2	332,254.2	16.45	332,040.0	13.87
Rural electricity cooperatives	39.3	0.0	3.0	0.00	0.0	0.00
Total	**2,012,782.9**	**100.00**	**2,019,286.7**	**100.00**	**2,394,493.4**	**100.00**

The table below sets forth our unconsolidated loan amount outstanding by the borrower's sector and the percentage of such amount against our total unconsolidated loan amounts outstanding for all sectors as of the three months ended June 30, 2018 and June 30, 2017.

	Three Months Ended June 30, 2017		Three Months Ended June 30, 2018	
Sector	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)			
Public sector	1,611,845.8	77.57	1,890,662.4	78.15
Joint sector	153,154.4	7.37	199,053.7	8.23

Sector	Three Months Ended June 30, 2017 Amount	%	Three Months Ended June 30, 2018 Amount	%
Private sector................................	313,024.5	15.06	329,413.6	13.62
Rural electricity cooperatives........	0.0	0.0	0.0	0.00
Total..	**2,078,024.7**	**100.00**	**2,419,129.7**	**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 unconsolidated amount outstanding on June 30, 2018:

S. No.	Name of Borrower	Amount Outstanding (in Rs. million)	% Exposure of total loan amounts outstanding
1.	Maharashtra State Electricity Distribution Company Limited	130,620	5.40
2.	Maharashtra State Power Generation Company Limited	125,320	5.18
3.	Rajasthan Rajya Vidyut Utpadan Nigam Limited	106,480	4.40
4.	Tamil Nadu Generation and Distribution Corporation	88,720	3.67
5.	Tamil Nadu Transmission Corporation (TANTRANSCO)	82,200	3.40
6.	Nabinagar Power Generating Co. Pvt Ltd	81,630	3.37
7.	Uttar Pradesh Power Transmission Corporation Limited	70,680	2.92
8.	Andhra Pradesh Southern Power Distribution Company Limited (APSPDCL)	64,840	2.68
9.	Andhra Pradesh Power Generation Corporation (APGENCO)	63,850	2.64
10.	Uttar Pradesh Power Corporation Limited	57,880	2.39

LOANS CLASSIFIED AS IMPAIRED

The table below shows the credit-impaired assets of our Company based on the unconsolidated total amount outstanding as of June 30, 2018:

S. No.	Name of Borrower	Outstanding as of June 30, 2018 (in Rs. million)
1.	Ind-Barath Power (Madras) Limited	4,162.1
2.	Corporate Power Limited	8,117.4
3.	Jas Infrastructure Capital Pvt Ltd	332.4
4.	Shree Maheshwar Hydel Pcl	2,500.0
5.	Konaseema Gas Power Ltd.	2,231.8
6.	KSK Mahanadi Power Company Ltd.	25,963.6
7.	Lanco Babandh Power Ltd.	12,005.5
8.	Lanco Teesta Hydro Power Ltd.	2,368.0
9.	Lanco Vidarbha Thermal Power Ltd.	5,395.6
10.	Essar Power M.P. Limited	13,450.0
11.	Ind Barath Energy (Utkal) Limited	7,770.0
12.	Lanco Amarkantak Power Pvt. Ltd	22,862.2
13.	Dans Energy Pvt Ltd	3,735.5
14.	Gati Infrastructure Limited	1,951.8
15.	Rattan India Nashik	23,313.3
16.	Rattan India Power	7,491.3
17.	OPG Power Gujarat Pvt Ltd	9,929.6
18.	IPCL Haldia	13,471.2
19.	Lanco Anpara Power Private Limited	12,128.6
20.	VS Lignite Power Pvt Ltd.	542.4
21.	Facor Power Ltd. (1)	5,109.8
22.	Essar Power Transmission Company Ltd	11,115.0
23.	Others (Renewables)	559.5

Note:
(1) *One time settlement has already been undertaken covering more than the amount outstanding.*

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 Prime Minister launched the Saubhagya scheme on September 25, 2017 to achieve universal household electrification in India through electrification of all households in both rural and urban areas. Our Company has been designated by the MoP as the nodal agency for operationalization of the Saubhagya scheme. The capital outlay of Saubhagya scheme is Rs. 163,200 million including a gross budgetary support of Rs. 123,200 million.

Major initiatives taken by the Company for the successful completion of the Saubhagya scheme include the following:

With the active support and cooperation of states, power utilities and other stakeholders, 12.8 million households have been electrified as at August 31, 2018.

Electrification of Un-electrified Villages

India’s rural electrification programme passed through several stages of improvement with appropriate intervention at Government level. In spite of various programmes implemented by the Government, as at April 1, 2015, there were 18,452 villages that remained un-electrified.

In the Independence Day address to India on August 15, 2015, the Prime Minister of India pledged that all remaining un-electrified villages in India would be electrified within 1,000 days with the help of States and local bodies. Accordingly, the MoP had expedited the electrification of all 18,452 villages as a priority. As these remaining 18,452 un-electrified villages are located in inaccessible areas (including thickly forested and mountainous regions) involving tough terrain, inclement weather, areas facing right of way issues, areas plagued by insurgency and extremism, intensive monitoring mechanisms have been adopted in order to get regular progress updates in respect of each village. To facilitate this, the entire process of village electrification has been categorised into 12 milestones and electrical engineers or GVAs have been deployed at the community development block or district level. Further, a dedicated Government web-portal, the ‘GARV App’, well-reputed for its transparent mechanism which allows for accountability was developed for monitoring the progress of electrification of all 18,452 un-electrified villages through an online system along with the milestones of village electrification progress.

The salient features of the GARV App are a 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.

During the course of the village electrification process, States reported that an additional 1,227 villages were un-electrified. Accordingly, the Company made a concerted effort to facilitate and make available adequate funds for village electrification. For inaccessible villages, air-lifting of material using Indian Air Force helicopters was adopted, for example in the states of Jammu and Kashmir and Arunachal Pradesh. Further, the assistance of railways was availed for transporting voluminous materials to Arunachal Pradesh. In relation to the remotest areas where none of the options of sophisticated transportation were available, materials were transported manually.

With the above initiatives and the collective efforts of states and other stakeholders, 16,859 villages have been electrified as at March 31, 2018. Further, on April 28, 2018 electrification of all un-electrified census inhabited villages in India, totalling 18,374 villages, was achieved (excluding the 1,305 uninhabited villages).

Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY)

DDUGJY is the flagship scheme of the Government covering all aspects of rural power distribution. Under the scheme 60% of the project cost (85% for special states) is provided as grant by Government and an additional grant of up to 15% (5% for special States) is provided by the Government on the achievement of prescribed milestones. All erstwhile RE schemes have been subsumed in DDUGJY. Our Company is the nodal agency for the operationalization of DDUGJY.

DDUGJY aims to facilitate the attainment of '24x7 Power for All' in the country through the following project components:

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

(b) strengthening and augmentation of sub-transmission and distribution infrastructure in rural areas;

(c) micro-grid and off-grid distribution network;

(d) metering of distribution transformers/feeders/consumers; and

(e) rural electrification works (including the erstwhile RE schemes).

Under the scheme, all villages/ habitations are eligible without any population criteria.

In order to realize the objectives of the scheme, participation of all stakeholders particularly, public representatives have already been institutionalized through the constitution of District Electricity Committees (**DISHA**) under the Chairmanship of the senior most member of Parliament. DISHA is empowered to monitor and review the implementation of DDUGJY.

<u>Performance during Fiscal 2018</u>:

Sanction:

Under DDUGJY, Decentralized Distributed Generation (DDG) projects have also been sanctioned, for providing electricity access to the un-electrified villages/habitations where grid connectivity is neither technically feasible nor cost effective. During the financial year ended March 31, 2018, DDG projects amounting to Rs. 170.5 million (including capital subsidy of Rs 153.4 million) had been sanctioned for Manipur state.

Fund release:

The subsidy from the Government is channelled through our Company and the matching contribution is infused by the respective state government from their state budget or is provided through loans from implementing agencies, such as state distribution companies.

Under the scheme, grant/subsidy of Rs 90,280.9 million (including Rs 2,626.0 million under DDG) provided by the Government and a loan of Rs 6,875.8 million was disbursed to the states and implementing agencies, by the Company during Fiscal 2018.

Progress of electrification:

During Fiscal 2018, under DDUGJY, 3736 un-electrified villages were electrified and free electricity connections to 5,042,000 BPL households were provided. Further, segregation of feeders and new 11 kV lines totalling to 1,01,054 CKms were laid and 1,571 substations (both new and augmentation) were commissioned.

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 June 21, 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 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 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 financial years ended March 31, 2013 to 2014. Our Company is the nodal agency for the scheme with a mandate to operationalize 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 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 June 30, 2018, total loan disbursements by lenders were Rs. 174,682.9 million and the amount of interest paid by DISCOMs was Rs. 47,953.9 million. As of June 30, 2018, the NEF Steering Committees approved an interest subsidy amounting to Rs. 849 million based on the performance criterion evaluated by independent evaluators.

Ujwal DISCOM Assurance Yojana (UDAY)

The Government, in the financial year ended March 31, 2016, announced 'Ujwal DISCOM Assurance Yojana', a scheme that aims to bring about a financial turnaround for and revival of power distribution companies and ensure sustainable solutions to the financial constraints of DISCOMs. This scheme involves defined initiatives that are aimed at improving operational efficiencies of DISCOMs, reducing the cost of power, reducing the interest cost of DISCOMs and enforcing financial discipline through alignment with state finances. Our Company has been supporting the MoP in relation to effective monitoring of the UDAY scheme and has established a state-of-the-art web-portal and an online application for monitoring the performance of State DISCOMs. This has resulted in transparency and accountability leading to improvement in the operational efficiency and cost-effectiveness of DISCOMs.

As at March 31, 2018, 16 comprehensive and 16 operational MoUs have been signed amongst SPUs, states and the MoP. Under the scheme, the states/DISCOMs have issued bonds for Rs. 2,320,000.0 million and DISCOMs have saved on interest cost (as the loans have interest rates of around 11 to 12 per cent. per annum and shall now be serviced by the states at rates ranging from 7 to 8.5 per cent.). The other significant positive results are the declining gap between ACS and ARR and the reduction in average AT&C losses of UDAY States.

Incorporation of Asset Reconstruction and Management Company for warehousing of stressed power assets: PARIWARTAN

There has been some stress in the conventional power generation capacity in India due to various reasons such as lack of power purchase agreements, fuel supply arrangements, transmission connectivity, regulatory issues, promoter inefficiencies and the weak financial health of DISCOMs. Due to sectoral issues within the power sector, the resolution plans under Insolvency and Bankruptcy Code, 2016 (IBC framework) may be sub-optimal. Accordingly, the Company has finalised an advanced action plan to collaborate with other power sector players to warehouse and revitalize such assets and set up an Asset Reconstruction and Management Company (PARIWARTAN) to takeover and revive such assets in order to optimize the value for the lenders.

The Board in their meeting held on September 14, 2018 gave their approval for the incorporation of an Asset Reconstruction and Management Company (**ARC**) under the Indian Companies Act 2013, to be promoted jointly by the Company along with other financial/power sector institutions such as PFC and NTPC, etc. as co-sponsors. The relevant application to RBI for registration of an ARC is being submitted in accordance with the SARFAESI Act.

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 JPY 16,949.38 million with effect from August 29, 2012, to be utilized 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 February 18, 2012 and was further restated to JPY11,809 million with effect from March 31, 2016, to be utilized 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 utilized 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 utilized 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 utilized for renewable energy projects under “Clean Energy for Rural Development”.

In Fiscal 2018, we entered into our fourth loan agreement with KfW which provides for financial assistance of EUR 200 million to be utilized for renewable energy projects.

As of June 30, 2018, our Company had JPY 4,100.17 million outstanding under the JICA facilities and EUR 86.29 million under the KfW facilities.

OUR SPECIALISED KNOWLEDGE

We have developed special technical expertise in distribution systems which we utilize to ensure the continual enhancement of the knowledge of our borrowers, including SPUs. In order to capitalize commercially on our specialised knowledge, we have incorporated REC Transmission Projects Company Limited and REC Power Distribution Company Limited.

REC INSTITUTE OF POWER MANAGEMENT AND TRAINING

The REC-Institute of Power Management and Training (**REC-IPMAT**), earlier known as the Central Institute for Rural Electrification, was established at Hyderabad in 1979 under the guidance of the Company to cater to the training and development needs of engineers and managers of power sector organizations. REC-IPMAT has conducted various programmes on the subjects of power generation, transmission, distribution and renewable energy sources and other related issues/topics.

OUR OFFICES

We service our clients through a network of 22 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 June 30, 2018, we had total unconsolidated outstanding market borrowings of Rs. 2,002,246.3 million.

The following table sets forth our consolidated indebtedness classified by Rupee-denominated and foreign currency- denominated sources and the percentages such resources constituted of our total consolidated 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 March 31,					
	2016		2017		2018	
Resource Denomination	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)					
Rupee	1,472,230.6	87.01	1,464,368.4	87.42	1,689,848.9	85.01
Foreign currency	219,885.8	12.99	210,805.5	12.58	298,066.2	14.99
Total	**1,692,116.4**	**100.00**	**1,675,173.9**	**100.00**	**1,987,915.1**	**100.00**

The table below sets forth our unconsolidated indebtedness classified by Rupee-denominated and foreign currency- denominated sources and the percentages such resources constituted of our total unconsolidated indebtedness as of the respective periods indicated.

	Three Months Ended June 30, 2017		Three Months Ended June 30, 2018	
Sector	**Amount**	**%**	**Amount**	**%**
	(in Rs. million, except in percentages)			
Rupee	1,483,719.5	88.17	1,689,651.1	84.39
Foreign currency	199,116.4	11.83	312,595.2	15.61
Total	**1,682,835.9**	**100.00**	**2,002,246.3**	**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 July 9, 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 June 30, 2018, we had 520 employees, of which 408 were executives and 112 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 2018. 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 2019. 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 July 12, 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 July 31, 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 January 8, 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 February 5, 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 the 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 August 30, 2017, on February 6, 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 June 30, 2018, 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 December 2, 2015 as a SPV and is a wholly owned subsidiary of REC Transmission Projects Company Limited. Dinchang Transmission Limited is a transmission service provider for phase-I generation projects in Arunachal Pradesh. In this context, a two stage bidding process featuring separate Request for Qualification (RFQ) and Request for Proposal (RFP) stages has been adopted in accordance with the tariff based competitive bidding guidelines of the MoP for the selection of a developer as a transmission service provider. The RFQ of the project was issued on December 4, 2015. Five bidders participated at the RFQ stage and all five bidders qualified to participate in the RFP. The RFP for the project was issued in April 13, 2016. However, the bidding process has been kept in abeyance as per the instructions from the CEA.

The board of directors of Dinchang Transmission Limited currently comprises:

- Smt. Valli Natarajan;
- Shri Daljeet Singh Khatri, and
- Smt. Harinder Kaur Chani.

(2) ***Koderma Transmission Limited***

Koderma Transmission Limited was incorporated on March 19, 2018 as a SPV and is a wholly owned subsidiary of REC Transmission Projects Company Limited. Koderma Transmission Limited will undertake activities for the development of various elements of transmission system strengthening in Jharkhand. In this context, a two-stage bidding process featuring separate RFQ and RFP steps has been adopted in accordance with the tariff based competitive bidding guidelines of the MoP for the selection of a developer as a transmission service provider. The RFQ for the project was issued on February 10, 2018. Eight bidders participated at the RFQ stage and all eight have qualified to participate in the RFP.

The RFP for the project was issued on June 15, 2018 and the bidding process is expected to conclude during the financial year ended March 31, 2019.

The Board of directors of Koderma Transmission Limited currently comprises:

- Smt. Valli Natarajan;
- Shri Sanjay Shilendrakumar Kulshrestha; and
- Shri Mohan Lal Kumawat.

(3) ***Dumka Transmission Limited***

Dumka Transmission Limited was incorporated on March 23, 2018 as a SPV and is a wholly owned subsidiary of REC Transmission Projects Company Limited. Dumka Transmission Limited will undertake activities for the development of various elements of transmission system strengthening in Jharkhand. In this context, a two-stage bidding process featuring separate RFQ and RFP stages has been adopted in accordance with the tariff based competitive bidding guidelines of the MoP for the selection of a developer as a transmission service provider. The revised RFQ for the project was issued on June 9, 2018 and the bidding process is expected to conclude in Fiscal 2019.

The Board of Dumka Transmission Limited currently comprises:

- Smt. Valli Natarajan;
- Shri Sanjay Shilendrakumar Kulshrestha; and
- Shri Mohan Lal Kumawat.

(4) ***Mandar Transmission Limited***

Mandar Transmission Limited was incorporated on March 26, 2018 as a SPV and is a wholly owned subsidiary of REC Transmission Projects Company Limited. Mandar Transmission Limited will undertake activities for the development of various elements of transmission system strengthening in Jharkhand. In this context, a two-stage bidding process featuring separate RFQ and RFP stages has been adopted in accordance with the tariff based competitive bidding guidelines of the MoP for the selection of a developer as a transmission service provider. The RFQ for the project was issued on February 10, 2018. Eight bidders participated at the RFQ stage and all eight have qualified to participate in the RFP. The RFP for the project was issued on June 15, 2018 and the bidding process is expected to conclude in Fiscal 2019.

The Board of Mandar Transmission Limited currently comprises:

- Smt. Valli Natarajan;
- Shri Sanjay Shilendrakumar Kulshrestha; and
- Shri Mohan Lal Kumawat.

(5) Chandil Transmission Limited

Chandil Transmission Limited was incorporated on March 14, 2018 as a SPV and is a wholly owned subsidiary of REC Transmission Projects Company Limited. Chandil Transmission Limited will undertake activities for development of various elements of transmission system strengthening in Jharkhand. In this context, a two-stage bidding process featuring separate RFQ and RFP stages has been adopted in accordance with tariff based competitive bidding guidelines of the MoP for the selection of a developer as transmission service provider. The revised RFQ for the project was issued on June 9, 2018 and the bidding process is expected to be concluded in Fiscal 2019.

The Board of Chandil Transmission Limited currently comprises :

- Smt. Valli Natarajan
- Shri Sanjay Shilendrakumar Kulshrestha
- Shri Mohan Lal Kumawat

Details of Joint Ventures

Energy Efficiency Services Limited (EESL)

On December 10, 2009, our Company partnered with three other PSUs, PGCIL, NTPC and PFC, to form a joint venture company named Energy Efficiency Services Limited (**EESL**). As of June 30, 2018, 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 31.71 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 like municipalities, buildings, agriculture, industry, and to implement several schemes of the Bureau of Energy Efficiency, MoP, MNRE and the Government. EESL is also leading the market-related activities of the National Mission for Enhanced Energy Efficiency (**NMEEE**), one of the eight national missions under the National Action Plan on Climate Change. EESL's energy efficient appliances and technologies have saved India an estimated 40 billion kWh annually.

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 March 26, 2007 and received its certificate of commencement of business on April 17, 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 June 30, 2018, the Company holds 4.12 per cent. in the equity share capital of IEX.

Universal Commodity Exchange Limited (UCX)

Pursuant to a Board resolution dated December 16, 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 February 25, 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 June 30, 2018, our Company holds a 16 per cent. shareholding in UCX.

'Small is Beautiful' Fund (SIB)

SIB is an Indian venture capital fund organized 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 June 30, 2018, 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 June 30, 2018 without considering unrealised returns. The net asset value of SIB was Rs. 10.17 per unit as of June 30, 2018.

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 July 24, 2015. Accordingly, our Company approved the SDR package on September 24, 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 organize 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 authorized 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 June 30, 2018, 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 April 25, 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 December 9, 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 cover an area of approximately 2,000 square metres and are occupied by executing lease agreements with CCI and MTNL respectively.

Regional offices. We have 22 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 Varanasi.

State office. We have one state office at Vadodara

Training centre. We have the 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
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)
Bhopal	E-4, Arera Colony, Metrowalk Building, Second Floor, West Hall No.3, Bittan Market, Bhopal – 462 016	275.52
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
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 utilize 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 Sagar, Varanasi – 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 Company 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.

We are involved in 25 income tax proceedings which are pending before various authorities in India including the Supreme Court of India, with respect to the disallowance of certain tax deductions. The total amount claimed by the income tax authorities amounts to approximately Rs. 982.55 million and the total amount paid by the Company against the demand raised by income tax authorities amounts to approximately Rs.562.31 million as of September 15, 2018.

There are 43 civil cases filed against the Company, pending before various courts in India, including the Supreme Court of India. Out of these cases, claims in only five cases have been quantified which aggregate to approximately Rs.1.13 million. Claim amounts for the remaining 38 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 ten cases filed by the Company pending before debt recovery tribunals (**DRT**), 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. 53,442 million. Out of these ten 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 six 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. 53,238 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) (iv) REC and others Vs. Mukul Kasliwal and others (OA No. 648 of 2016), (v) REC v/s Essar Power MP Limited and (vi) Punjab National Bank and other v/s Lanco Vidarbha Power Limited.

There are nine cases filed against the Company before different DRTs wherein the Company has been included as pro forma party and no effective claim has been made against the Company.

ASSETS AND LIABILITIES

ASSET QUALITY AND COMPOSITION

Assets

Our consolidated total assets increased by 18.26 per cent. from Rs. 2,102,449.2 million as at March 31, 2017 to Rs. 2,486,387.1 million as at March 31, 2018. During the period, our consolidated loan portfolio increased by 17.79 per cent. from Rs. 2,002,933.4 million to Rs. 2,359,330.5 million and consolidated investments decreased by 1.38 per cent. from Rs. 26,169.3 million to Rs. 25,807.2 million.

The following table sets out our consolidated assets as of the dates indicated:

		As at March 31,		
Particulars		**2016**	**2017**	**2018**
			(***Rs. in millions***)	
(1)	**Non-current Assets**			
	Fixed assets			
	Tangible assets	2,530.5	3,541.1	4,241.4
	Intangible assets	10.3	7.4	101.6
	Capital work-in-progress	768.4	1,641.3	5,300.7
	Intangible assets under development	12.1	14.6	14.6
		3,321.3	5,204.4	9,658.3
	Non-current investments	22,021.4	24,325.7	23,968.7
	Long-term loans and advances	1,577,968.2	1,773,515.8	2,064,952.8
	Other non-current assets	1,092.6	3,940.7	47,439.2
	Sub-total (1)	**1,604,403.5**	**1,806,986.6**	**2,146,019.0**
(2)	**Current Assets**			
	Current investments	1,494.1	1,843.6	1,838.5
	Inventories	667.9	511.8	1,024.8
	Trade Receivables	2,318.9	4,384.0	5,418.6
	Cash and bank balances	18,640.8	46,507.9	23,682.4
	Short-term loans and advances	8,093.7	36,187.2	57,020.7
	Other current assets	433,830.3	206,028.1	251,383.1
	Sub-total (2)	**465,045.7**	**295,462.6**	**340,368.1**
	Total assets (1+2)	**2,069,449.2**	**2,102,449.2**	**2,486,387.1**

Our unconsolidated total assets increased by 18.53 per cent. from Rs. 2,069,712.5 million as at June 30, 2017 to Rs. 2,453,165.5 million as at June 30, 2018. During the period, our unconsolidated loan portfolio increased by 16.41 per cent. from Rs. 2,078,024.7 million to Rs. 2,419,129.7 million and investments decreased by 9.53 per cent. from Rs. 30,846.0 million to Rs. 27,907.9 million. The following table sets out our unconsolidated assets as of the dates indicated:

	As at June 30,	
Particulars	**2018**	**2017**
	(***Rs. in millions***)	
Non-current Assets		
Property, Plant & Equipment	1,392.2	1,200.1
Capital Work-in-Progress	1,342.7	732.1
Investment Property	0.1	0.1
Intangible Assets	48.8	3.4
Intangible Assets Under Development	19.1	14.6
Financial Assets		
(i) Investments	26,448.0	27,866.9
(ii) Loans	2,020,838.8	1,788,125.6
(iii) Other financial assets	47,439.9	4,137.0
Income tax assets (net)	-	-
Deferred tax assets (net)	25,851.3	24,254.6

Other non-current assets	447.7	501.5
(c) Money received against Share Warrants	-	-
Total non-current assets (1)	**2,123,828.6**	**1,846,835.9**
Current Assets		
Financial Assets		
(i) Investments	1,459.9	2,979.1
(ii) Cash and cash equivalents	3,632.9	9,358.9
(iii) Other bank balances	24,723.6	4,628.8
(iv) Loans	291,080.8	204,399.0
(v) Other financial assets	8,421.4	1,445.6
Other current assets	18.3	65.2
Total current assets (2)	**329,336.9**	**222,876.6**
Total Assets (1+2)	**2,453,165.5**	**2,069,712.5**

Loan Portfolio

The following table sets forth our consolidated loan assets as of the dates indicated:

(Rs. in millions)
As at March 31,

Particulars	2016 Long-term Non-Current	2016 Long-term Current	2016 Short-term	2017 Long-term Non-Current	2017 Long-term Current	2017 Short-term	2018 Long-term Non-Current	2018 Long-term Current	2018 Short-term
(A) Secured Loans									
(A1) Loans to State Power Utilities/State Electricity Boards/Corporations (secured by hypothecation and/or mortgage of materials/tangible assets)									
(a) Considered Good	1,095,697.0	151,944.3	-	1,258,113.4	110,149.0	7,406.7	1,462,562.9	156,704.2	41,170.9
(A2) Loans to others (secured by hypothecation and/or mortgage of tangible assets)									
(a) Considered Good	243,774.9	18,414.2	-	246,919.5	35,531.2	-	149,289.0	11,483.3	-
(b) Classified Doubtful	22,439.7	15,695.0	-	22,200.1	21,691.0	-	120,593.9	42,737.3	-
Less: Provision for bad and doubtful debts	2,576.5	3,255.2	-	3,838.9	7,678.7	-	13,525.2	13,684.4	-
	19,863.2	12,439.8	-	18,361.2	14,012.3	-	107,068.7	29,052.9	-
Sub-total (A1+A2)	**1,359,335.1**	**182,798.3**	**-**	**1,523,394.1**	**159,692.5**	**7,406.7**	**1,718,920.6**	**197,240.4**	**41,170.9**
(B) Unsecured Loans									
(B1) Loans guaranteed by respective State Governments									
(a) Considered Good	180,925.4	225,228.4	6,722.2	191,092.0	28,500.0	1,971.8	236,942.4	32,211.6	-
(B2) Loans to State Governments									
(a) Considered Good	24,672.9	8,867.8	-	26,479.0	3,512.2	-	30,099.9	3,309.9	-
(B3) Loans – others									
(a) Considered Good	12,105.0	995.1	1,000.0	31,787.3	2,587.8	26,510.0	78,231.8	5,894.7	15,308.3
(b) Classified Doubtful	–	4,301.0	-	51.8	4,784.0	-	349.2	7,603.8	-
Less: Provision for bad and doubtful debts	–	4,301.0	-	51.8	4,784.0	-	349.2	7,603.8	-
	–	–	-	-	-	-			-
Sub-total (B1+B2+B3)	217,703.3	235,091.3	7,722.2	249,358.3	34,600.0	28,481.8	345,274.1	41,416.2	15,308.3
Grand Total (A+B)	**1,577,038.4**	**417,889.6**	**7,722.2**	**1,772,752.4**	**194,292.5**	**35,888.5**	**2,064,194.7**	**238,656.6**	**56,479.2**

The largest borrower as of March 31, 2018 accounted for approximately 5.5 per cent. of our total consolidated outstanding loan assets. As of the same date, the ten largest individual borrowers in the aggregate accounted for approximately 37.0 per cent. of our total consolidated outstanding loan assets.

The following table sets forth our unconsolidated loan assets as at the dates indicated:

	Particulars	As at June 30, 2018 Long-term Non-Current	2018 Long-term Current	2018 Short-Term	2018 Total	2017 Long-term Non-Current	2017 Long-term Current	2017 Short-Term	2017 Total
									(in Rs. millions)
(i)	**Loan Assets**								
(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	1,502,070.9	157,127.6	32,785.5	**1,691,984.0**	1,348,997.0	113,307.3	4,923.4	**1,467,227.7**
	Less: Allowance for Expected Credit Loss	(2,215.8)	(235.0)	(51.1)	**(2,501.9)**	(1,998.3)	(185.3)	(33.1)	**(2,216.7)**
(A2)	**Loans to Others (Secured by hypothecation and/or mortgage of tangible assets)**								
	(a) Considered good	123,981.2	10,022.6	-	**134,003.8**	247,290.2	10,423.4	-	**257,713.6**
	Less: Allowance for Expected Credit Loss	(14,518.8)	(2,501.2)	-	**(17,020.0)**	(58,183.3)	(2,751.3)	-	**(60,934.6)**
	(b) Considered doubtful	127,492.7	61,061.0	-	**188,553.7**	28,971.7	17,220.3	-	**46,192.0**
	Less: Allowance for Expected Credit Loss	(55,889.5)	(29,961.7)	-	**(85,851.2)**	(14,166.6)	(11,098.3)	-	**(25,264.9)**
	Sub-total (A1+ A2)	**1,680,920.70**	**195,513.30**	**32,734.40**	**1,909,168.4**	**1550,910.7**	**126,916.1**	**4,890.30**	**1,682,717.1**
(B)	**Unsecured Loans**								
(B1)	**Loans Guaranteed by respective State Governments**								
	(a) Considered good	237,887.0	32,088.1	-	**269,975.1**	205,273.3	31,835.4	5,458.3	**242,567.0**
	Less: Allowance for Expected Credit Loss	(675.8)	(125.1)	-	**(800.9)**	(770.0)	(111.9)	(0.5)	**(882.4)**
(B2)	**Loans to State Governments**								
	(a) Considered good	33,762.5	3,274.9	-	**37,037.4**	27,350.1	3,210.0	-	**30,560.1**
	Less: Allowance for Expected Credit Loss	(20.4)	(1.0)	-	**(21.4)**	(8.1)	(1.0)	-	**(9.1)**
(B3)	**Loans - Others**								
	(a) Considered good	69,164.2	7,270.2	12,608.3	**89,042.7**	4,878.8	1,316.3	18,500.0	**24,695.1**
	Less: Allowance for Expected Credit Loss	(450.0)	(13.7)	(84.2)	**(547.9)**	(27.5)	(31.7)	(159.1)	**(218.3)**
	(a) Considered doubtful	0.0	7,953.0	-	**7,953.0**	490.1	7,440.5	-	**7,930.6**
	Less: Allowance for Expected Credit Loss	0.0	(7,312.6)	-	**(7,312.6)**	(265.7)	(7,048.0)	-	**(7,313.7)**
	Sub-total (B1+ B2+B3)	*339,667.5*	*43,133.8*	*12,524.1*	*395,325.4*	*236,921.0*	*36,609.6*	*23,798.7*	*297,329.3*
		-	**6,891.8**	**177.9**	**7,069.7**	**-**	**11,943.8**	**134.5**	**12,078.3**
(C)	**Interest Accrues on Loan Assets**								
	Total - Loan Assets (A to C)	**2020,588.2**	**245,538.9**	**45,436.4**	**2,311,563.5**	**1,787,831.7**	**175,469.5**	**28,823.5**	**1,992,124.7**
(ii)	**Staff Loans**								
	I. To Key Managerial Personnel	2.9	6.6	-	9.5	3.9	5.0	-	**8.9**
	II. To Other Employees	237.2	98.9	-	336.1	281.8	101.0	-	**382.8**
	Total - Staff Loans	**240.1**	**105.5**	**-**	**345.6**	285.7	106.0	-	**391.7**
(iii)	**Security Deposits**	**10.5**	**-**	**-**	**10.5**	8.2	-	-	**8.2**
	Total – Loans (i to iii)	**2,020,838.8**	**245,644.4**	**45,436.4**	**2,311,919.6**	**1,788,125.6**	**175,575.5**	**28,823.5**	**1,992,524.6**

The largest borrower as of June 30, 2018 accounted for approximately 5.4 per cent. of our total unconsolidated outstanding loan assets. As of the same date, the ten largest individual borrowers in the aggregate accounted for approximately 36.1 per cent. of our total unconsolidated outstanding loan assets.

__Classification of Assets and Provisioning__

Our Company 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. In relation to the classification of our loans and other assets and provisioning in respect of loans, see the sections entitled *"Assets Classification"* and *"Provisioning against Loss"*, respectively, under *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* in this Offering Circular.

The following table sets forth our consolidated NPAs as of the dates indicated:

	As at March 31,		
	2016	**2017**	**2018[(2)]**
	NPA as a % of loan assets		
Gross NPA Ratio	2.11	2.41	7.15
Net NPA Ratio[(1)]	1.60	1.60	5.68

Notes:

(1) Net NPA ratio is the percentage of net NPA to gross loan assets.

(2) The RBI notified 'Revised Framework for Resolution of Stressed Assets', which per se was not applicable to REC, being a NBFC. However, as a matter of prudence, loans amounting to Rs. 95,913.9 million were classified as non-performing assets during the year, in line with the above circular. Accordingly, as on March 31, 2018, our gross NPAs stood at Rs. 171,284.2 million (7.15% of loan assets) and our net NPAs were Rs. 136,121.6 million (5.68% of loan assets). Without the impact of the above circular, our gross NPAs were Rs. 75,370.3 million (3.14% of loan assets) and our net NPAs were Rs. 49,799.1 million (2.07% of loan assets).

As of March 31, 2018, Rs. 171,284.2 million of our consolidated loan assets have been categorised as non-performing. As on March 31, 2018, our consolidated gross NPAs as a percentage of consolidated gross loan assets were 7.15 per cent. and our consolidated net NPAs as a percentage of consolidated loan assets was 5.68 per cent. We define net NPAs as gross NPAs less write-offs and its loan loss provisions. As of March 31, 2018, a provision of Rs. 35,162.6 million was created on gross NPAs.

The following table sets forth the classification of our consolidated gross loan assets as of the dates indicated below:

(Rs. in millions, except percentages)

	As at March 31,					
	2016		**2017**		**2018**	
	Amount	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
Standard assets[(1)]	1,970,347.2	97.89	1,970,559.9	97.58	2,223.209.0	92.85
Non-performing assets[(1)]						
Substandard assets	29,081.9	1.45	12,267.5	0.61	124,735.2	5.21
Doubtful assets	13,181.6	0.65	36,287.1	1.80	46,376.8	1.94
Loss assets	172.2	0.01	172.2	0.01	172.2	0.01
Subtotal	42,435.7	2.11	48,726.8	2.42	171,284.2	7.15
Total loan assets	**2,012,782.9**	**100.00**	**2,019,286.7**	**100.00**	**2,394,493.2**	**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.

The MCA has notified the Companies (Indian Accounting Standards (Ind-AS) Rules 2015, which stipulates the adoption and applicability of Ind-AS in a phased manner beginning from the accounting period 2016-17 and has subsequently issued Amendment Rules 2016 to amend the aforesaid 2015 rules. Ind-AS is mandatorily applicable to those banks, NBFC and insurance companies from April 1, 2018 whose net worth exceeds Rs. 5 billion. The Company is a NBFC and as per current regulatory requirements, it needs to comply with Ind-AS for financial reporting with effect from April 1, 2018. Ind-AS requires entities to recognize and measure a credit loss allowance or provision based on an expected credit loss methodology. The expected loss impairment model would apply to loans, debt securities and trade receivables measured at amortized cost or at Fair Value Through Other Comprehensive Income (**FVOCI**).

The following table sets forth our unconsolidated NPAs on June 30, 2018 after implementation of Ind-AS:

	As at June 30,	
	2017	**2018**
	NPA as a % of loan assets	
Gross NPA Ratio	2.60	8.12
Net NPA Ratio[(1)]	1.04	4.27

Notes:

(1) Net NPA ratio is the percentage of net NPA to gross loan assets.

As of June 30, 2018, Rs. 196,506.7 million of our unconsolidated loan assets have been categorised as non-performing. As of June 30, 2018, our unconsolidated gross NPAs as a percentage of unconsolidated gross loan assets were 8.12 per cent. and our unconsolidated net NPAs as a percentage of unconsolidated loan assets was 4.27 per cent. We define net NPAs as gross NPAs less write-offs and its loan loss provisions. As of June 30, 2018, a provision of Rs. 93,163.8 million was created on gross NPAs.

Provision in respect of loan assets is calculated on the basis of the ECL framework, which is the product of 'probability of default', 'loss given default' and 'exposure at default' with the period over which it is considered depending on the type of loan as given below:

(a) Stage 1 - 12-month expected credit losses, for all loans at inception (other than those which are credit impaired);

(b) Stage 2 - lifetime expected credit losses category, for loans which were credit impaired at inception, or in case the credit risk on the loan has increased significantly since initial recognition; or

(c) Stage 3 - lifetime expected credit losses category for loans which have objective evidence of impairment at the reporting date.

The following table sets forth the classification of our unconsolidated gross loan assets at June 30, 2018:

	As at June 30,			
	2017		**2018**	
	(Rs. in millions, except percentages)			
	Amount	**Percentage**	**Amount**	**Percentage**
Stage 1 assets	1,793,069.3	86.29	2,173,258.4	89.84
Stage 2 assets	230,832.9	11.11	49,364.6	2.04
Stage 3 assets (credit-impaired/non-performing assets)[(1)]	54,122.5	2.60	196,506.7	8.12
Total loan assets	**2,078,024.7**	**100.00**	**2,419,129.7**	**100.0**

Note:

(1) For the purposes of this table, our respective loans, categorised stage-wise, 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

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:

(a) 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

(b) 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 Ind-AS. The provisions are made on the basis of the ECL framework, which considers the probability of default and the expected loss to the Company. The ECL framework considers historical data along with forward looking information. Such forward looking information is based on the relevant entity's own estimates relating to its customers including expected recovery patterns, probability of default, time of recovery, amount expected to be recovered from collaterals, as well as macro-economic factors such as recession and unemployment.

We have a system of monitoring the progress of all projects and under which all information relating to a project is available. In the case of power generation projects, a lender engineer who periodically provides all information relating to the progress of the project is appointed. 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*".

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 August 27, 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 December 1, 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 August 9, 2016 and received the assent of the President of India on August 12, 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 "*Regulations and Policies*".

As of June 30, 2018, 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 November 7, 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 directors of the borrower have been suspended and replaced with three officers of the Company - one of which is responsible for managing the day to day activities as chief executive officer of the borrower. 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 this context, as of March 27, 2015, a recall notice has been served to Corporate Power Limited and, in relation thereto, the corporate guarantee of its promoter company, Corporate Ispat and Alloys Limited (**CIAL**), has been invoked. The Company and Asset Reconstruction Company (India) Limited (**ARCIL**) joined the winding up petition filed by one employee of CIAL before the Kolkata High Court against CIAL. CIAL moved the legal proceedings to the Board of Industrial and Financial Reconstruction (**BIFR**) which has abated the winding up petition. The lenders are exploring various options for the revival of the project including a change in management. With the consent of lenders, ARCIL has initiated proceedings under SARFAESI Act. ARCIL took possession of the project site on December 15, 2015 and has deployed security for the protection of the project. Lenders have also filed a joint original application before the DRT in Kolkata for recovery of dues. Lenders are also considering referring the project to the National Company Law Tribunal (**NCLT**) to initiate proceedings under the Insolvency and Bankruptcy Code 2016.

As of January 25, 2016, a recall notice has also been served to Jas Infrastructure & Power Limited (**JIPL**) and, in relation thereto, the personal guarantee of its promoter has been invoked. An original application has been filed by the Company before the DRT for the recovery of dues. Further, lenders have jointly taken action under the provision of the SARFAESI Act. Lenders are also considering referring the project to the NCLT to initiate proceedings under the Insolvency and Bankruptcy Code 2016.

Insolvency & Bankruptcy Code 2016

Ongoing proceedings under the Insolvency and Bankruptcy Code 2016 against borrowers of the Company as at June 30, 2018 are set out below:

Borrower Name	Proceedings Initiated by	Loan Bal as at June 30, 2018 (Rs. in millions)
Ind-Barath Power (Madras) Limited	Operating Creditor (Rohan Verma Constructions Pvt Ltd)	4,162.1
Lanco Teesta Hydro Power Limited	ICICI Bank (Lead bank)	2,368.0
Ind Barath Energy Utkal Limited	Bank of Baroda (one of the Lender)	7,770.0
Lanco Babandh Power Limited	ICICI Bank (Lead bank)	12,005.5

The Company provided a loan to Ind-Barath Power (Madras) Limited (**IBPML**) on February 23, 2015 under a consortium lending with PFC as the lead lender. One of the operational creditors of IBPML filed an application under section 9 of the Insolvency and Bankruptcy Code 2016 based on which the NCLT initiated a corporate insolvency resolution process against IBPML on August 14, 2017. A resolution professional has been appointed and the Company filed its claim before such resolution professional. Insolvency and Bankruptcy Code 2016 proceedings were concluded on May 12, 2018 without any resolution plan. However, the NCLT advised the resolution professional and committee of creditors for a further review of the resolution plan and proceedings are still underway. The resolution plan was submitted by the “Resolution Applicant” before the “Committee of Creditors”. The said plan was considered and rejected.

Separately, the lead lender, ICICI Bank filed an application under the Insolvency and Bankruptcy Code 2016 before NCLT, Hyderabad for initiating the Corporate Insolvency Resolution Process against Lanco Teesta Hydro Power Limited. The application was admitted on March 16, 2018 and presently, the Corporate Insolvency Resolution Process is under process.

For all of the other projects mentioned above, Insolvency and Bankruptcy Code 2016 proceedings were admitted by the NCLT in either August or September 2018 and proceedings are currently underway.

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 April 8, 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 April 10, 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 January 25, 2017 and March 22, 2017, respectively, through off market sale of shares under CPSE ETF.

In November 2017, the Government divested 0.54 per cent of the total paid up capital of the Company though "Bharat 22" exchange traded fund. During the three-month period ended June 30, 2018, the Government divested 0.37 per cent of the total paid up capital of the Company in connection with a follow-on-fund offer through the "Bharat 22" exchange traded fund. Subsequently, in July 2018, 0.04 per cent of the total paid up capital in the Company was transferred back to the Government. Accordingly, as of the date of this Offering Circular, the President of India holds 57.99 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 at March 31, 2018, our consolidated loan funds increased by Rs. 316,415.0 million or 18.9 per cent., to Rs. 1,994,931.4 million from Rs. 1,678,516.4 million as of March 31, 2017, due to higher disbursements made in the normal course of operations. As at June 30, 2018, our unconsolidated loan funds increased by 18.98 per cent. to Rs. 2,002,246.3 million from Rs. 1,682,835.9 million as at June 30, 2017. This increase was primarily due to higher disbursements. The Company's loan assets and resultant borrowings have generally been growing at approximately 15 to 20 per cent. in the past, except for Fiscal 2017, where there were prepayments under the UDAY Scheme.

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 consolidated borrowings as of the dates indicated:

	(Rs. in millions, except percentages)
	As of March 31,

Resource Denomination	2016 Amount	2016 %	2017 Amount	2017 %	2018 Amount	2018 %
Rupee	1,472,230.6	87.01	1,466,676.4	87.38	1,695,201.1	84.98
Foreign currency	219,885.8	12.99	211,840.0	12.62	299,730.3	15.02
Total	1,692,116.4	100.00	1,678,516.4	100.00	1,994,931.4	100.00

The following table sets forth the breakdown of our unconsolidated borrowings as of the dates indicated:

(Rs. in millions, except percentages)

	As of June 30,			
	2017		2018	
Resource Denomination	Amount	%	Amount	%
Rupee	1,483,719.5	88.17	1,689,651.1	84.39
Foreign currency	199,116.4	11.83	312,595.2	15.61
Total	**1,682,835.9**	100.00	**2,002,246.3**	**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 consolidated Rupee-denominated indebtedness by type and the percentage such indebtedness constituted of our total consolidated Rupee-denominated indebtedness as of March 31, 2016, 2017 and 2018:

(Rs. million, except percentages)

	As of March 31,					
	2016		2017		2018	
Rupee Denominated	Amount	%	Amount	%	Amount	%
Taxable bonds	1,096,775.4	74.51	1,136,079.4	77.45	1,292,751.9	76.26
54EC long-term tax exemption bonds	171,643.9	11.66	194,774.0	13.28	237,051.2	13.98
Infrastructure bonds	2,423.9	0.16	1,116.4	0.08	1,104.7	0.07
Tax-free bonds	125,779.7	8.54	125,779.7	8.58	125,779.7	7.42
Term loans/WCDL	19,607.7	1.33	8,926.9	0.61	6,013.6	0.35
Government loans	0.0	0.00	0.0	0.00	0.0	0.00
Commercial paper	56,000.0	3.80	0.0	0.00	32,500.0	1.92
Total	1,472,230.6	100.00	1,466,676.4	100.00	1,695,201.1	100.00

The following table sets forth our outstanding unconsolidated Rupee-denominated indebtedness by type and the percentage such indebtedness constituted of our total unconsolidated Rupee-denominated indebtedness as of June 30, 2017 and June 30, 2018:

(Rs. million, except percentages)

	As of June 30,			
	2017		2018	
Rupee Denominated	Amount	%	Amount	%
Taxable bonds	1,134,717.0	76.47	1,283,945.8	75.99
54EC long-term tax exemption bonds	198,901.9	13.41	237,456.5	14.05
Infrastructure bonds	1,116.5	0.08	1,104.7	0.07
Tax-free bonds	126,484.1	8.52	126,484.1	7.49
Term loans/WCDL	7,500.0	0.51	8,160.0	0.48
Government loans	-	-	-	-
Commercial paper	15,000.0	1.01	32,500.0	1.92
Total	**1,483,719.5**	**100.00**	**1,689,651.1**	**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 utilize 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.

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 June 30, 2018, our outstanding liability was Rs. 312,595.2 million based on foreign exchange rates as of June 30, 2018 for the relevant currencies.

*External commercial borrowings (**ECB**) in foreign currency*

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 basis points over six-month USD LIBOR and will mature in Fiscal 2021. As of June 30, 2018, 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 basis points over six-month USD LIBOR and will mature in Fiscal 2019. As of June 30, 2018, 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 basis points over six-month USD LIBOR and will mature in Fiscal 2021. As of June 30, 2018, 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 basis points over six-month USD LIBOR and will mature in Fiscal 2019. As of June 30, 2018, 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 basis points over six-month USD LIBOR and will mature in Fiscal 2019. As of June 30, 2018, 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 bears a variable interest at a spread of 80 basis points over three-month USD LIBOR and will mature in Fiscal 2022. As of June 30, 2018, this loan facility was fully drawn and the 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 June 30, 2018, this loan facility was fully drawn and the entire U.S.$ 230 million hedged through call spread options at 3.5433 per cent. per annum.

In Fiscal 2018, we raised ECB as follows:

- Bilateral loan agreement for USD 200 million through State Bank of India, London Branch. The loan under this agreement bears a variable interest at a spread of 65 basis points over three-month USD LIBOR and will mature in Fiscal 2023. As of June 30, 2018, this loan facility was fully drawn and entire USD 200 million hedged through principal only swap at 4.1442% per annum.

- USD Reg-S Green Bonds amounting to USD 450 million under the Company’s MTN programme at a fixed cost of 3.875% for a tenure of 10 years, listed on Singapore Stock Exchange and the International Securities Market of the London Stock Exchange. The bonds will mature in Fiscal 2028. As of June 30, 2018, the funds under these bonds have been fully drawn and are unhedged.

- Bilateral loan agreement through MUFG Bank Limited for USD 57.50 million to part refinance the syndicated term loan of USD 250 million raised in Fiscal 2015. The loan under this agreement bears a variable interest at a spread of 35 basis points over six-month USD LIBOR and will mature in Fiscal 2020. As of June 30, 2018, this loan facility was fully drawn and is unhedged.

- USD Reg-S Bonds amounting to USD 400 million under the Company's MTN programme at a fixed cost of 3.068% for a tenure of 3 years, listed on Singapore Stock Exchange and the International Securities Market of the London Stock Exchange, to refinance the syndicated term loan of USD 400 million raised in Fiscal 2015. The bonds will mature in Fiscal 2021. As of June 30, 2018, the funds under these bonds have been fully drawn and entire funds have been hedged through seagull options with upfront premium payment of 6.46%.

- Syndicated loan agreement through MUFG Bank Limited, HSBC Bank (Mauritius) Limited and The Hongkong and Shanghai Banking Corporation Limited, Mauritius Branch for USD 240 million to part refinance syndicated term loan of USD 400 million raised in Fiscal 2015. The loan under this agreement bears a variable interest at a spread of 51 basis points over six-month USD LIBOR and will mature in Fiscal 2021. As of June 30, 2018, this loan facility was fully drawn and is unhedged.

- Bilateral loan agreement through Mizuho Bank Limited for USD 160 million to part refinance the syndicated term loan of USD 400 million raised in Fiscal 2015. The loan under this agreement bears a variable interest at a spread of 60 basis points over three-month USD LIBOR and will mature in Fiscal 2021. As of June 30, 2018, this loan facility was fully drawn and is unhedged.

- USD Reg-S Bonds amounting to USD 300 million under the Company's MTN programme at a fixed cost of 4.625% for a tenure of 10 years, listed on Singapore Stock Exchange and the International Securities Market of the London Stock Exchange. The bonds will mature in Fiscal 2028. As of June 30, 2018, the funds under these bonds have been fully drawn and are unhedged.

In the six month period ended September 30, 2018, we raised ECB as follows:

- Bilateral loan agreement with MUFG Bank Ltd. for JPY 10,327.12 million (JPY equivalent of USD 92.50 million). The loan under this agreement bears a variable interest at a spread of 20 basis points over six-month JPY LIBOR and will mature in Fiscal 2024. As of September 30, 2018, this loan facility was fully drawn and entire funds have been hedged through seagull options with upfront premium payment of 24.8007%.

- Bilateral loan agreement with Bank of Baroda, New York branch for USD 250 million. The loan under this agreement bears a variable interest at a spread of 90 basis points over six-month USD LIBOR and will mature in Fiscal 2024. As of September 30, 2018, this loan facility was fully drawn and entire funds have been hedged through seagull options with upfront premium payment of 12.4289%.

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 August 29, 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 June 30, 2018, 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 June 30, 2018, 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 February 18, 2012 and further restated to JPY11,809 million with effect from March 31, 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 June 30, 2018, 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 June 30, 2018, 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 June 30, 2018, 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 July 9, 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 consolidated investments as of the dates indicated:

Particulars	As of March 31,					
	2016		2017		2018	
	Number	Amount	Number	Amount	Number	Amount
			(Rs. in millions)			
Valued at Cost						
(A) Trade Investments						
Investment in Equity Instruments - Quoted						
– NHPC Limited	-	-	184,011,865	4,008.0	184,011,865	4,008.0
– Housing and Urban Development Corporation Ltd.	-	-	-	-	347,429	20.8
– Indian Energy Exchange Limited	1,250,000	12.5	1,250,000	12.5	1,250,000	12.5
Investment in Equity Instruments – Unquoted						
– **Controlled SPVs**						
– **Dinchang Transmission Limited**	50,000	0.5	50,000	0.5	50,000	0.5
Equity shares of Rs.10 each, fully paid-up						
– **Ghatampur Transmission Limited**	-	-	50,000	0.5	50,000	0.5
Equity shares of Rs.10 each, fully paid-up						
– **ERSS XXI Transmission Limited**	-	-	50,000	0.5	-	-
Equity shares of Rs.10 each, fully paid-up						
– **WR-NR Power Transmission Limited**	-	-	50,000	0.5	-	-
Equity shares of Rs.10 each, fully paid-up						
– **NRSS XXXVI Transmission Limited**	50,000	0.5	-	-	-	-
Equity shares of Rs.10 each, fully paid-up						
– **North Karanpura Transco Limited**	50,000	0.5	-	-	-	-
Equity shares of Rs.10 each, fully paid-up						
– **Khargone Transmission Limited**	50,000	0.5	-	-	-	-
Equity shares of Rs.10 each, fully paid-up						
– **NER II Transmission Limited**	50,000	0.5	-	-	-	-
Equity shares of Rs.10 each, fully paid-up						
– **Others**						
– **Energypro Assets Limited**	-	-	230,680	6.0	21,745,680	571.4
Equity shares of GBP1 each, fully paid-up						
– **Lanco Teesta Hydro Power Limited**	102,000,000	1,020.0	102,000,000	1,020.0	102,000,000	1,020.0
Equity shares of Rs.10 each, fully paid-up						
Less: Provision for Diminution in Investment			-	-	(294.1)	(294.1)
– **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)	–	(160.0)
Investment in Government Securities - Unquoted						
– **8% Government of Madhya Pradesh Power Bonds-II**	7	3,301.20	5	2,358.0	3	1,414.8
Bonds of face value of Rs.471.6 million each						
Investment in Venture Capital Funds – Unquoted						
– **'Small is Beautiful' Fund**	6,152,200	61.5	6,152,200	61.5	6,152,200	61.5
Units at face value of Rs.10.00 per unit Investment in Debentures						
Investment in Debentures - Unquoted						
– **9.68% Bonds of UP Power Corporation Ltd.**	38,050	3,805.0	30,385	3,038.5	30,385	3,038.5
Bonds of face value of Rs.0.10 million each						
(B) Other Investments						
Investment in Debentures - Quoted						
– **11.15% Additional Tier-1**	5,000	5,000.0	5,000	5,000.0	5,000	5,000.0

Perpetual Bonds of Indian Bank.....						
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	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	5,000	5,000.0
Bonds of face value of Rs.1.0 million each						
Investment in Inter Corporate Deposit						
– LIC Housing Finance Limited...........		-		175.0		-
– PNB Housing Finance Limited..........		-		175.0		640.0
Investment in Tax Free Bonds - Quoted						
– **8.76% bonds of HUDCO Ltd. ....**	50,000	50.0	50,000	50.0	50,000	50.0
Bonds of face value of Rs.1,000 each						
– **7.39% bonds of HUDCO Ltd. ....**	86,798	86.8	86,798	86.8	86,798	86.8
Bonds of face value of Rs.1,000 each						
– **7.35% bonds of HUDCO Ltd. ....**	42,885	42.9	42,885	42.9	42,885	42.9
Bonds of face value of Rs.1,000 each						
– **7.39% bonds of HUDCO Ltd. ....**	35,463	35.5	35,463	35.5	35,463	35.5
Bonds of face value of Rs.1,000 each						
– **7.49% bonds of HUDCO Ltd. ....**	61,308	61.3	61,308	61.3	61,308	61.3
Bonds of face value of Rs.1,000 each						
– **7.35% bonds of HUDCO Ltd. ....**	22,338	22.3	22,338	22.3	22,338	22.3
Bonds of face value of Rs.1,000 each						
– **7.35% bonds of HUDCO Ltd. ....**	14,028	14.0	14,028	14.0	14,028	14.0
Bonds of face value of Rs.1,000 each						
Total Investments		23,515.5		26,169.3		25,807.2

The following table sets forth our unconsolidated investments as of the dates indicated:

(Rs. in million)

Particulars	**As of June 30, 2017**		**As of June 30, 2018**	
	Number	**Amount**	**Number**	**Amount**
Investment in Equity Instruments – Quoted (at Fair Value through Other Comprehensive Income)				
- NHPC Limited	184,011,865	5,768.8	184,011,865	4,315.1
- Housing and Urban Development Corporation Ltd.	347,429	23.3	347,429	19.6
- Indian Energy Exchange Limited	1,250,000	1,092.5	1,250,000	2,074.7
Investment in Equity Instruments – Unquoted				
- Subsidiaries				
- REC Power Distribution Company Limited	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
Equity shares of Rs.10 each, fully paid-up				
- Joint Ventures				
- Energy Efficiency Services Limited	146,500,000	1,465.0	146,500,000	1,465.0
Equity shares of Rs.10 each, fully paid-up				
- Investment in Inter Corporate Deposits (at amortized cost)	N.A.	1,500.3		
Investment in Government Securities (at amortized cost)				
- 8% Government of Madhya Pradesh Power Bonds-II	3	2,405.2	3	1,443.1
Maturing in equal half-yearly Instalments of one bond each (Bonds of face value of Rs.471.6 million each)				
Investment in Venture Capital Funds – Unquoted (at Fair Value through Profit & Loss)				
–'Small is Beautiful' Fund........................	6,152,200	63.0	6,152,200	62.5
Units at face value of Rs.10.00 per unit Investment in Debentures				
Investment in Debentures – Unquoted (at amortized cost)				

– 9.68% Bonds of UP Power Corporation Ltd.	30,385	3,101.4	30,385	3,101.4
Bonds of face value of Rs.0.10 million each				
Investments in Debentures – Quoted (at Fair Value through Profit & Loss)				
– 11.15% Additional Tier-1 Perpetual Bonds of Indian Bank.............................	5,000	5,142.0	5,000	5,142.0
Bonds of face value of Rs.1.0 million each				
– 11.25% Additional Tier-1 Perpetual Bonds of Vijaya Bank.............................	5,000	5,140.2	5,000	5,140.2
Bonds of face value of Rs.1.0 million each				
– 11.25% Additional Tier-1 Perpetual Bonds of Syndicate Bank. ……………	5,000	5,143.3	5,000	5,143.3
Bonds of face value of Rs.1.0 million each				
Total Investments		30,846.0		27,907.9

Capital Adequacy

The Company's capital to risk-weighted assets ratio as of June 30, 2018 is 16.66 per cent. The calculation and composition of our Tier-l and Tier-II capital is as follows:

Particulars	Rs. in millions
1. Tier-I Capital	26,966.75
2. Tier-II Capital	4,349.64
3. Total capital (1+2)	31,316.39
4. Total Risk Weighted Assets	187,971.40
Capital to risk-weighted assets ratio (CRAR) (3/4)	**16.66 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 September 1, 2016, our Company, being an IFC 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 Comprehensive 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 three 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 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 involves 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 June 30, 2018, the Company's total foreign currency liabilities outstanding are JPY 4,100.17 million, U.S.$ 4,420.87 million and EUR 86.29 million. As of June 30, 2018, the Company has 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's 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 female director.

The following table sets out details regarding the Board as of July 17, 2018:

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 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*	Himachal Pradesh Kaushal Vikas Nigam
Dr. Bhagvat Kisanrao Karad DIN: 000998839	Part time Non-Official *Independent Director*	None

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, has been the Chairman and Managing Director (**CMD**) on the Board of REC since January 5, 2017. He is an Indian Administrative Service (IAS) officer from the 1985 batch of the Andhra Pradesh Cadre. Prior to joining REC, Dr. Ramesh was the Special Chief Secretary and State Development Commissioner to the Government of Andhra Pradesh in addition to being the ex-officio Special Chief Secretary to Andhra Pradesh Chief Minister. Dr. Ramesh graduated as a physician from the Christian Medical College and Hospital, Vellore.

During his 33 years of public service as a national and international civil servant, he held important positions with international development organizations and the Government of Andhra Pradesh. He was the Principal

Finance Secretary to the Government of Andhra Pradesh for nearly five years and prior to that, held the posts of Principal Secretary Department of Health, Medical and Family Welfare and Commissioner of Industries. He was the Principal Secretary of the State Reorganization Department during reorganization of the state of Andhra Pradesh.

Between 1996 and 2009, Dr. Ramesh worked for the United Nations Office for Project Services (UNOPS), United Nations Population Fund (UNFPA), International Fund for Agricultural Development (IFAD) and the World Bank. He worked in several countries across Asia Pacific, West Asia, Arab States and Africa regions and assisted the national and sub-national governments with the formulation of economic development strategies; design of plans, policies and programmes for integrated development; strengthening of institutional capacity; and effective management of programme and project execution. Working in the UNOPS, UNFPA and IFAD headquarters and as global chairman of the UNOPS Staff-Management Forum (SMF), he was a member of the senior management team and contributed to the organizational change management, strategic planning and performance monitoring, resource mobilization, etc. As an international civil servant, Dr. Ramesh held high profile positions such as 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 and Eastern Africa; Country Representative of UNFPA to Afghanistan; UNOPS / World Bank Senior Advisor to the 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 January 5, 2017.

Shri Ajeet Kumar Agarwal, is Director (Finance) on the Board of REC since August 1, 2012. He has earned his 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 35 years' experience in Public Sector Undertakings.

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 organization encompassing organizational and financial planning, formulation of financial policy, financial accounting, management control systems, cash and funds management, tax planning, mobilisation and management of resources, liaising with financial institutions and capital market players. He also supervises treasury functions, lending operations and advises on corporate risk management matters.

He is a Nominee Director on the board of two wholly owned subsidiary companies of REC: REC Transmission Projects Company Limited and REC Power Distribution Company Limited. Since August 22, 2012, he has also been a Nominee Director on the board of Indian Energy Exchange Limited (IEX), a listed company.

During his tenure in REC as General Manager/ Executive Director (Finance), he has handled various finance functions including Resource Mobilisation, Loan Disbursement and Corporate Accounts & Taxation.

Shri Sanjeev Kumar Gupta, is the Director (Technical) on the Board of REC since October 16, 2015. He holds a bachelor's Degree in Electrical Engineering from G.B. Pant University of Agriculture & Technology, Pant Nagar, Uttarakhand. He has 36 years of experience in the Indian power sector across diverse functions i.e. Planning, Design, Construction, O&M, Project Management of large EHV & UHV Transmission projects, Financing of Generation, Transmission, Distribution and Renewable Projects, etc. in various power CPSU's, REC, PGCIL and NHPC.

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

He has been working in our Company since March 16, 2010 at senior management positions including as the CEO of REC Transmission Projects Company Limited 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.

Dr. Arun Kumar Verma, is a Government Nominee Director on the Board of REC since October 6, 2015. He is an Indian Forest Service officer of the 1986 Gujarat Cadre and is a Joint Secretary in the 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 earned a Ph.D. in Tribal Development Policy. He has also completed a Post-Graduate Programme in Public Policy & Management (PGPPM) from the Indian Institute of Management, Bengaluru & Maxwell School of Citizenship and International Affairs, Syracuse University, USA. He has over 32 years of administrative and management experience. He has worked in the power sector earlier as Managing Director, Uttar Gujarat Vij Company Limited. Before joining the Ministry of Power, Government of India he was posted as Member Secretary of Gujarat Ecology Commission, Gandhinagar and the Project Director of the World Bank Funded Integrated Coastal Zone Management from July 29, 2011 to November 14, 2014. He is also a Government Nominee Director on the Board of Power Finance Corporation Limited and PTC India Limited.

Shri Aravamudan Krishna Kumar, is an Independent Director on the Board of REC since November 13, 2015. He holds a bachelor's degree in Arts (Economics) from the University of Delhi and is also a qualified Certified Associate of the Indian Institute of Bankers. He has around 41 years of rich experience in all facets of the banking sector. He served State Bank of India for over 39 years, where he joined as a Probationary Officer in 1975 and was elevated to the post of Managing Director & Group Executive in April 2011. During his long and distinguished career with SBI, he has handled various critical and important assignments, including the retail business of SBI spread over 16,000 branches and the international operations of SBI covering 190 offices in 36 countries. He was one of the key persons in policy making and formulating the strategies for SBI 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, is an Independent Director on the Board of REC since November 13, 2015. He holds a B.Tech from IIT, Mumbai; a PGDM from IIM, Calcutta and 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 the boards of IndusInd Bank Limited, SBICAP Securities Limited and Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited and is on the HR Advisory Board of Indian Overseas Bank. He is a member of the Governing Council of the National Institute of Bank Management, Pune.

Prof. Ram Mohan specialises in the financial sector. He has run training programmes for bank executives and has 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, is an Independent Director of REC since February 8, 2017. She is a retired IAS officer of 1973 batch from Himachal Pradesh cadre, a post graduate from Delhi University and a Pearson Fellow of IDRC, Canada. She has served as Secretary to Government of India, Ministry of Information and Broadcasting (2007-08) and Chief Secretary, Government of Himachal Pradesh (2008-10).

She has also served as Additional Secretary and Financial Advisor to the Ministry of Commerce and Ministry of Textiles (2004-07), Joint Secretary, Ministry of Rural Development (2001-04), Joint Secretary, Department of

Youth Affairs and Sports in HRD Ministry (1993-98). She has also served as Chairperson of Himachal Pradesh State Electricity Board and HP Power Corporation Limited.

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

Dr. Bhagvat Kisanrao Karad, is an Independent Director on the Board of REC since July 17, 2018. Dr. Karad is a paediatric surgeon (M.B.B.S., M.S. in General Surgery and F.C.P.S. M.Ch. in Paediatric Surgery). He has been a medical practitioner for the past 25 years. He has been on the advisory board of Wockhardt Foundation and Aurangabad Airport Authority and is an advisory member for the Government Medical College and Hospital, Aurangabad. In addition to this, he is treasurer of Bhagwan Shikshak Prasarak Mandal, an education trust; member of the board of directors of YSK Multispecialty Hospital and honorary surgeon at the Indira Gandhi Memorial Hospital, Aurangabad.

Dr. Karad has been the mayor of Aurangabad Municipal Corporation twice in the years 2000 and 2006. Due to his business acumen in running commercial organizations and experience in handling various social responsibilities, particularly in rural Maharashtra, he has gained an aptitude for addressing socio-economic issues as well as recommending policies to the concerned departments in the Government of Maharashtra especially for projects related to rural India. At present, he is serving as the acting Chairman of Marathwada Statutory Development Board (MSDB), a board responsible for addressing issues related to the financial and physical backlog in the Marathwada Region, Maharashtra for all state government portfolios.

Shareholding of Directors

Except as set forth below, none of our Directors hold any of our Shares as of June 30, 2018:

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 CMD, 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.

The Board functions either as a full Board or through various committees constituted to oversee specific operational areas. Each committee of the Board is guided by its terms of reference, which defines the composition, scope and powers of the relevant committee. The committees meet at regular intervals and focus on specific areas and make informed decisions within the authority delegated to them. As of June 30, 2018, the Board had the following committees:

(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; and

(i) Committee on Investment/Deployment of Surplus Funds

Audit Committee

The Audit Committee currently comprises:

Name of the Committee Members/Attendees	Designation	Position in Committee
Shri Aravamudan Krishna Kumar	Independent Director	Chairman
Prof. T.T. Ram Mohan..	Independent Director	Member
Shri Sanjeev Kumar Gupta	Director (Technical)	Member
Smt. Asha Swarup	Independent Director	Member

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

The terms of reference of the Audit Committee are as follows:

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

(c) to comply with the guidelines on corporate governance for central public sector enterprises, 2010, as notified by the DPE, as amended from time to time; and

(d) 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. Further, the Chairman of the Audit Committee was present at the Annual General Meeting held on September 21, 2017 to respond to shareholders' queries.

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 composition of the Nomination and Remuneration Committee is in accordance with the provisions of regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Section 178 of the Companies Act, 2013.

The terms of reference of the Nomination and Remuneration Committee 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-unionized supervisors, as notified by the DPE, and as amended from time to time.

Further, the MCA, through its notification dated June 5, 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. This notification also prescribed that the provisions relating to the review of performance of independent directors and the evaluation mechanism prescribed in Schedule IV of the Companies Act, 2013 is not applicable to government companies.

As of June 30, 2018 the composition of the Nomination and Remuneration Committee was as follows:

Name of the Committee Member	Designation	Position in Committee
Professor T.T. Ram Mohan	Independent Director	Chairman
Shri Aravamudan Krishna Kumar	Independent Director	Member
Smt. Asha Swarup	Independent Director	Member

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.

Stakeholders Relationship Committee

Our Company has constituted a Stakeholders Relationship Committee in terms of the provisions of Section 178 of the Companies Act, the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other applicable laws. This Committee specifically looks into the redressal of complaints from various security holders (including shareholders, debenture holders), such as non-receipt of dividend credit/warrants, non-receipt of interest on debentures, annual reports, transfer of shares or debentures, issue of duplicate share/debenture certificate and matters connected with the transfer, transmission, rematerialization, dematerialization, splitting and consolidation of securities issued by the Company.

As of June 30, 2018 the composition of Stakeholders Relationship Committee was as follows:

Name of the Committee Member	Designation	Position in Committee
Shri Aravamudan Krishna Kumar	Independent Director	Chairman
Shri Ajeet Kumar Agarwal	Director (Finance)	Member
Shri Sanjeev Kumar 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, General Manager and Company Secretary, is the compliance officer of our Company in terms of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. The Chairman of the Stakeholders Relationship Committee was present at the Annual General Meeting held on September 21, 2017.

Risk Management Committee

The Risk Management Committee has been constituted in line with the provisions of Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to manage the integrated risk. The main function of the Risk Management Committee is to monitor various risks likely to arise, to review 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.

As of June 30, 2018, the composition of the Risk Management Committee was as follows:

Name of the Committee Member	Designation	Position in Committee
Smt. Asha Swarup	Independent Director	Chairperson
Shri Ajeet Kumar Agarwal	Director (Finance)	Member
Shri Sanjeev Kumar 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.

Corporate Social Responsibility Committee

As per 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, 2013;

(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.

As of June 30, 2018, the composition of the Corporate Social Responsibility Committee was as follows:

Name of the Committee Member	Designation	Position in Committee
Professor T.T. Ram Mohan	Independent Director	Chairman
Shri Aravamudan Krishna Kumar	Independent Director	Member
Smt. Asha Swarup	Independent Director	Member
Shri Ajeet Kumar Agarwal	Director (Finance)	Member
Shri Sanjeev Kumar Gupta	Director (Technical)	Member

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

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 Committee Member	Designation	Position in Committee
Dr. P.V. Ramesh	CMD	Chairman
Shri Ajeet Kumar Agarwal	Director (Finance)	Member
Shri Sanjeev Kumar Gupta	Director (Technical)	Member
Dr. Arun Kumar Verma	Government Nominee Director	Member

The quorum of the meetings of the Loan Committee is three members including the CMD and the Government nominee director.

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 Committee Member	Designation	Position in Committee
Dr P.V. Ramesh	CMD	Chairman
Shri Ajeet Kumar Agarwal	Director (Finance)	Member
Shri Sanjeev Kumar Gupta	Director (Technical)	Member

The quorum of the Executive Committee of the Board is two members including the CMD.

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.

As of June 30, 2018, the composition of the Sub-Committee for review of lending rates for Term Loans/STLs was as follows:

Name of the Director	Designation	Position
Dr. P.V. Ramesh	CMD	Chairman
Shri Ajeet Kumar Agarwal	Director (Finance)	Member
Shri Sanjeev Kumar 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 CMD.

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.

As of June 30, 2018, the composition of the Committee on investment or deployment of surplus funds was as follows:

Name of the Director	Designation	Position in Committee
Dr. P.V Ramesh	CMD	Chairman
Shri Ajeet Kumar Agarwal	Director (Finance)	Member
Shri Sanjeev Kumar Gupta	Director (Technical)	Member

The quorum of the meeting of the Committee is two members including the CMD. The Committee is empowered to approve the investment of short term 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, more than Rs.10,000 million in certificates of deposits and commercial papers, and more than Rs.10,000 million in inter-corporate deposits.

Major Shareholders

As of June 30, 2018, we had approximately 363,582 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.	NAME/JOINT NAME(S)	SHAREHOLDING	% TO EQUITY
1	PRESIDENT OF INDIA	1,144,456,388	57.95
2	LIFE INSURANCE CORPORATION OF INDIA	45,359,430	2.30
3	THE PRUDENTIAL ASSURANCE COMPANY LIMITED	38,599,276	1.95
4	HDFC TRUSTEE COMPANY LTD. A/C HDFC BALANCED ADVANTAGE FUND	23,665,000	1.20
5	HDFC TRUSTEE COMPANY LIMITED - HDFC EQUITY FUND	19,622,900	0.99
6	EASTSPRING INVESTMENTS - DEVELOPED AND EMERGING ASIA EQUITY FUND	19,212,109	0.97
7	CPSE ETF	18,131,534	0.92
8	SBI MAGNUM TAXGAIN SCHEME	12,015,633	0.61
9	VANGUARD EMERGING MARKETS STOCK INDEX FUND, A SERIES OF VANGUARD INTERNATIONAL EQUITY INDEX FUNDS	11,759,360	0.60
10	INDIA CAPITAL FUND LIMITED	11,390,000	0.58
	TOTAL:	1,344,211,630	68.06

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 2018. The Indian economy is one of the largest economies in the world, with a GDP at current price of an estimated US$2.7 trillion for the fiscal year 2017-2018 (Source: the International Monetary Fund's World Economic Outlook as of October 2018). GDP growth slowed down in the year 2017-2018, rising 6.7% as compared to a growth of 7.1% in the year 2016-2017. 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 2017-2018).

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 2018 for certain other countries:

Country	Estimated GDP Growth in 2018 (%)
China	6.6
India	7.3
Singapore	2.9
Brazil	1.4
United States	2.9
United Kingdom	1.4
Japan	1.1

(Source: IMF Database)

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 RBI's Annual Report is estimated to decelerate to 6.5 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 Fourth Bi-Monthly Monetary Policy Statement 2018-19 of the MPC (the **Policy Statement**), the outlook for the Indian Economy is as follows:

(a) The Policy Statement stated that inflation for Q4 of 2018-19 is projected to be 4.5% per cent and 4.6 per cent in Q4 of 2019-20.

(b) Headline consumer price index (CPI) inflation averaged 4.4 per cent during 2018-19 up to August. Professional forecasters surveyed by the Reserve Bank in September 2018 expected CPI inflation to fall from 4.8 per cent in Q1:2018-19 to 4.1 per cent in Q3 and then pick up to 5.1 per cent by Q2:2019-20. GVA growth for 2017-18 is projected at 6.5 per cent as compared to 7.1% in 2016-17. The acceleration of GVA growth was underpinned by manufacturing activity registering double-digit growth after eight quarters. Agricultural growth also accelerated on the back of double-digit growth in production of key crops during the rabi season (October to March), and sustained expansion in livestock products, forestry and fisheries during Q1 2018-19. There was some moderation in growth of services sector activity. Construction activity maintained strong pace during Q2 2018-19.

(c) Since April 2018, the INR traded with a depreciating bias, dipping to a low of INR 72.81 per US dollar (reference rate) on September 25, 2018. The fall in the INR, however, was no exception as currencies of EMEs – both current account deficit and surplus countries – lost value as the US dollar strengthened during this period. As regards financial flows in 2018-19 so far, net foreign direct investment (FDI) flows increased by 2.9 per cent in April-July 2018 over the corresponding period of the previous year. By contrast, foreign portfolio investment flows recorded net outflows of US$ 11.5 billion to September 28, 2018, reflecting mainly global portfolio rebalancing away from EMEs.

(d) During April-August 2018, the MPC met thrice in accordance with its bi-monthly schedule. Maintaining status quo in its April 2018 meeting, the MPC increased the policy repo rate by 25 basis points successively in its June and August 2018 meetings.

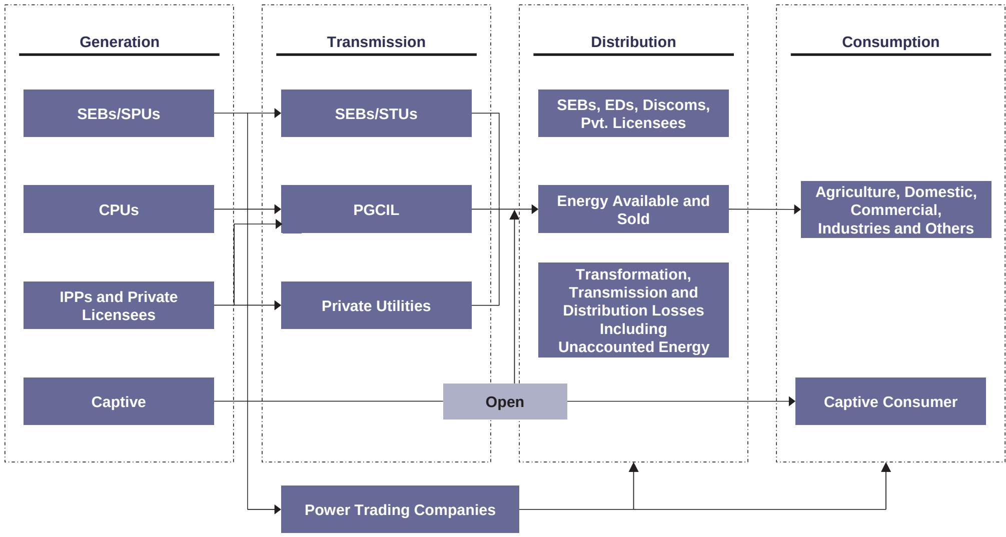
(e) The reverse repo rate under the LAF remains at 6.25 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.

(Source: RBI, Fourth Bi-monthly Monetary Policy Statement, 2018-19 dated October 5, 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 August 2018, the provisional total energy deficit and peak power deficit during August 2018 was approximately 0.5 per cent. and 0.5 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). Owing 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, August 2018 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 2018-19 has been fixed as 1265 Billion Unit (BU) (comprising of 1091.500 BU thermal; 130.000 BU hydro; 38.50 nuclear; and 5.000 BU import from Bhutan) i.e. growth of around 4.36% over actual conventional generation of 1212.134 BU for the previous year (2017-18). The conventional generation during 2017-18 was 1205.921 BU as compared to 1160.141 BU generated during 2016-17, representing a growth of about 3.95%.

Generation and growth in conventional generation in the country during 2009-10 to 2018-19:

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
2017-18	1,205,921	3.95
2018-19 up to August 2018 (Provisional)	527.388	3.66

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 344.7 GW as of August 2018, including thermal projects, nuclear projects, hydro projects and renewable energy source projects. (Source: CEA Monthly Review August 2018).

The following table sets forth a summary of India's energy generation capacity as of August 31, 2018 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**	51,985.20	5,781.26	0.00	57,766.46	1,620.00	19,707.77	13,012.88	92,107.11
2.	**Western**	70,608.62	10,806.49	0.00	81,415.11	1,840.00	7,547.50	20,725.38	111,527.99
3.	**Southern**	45,782.02	6,473.66	761.58	53,017.26	3,320.00	11,808.03	35,535.49	103,680.78
4.	**Eastern**	27,201.64	100.00	0.00	27,301.64	0.00	4,942.12	1,075.85	33,319.61
5.	**North-East**	520.02	1,706.05	36.00	2,262.07	0.00	1,452.00	286.46	4,000.53
6.	**Islands**	0.00	0.00	40.05	40.05	0.00	0.00	12.56	52.61
7.	**ALL INDIA**	196,097.50	24,867.46	837.63	221,802.59	6,780.00	45,457.42	70,648.61	344,688.61

(Source: Executive Summary, Power Sector for the month of August 2018, 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 2018-19:

	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	1,142,929	1,135,334	-7,595	-0.7	159,542	156,934	-2,608	-1.6
2017-18	1,212,134	1,203,567	-8,567	-0.7	164,066	160,752	-3,314	-2.0
2018-19[(1)]	547,611	544,403	-3,208	-0.6	172,381	170,765	-1,617	-0.9

Note:

(1) Up to August 2018 (*Source: CEA - https://powermin.nic.in/en/content/power-sector-glance-all-india*)

The deficits in electric energy and peak power requirements vary across different regions in India. The following table outlines the power supply position in August 2018 across the regions of India:

	Requirement (Energy MU)	Availability (Energy MU)	Deficit (%)	Peak Demand (Power MW)	Peak Met (Power MW)	Deficit (%)
Northern	38,529	38,128	–1.0	57956	57304	–1.1
Western	29,828	29,820	0.0	49629	49629	0.0
Southern	27,901	27,867	–0.1	44582	44582	0.0
Eastern	14,065	14,029	–0.3	22313	22313	0.0
North Eastern	1,648	1,599	–2.9	2967	2795	–5.8
All India	111,970	111,443	–0.5	170,976	170,182	–0.5

(Source: CEA Monthly Review August 2018)

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, August 2018 from CEA, Ministry of Power*).

Power Transmission and Distribution

In India, the transmission and distribution system is a three-tiered 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 recognized 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 Equity inflows in India from April 2000 to June 2018 (excluding, amount remitted through RBI's-NRI Schemes) is INR21,610,900 million (U.S.$389,599 million). 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** [2]	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**	1,891,070	30,931	(+)	27%
16.	**2015-16**[1]	2,623,220	40,001		29%
17.	**2016-17**[1]	2,916,960	43,478	(+)	9%
18.	**2017-18**[1]	2,888,890	44,857	(+)	3%
19.	**2018-19**[1] (up to June 2018)	851,800	12,752		-
	CUMULATIVE TOTAL (from April 2000 to June 2018)	21,616,250	389,722		–

Notes:

(1) Figures for the years 2015-16 to 2018-19 are provisional subject to reconciliation with RBI.

(2) 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 Rs. 769,260 million (US$14,179mn) has been invested in the power sector.

(*Source: http://dipp.nic.in/sites/default/files/FDI_FactSheet_23August2018.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 summarized 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, rationalize 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 December 19, 2014 and was referred to the Parliamentary Standing Committee on Energy (the **Panel**). The Panel gave its report on May 7, 2015, however, the Bill is yet to be passed in 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 the 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 (the **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, minimize 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 attracting investment providing adequate returns. The benefits of improved efficiency and new technology are passed on to consumers through reduced tariffs. It emphasizes 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 licensees except for the 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 distribution transformer in a village or hamlet, 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 into the new 'Deendayal Upadhyaya Gram Jyoti Yojana' (**DDUGJY**) scheme which was approved by GoI by an office memorandum dated December 3, 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 into the DDUGJY scheme according to the GoI's notification on December 3, 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 August 2018, works in 185,883 unelectrified villages are in scope to be completed under the new plan out of 53,152 villages have been completed. Cumulative intensive electrification of 490,179 villages has been completed under Plan X, XI, XI – II, XII representing a 100%, 98%, 82% & 61% achievement of the target respectively. Further, electricity connections to 30.36 million BPL households have been provided under the scheme.

(Source: http://www.ddugjy.gov.in/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 156 of this Offering Circular.

Rural Electrification Initiatives – Saubhagya

On September 25, 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 the inclusion of all households will be about 28,000 MW. With the enhancement of income and the 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 with 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 emphasizes 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

The President of India sanctioned the launch and implementation of the “Integrated Power Development Scheme” (**IPDS**) with the following components:

(i) strengthening of sub-transmission and distribution networks in urban areas;

(ii) metering of distribution transformers, feeders and consumers in urban areas; and

(iii) IT enablement of the distribution sector and strengthening of the distribution network, according to the CCEA approval dated June 21, 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;
- specialized 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 the corporate debt market.

Government securities market:

During the 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 April 13, 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 Authorization of PDs – To make the primary dealer (**PD**) authorization policy more transparent and ensure that new PDs have sound capital and adequate experience/expertise in the G-Sec market, the PD authorization 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 August 10, 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 February 1, 2012. This is expected to stimulate 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 actual gross market borrowings through dated G-sec in 2017-18 amounted to INR5,880bn on account of additional market borrowings by the GoI in Q3. Net borrowings through dated securities amounted to INR4,484bn, financing 75.3 per cent of the gross fiscal deficit (GFD) as against 76.2 per cent in the previous year.

State governments raised market borrowings of INR4,191 billion in gross and INR3,403 billion in net during 2017-18, as compared to INR3,820 billion and INR3,427 billion respectively, raised in the previous year.

Net short term market borrowings through T-Bills increased to INR505bn during 2017-18 from INR299bn in 2016-17 mainly due to higher issuances in H1 of 2017-18. In the aggregate, net market borrowing through dated securities and T-Bills increased by INR1,206bn to INR4,989bn in 2017-18.

The weighted average yield (**WAY**) of dated securities of central government issued during the year declined by 19 basis points to 6.97 percent in 2017-18 while the weighted average coupon (**WAC**) on the outstanding stock of dated securities declined by 23 basis points to 7.76 percent as on March 31, 2018.

The weighted average maturity (**WAM**) of primary issuance of G-secs was at 14.13 years during 2017-18. This was however, lower than the 14.76 years for the previous year, as the government decided to borrow more in the maturity buckets of under 15 years to contain the cost of borrowings in the volatile market conditions. WAM of outstanding dated securities remained at 10.62 years in 2017-18, marginally lower than the 10.65 years recorded in the previous year, reflecting higher issuances in the lower maturity buckets especially in the last quarter of 2017-18.

Following the strategy of consolidation and increase in the issuance limit per security, during 2017-18, 156 out of 159 issuances of Government securities were re-issuances, whereas during 2016-17, 156 were reissued out of the total 164 issuances. Active consolidation of debt was undertaken in the form of buyback/switches (INR415.55 billion/INR580.75 billion) that spread across 2017-18, totalling INR996.30 billion as compared to INR1,046.43 billion in the previous year

The weighted average yield (WAY) of State Development Loans (SDLs) issued during 2017-18 stood higher at 7.67 per cent compared to 7.48 per cent in the previous year. Despite hardening of yields across securities, the weighted average spread of SDL issuances over comparable central government securities stood at 59 basis points as compared to 60 basis points in 2016-17. The inter-state spread at 6 basis points in 2017-18 was marginally lower than 7 basis points in 2016-17, reflecting that the relationship between the spread on SDLs and fiscal situation of individual states remained weak during 2017-18 as well.

In 2017-18, nine states and the Union Territory of Puducherry issued non-standard securities of tenors ranging from three to 25 years. Following the policy of passive consolidation, states like Maharashtra, Odisha and Tamil Nadu undertook reissuances amounting to INR 472.62 billion during 2017-18 to improve the liquidity of their securities in the secondary market. The inter-state spread at 6 basis points in 2017-18 was marginally lower than 7 basis points in 2016-17, reflecting that the relationship between the spread on SDLs and the fiscal situation of individual states remained weak during 2017-18.

(*Source: RBI Annual Report FY 2017-18*)

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 authorized 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 January 8, 2010.

The private placement of corporate bonds went down to INR5,991,471mn (through 2,706 issues) in FY18 from INR6,407,155mn (through 3,377 issues) in FY17.

(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 the 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 238 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 mobilize 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 organizations 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

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.

REGULATIONS GOVERNING NBFCs

*The Company is a Non-Banking Finance Company, that is Non Deposit taking and Systemically Important (**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 September 17, 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.*

NBFCs are primarily governed by the Reserve Bank of India Act, 1934, as amended (the **RBI Act**), Non-Banking Financial Company 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 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 a NBFC if: (a) 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 the 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 (**Government NBFCs**), 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.

Government owned companies, as defined under Section 2(45) of the Companies Act, 2013 and registered with RBI as NBFCs, were exempt from the following regulatory and statutory provisions:

(i) Sections 45-IB and 45-IC of the RBI Act, 1934;

(ii) Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 and Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 (except provisions contained in paragraph 23 of these directions); and

(iii) Master Direction - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016 (except certain provisions contained in these Directions).

However, pursuant to its circular dated May 31, 2018, RBI has made the above set out regulations and provisions applicable to Government owned NBFCs, and Government owned NBFCs are required to comply with the same at the latest by March 31, 2022. 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. 2.5 million and not exceeding Rs.20 million. NBFCs that do not accept deposits from the public also need to obtain a CoR, however the same will not authorize 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 Non-Banking Financial Company — Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (**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 July 25, 2013 and April 4, 2014, has conveyed to our Company that it shall comply with the prudential norms of the RBI by March 31, 2016, and follow the instructions contained in the RBI circular dated January 23, 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 June 11, 2014, has allowed an exemption to our Company from the RBI restructuring norms until March 31, 2017, for its transmission and distribution, renovation and modernization 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 April 1, 2015, the provisioning requirement is 5 per cent. and for stock of loans as at March 31, 2015 of such projects, the provisioning shall commence with a provision of 2.75 per cent. effective March 31, 2015 and reaching 5 per cent. by March 31, 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 Infrastructure Finance Company (**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 pursuant to a letter dated June 16, 2016 from concentration norms in respect of exposure to central and state entities in the power sector until March 31, 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 March 31, 2017 and March 31, 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:

the minimum subscription per investor is Rs.20,000;

(a) 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;

(b) where maximum subscription is less than Rs.10 million, the limit is 200 subscribers for every financial year for issuance of NCDs;

(c) 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 favor of subscribers or not. Any unsecured debentures are not treated as public deposits;

(d) 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

(e) an NBFC shall not extend loans against the security of its own debentures (issued by way of either private placement or public issue).

The Issuer, 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 recognized stock exchange 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.

Every NBFC shall, after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realisation, classify its lease/hire purchase assets, loans and advances and any other forms of credit into the following classes, namely: (i) standard assets; (ii) sub-standard assets; (iii) doubtful assets; and (iv) loss assets.

A Non-Performing Asset (**NPA**) shall mean: (a) an asset, in respect of which, interest has remained overdue for a period of six months or more; (b) a term loan inclusive of unpaid interest, when the instalment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more; (c) a demand or call loan, which remained overdue for a period of six months or more from the date of demand or call or on which interest amount remained overdue for a period of six months or more; (d) a bill which remains overdue for a period of six months or more; (e) the interest in respect of a debt or the income on receivables under the head 'other current assets' in the nature of short term loans/advances, which facility remained overdue for a period of six months or more; (f) any dues on account of sale of assets or services rendered or reimbursement of expenses incurred, which remained overdue for a period of six months or more; (g) the lease rental and hire purchase instalment, which has become overdue for a period of twelve months or more; (h) in respect of loans, advances and other credit facilities (including bills purchased and discounted), the balance outstanding under the credit facilities (including accrued interest) made available to the same borrower/beneficiary when any of the above credit facilities become non-performing assets.

Norms for excessive interest rates

Interests rates beyond a certain level may be seen to be excessive and can neither be sustainable nor be conforming to normal financial practice. Boards of applicable NBFCs, therefore, are required to lay out appropriate internal principles and procedures in determining interest rates and processing and other charges.

Asset Liability Management

The management of NBFCs is required to base its business decisions on a dynamic and integrated risk management system and process, driven by corporate strategy. It is, therefore, important that NBFCs introduce effective risk management systems that address the issues relating to interest rate and liquidity risks.

NBFCs are exposed to several major risks in the course of their business – credit risk, interest rate risk, equity / commodity price risk, liquidity risk and operational risk. It is, therefore, important that NBFCs introduce effective risk management systems that address the issues relating to interest rate and liquidity risks. The initial focus of the Asset Liability Management (**ALM**) function shall be to enforce the risk management discipline or manage the business after assessing the risks involved. The objective of good risk management systems shall be that these systems will evolve into a strategic tool for the management of NBFCs.

The ALM process rests on three pillars:

(a) ALM Information Systems

  (i) Management Information Systems

  (ii) Information availability, accuracy, adequacy and expediency

(b) ALM Organization

  (i) Structure and responsibilities

  (ii) Level of top management involvement

(c) ALM Process

  (i) Risk parameters

  (ii) Risk identification

  (iii) Risk measurement

  (iv) Risk management

  (v) Risk policies and tolerance levels.

KYC Guidelines

All applicable NBFCs having customer interfaces are required to follow the Master Direction – Know Your Customer (**KYC**) Directions, 2016 (**KYC Master Directions**) issued by the RBI. The RBI has extended the KYC Master Directions to NBFCs and has 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*, a customer acceptance policy, customer identification procedures, monitoring of transactions and risk management, adherence to KYC guidelines and the exercise of due diligence by persons authorized 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 the opening of a branch, subsidiary, joint venture or representative office or for undertaking any investment abroad by an NBFC.

Department of Public Enterprises, Government of India

We are a Navratna Central Public Sector Undertaking under the administrative control of the Ministry of Power, Government of India.

The Department for Public Enterprises is the nodal department for all the Central Public Sector Enterprises (**CPSEs**) and formulates policy pertaining to CPSEs. It lays down, in particular, policy guidelines on performance improvement and evaluation, autonomy and financial delegation and personnel management in CPSEs. It furthermore collects and maintains information in the form of a Public Enterprises Survey on several areas in respect of CPSEs. The Department for Public Enterprises formulates policy guidelines pertaining to CPSEs in areas like performance improvements and evaluation, financial management, personnel management, board structures, wage settlement, training, industrial relation, vigilance and performance appraisal.

REGULATION OF CORPORATES

Companies Act, 2013

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, 2013 has replaced the Companies Act, 1956.

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) 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; (ix) introduction 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; (x) providing rules on related party transactions and acceptance of deposits; and (xi) 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, 2013 has introduced various sections which significantly and substantially modify, repeal and replace the entire framework of law governing Indian companies, including the Issuer. For transition purposes, the Companies Act, 2013 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.

SEBI (IFSC) Guidelines, 2015

The SEBI (IFSC) Guidelines were promulgated to regulate financial services relating to securities in an international financial services centre (**IFSC**) created under Section 18(1) of the Special Economic Zones Act, 2005. The guidelines apply to any entity desirous of operating in an IFSC for rendering financial services relating to securities market and prescribe the eligibility and shareholding limit for stock exchanges, clearing corporations and depositories. The guidelines also prescribe conditions to be complied with for issuing capital in an IFSC. The listing of the Notes is in compliance with the SEBI (IFSC) Guidelines, 2015, as amended from time to time.

LAWS RELATING TO THE RECOVERY OF DEBTS

Securitisation Act

The Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest Act, 2002, as amended (the **Securitisation Act)** 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 creditor 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 a 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 the Debt Recovery Act (as defined below).

Debt Recovery Act

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 as amended from time to time (**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 an application to the Debt Recovery Tribunals and their powers and modes of recovery of debts. Upon establishment of the Debt Recovery Tribunals and the 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 August 9, 2016 and received the assent of the President on August 12, 2016. The Amendment Act shall come into force as and when notified by the Central Government. The Amendment Act amends two laws: (i) the Securitisation Act and (ii) the 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 Insolvency and Bankruptcy Code, 2016 (the **Code**) was passed by Parliament on May 11, 2016, with a view to create a unified framework for resolving insolvency and bankruptcy in India. The Code seeks to repeal the Presidency Towns Insolvency Act, 1909 and Provincial Insolvency Act, 1920. The Code also amends eleven laws, including, *inter alia*, the Companies Act, 2013; the Recovery of Debts Act, the Bankruptcy Insolvency Resolution and Bankruptcy of Individuals and Partnership Firms Act, 1993; and the Sick Industrial Companies (Special Provisions) Repeal Act, 2003. The Code aims to consolidate the laws relating to insolvency of companies and limited liability entities (including limited liability partnerships and other entities with limited liability), unlimited liability partnerships and individuals into a single legislation.

The 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. According to the Code, the insolvency resolution process may be initiated by either the debtor or the creditors. Some of the new concepts introduced by this Code include, *inter alia*, the Insolvency and Bankruptcy Board of India, the Insolvency and Bankruptcy Fund and two separate tribunals having jurisdiction over insolvency cases, namely the National Company Law Tribunal (which shall have jurisdiction over companies and limited liability partnerships) and the debt recovery tribunal (**DRT**) (which shall have jurisdiction over individuals and partnership firms). The Code provides a 180-day timeline, which may be extended by 90 days, for dealing with insolvency resolution applications. Subsequently, the insolvency resolution plan prepared by the resolution professional has to, subsequent to the amendment detailed below, be approved by 66.00 per cent. of creditors and, if rejected, the adjudicating authority will order liquidation. 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.

On January 19, 2018, Parliament passed the Insolvency and Bankruptcy Code (Amendment) Bill, 2017. The amendments aim to keep out such persons who have willfully defaulted, are associated with non-performing assets, or are habitually non-compliant and, therefore, are likely to be a risk to the successful resolution of the insolvency of a company.

Parliament has further enacted the Insolvency and Bankruptcy Code (Second Amendment) Bill, 2018. This amendment has reviewed norms pertaining to enforcement of third party security which has to be provided by the corporate debtor. Further, the voting threshold has been brought down to 66 per cent. from 75 per cent. for all major decisions such as approval of the resolution plan, and extension of the corporate insolvency resolution process period. Further, in order to facilitate the corporate debtor to continue as a going concern during the corporate insolvency resolution process, the voting threshold for routine decisions has been reduced to 51 per cent. This amendment provides relief to home buyers who are now to be treated as financial creditors and therefore will be able to decide the future of defaulting builders alongside their lenders.

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 from time to time (the **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, *inter alia*, on 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, rationalize 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 (the **Bill**) was introduced by the government to amend the Electricity Act. The Bill was referred to the Standing Committee on Energy for examination and report. Based on the observations and recommendations of the Standing Committee on Energy and further consultation with the state governments, the Ministry of Power has proposed certain amendment to the Electricity Act (**Proposed Amendment**). The salient features of the Proposed Amendment have been set out below:

(a) ***Direct Benefit Transfer of Subsidy:*** Breaking the cycle of subsidy and losses incurred by the DISCOMs, the Proposed Amendment has introduced direct benefit transfer in electricity as well. The Proposed Amendment suggests that if the State Government or Central Government desires the grant of any subsidy to any consumer or class of consumers, such subsidy shall be directly transferred to the beneficiary by direct benefit transfer into the bank account of the beneficiary. The same will apply if subsidy is given through any government scheme as well.

(b) ***Separation of content and carriage:*** The long-pending demand to separate the infrastructure builder for power distribution to consumers and the licensee to supply has been introduced in the Proposed Amendment. This would entail more than one electricity supplier in an area and the consumer will have the option to choose their preferred electricity supplier. Allied to it is introduction of time of the day tariff – a power rate as per the energy source, season, time and demand.

(c) ***Renewable Energy:*** Since 2013, the renewable capacity in the country has grown more than 80 per cent currently standing at 70,000 MW. The Proposed Amendment has introduced renewable purchase obligation and also defines the penalty for defaulting on it. Hydropower has been defined under renewable source, but the size of projects isn’t. The Proposed Amendment also aims to introduce one member from the Ministry of New and Renewable Energy in the Central Electricity Regulatory Commission, in place of a representative of the department of consumer affairs.

(d) ***Getting smarter:*** The Electricity Act, for the first time, has mentioned smart meter and prepaid meters and regulations related to the same, making it mandatory to install a smart meter. This would help proper accounting of power consumption and wastage.

(e) ***24/7 Power supply is an obligation***: The Proposed Amendment proposes that 24X7 power supply is an obligation and the state electricity regulatory commission can penalise the power distribution company (DISCOMs), if it fails to do so. The relevant commission can suspend or revoke the license of the DISCOMs as well, which has been mandated for the first time.

(f) ***Violation of a power purchase agreement to be penalised:*** The Proposed Amendment further suggests that a violation of a power purchase agreement will lead to penalties which may be as determined by the appropriate commission and may be fines extending to Rs 10 million per day, and, in the case of licensees may also extend to suspension and cancellation of the licence. This comes as a major relief for power generators which have recently borne the brunt of states cancelling power purchase agreement, citing high cost or lack of funds.

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 (the **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 utilized 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 a 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 the tariff is market-based.

CERC (Terms and Conditions of Tariff) Regulations, 2014

The CERC (Terms and Conditions of Tariff) Regulations, 2014 as amended (the **CERC Tariff Regulations**) are applicable for the determination of the tariff between April 1, 2014 and March 31, 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)). The 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 (the **CERC Regulations**) provide various transmission products, standardize 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 February 17, 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 (the **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 December 14, 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 (the **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 (the **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, minimize 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 the 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 emphasizes 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 (the **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 (the **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 the 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 is already under construction and likely to yield benefits during 2017/22 and there will be 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 made 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 the commissioning of super-critical technology based coal power plants.

The Central Electricity Authority (**CEA**) has revised the National Electricity Plan (**NEP**) after receiving feedback from more than 30 state-owned and private institutions, mostly questioning the redundancy of coal. To retire coal-based power completely, according to the CEA, India would need 6,440 Mw thermal power during 2017-22. In the earlier version of the NEP, which was released in 2017, the CEA had stated that the country did not need coal-based capacity addition until 2022.

Government Initiatives and Policies

Power for All – "24 x 7 POWER FOR ALL" PROGRAM (A Joint Initiative of Central Government and State Governments)

The 24 x 7 program is joint initiative of the Government of India which is proposed to include participation of all States and Union Territories to facilitate 24 x 7 power for all by 2019.

Program Objectives:

(i) Reliable 24x7 supply to domestic, industrial and other consumers.

(ii) Adequate power supply to agricultural consumers.

(iii) To provide access to electricity to all unconnected households in next five years i.e. by FY 2018-19.

To meet the above objectives, a state specific roadmap for '*Power for All*' has been finalized in consultation with the states in the form of the Power for All (**PFA**) documents. The PFA document covers:

(i) **Generation:** To ensure adequate capacity addition planning and tie ups for power from various sources at affordable prices to meet the projected increase in power demand for the future.

(ii) **Transmission:** Strengthen the transmission (inter-state or intra-state) network to cater to the expected growth in demand of existing as well as new consumers.

(iii) **Distribution:** Providing access to all households along with the creation of a new distribution network or strengthening of existing infrastructure.

(iv) **Financial Viability:** Financial measures including optimizing investments and undertaking necessary balance sheet restructuring measures to ensure liquidity in the utility finances. To ensure reduction of aggregate technical and commercial losses as per the agreed loss reduction trajectory.

(v) **Renewable Energy:** Plan for enhancement of renewable energy sources along with an associated evacuation system (including the green energy corridor which aims at synchronising electricity produced from renewable sources, such as solar and wind, with conventional power stations in the grid).

(vi) **Energy Efficiency:** Adoption of various energy efficiency measures like replacement with energy efficient agriculture pumps, encouraging use of light-emitting diode bulbs, solar street lights etc.

All 29 States and seven Union Territories have signed these roadmap PFA documents to achieve the target of providing reliable, affordable and quality power to consumers by 2018-19.

Expectation from the State:

States are required to take the following actions:-

(i) Bring to the notice of the central government such issues that require assistance from any central ministry or need coordination between various ministries.

(ii) Adopt best practices and emulate other States which have come up with innovative approach in providing electricity to every households.

(iii) Explore possibilities of using renewable energy sources in providing electricity to remote areas where the extension of grid connection is not viable.

(iv) Approach the central government for assistance in arranging gap funding requirement, if any.

(v) Constitute a monitoring team to review progress of the projects regularly.

(vi) Appoint a dedicated nodal officer for regular coordination with the Central Project Monitoring Unit at the Ministry of Power so that central and state government always remain coordinated in fulfilling the mission of 24X7 PFA.

Monitoring Mechanism

States are supposed to implement the following:-

(i) Paperless monitoring of the "24x7 Power For All" mission.

(ii) A Central Programme Monitoring Unit under the chairmanship of the Joint Secretary (Distribution) with the Executive Director (T&D). The Company as convener has been constituted with officials from REC, PFC, NHPC and CEA.

(iii) Each State to appoint a nodal officer for monitoring of the PFA programme.

(iv) Monitoring of the PFA Programme is being performed entirely through a dedicated web portal.

Our Company is the nodal agency appointed by the Government of India for the implementation of Pradhanmantri Sahaj Bijli Har Ghar Yojana (**Saubhagya**) and Deendayal Upadhyaya Gram Jyoti Yojana (**DDUGJY**), the schemes which aim at providing 24x7 sustainable and affordable power to all households in the country. We have also been entrusted with the responsibility of being the coordinating agency for rolling out Ujwal Discom Assurance Yojana (**UDAY**) which seeks to operationally reform and financially turn around the power distribution companies of the country.

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 December 3, 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; and

(d) rural electrification works covered under the RGGVY subsumed in DDUGJY.

Components ((a) and ((a) 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 ((b) above, a scheme cost of Rs.392.75 billion, including a budgetary support of Rs.354.47 billion has been approved.

Under DDUGJY, the Ministry of Power has sanctioned 921 projects to electrify 121,225 un-electrified villages, intensive electrification of 592,979 partially electrified villages and provide free electricity connections to 397.45 lakh BPL rural households. As on June 30, 2015, works in 110,146 un-electrified villages and the intensive electrification of 320,185 partially electrified villages has been completed and 220.63 lakh free electricity connections have been released to BPL households. The Government provides a 100 per cent. grant towards expenditure incurred on activities for bridging the missing links of National Optical Fibre Network (NOFN), the Creation of Rural Electrification Data Hub at Rural Electrification Corporation & Project Management Agency (**PMA**) as per provision in the scheme.

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 September 25, 2017, the Government launched Rs. 163.5 household electrification scheme named Pradhan Mantri Sahaj Bijli Har Ghar Yojna (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.

The Ministry of Power, Government of India, in April 2018 partnered with the Ministry of Skill Development & Entrepreneurship to train the manpower in six states for speedy implementation of its Saubhagya scheme. Saubhagya (Pradhan Mantri Sahaj Bijli Har Ghar Yojna) aims to achieve universal household electrification in all parts of the country in a time bound manner. Around 4 crore households are expected to get electricity connections under the scheme.

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 the development of solar energy in India by the Jawaharlal Nehru National Solar Mission (**Mission**). The Mission has set the ambitious target of deploying 20,000 MW of grid connected solar power by 2022 and is aimed at reducing the cost of solar power generation in the country through: (i) long term policy; (ii) large scale deployment goals; (iii) aggressive research and development; and (iv) domestic production of critical raw materials, components and products, as a result to achieve grid tariff parity by 2022. The mission will create an enabling policy framework to achieve this objective and make India a global leader in solar energy. The Government has revised the target of grid connected solar power projects from 20,000 MW by the year 2021-22 to 100,000 MW by the year 2021-22 under the Mission.

National Electricity Fund

The Government has approved the National Electricity Fund (Interest Subsidy) Scheme (the **NEF Scheme**) to promote capital investment in the power distribution sector by providing interest subsidies, linked with reform measures, on the loans taken by public and private power utilities for various capital works under distribution projects. This scheme shall be applicable to the entire country and all the capital works except the works covered under and restructured accelerated power development and reforms programme projects (to ensure non-duplication and non-overlapping of grant or subsidy towards investment). The NEF Scheme has the provision to provide interest subsidies and other charges aggregating to Rs. 8,466 crore for a period of 14 years on loans availed by distribution utilities in both the public and private sectors.

The requirement of funds for the power sector for the XI Plan was estimated at Rs. 10,59,515 crore which includes Rs. 5,91,734 crore for the generation sector, Rs. 15875 Crores for renovation and modernization of existing generation plants and Rs. 4,49,577 crore for the transmission and distribution sector. The actual expenditure in the distribution sector was much below the estimates due to various reasons during the XI Plan, resulting in the huge funding gap. The creation of the National Electricity Fund thereby became more relevant since the NEF Scheme seeks to encourage utility to match the investments with the planned generation during XII Plan. As per the Working Group on Power of Twelfth plan, the requirement of funds for the power sector was estimated as Rs. 10,31,600 crore.

UDAY

State DISCOMs in the country have huge accumulated losses and outstanding debt. Financially stressed DISCOMs are not able to supply adequate power at affordable rates, which hampers quality of life and overall economic growth and development. Efforts towards 100 per cent. village electrification, 24X7 power supply and clean energy cannot be achieved without performing DISCOMs. Power outages also adversely affect national priorities like "Make in India" and "Digital India”. In addition, default on bank loans by financially stressed DISCOMS has the potential to seriously impact the banking sector and the economy at large. To improve the situation, a scheme Ujwal DISCOM Assurance Yojana (**UDAY**) for financial turnaround of power distribution companies was formulated and launched by the Government on November 20, 2015 in consultation with various stakeholders for the financial and operational turnaround of DISCOMs and to ensure a sustainable permanent solution to the problem. UDAY envisages reform measures in all sectors- generation, transmission, distribution, coal and energy efficiency.

The Highlights of UDAY are as follows:

(a) Formulated and launched for a sustainable financial and operational turnaround of DISCOMs.

(b) To provide for permanent solutions to legacy debts of approximately Rs. 4.3 lakh crores (by Financial Year 2014-15) and address potential future losses.

(c) Empowering DISCOMs with the opportunity to break even in the next 2-3 years through four initiatives.

(d) Increasing operational efficiency improvements *inter alia* compulsory smart metering, upgrading of transformers, meters etc., energy efficiency measures like efficient light-emitting diode bulbs, agricultural pumps, fans and air-conditioners etc. to reduce the average aggregate technical and commercial loss from around 22 per cent. to 15 per cent.

(e) Eliminating the gap between average cost of supply and average revenue realized by 2018-19.

(f) Reducing the cost of power through measures such as increased supply of cheaper domestic coal, coal linkage rationalization, liberal coal swaps from inefficient to efficient plants, coal price rationalization based on gross calorific value, supply of washed and crushed coal, and faster completion of transmission lines.

(g) Ensuring a financial turnaround through states taking over 75 per cent. of DISCOM debt as on September 30, 2015.

(h) 50 per cent. of the DISCOM debt to be taken over in 2015-16 and 25 per cent. in 2016-17 - reduction of the interest cost on the debt taken over by the States to around 8-9 per cent., from as high as 14-15 per cent. For states which joined the scheme in 2016-17 took over 75 per cent. of debt in 2016-17.

(i) DISCOM debt not taken over by the State shall be converted by the banks and financial institutions into loans or bonds with interest rates not more than the bank's base rate plus 0.1%. Alternately, this debt may be fully or partly issued by the DISCOM as State guaranteed DISCOM bonds at the prevailing market rates which shall be equal to or less than bank base rate plus 0.1 per cent.

(j) Further provisions for spreading the financial burden on states over three years to give flexibility in managing interest payments within their fiscal place in initial years.

(k) States which are not stressed or where power is managed through state run power department and not through DISCOMs were allowed to join UDAY on operational parameters and need not take over DISCOM debt.

UDAY & REC

In September 2015, the Company had around Rs. 780,000 million of DISCOM debt (which was covered under UDAY) and so far, it has received an amount of Rs. 427,000 million during 2015-16 and 2016-17. Some DISCOMs have not gone for financial restructuring or have gone for partial restructuring. The DISCOM 25 per cent. part of approx. Rs. 100,000 million may be received back or re-priced. The Company provides debt for a fairly long tenure and a strategic program like UDAY which essentially addresses the core issues of the sector. In addition, UDAY has also provided the Company with opportunities to participate in the DISCOMs rebuilding process. There are areas including loss reduction, smart metering financing, smart grids, green energy infrastructure where the Company or its subsidiaries are playing a large role.

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 (the **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 September 14, 2006, issued the environmental impact assessment notification (the **EIA Notification**) (which supersedes the notification dated January 27, 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 (the **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 (the **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 (the **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.

LABOUR LAWS

The Payment of Gratuity Act, 1972

The Payment of Gratuity Act, 1972 as amended (the **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 December 18, 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 (the **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 Legislation in Various States

The provisions of various Shops and Establishments legislation, 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

The Industrial Disputes Act, 1947, 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 August 3, 2010, *inter alia*, provides direct access for workmen to labour courts or tribunals in the 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 **(**the **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 **(**the **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 (the **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 (the **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 (the **Code on Wages)** has been introduced in Lok Sabha on August 10, 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.

LAWS RELATING TO INTELLECTUAL PROPERTY

In India, trademarks enjoy protection under both statutory laws and common law jurisprudence. The Trademarks Act, 1999 as amended (the **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.

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 July 1, 2017. GST is a unified and comprehensive indirect tax which aims to expand the tax base, rationalize the input tax credit and harmonize 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.

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, 2017 (FEMA Regulations) (in supersession of Notification No. FEMA 20/2000-RB and Notification No. FEMA 24/2000-RB both dated May 3, 2000, as amended from time to time), 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 Government for the relevant sector.

In accordance with the Consolidated FDI policy effective from August 28, 2017, foreign direct investment in NBFCs regulated by the RBI comes under the automatic route for FDI investment up to 100 per cent.

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 Authorized Dealers and Persons other than Authorized Dealers' dated January 1, 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 recognized 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 organizations 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.

The RBI issued a circular on April 27, 2018 notifying of certain changes to the Master Directions issued by the RBI on 'External Commercial Borrowings Trade Credit Borrowing and Lending in Foreign Currency by Authorized Dealers and Persons other than Authorized Dealers' dated January 1, 2016, as amended (the **ECB Master Direction**) dated January 1, 2016, as amended, supplemented, modified and updated from time to time, to enable corporates and other entities to meet their capital needs. Key changes brought about by the circular include uniform all-in-cost ceiling, increased ECB liability to equity ratio, expanded eligible borrowers' list (which includes Housing Finance Companies, regulated by the National Housing Bank, Port Trusts constituted under the Major Port Trusts Act, 1963 or Indian Ports Act, 1908 Companies engaged in the business of Maintenance, Repair and Overhaul and freight forwarding to raise ECBs denominated in INR only) and rationalized permitted end uses.

Further, the RBI has now through the aforesaid amendments, mandated the end-use prescriptions for ECB raised under the three tracks as under, and the negative list for all Tracks would include the following:

(a) investment in real estate or purchase of land except when used for affordable housing as defined in the Harmonised Master List of Infrastructure Sub-sectors notified by Government of India, construction and development of SEZ and industrial parks/integrated townships;

(b) investment in capital markets;

(c) equity investment. Additionally, for Track I ECBs and Track III ECBs, the following negative end uses will also apply except when raised from Direct and Indirect equity holders or from a Group company, and provided the loan is for a minimum average maturity of five years;

(d) working capital purposes;

(e) general corporate purposes;

(f) repayment of Rupee loans; and finally, for all Tracks, the following negative end use will also apply;

(g) on-lending to entities for the above activities from (a) to (f).

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 basis points per annum over six month LIBOR for ECBs with minimum average maturity between three and five years and 450 basis points per annum over six month LIBOR for ECBs with minimum average maturity of more than five years; (ii) Track II ECBs is 500 basis points per annum over the benchmark; and (iii) Track III ECBs will be in compliance with market conditions.

On September 19, 2018, RBI decided that manufacturing firms can raise ECB up to $50 million with a minimum average maturity period of one year, as compared to three years earlier. Further, banks were earlier allowed to underwrite rupee denominated bonds issued overseas for not more than 5% of the issue size after 6 months of the issue. This limit has been removed though prudential norms continue to apply.

On October 3, 2018, the RBI decided to permit public sector oil marketing companies to raise ECB for working capital purposes with a minimum average maturity period of 3/5 years from all recognized lenders under the automatic route. Further, the individual limit of USD 750 million or equivalent and mandatory hedging requirements as per the ECB framework have also been waived for borrowings under this dispensation.

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, recognized 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 (Masala Bonds)

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, commonly and popularly referred as ‘ Masala Bonds’, 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 within the meaning as given in Ind-AS 24. Any issuance of Rupee Denominated Notes requires examination and approval by the Foreign Exchange Department, RBI.

Multilateral and Regional Financial Institutions where India is a member country will also be considered as recognized investors.

Indian banks, subject to applicable prudential norms, can participate as arrangers/underwriters/market makers/traders in Rupee Denominated Notes issued overseas. However, underwriting by overseas branches/subsidiaries of Indian banks for issuances by Indian banks will not be allowed.

The all-in-cost ceiling for such Rupee Denominated Notes will be 450 basis points over the prevailing yield of the Government 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/ purchase of land.

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.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the ***Clearing Systems****) currently in effect. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Joint Arrangers, the Dealers nor any other party to the Agency Agreement 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 Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The applicable Pricing Supplement will specify the Clearing system(s) applicable for each series.*

BOOK-ENTRY SYSTEMS

DTC

DTC has advised the Issuer that it is a limited purpose trust company organized under the New York Banking Law, a member of the Federal Reserve System, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants (**Direct Participants**) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation (**DTCC**). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (**Indirect Participants** and, together with Direct Participants, **Participants**). More information about DTC can be found at www.dtcc.com and www.dtc.org but such information is not incorporated by reference in and does not form part of this Offering Circular.

Under the rules, regulations and procedures creating and affecting DTC and its operations (the **DTC Rules**), DTC makes book-entry transfers of Registered Notes among Direct Participants on whose behalf it acts with respect to Notes accepted into DTC's book-entry settlement system (**DTC Notes**) as described below and receives and transmits distributions of principal and interest on DTC Notes. The DTC Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Notes (**Owners**) have accounts with respect to the DTC Notes similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Notes through Direct Participants or Indirect Participants will not possess Registered Notes, the DTC Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Notes.

Purchases of DTC Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Notes on DTC's records. The ownership interest of each actual purchaser of each DTC Note (**Beneficial Owner**) is in turn to be recorded on the Direct Participant's and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Notes, except in the event that use of the book-entry system for the DTC Notes is discontinued.

To facilitate subsequent transfers, all DTC Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of DTC Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the DTC Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to DTC Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the relevant agent (or such other nominee as may be requested by an authorized representative of DTC), on the relevant payment date in accordance with their respective holdings shown in DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

Under certain circumstances, including if there is an Event of Default under the Notes, DTC will exchange the DTC Notes for definitive Registered Notes, which it will distribute to its Participants in accordance with their proportionate entitlements and which will be legended as set forth under in "*Subscription and Sale*" and "*Transfer Restrictions*".

A Beneficial Owner shall give notice to elect to have its DTC Notes purchased or tendered, through its Participant, to the relevant agent, and shall effect delivery of such DTC Notes by causing the Direct Participant to transfer the Participant's interest in the DTC Notes, on DTC's records, to the relevant agent. The requirement for physical delivery of DTC Notes in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the DTC Notes are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered DTC Notes to the relevant agent's DTC account.

DTC may discontinue providing its services as depositary with respect to the DTC Notes at any time by giving reasonable notice to the Issuer or the relevant agent. Under such circumstances, in the event that a successor depositary is not obtained, DTC Note certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depositary). In that event, DTC Note certificates will be printed and delivered to DTC.

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Notes, will be required to withdraw its Registered Notes from DTC as described below.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective accountholders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an accountholder of either system.

BOOK-ENTRY OWNERSHIP OF AND PAYMENTS IN RESPECT OF DTC NOTES

The Issuer may apply to DTC in order to have any Tranche of Notes represented by a Registered Global Note accepted in its book-entry settlement system. Upon the issue of any such Registered Global Note, DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Registered Global Note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the relevant Dealer. Ownership of beneficial interests in such a Registered Global Note will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Note, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Registered Global Note accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Registered Global Note accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Note. In the case of any payment in a currency other than U.S. dollars, payment will be made to the Exchange Agent on behalf of DTC or its nominee and the Exchange Agent will (in accordance with instructions received by it) remit all or a portion of such payment for credit directly to the beneficial holders of interests in the Registered Global Note in the currency in which such payment was made and/or cause all or a portion of such payment to be converted into U.S. dollars and credited to the applicable Participants' account.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Notes will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Principal Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Notes to DTC is the responsibility of the Issuer.

TRANSFERS OF NOTES REPRESENTED BY REGISTERED GLOBAL NOTES

Transfers of any interests in Notes represented by a Registered Global Note within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Notes represented by a Registered Global Note to such persons may depend upon the ability to exchange such Notes for Notes in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Notes represented by a Registered Global Note accepted by DTC to pledge such Notes to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Notes may depend upon the ability to exchange such Notes for Notes in definitive form. The ability of any holder of Notes represented by a Registered Global Note accepted by DTC to resell, pledge or otherwise transfer such Notes may be impaired if the proposed transferee of such Notes is not eligible to hold such Notes through a Direct Participant or Indirect Participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "*Subscription and Sale*" and "*Transfer Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant Clearing System in accordance with its rules and through action taken by the Registrar, the Principal Paying Agent and any custodian (**Custodian**) with whom the relevant Registered Global Notes have been deposited.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Clearstream, Luxembourg and Euroclear and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Registered Global Notes will be effected through the Registrar, the Principal Paying Agent and the Custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Registered Global Notes among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their direct or indirect participants or accountholders of their obligations under the rules and procedures governing their operations nor will the Issuer, any Agent or any Dealer have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Notes represented by Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial interests.

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 July 1, 2020; or (ii) any Indian Rupee Denominated Notes issued before July 1, 2020. The Central Board of Direct Taxes of the Government's Ministry of Finance issued a press release dated September 17, 2018 (the **Press Release**) pursuant to which the interest payable by an Indian company or a business trust to a non-resident, including a foreign company, in respect of Rupee denominated Notes issued during the period of September 17, 2018 to March 31, 2019 shall be exempt from tax, and consequently, no tax shall be deducted on the payment of interest in respect of such Rupee denominated Notes under Section 194LC of the Income Tax Act. As of the date of this Offering Circular, this has not been reflected by way of a legislative amendment to the Income Tax Act. It may be noted that the Press Release is not binding in nature, however, we understand that the requisite legislative amendments are proposed to be made shortly.

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. The requirement to withhold tax at 5 per cent. (plus applicable surcharge and cess) is subject to the benefits made available as per the Press Release in respect of Rupee denominated Notes issued during the period from September 17, 2018 to March 31, 2019.

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.

Taxation on gains arising on disposal of 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) in the case of a non-resident investor, any gains arising on account of appreciation of the Rupee against a foreign currency at the time of redemption of Rupee denominated Notes of an Indian company held by such non-resident investor, shall be ignored for the computation of full value of consideration. Accordingly, such gains arising to the non-resident investor on account of the appreciation of the

Rupee against a foreign currency at the time of redemption of the Notes held by such non- resident investor, shall not be taxable as capital gains; and

(v) capital gains, if any, arising pursuant to any transfer made outside India by a non-resident to another non-resident of a capital asset being a Rupee denominated Note issued outside India are not subject to tax 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. However, a person receiving the Notes at a price less than fair market value of Notes (except when received from a relative or where it falls under certain other exceptions) shall be subject to income tax in India on the difference between the price paid by him for the Notes and the fair market value of the Notes as determined by the Category 1, Merchant Banker in India. Tax shall be payable at the rates applicable to the respective category of the taxpayers. Non-resident taxpayers qualifying for the benefit of application of a Tax Treaty, may not be taxed in India in respect of such deemed benefit subject to provisions of such Tax Treaty.

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 February 14, 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.

United States Federal Income Taxation

The following is a general summary of certain U.S. federal income tax consequences that may be relevant with respect to the purchase, ownership and disposition of the Notes. This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme and the relevant Pricing Supplement may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. In general, this summary assumes that U.S. Holders acquire the Notes at original issuance at their issue price (as defined below) and will hold the Notes as capital assets. It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Notes. In particular, it does not discuss special tax considerations that may apply to certain types of taxpayers, including, without limitation, the following: (i) financial institutions; (ii) insurance companies; (iii) dealers or traders in stocks, securities, notional principal contracts or currencies; (iv) tax-exempt entities; (v) real estate investment trusts; (vi) regulated investment companies; (vii) persons that will hold the Notes as part of a "hedging" or "conversion" transaction or as a position in a "straddle" or as part of a "synthetic security" or other integrated transaction for U.S. federal income tax purposes; (viii) persons that own (or are deemed to own) 10 per cent. or more of the equity of the Issuer (by vote or value); (ix) partnerships, pass-through entities, or persons that hold Notes through partnerships or pass-through entities; (x) U.S. Holders (as defined below) that have a "functional currency" other than the U.S. dollar; and (xi) certain U.S. expatriates and former long-term residents of the United States. In addition, this summary does not address alternative minimum tax or Medicare contribution tax consequences or the indirect effects on the holders of interests in a holder of Notes. This summary also does not describe any tax consequences arising under the laws of any taxing jurisdiction other than the U.S. federal government.

Each prospective investor should consult its own tax adviser with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning or disposing of the Notes. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the **Code**), U.S. Treasury regulations and judicial and administrative interpretations thereof, in each case as in effect or available on the date of this Offering Circular. All of the foregoing is subject to change, and any such change may apply retroactively and could affect the tax consequences described below.

As used in this section, the term **U.S. Holder** means a beneficial owner of Notes that is for U.S. federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia); (iii) any estate the income of which is subject to U.S. federal income tax regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust. A **Non-U.S. Holder** is a beneficial owner of Notes that is not a U.S. Holder and is not a partnership for U.S. federal income tax purposes. If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Notes, the tax treatment of a partner generally will depend upon the status of the partner and upon the activities of the partnership. Partners of entities or arrangements treated as partnerships for U.S. federal income tax purposes that hold Notes should consult their own tax advisers.

Under the Tax Cuts and Jobs Act of 2017 (the **Tax Cuts and Jobs Act**), a U.S. Holder that uses an accrual method of accounting for U.S. federal income tax purposes generally would be required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements. This rule generally would be effective for tax years beginning after December 31, 2017 (although for Notes issued with original issue discount, the effective date is for tax years beginning after December 31, 2018). The application of this rule thus may require the accrual of income earlier than would be the case prior to December 31, 2017, although the precise application of this rule is unclear at this time. Prospective investors in the Notes that use an accrual method of accounting for tax purposes or that are required to accrue original issue discount (**OID**, as discussed below) are urged to consult with their tax advisers regarding the potential applicability of the Tax Cuts and Jobs Act to their particular situation.

This discussion applies only to holders of Registered Notes. Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under U.S. federal income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

Characterisation of the Notes

This summary should be read in conjunction with any discussion of U.S. federal income tax consequences to holders in the applicable Pricing Supplement. To the extent there is any inconsistency in the discussion of the U.S. federal income tax consequences to holders between this Offering Circular and the applicable Pricing Supplement, holders should rely on the tax consequences described in the applicable Pricing Supplement instead of this Offering Circular. Any special U.S. federal income tax consequences relevant to a particular issue of Notes, including any such as Index Linked Notes, Dual Currency Notes, Instalment Notes and Partly Paid Notes may be specified in the applicable Pricing Supplement. The balance of this discussion, unless otherwise specified, assumes that the Notes will be treated as debt and will not be treated as contingent payment debt instruments for U.S. federal income tax purposes. A prospective investor in the Notes should consult its tax adviser in determining the tax consequences of an investment in the Notes, including the application of state, local or other tax laws and the proper characterisation of the Notes for tax purposes.

Taxation of U.S. Holders of the Notes

Payments of Interest

Interest paid on a Note, including the payment of any additional amounts whether payable in U.S. dollars or a currency other than U.S. dollars (a **foreign currency**), other than interest on a “Discount Note” that is not "qualified stated interest" (each as defined below under "*Original Issue Discount*"), will be taxable to a U.S. Holder as ordinary interest income at the time it is received or accrued, depending on the U.S. Holder's method of accounting for U.S. federal income tax purposes. Interest income on the Notes, OID if any, accrued with respect to the Notes (as described below under "*Original Issue Discount*") and payments of additional amounts will be treated as foreign source income for U.S. federal income tax purposes.

As discussed in "*Taxation—Indian Taxation—Withholding Tax*", under current law payments of interest and OID on the Notes to foreign investors may be subject to Indian withholding taxes. As discussed under "*Terms and Conditions of the Notes—Taxation—Payment of Additional Amounts*", in certain cases the Issuer is liable for the payment of additional amounts to U.S. Holders so that U.S. Holders receive the same amounts they would have received had no Indian withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders will be treated as having actually received the amount of Indian taxes withheld by the Issuer with respect to a Note, and as then having actually paid over the withheld taxes to the Indian taxing authorities. As a result of this rule, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest or OID may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Issuer with respect to the payment.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Indian income taxes withheld by the Issuer. The U.S. foreign tax credit limitation is calculated separately with respect to specific classes of income. The foreign tax credit rules are complex, and U.S. Holders should consult their tax advisers regarding the availability of a foreign tax credit and the application of the limitation in their particular circumstances.

Original Issue Discount

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Notes issued with OID. In the event the Issuer issues contingent payment debt instruments, the applicable Pricing Supplement may describe the material U.S. federal income tax consequences thereof.

A Note, other than a Note with a term of one year or less (a **Short-Term Note**), will be treated as issued with OID (a **Discount Note**) if the excess of the Note's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount (0.25 per cent. of the Note's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an **instalment obligation**) will be treated as a Discount Note if the excess of the Note's stated redemption price at maturity over its issue price is equal to or greater than 0.25 per cent. of the Note's stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note's weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note's stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of "qualified stated interest." A qualified stated interest payment is generally any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "*Variable Interest Rate Notes*"), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must generally include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note. The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note's adjusted issue price at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Note allocable to the accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the issue price of the Note increased by (x) the amount of accrued OID for each prior accrual period, and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant- yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale, exchange or other disposition of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale, exchange or other disposition. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election will apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the Internal Revenue Service (the **IRS**).

Variable Interest Rate Notes

Notes that provide for interest at variable rates (**Variable Interest Rate Notes**) generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under U.S. Treasury regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "qualified floating rate" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" will generally not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a "true" discount (i.e., at a price below the Note's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from "true" discount is allocated to an accrual period using the constant-yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as at the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as at the Variable

Interest Rate Note's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as at the Variable Interest Rate Note's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Note will be treated as a contingent payment debt obligation. The proper U.S. federal income tax treatment of Variable Interest Rate Notes that are treated as contingent payment debt obligations may be more fully described in the applicable Pricing Supplement.

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under "*Original Issue Discount*", with certain modifications. For purposes of this election, interest includes stated interest, OID and *de minimis* OID. This election will generally apply only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Sale, Exchange or Other Disposition

A U.S. Holder's adjusted tax basis in a Note will generally equal its cost, increased by the amount of any OID included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to de minimis OID included in the U.S. Holder's income with respect to the Note, and reduced by the amount of any payments that are not qualified stated interest payments. A U.S. Holder will generally recognize gain or loss on the sale, exchange or other disposition of a Note in an amount equal to the difference between the amount realised on the sale, exchange or other disposition and the U.S. Holder's adjusted tax basis in the Note. The amount realised does not include the amount attributable to accrued but unpaid qualified stated interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "*Short-Term Notes*" or attributable to changes in exchange rates (as discussed below), gain or loss recognized on the sale, exchange or other disposition of a Note will be U.S.-source capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. Prospective investors should consult their own tax advisers with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that hold the Notes for more than one year) and capital losses (the deductibility of which is subject to limitations).

Foreign Currency Notes

Interest

If a qualified stated interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year). Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale, exchange or other disposition of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder will generally recognize U.S.-source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

OID

OID for each accrual period on a Discount Note that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Note or a sale, exchange or other disposition of the Note), a U.S. Holder may recognize U.S.-source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Sale or Retirement

As discussed above under "*Sale, Exchange or other Disposition*", a U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realised on the sale or retirement and its tax basis in the Note. A U.S. Holder's tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The amount realised on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount. If the Notes are traded on an established securities market, as defined in the applicable U.S. Treasury regulations, the amount realized will be, in the case of a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects), determined using the spot rate on the settlement date for the purchase. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognize U.S.-source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest). An accrual basis U.S. Holder that does not elect to determine its amount realised using the spot rate on the settlement date of the sale or retirement will also recognise U.S. source exchange rate gain or loss on the difference between the U.S. dollar amount realised and the U.S. dollar value of the foreign currency on the date of receipt.

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S.-source ordinary income or loss.

Taxation of Non-U.S. Holders of the Notes

Subject to the discussion under "*Backup Withholding and Information Reporting*", "*Foreign Account Tax Compliance Act*" and "*U.S. Dividend Equivalent Withholding*" below, a Non-U.S. Holder generally should not be subject to U.S. federal income or withholding tax on any payments on a Note or gain from the sale, exchange or other disposition of a Note unless: (i) that payment or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realised on the sale, exchange or other disposition of a Note by an individual Non-U.S. Holder, that holder is present in the United States for 183 days or more in the taxable year of the sale, exchange or other disposition and certain other conditions are met. Non-U.S. Holders should consult their own tax advisers regarding the U.S. federal income and other tax consequences of purchasing, owning and disposing of Notes.

IRS Disclosure Reporting Requirements

Certain U.S. Treasury regulations (the **Disclosure Regulations**) meant to require the reporting of certain tax shelter transactions (**Reportable Transactions**) could be interpreted to cover transactions generally not regarded as tax shelters. Under the Disclosure Regulations, it may be possible that certain transactions with respect to the Notes may be characterised as Reportable Transactions requiring a U.S. Holder of Notes to disclose such transaction, such as a sale, exchange, retirement or other taxable disposition of a Note that results in a loss that exceeds certain thresholds and other specified conditions are met. A penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Accordingly, if a U.S. Holder realises a loss on any Note (or, possibly, aggregate losses from the Notes) satisfying the monetary thresholds discussed above, the U.S. Holder could be required to file an information return with the IRS, and failure to do so may subject the U.S. Holder to the penalties described above. In addition, the Issuer and its advisers may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective investors in the Notes should consult their tax advisers to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Statement).

Backup Withholding and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments on the Notes and proceeds of the sale, exchange or other disposition of the Notes to U.S. Holders. A U.S. Holder may be subject to backup withholding if it fails to furnish (usually on IRS Form W-9) the U.S. Holder's taxpayer identification number to certify that such U.S. Holder is not subject to backup withholding, or to otherwise comply with the applicable requirements of the backup withholding rules. Certain U.S. Holders are not subject to the backup withholding and information reporting requirements. Non-U.S. Holders may be required to comply with applicable certification procedures (usually on IRS Form W-8BEN or W-8BEN-E) to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder generally may be claimed as a credit against such U.S. Holder's U.S. federal income tax liability or refunded, provided that the required information is timely furnished to the IRS. Prospective investors in the Notes should consult their own tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Foreign Financial Asset Reporting

Certain U.S. Holders that own "specified foreign financial assets" that meet certain U.S. dollar thresholds generally are required to file an information report with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions. U.S. Holders are urged to consult their tax advisers regarding the application of these disclosure requirements to their ownership of the Notes.

THE U.S. FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. PROSPECTIVE INVESTORS IN THE NOTES SHOULD CONSULT THEIR OWN TAX ADVISERS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

U.S. Dividend Equivalent Withholding

The U.S. Hiring Incentives to Restore Employment Act introduced Section 871(m) of the Code which treats a "dividend equivalent" payment as a dividend from sources within the United States. Under Section 871(m), such payments generally will be subject to a 30 per cent. U.S. withholding tax that may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a credit or refund from the IRS. A "dividend equivalent" payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a "specified notional principal contract" that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, and (iii) any other payment determined by the IRS to be substantially similar to a payment described in (i) or (ii) above. The final U.S. Treasury regulations issued under Section 871(m) and applicable guidance (the **Section 871(m) Regulations**) require withholding on certain non-U.S. holders of the Notes with respect to amounts treated as attributable to dividends from certain U.S. securities (**871(m) Withholding**). Under the Section 871(m) Regulations, only a Note that has an expected economic return sufficiently similar to that of the underlying U.S. security, based on tests set forth in the Section 871(m) Regulations, will be subject to the Section 871(m) Withholding regime (making such Note a **Specified Note**). The Section 871(m) Regulations provide certain exceptions to this withholding requirement, in particular for instruments linked to certain broad-based indices.

Withholding in respect of dividend equivalents will generally be required when cash payments are made on a Specified Note to a non-U.S. person or upon the date of maturity, lapse or other disposition by the non-U.S. holder of the Specified Note. If the underlying or referenced U.S. security or securities are treated as paying dividends during the term of the Specified Note, withholding generally will still be required even if the Specified Note does not provide for payments explicitly linked to such dividends. Additionally, the Issuer may withhold the full 30 per cent. tax on any payment on the Notes in respect of any dividend equivalent arising with respect to such Notes regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law (including, for the avoidance of doubt, where a non-U.S. Noteholder is eligible for a reduced tax rate under an applicable tax treaty with the United States). A non-U.S. Noteholder may be able to claim a refund of any excess withholding provided the required information is timely furnished to the IRS..

While a payment with respect to a Note could be subject to U.S. withholding tax under both FATCA (as discussed below) and as a result of being treated as a dividend equivalent payment, the maximum rate of U.S. withholding tax on such payment would not exceed 30 per cent.

The Section 871(m) Regulations generally apply to Specified Notes issued on or after January 1, 2017. However, the Section 871(m) Regulations will not apply to certain financial instruments issued prior to January 1, 2021 if such financial instruments are not "delta one" transactions. If the terms of a Note are subject to a "significant modification" (as defined for U.S. tax purposes), the Note generally would be treated as retired and reissued on the date of such modification for purposes of determining, based on economic conditions in effect at that time, whether such Note is a Specified Note. Similarly, if additional Notes of the same series are issued (or deemed issued for U.S. tax purposes, such as certain sales of Notes out of inventory) after the original issue date, the IRS could treat the issue date for determining whether the existing Notes are Specified Notes as the date of such subsequent sale or issuance. Consequently, a previously out of scope Note, might be treated as a Specified Note following such modification or further issuance.

In addition, payments on the Specified Notes may be calculated by reference to dividends on underlying U.S. securities that are reinvested at a rate of 70 per cent. In such case, in calculating the relevant payment amount, the holder will be deemed to receive, and the Issuer will be deemed to withhold, 30 per cent. of any dividend equivalent payments (as defined in Section 871(m) of the Code) in respect of the relevant U.S. securities. The Issuer will not pay any additional amounts to the holder on account of the Section 871(m) amount deemed withheld.

The applicable Pricing Supplement will indicate whether the Issuer has determined that Notes are Specified Notes and may specify contact details for obtaining additional information regarding the application of Section 871(m) to Notes. If Notes are Specified Notes, a non-U.S. holder of the Notes should expect to be subject to withholding in respect of any dividend equivalent payments on such Notes. The Issuer's determination generally is binding on non-U.S. holders of the Notes, but it is not binding on the IRS. The Section 871(m) Regulations require complex calculations to be made with respect to Notes linked to U.S. securities and their application to a specific issue of Notes may be uncertain. In the event that any withholding would be required pursuant to Section 871(m) with respect to payments on the Notes, no person will be required to pay any additional amounts with respect to amounts so withheld.

Prospective investors should consult their tax advisers regarding the potential application of Section 871(m) to the Notes.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the Code, commonly known as FATCA, withholding may be required on, among other things, (i) certain payments made by "foreign financial institutions" (**foreign passthru payments**), (ii) dividend equivalent payments (as described above in "*U.S. Dividend Equivalent Withholding*") and (iii) payments of gross proceeds from the disposition of securities that generate dividend equivalent payments, in each case, to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including 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 the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to foreign passthru payments, are uncertain and may be subject to change. If withholding would be required pursuant to FATCA or an IGA with respect to foreign passthru payments or payments of gross proceeds from the disposition of Notes that generate dividend equivalent payments, such withholding would not apply prior to January 1, 2019. Additionally, Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or before the relevant grandfathering date would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. The grandfathering date for (A) Notes that give rise solely to foreign passthru payments, is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, and (B) Notes that give rise to a dividend equivalent pursuant to Section 871(m) of the Code and the U.S. Treasury regulations promulgated thereunder, is six months after the date on which obligations of its type are first treated as giving rise to dividend equivalents. If additional notes (as described under "*Terms and Conditions of the Notes—Further Issues*") that are not distinguishable from such previously issued grandfathered 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 the Notes.

TRANSFER RESTRICTIONS

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Notes.

Each purchaser of Registered Notes (other than a person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note) or person wishing to transfer an interest from one Registered Global Note to another or from global to definitive form or vice versa, will be required to acknowledge, represent and agree, and each person purchasing an interest in a Registered Global Note with a view to holding it in the form of an interest in the same Global Note will be deemed to have acknowledged, represented and agreed, as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that either: (i) it is a QIB, purchasing (or holding) the Notes for its own account or for the account of one or more QIBs and it is aware that any sale to it is being made in reliance on Rule 144A or (ii) it is an Institutional Accredited Investor which has delivered an IAI Investment Letter or (c) it is outside the United States and, if Category 2 is specified in the applicable Pricing Supplement, is not a U.S. person;

(b) that the Notes are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Notes have not been and will not be registered under the Securities Act or any other applicable U.S. State securities laws and may not be offered or sold within the United States or, if Category 2 is specified in the applicable Pricing Supplement, to, or for the account or benefit of, U.S. persons except as set forth below;

(c) that, unless it holds an interest in a Regulation S Global Note and is a person located outside the United States and, if Category 2 is specified in the applicable Pricing Supplement, is not a U.S. person, if in the future it decides to resell, pledge or otherwise transfer the Notes or any beneficial interests in the Notes, it will do so, prior to the date which is one year after the later of the last Issue Date for the Series and the last date on which the Issuer or an affiliate of the Issuer was the owner of such Notes, only (i) to the Issuer or any affiliate thereof, (ii) inside the United States to a person whom the seller reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) or (v) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable U.S. State securities laws;

(d) it will, and will require each subsequent holder to, notify any purchaser of the Notes from it of the resale restrictions referred to in paragraph (c) above, if then applicable;

(e) that Notes initially offered in the United States to QIBs will be represented by one or more Rule 144A Global Notes, that Notes offered to Institutional Accredited Investors will be in the form of Definitive IAI Registered Notes and that Notes offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Notes;

(f) that the Notes in registered form, other than the Regulation S Global Notes, will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR ANY OTHER APPLICABLE U.S. STATE SECURITIES LAWS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR, IF CATEGORY 2 IS SPECIFIED IN THE APPLICABLE PRICING SUPPLEMENT, TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE

HOLDER (A) REPRESENTS THAT (1) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), PURCHASING THE SECURITIES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS OR (2) IT IS AN INSTITUTIONAL "ACCREDITED INVESTOR" (AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) (AN **INSTITUTIONAL ACCREDITED INVESTOR**) IN A MINIMUM PRINCIPAL AMOUNT OF U.S.$500,000 (OR THE EQUIVALENT AMOUNT IN A FOREIGN CURRENCY); (B) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE SECURITIES EXCEPT IN ACCORDANCE WITH THE AGENCY AGREEMENT AND, PRIOR TO THE DATE WHICH IS ONE YEAR AFTER THE LATER OF THE LAST ISSUE DATE FOR THE SERIES AND THE LAST DATE ON WHICH THE ISSUER OR AN AFFILIATE OF THE ISSUER WAS THE OWNER OF SUCH SECURITIES OTHER THAN (1) TO THE ISSUER OR ANY AFFILIATE THEREOF, (2) INSIDE THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS (i) A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (ii) AN INSTITUTIONAL ACCREDITED INVESTOR PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF AN INSTITUTIONAL ACCREDITED INVESTOR, (3) OUTSIDE THE UNITED STATES IN COMPLIANCE WITH RULE 903 OR RULE 904 UNDER THE SECURITIES ACT, (4) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND ANY OTHER JURISDICTION; AND (C) IT AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144A FOR RESALES OF THE SECURITY.

THIS SECURITY AND RELATED DOCUMENTATION (INCLUDING, WITHOUT LIMITATION, THE AGENCY AGREEMENT REFERRED TO HEREIN) MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME, WITHOUT THE CONSENT OF, BUT UPON NOTICE TO, THE HOLDERS OF SUCH SECURITIES SENT TO THEIR REGISTERED ADDRESSES, TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS SECURITY SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS SECURITY AND ANY SECURITIES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON)."; and

(g) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Notes as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make, and does make, the foregoing acknowledgements, representations and agreements on behalf of each such account.

Institutional Accredited Investors who purchase Registered Notes in definitive form offered and sold in the United States in reliance upon the exemption from registration provided by the Securities Act are required to execute and deliver to the Registrar an IAI Investment Letter. Upon execution and delivery of an IAI Investment Letter by an Institutional Accredited Investor, Notes will be issued in definitive registered form, see "*Form of the Notes*".

The IAI Investment Letter will state, among other things, the following:

(a) that the Institutional Accredited Investor has received a copy of this Offering Circular and such other information as it deems necessary in order to make its investment decision;

(b) that the Institutional Accredited Investor understands that any subsequent transfer of the Notes is subject to certain restrictions and conditions set forth in this Offering Circular and the Notes and it agrees to be bound by, and not to resell, pledge or otherwise transfer the Notes except in compliance with, such restrictions and conditions and the Securities Act;

(c) that the Institutional Accredited Investor understands that the offer and sale of the Notes have not been registered under the Securities Act, and that the Notes may not be offered or sold except as permitted in the following sentence: The Institutional Accredited Investor agrees, on its own behalf and on behalf of any accounts for which it is acting, not to offer, sell or otherwise transfer such Notes except (A) to the Issuer or any affiliate thereof, (B) inside the United Stated to a person whom it reasonably believes is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a qualified institutional buyer in a transaction which meets the requirements of Rule 144A, (C) to another Institutional Accredited Investor that, prior to such transfer, furnishes to the Issuer a signed letter containing certain representations and agreements relating to the transfer of the Notes, (D) outside the United States in compliance with Rule 903 or Rule 904 under the Securities Act, (E) pursuant to an effective registration statement under the Securities Act or (F) pursuant to any other available exemption from the registration requirements of the Securities Act, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction; the Institutional Accredited Investor understand that, on any proposed resale of any Notes, it and each subsequent holder will be required to deliver to the transferee of the Notes or any interest or participation therein a notice substantially to the foregoing effect;

(d) that the Institutional Accredited Investor understands that, on any proposed resale of any Notes, it will be required to furnish to the Issuer such certifications, legal opinions, and other information (including a letter from any purchaser who is an Institutional Accredited Investor) as it may reasonably require to confirm that the proposed sale complies with the foregoing restrictions; the Institutional Accredited Investor further understands that the Notes purchased by it will bear a legend to substantially the foregoing effect;

(e) that, in the normal course of business, the Institutional Accredited Investor invests in or purchase securities similar to the Notes, that it is an "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under the Securities Act and have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes, and that it and any accounts for which it is acting is each able to bear the economic risk of its investment;

(f) that the Institutional Accredited Investor is acquiring the Notes purchased by it for its own account or for one or more accounts (each of which is an Institutional Accredited Investor) as to each of which it exercises sole investment discretion and not with a view to any distribution of the Notes in a transaction that would violate the Securities Act or the Securities laws of any State of the United States or any other applicable jurisdiction; and

(g) that the Institutional Accredited Investor is acquiring Notes having a minimum purchase price of at least U.S.$500,000 (or the approximate equivalent in another currency).

No sale of Legended Notes in the United States to any one purchaser will be for less than U.S.$200,000 (or its foreign currency equivalent) principal amount or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) principal amount and no Legended Note will be issued in connection with such a sale in a smaller principal amount. If the purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$200,000 (or its foreign currency equivalent) or, in the case of sales to Institutional Accredited Investors, U.S.$500,000 (or its foreign currency equivalent) principal amount of Registered Notes.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement dated October 22, 2018 as further 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 update 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 rules in substantially the same form that are applicable for purposes of Section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**")), 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 rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) or in circumstances in which TEFRA is not applicable. Terms used in this paragraph have the meanings given to them by the Code and Treasury 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; and

(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.

Terms used in paragraphs (a) to (e) above have the meanings given to them by Regulation S.

Notwithstanding anything above to the contrary, it is understood that Registered Notes may be offered and sold pursuant to a private placement in the United States, and in connection therewith each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

(i) offers, sales, resales and other transfers of Notes made in the United States made or approved by a Dealer (including offers, resales or other transfers made or approved by a Dealer in connection with secondary trading) shall be made with respect to Registered Notes only and shall be effected pursuant to an exemption from the registration requirements of the Securities Act;

(ii) offers, sales, resales and other transfers of Notes made in the United States will be made only in private transactions to (1) a limited number of institutional investors that are accredited investors (as defined in Rule 501(a) (1), (2), (3) and (7) under the Securities Act each such institutional investor being hereinafter referred to as an **accredited investor**) that has executed and delivered to a Dealer an IAI Investment Letter, or (2) institutional investors that are reasonably believed to qualify as qualified institutional buyers within the meaning of Rule 144A (each such institutional investor being hereinafter referred to as a **QIB**);

(iii) the Notes will be offered in the United States only by approaching prospective purchasers on an individual basis. No general solicitation or general advertising within the meaning of Rule 502(c) under the Securities Act will be used in connection with the offering of the Notes in the United States;

(iv) no sale of Notes in the United States to (1) any one accredited investor will be for less than U.S.$500,000 principal amount and (2) any one QIB will be for less than U.S.$200,000 principal amount or (in each case) its equivalent rounded upwards and no Note will be issued in connection with such a sale in a smaller principal amount. If such purchaser is a non-bank fiduciary acting on behalf of others, each person for whom it is acting must purchase at least U.S.$500,000 (in the case of (1) above) or U.S.$200,000 (in the case of (2) above) principal amount of the Notes; and

(v) each Note sold as a part of a private placement in the United States and each Regulation S Global Note shall contain a legend in substantially the form set out on the face of such Note in the Agency Agreement.

Our Company has represented and agreed that any resale or other transfer, or attempted resale or other transfer of Notes sold as part of a private placement in the United States made other than in compliance with the restrictions set out in paragraphs (i) to (v) above shall not be recognized by our Company or any agent of our Company and shall be void.

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.

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 or superseded, 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 or superseded, 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

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (**CONSOB**) 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 any Notes be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

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 delivered, and will not offer, sell or deliver any Notes or distribute any copy of the Offering Circular or any other document relating to the Notes in Italy except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree no. 58 of February 24, 1998 (the **Financial Services Act**) and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of May 14, 1999 (the **Issuers Regulation**), all as amended from time to time; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, 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 Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of September 1, 1993 (the **Banking Act**) and CONSOB Regulation No. 16190 of October 29, 2007, all as amended from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

Investors should note that, in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on public offerings applies under paragraphs (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 the Issuers Regulation. Furthermore, where no exemption from the rules on public offerings applies, the Notes which are initially offered and placed in Italy or abroad to professional investors only but in the following year are "systematically" distributed on the secondary market in Italy become subject to the public offer and the prospectus requirement rules provided under the Financial Services Act and Issuers Regulation. 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 purchasers of Notes who are acting outside of the course of their business or profession.

The Netherlands

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 and will not make an offer of Notes to the public in the Netherlands in reliance on Article 3(2) of the Prospectus Directive unless:

(a) such offer is made exclusively to persons or entities which are qualified investors as defined in the Dutch Financial Supervision Act; or

(b) standard exemption wording and a logo are disclosed as required by Article 5:20(5) of the Dutch Financial Supervision Act,

provided in all cases that no such offer of Notes shall require the Issuer 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 the Netherlands has the meaning given to it in the Prospectus Directive.

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.

The Notes will not be offered, directly or indirectly in GIFT IFSC or to, or for the account or benefit of, any resident in GIFT IFSC.

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) that this Offering Circular, any material relating to the Notes and 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) the Notes will not be offered or sold or transferred to any person who does not meet the FATF Requirements; (iii) any offshore branch or subsidiary of an Indian bank (except as permitted under the ECB Guidelines); and (iv) any Related Party (as defined below) of the Issuer. 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 recognized investors.

FATF pursuant to the RBI regulations, means Financial Action Task Force.

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 authorized 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.

The Notes will not be offered, directly or indirectly, in GIFT IFSC or to, or for the account or benefit of, any resident in GIFT IFSC.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, 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 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 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 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; or

(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 2(1) of the SFA) or securities–based derivatives contracts (as defined in Section 2(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 made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person 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.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notification under Section 309B(1)(c) of the SFA – Unless otherwise stated in the Pricing Supplement in respect of any Notes, all Notes issued or to be issued under the Programme shall be prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

(a) it has not offered or sold and will not offer or sell in the Hong Kong Special Administrative Region of the People's Republic of China (**Hong Kong**), by means of any document, any Notes other than:

  (i) to "**professional investors**" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; 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 or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued nor 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 of 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 within the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

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**). Accordingly each Dealer represents and agrees that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws and regulations 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 IFRS, INDIAN GAAP AND IND-AS

The Issuer's annual financial statements included in this Offering Circular have been prepared in accordance with accounting policies followed by the Issuer which conform to Indian GAAP as applicable to the Issuer. This Offering Circular also includes unaudited but reviewed unconsolidated financial results of the Company which conform to Ind-AS. Indian GAAP and Ind-AS differ in certain significant respects from each other and IFRS. Such differences involve methods for measuring amounts in the financial statements as well as in disclosures.

The Ministry of Corporate Affairs, by its notification dated February 16, 2015, notified the Companies (Indian Accounting Standards) Rules, 2015, commonly referred to as Ind-AS. NBFCs that have a net worth of Rs.5 billion or more, including the Issuer, and their holding, subsidiary, joint venture or associate companies are required to prepare Ind-AS based financial statements for accounting periods beginning from April 1, 2018 onwards with comparatives for the periods ending March 31, 2018 or thereafter.

The following table summarizes certain general differences between IFRS, Indian GAAP and Ind-AS that could have a significant impact on the financial position and operations of the Issuer if its financial statements were prepared under IFRS. The summary below should not be considered exhaustive and no attempt has been made to identify possible future differences among Indian GAAP, Ind-AS and IFRS as a result of prescribed changes in accounting standards nor to identify future differences that may affect the Issuer's financial statements as a result of transactions or events that may occur in the future. No attempt has been made by the Issuer to quantify the effects of those differences, nor has a reconciliation of Indian GAAP and Ind-AS to IFRS been undertaken by the Issuer. Had any such quantification or reconciliation been undertaken, other potential significant accounting and disclosure differences may have come to its attention, which are not identified below.

Prospective investors should consult their own professional advisers for an understanding of the principal differences between IFRS, Indian GAAP and Ind-AS and how these differences might affect the financial statements of the Issuer presented in this Offering Circular.

Summary of Certain Differences

Topic	IFRS	Indian GAAP	Ind-AS
Presentation of Financial Statements — Components of financial statements	The requirements for the presentation of financial statements, and the guidelines for their structure and content are set out in IAS 1. A complete set of financial statements under IFRS comprises: (a) a statement of financial position; (b) a statement of profit or loss and other comprehensive income (presented as a single statement or by presenting the profit and loss section in a separate statement of profit or loss, immediately followed by a statement presenting comprehensive income beginning with profit or loss; (c) statement of cash flow; (d) statement of changes in equity; and (e) notes comprising a summary of significant accounting policies and explanatory notes.	The requirements for the presentation of financial statements are set out in Schedule III, Division I to the Companies Act, 2013 and the accounting standards notified thereunder are applicable to the preparation of financial statements of respective years. The components of financial statements are: (a) balance sheet; (b) statement of profit and loss; (c) cash flow statement; and	Similar to IFRS. Further, Schedule III, Division II, to the Companies Act, 2013 sets out the requirements for the presentation of financial statements which are in conformity with Ind-AS 1. Disclosure requirements specified in Schedule III are in addition to and not in substitution of the disclosure requirements specified in Ind AS.

Topic	IFRS	Indian GAAP	Ind-AS
		explanatory notes and accounting policies.	
Presentation of Financial Statements — Disclosure of Reclassification	The disclosure of reclassification of comparative amounts includes the nature, amount and reason for 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 disclosure for the nature, amount and reason for reclassification.	Similar to IFRS
Presentation of Financial Statements — Balance sheet/statement of financial position.	An entity is required to present current and non-current assets, and current and non-current liabilities, as separate classifications on the cover of the statement of financial position except when a presentation based on liquidity provides information that is more reliable and more relevant. Minimum line item requirements are set out in IAS 1.	All items of assets and liabilities are to be bifurcated between current and non-current portions and presented separately on the cover of the balance sheet. Schedule III of the Companies Act, 2013 sets out the minimum requirements for disclosure required in the balance sheet and statement of profit and loss account and notes.	Similar to IFRS. Minimum line item requirements are set out in Schedule III to the Companies Act, 2013
Presentation of Financial Statements — Presentation of income statement	An analysis of expenses is presented using a classification based on either the nature of those expenses or their function or by whichever method that provides information that is reliable and more relevant. If presented by function, specific disclosures by nature are provided in the notes. Profit or loss attributable to non-controlling interests and equity holders of the parent are disclosed in the statement of comprehensive income/income statement (if presented separately) as allocations of profit or loss for the period.	Schedule III to the Companies Act, 2013 only permits an analysis of expense by nature.	Entities should present an analysis of expenses recognized in profit or loss using a classification based only on the nature of the expense.
Presentation of Financial Statements —	A statement of changes in equity is presented.	Statement of changes in equity is not presented.	Similar to IFRS

Topic	IFRS	Indian GAAP	Ind-AS
Statement of changes in equity		Movements in share capital, retained earnings and other reserves are presented in the notes to financial statements.	
Presentation of Financial Statements — Critical Judgments	The critical judgements made by the management in applying accounting policies are to be disclosed separately.	The disclosure of critical judgments made by the management is not specifically required.	Similar to IFRS
Presentation of Financial Statements — Disclosure of Capital	The disclosure of information about management of capital and compliance with externally imposed capital requirements, if any, is required.	The information regarding management of capital is not required to be disclosed.	Similar to IFRS
Presentation of Financial Statements — Extraordinary items	No concept of Extraordinary Items	Extraordinary items are disclosed separately in the statement of profit and loss and are included in determination of net profit or loss. Items of income or expense to be disclosed as extraordinary should be distinct from the ordinary activities and are determined by the nature of the event or transaction in relation to the business ordinarily carried out by an entity.	Similar to IFRS
Cash Flow Statement — Bank overdrafts	Included in cash & cash equivalents if they form an integral part of an entity's cash management. Usually, these bank balances often fluctuate between being positive and being overdrawn.	Bank overdrafts are considered to be financing activities.	Similar to IFRS
Cash Flow Statement — Cash flows from extraordinary items	As presentation of items as extraordinary is not permitted in accordance with IAS 1, a cash flow statement does not reflect any items of cash flow as extraordinary.	Cash flows from items disclosed as extraordinary are classified as arising from operating, investing or financing	Similar to IFRS

Topic	IFRS	Indian GAAP	Ind-AS
		activities and are disclosed separately.	
Cash Flow Statement — Interest and dividend	May be classified as operating, investing or financing activities in a manner consistent from period to period.	Interest and dividends received are required to be classified as investing activities. Interest and dividends paid are required to be classified as financing activities other than for financial enterprises.	Similar to Indian GAAP
Changes in Accounting Policies and Errors	Retrospective application of changes in accounting policies is made by adjusting the opening balance of the affected component of equity for the earliest prior period presented and the other comparative amounts for each period presented as if the new accounting policy were always applied. If retrospective application is impracticable for a particular prior period, or for a period before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied needs to be stated. Material prior year errors are corrected retrospectively by restating the comparative amounts for prior periods presented in which the error occurred, or if the error occurred before the earliest period presented, by restating the opening statement of financial position.	Changes in accounting policies are not applied retrospectively. The cumulative impact arising from such change is made in the financial statements in the period of change. If the impact of the change is not ascertainable, this should be disclosed. Material prior year errors are included in determination of profit or loss in the period in which the error is discovered and are separately presented in the profit and loss, so that the impact on current profit or loss can be perceived.	Similar to IFRS
New accounting pronouncements	New accounting pronouncements that have been issued but which are not effective on the date of the statement of financial position are disclosed. Known or reasonably estimable information relevant to assessing the possible impact of the new accounting pronouncements on initial application on the financial statements is disclosed.	Not required to be disclosed	Similar to IFRS
Events after balance sheet	Liability for dividends declared to holders of equity instruments are	Dividends are recognized as an	Similar to IFRS

Topic	IFRS	Indian GAAP	Ind-AS
date/reporting period — Dividends	recognized in the period when declared, which is a non adjusting event.	appropriation from profits and are recorded as provisional at the balance sheet date, if proposed or declared subsequent to the reporting period but before approval of the financial statements.	
Income Taxes — Recognition of deferred tax assets and liabilities	Deferred taxes are computed for temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. Deferred tax shall be recognized for all taxable temporary differences except to the extent they arise from initial recognition of: (a) goodwill; or (b) an asset or liability in a transaction which is not a business combination, and, at the time of the transaction, affects neither the accounting nor the tax profit.	Deferred taxes are recognized for all timing differences in respect of recognition of items of profit or loss for the purposes of financial reporting and for income taxes.	Similar to IFRS
Income Taxes — Recognition of deferred tax assets	Deferred tax assets are recognized for carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and tax credits can be utilized.	Deferred tax assets, where an enterprise has unabsorbed depreciation or carry forward of losses under tax laws, are recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Deferred tax assets in other situations are recognized 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 realized.	Similar to IFRS

Topic	IFRS	Indian GAAP	Ind-AS
Income Taxes — Recognition of taxes on items recognized in other comprehensive income or directly in equity	Current tax and deferred tax is recognized outside profit or loss if the tax relates to items that are recognized in the same or a different period, outside profit or loss. Therefore, the tax on items recognized in other comprehensive income, or directly in equity, is also recorded in other comprehensive income or in equity, as appropriate.	No specific guidance in AS 22. However, an announcement made by the Institute of Chartered Accountants of India (the "ICAI") requires any expense charged directly to reserves and/or securities premium accounts to be net of tax benefits expected to arise from the admissibility of such expenses for tax purposes. Similarly, any income credited directly to a reserve account or a similar account should be net of its tax effect.	Similar to IFRS
Income Taxes — Investments in subsidiaries, branches and associates, and interests in joint ventures	Deferred tax liability for all taxable temporary differences are recognized except to the extent: • the parent, the investor, the venture or joint operator is able to control timing of the reversal of the temporary difference; • it is probable that the temporary difference will not reverse in the foreseeable future.	No deferred tax is recognized. Deferred tax expense is an aggregation from separate financial statements of each group entity and no adjustment is made on consolidation	Similar to IFRS
Income Taxes — Deferred tax on unrealized intra-group profits	Deferred tax on unrealized intra-group profits is recognized at the buyer's rate.	Deferred tax expense is an aggregation from separate financial statements of each group entity and no adjustment is made on consolidation.	Similar to IFRS
Property, Plant and Equipment — Cost of major inspection	Costs of major inspections and overhauls are recognized as a separate component of property, plant and equipment if recognition criteria are met. Any remaining carrying amount of the cost of previous inspection is correspondingly derecognized.	Costs of major inspections are expensed when incurred.	Similar to IFRS

Topic	IFRS	Indian GAAP	Ind-AS
Property, Plant and Equipment — Spare parts	Spare parts are recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment. Otherwise such items are classified as inventory.	Machinery spares are usually charged to the profit and loss statement as and when consumed. However, if such spares can be used only in connection with a fixed asset and their use is expected to be irregular, it may be appropriate to allocate the total cost on a systematic basis over a period not exceeding the useful life of the principal item.	Similar to IFRS
Property, Plant and Equipment — Revaluation	If an entity adopts the revaluation model, revaluations are required to be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the date of the statement of financial position.	No specific requirement on frequency of revaluation.	Similar to IFRS
Property, Plant and Equipment — Change in Method of Depreciation	A change in depreciation method is considered to be a change in the accounting estimate and accounted for prospectively.	A change in depreciation method is treated as a change in the accounting policy and requires retrospective re-computation of depreciation and any excess or deficit arising on such re-computation is required to be adjusted in the period in which such change is effected.	Similar to IFRS
Property, Plant and Equipment — Changes in existing, decommissioning, restoration and similar liabilities	Provisions for decommissioning, restoration and similar liabilities that have previously been recognized as part of the cost of an item of property, plant and equipment are adjusted for changes in the amount or timing of future costs and for changes in market-based discount rates.	No specific guidance in this regard.	Similar to IFRS
Leases — Interest	Recognized as an operating/finance	Recognized as tangible	Similar to IFRS,

Topic	IFRS	Indian GAAP	Ind-AS
in leasehold land	lease unless the leasehold interest is accounted for as investment property in accordance with IAS 40 and the fair value model is adopted.	fixed assets regardless of whether title is expected to pass to the lessee by the end of the lease term. Assets under lease are separately classified under each class of asset.	except that a property interest in an operating lease cannot be accounted for as investment property as the fair value model, is not permissible under Ind-AS 40.
Determining whether an arrangement contains a lease	An arrangement that does not take the legal form of a lease, but the fulfilment of which is dependent on the use of specific assets and which conveys the right to use the assets, is accounted for as a lease in accordance with IAS 17.	There is no such requirement.	Similar to IFRS
Operating Leases — Incentives	The lessor and lessee recognize lease incentives as an increase or reduction of rental expense over the lease term, on a straight line basis, unless another systematic basis is representative of the time pattern of the lessee's benefit from use of the leased asset.	There is no specific guidance.	Similar to IFRS
Revenues — Definition	Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. Amounts collected on behalf of third parties such as sales and service taxes and value added taxes are excluded from revenues.	Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities. Revenue is measured by the charges made to customers for goods supplied and services rendered to them and by the charges and rewards arising from the use of resources by them. Revenue is presented below: Turnover Rs.100 Less: Excise Duty Rs.15	Similar to IFRS

Topic	IFRS	Indian GAAP	Ind-AS
		Turnover (Net) Rs.85	
Revenues — Measurement	Transaction price is consideration which is expected from transferring goods and services excluding amounts collected for third parties.	Revenue is recognized as the nominal amount of consideration receivable.	Similar to IFRS
Revenues — Interest	Interest income is recognized using the effective interest method.	Interest is recognized on a time proportion basis, taking into account the amount outstanding and the rate applicable.	Similar to IFRS
Employee benefits — Actuarial gains and losses	Actuarial gains and losses arising on post retirement defined benefit obligations shall be recognized immediately in other comprehensive income and not reclassified to profit or loss in a subsequent period.	Actuarial gains and losses should be recognized immediately in the statement of profit and loss as income or expense.	Similar to IFRS
Employee benefits — Discount rate	Market yields at the date of the statement of financial position on high-quality corporate bonds are used as discount rates. In countries where there are no deep markets for such bonds, market yields on government bonds are used.	Market yields at the balance sheet date on government bonds are used as discount rates.	The rate used to discount shall be determined by reference to market yields at the end of the reporting period on government bonds.
Government Grants — Non-monetary assets	The asset and the grant may be accounted for at fair value. Alternatively, these can be accounted for at nominal value.	If the asset is given by the government at a discounted price, the asset and the grant are accounted for at the discounted purchase price. All other non-monetary grants are accounted for at nominal values.	The asset and the grant should be accounted for at fair value.
Government Grants — Repayment	If repayment of a government grant relating to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income by the amount repayable, the cumulative additional depreciation that would have been recognized in	If repayment of a government grant relating to an asset is recorded by increasing the carrying amount of the asset, the cumulative additional	Recognized by reducing the deferred income balance by the amount repayable. It is prohibited from being disclosed as an

Topic	IFRS	Indian GAAP	Ind-AS
	the absence of the grant is immediately recognized as an expense. It is prohibited from being disclosed as an extraordinary item.	depreciation that would have been recognized in the absence of the grant is recognized over the remaining useful life of the asset. It is then disclosed as an extraordinary item.	extraordinary item.
Effects of Changes in Foreign Exchange Rates — Functional and presentation currency	Functional currency is the currency of the primary economic environment in which the entity operates. Foreign currency is a currency other than functional currency. Presentation currency is the currency in which the financial statements are presented.	Foreign currency is a currency other than the reporting currency, which is the currency in which financial statements are presented. An enterprise normally uses the currency of the country in which it is domiciled to present its financial statements. If it uses a different currency, disclosure of the reason for using that currency is required. There is no concept of functional currency.	Similar to IFRS
Effects of Changes in Foreign Exchange Rates — Exchange differences (other than the first time adoption exemption)	Exchange differences arising on translation or settlement of foreign currency monetary items are recognized in profit or loss in the period in which they arise	Similar to IFRS. However, as per Accounting Standard 11 (AS-11), exchange differences arising on reporting of long-term foreign currency monetary items at rates 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, can be added to or deducted from the cost of the asset and shall be depreciated over the balance life of	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
		the asset and, in other cases, can be accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortized over the balance period of such long-term asset/liability by recognition as income or expense in each of such periods.	
Effects of Changes in Foreign Exchange Rates — Translation in consolidated financial statements	Assets and liabilities should be translated from functional to presentation currency at the closing rate at the date of the statement of financial position; income and expenses at the actual/average rate for the period; exchange differences are recognized as a separate component of equity and recycled to income statement on the disposal of the investment/operation.	Translation of financial statements to the reporting currency of the parent depends on the classification of that operation as integral or non-integral. Integral Operation: monetary assets are translated at the closing rate; non-monetary items are translated at the historical rate if they are valued at cost and at the closing rate if they are valued on another valuation basis. Income and expense items are translated at the historical/average rate. Exchange differences are incorporated in the statement of Profit and Loss. For non-integral operations, the closing rate method should be followed, i.e. assets and liabilities are translated at the closing rate while Profit and Loss items are translated at	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
		actual/average rates. The resulting exchange difference is taken to reserve and is recycled to Profit and Loss on the disposal of the non-integral foreign operation.	
Borrowing cost — Recognition	Capitalized if these costs are attributable to the acquisition, construction or production of a qualifying asset. Interest expense included in borrowing costs is calculated using the effective interest method as described in IFRS 9: Financial Instruments. It is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. Transaction costs are taken into account when determining the initial net carrying amount and their recognition in profit or loss is effectively spread over the life of the instrument.	Borrowing costs are required to be capitalized if these costs are attributable to the acquisition, construction or production of a qualifying asset. Interest is calculated on the amount of the loan outstanding at the applicable rates.	Similar to IFRS.
Related Party Disclosures — Post employment benefit plans	Related party includes post-employment benefit plans for the benefit of employees of the reporting entity or any entity that is a related party of the reporting entity.	Post-employment benefit plans are not included as related parties.	Similar to IFRS.
Related Party Disclosures — Key management personnel	Key management personnel include both executive and non-executive directors.	Key management personnel do not include non-executive directors.	Similar to IFRS.
Related Party Disclosures — Government related entities	Government related entities require disclosure of: (a) The name of the government and its relationship with the reporting entity. (b) The nature and amount of each significant transaction and a qualitative or	No disclosure is required in the financial statements of state-controlled enterprises as regards related party relationships with other state-controlled enterprises and transactions with such	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
	quantitative indication of other transactions which are significant collectively.	enterprises.	
Consolidated Financial Statements — Definition of control of investee	An investor controls an investee when the investor is exposed, or has the right, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.	Control is: (a) The ownership, directly or indirectly through a subsidiary (or subsidiaries), of more than one-half of the voting power of an enterprise; or (b) control of the composition of the board of directors in the case of a company or of the composition of the corresponding governing body in the case of any other enterprise so as to obtain economic benefits from its activities.	Similar to IFRS.
Consolidated Financial Statements — Potential voting rights	Potential voting rights are considered only if they are substantive. For a right to be substantive it must give the holder the current ability to direct the relevant activities of an investee when necessary and the holder must have the practical ability to exercise that right.	Potential voting rights are not considered when assessing control.	Similar to IFRS.
Consolidated Financial Statements — Exclusion of	If the acquisition of a subsidiary meets the criteria to be classified as held for sale in accordance with IFRS 5, it is included in the consolidation but is	Excluded from consolidation if the subsidiary was acquired with intent to	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
subsidiaries	accounted for under that standard.	dispose of it within 12 months or if it operates under severe long-term restrictions which significantly impair its ability to transfer funds to the parent.	
Consolidated Financial Statements — Reporting dates	The difference between the reporting date of the subsidiary and that of the parent shall be no more than three months.	The difference between the reporting date of the subsidiary and that of the parent shall be no more than six months.	Similar to IFRS.
Consolidated Financial Statements — Uniform Accounting policies	Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.	Similar to IFRS except if it is impracticable to use uniform accounting policies, which fact should be disclosed together with the proportions of the items in the consolidated financial statements to which different policies have been applied.	Similar to IFRS.
Consolidated Financial Statements — Disposals	Partial disposal of a subsidiary where control is retained is accounted for as an equity transaction, and gain or loss is not recognized. Partial disposal of a subsidiary resulting in loss of control triggers re-measurement of the residual holding to fair value. Any difference between the fair value and the carrying value is recognized as gain or loss in profit or loss.	No specific guidance.	Similar to IFRS.
Separate Financial Statements — Accounting for investments in subsidiaries in separate financial statements of the parent	Accounted for either at cost less impairment loss or as available for sale in accordance with IFRS 9.	Accounted at cost less impairment loss.	Similar to IFRS. However, Equity method is not permitted in separate financial statements.
Investments in Associates and Joint Ventures — Significant	The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by another	Potential voting rights are not considered when assessing significant influence.	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
influence	entity, are considered when assessing significant influence.		
Investments in Associates and Joint Ventures — Capital Reserve/Negative Goodwill	Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.	Capital reserve is included in the carrying amount of investment in the associate but is disclosed separately.	Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is recognized directly in equity as capital reserve in the period in which the investment is acquired.
Investments in Associates and Joint Ventures — Reporting date	The difference between the reporting date of the associate and that of the parent shall be no more than three months.	The maximum difference between the reporting date of the associate and that of the parent is not specified.	Similar to IFRS.
Investments in Associates and Joint Ventures — Method of Accounting	Investments in associates or joint ventures are to be accounted for using the equity method in consolidated financial statements.	Investments in associates are accounted for using the equity method whereas investments in joint ventures are accounted for using the proportionate consolidation method.	Similar to IFRS.
Financial Instruments: Presentation — Classification of convertible debts	Split the instrument into its liability and equity components at issuance.	Classified as debt based on its legal form and any interest expense is recognized based on the coupon rate.	Similar to IFRS, except for conversion option embedded in a foreign currency convertible bond under certain circumstances.
Financial Instruments: Presentation — Treasury shares	If an entity reacquires its own shares (treasury shares), these are shown as a deduction from equity.	Acquiring own shares is permitted only in limited circumstances. Shares repurchased should be cancelled immediately and cannot be held as treasury shares.	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
Earnings per share — Extraordinary items	Since IAS 1 prohibits disclosure of extraordinary items, no separate consideration is given to such items while calculating Earnings Per Share (EPS).	EPS with and without extraordinary items is to be presented.	Similar to IFRS.
Earnings per share — Disclosure	IAS 33 requires separate disclosures for EPS from continuing and discontinued operations. Disclosure is also required for instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.	AS 20 requires disclosure of basic and diluted EPS information both in separate and consolidated financial statements.	Similar to IFRS.
Impairment of Assets — Reversal of impairment loss for goodwill	Impairment loss recognized for goodwill is prohibited from reversal in a subsequent period.	Impairment loss for goodwill is reversed if the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.	Similar to IFRS.
Provisions, Contingent Liabilities and Contingent Assets — Discounting	Where the effect of time value of money is material, the amount of provision is the present value of the expenditure expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects the current market assessment of the time value of money and risks specific to the liability. The discount rate does not reflect risk for which future cash flow estimates have been adjusted.	Discounting of liabilities is not permitted and provisions are carried at their full values.	Similar to IFRS.
Provisions, Contingent Liabilities and Contingent Assets — Contingent assets	Contingent assets are disclosed in the financial statements where an inflow of economic benefits is probable.	Contingent assets are not disclosed in the financial statements.	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
Intangible assets — Measurement	Intangible assets can be measured at either cost or revalued amount.	Measured only at cost.	Similar to IFRS.
Intangible assets — Useful life	Useful life may be either finite or indefinite.	Useful life may not be indefinite. There is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use.	Similar to IFRS.
Financial Instruments: Recognition and Measurement — Investments, loans and receivables	Financial assets are classified as at fair value through profit and loss, fair value through OCI, and amortized cost. Financial assets are classified as fair value through profit and loss if they are acquired principally for the purpose of selling and are part of a portfolio that is managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Investments are classified as fair value through OCI when an entity's business model's objective is achieved both by collecting cash flows and by selling financial assets. Investments at amortized cost are investments which meet the SPPI criteria. These investments are measured at amortized cost using the effective interest method.	Investments are classified as long-term or current. Long-term investments are carried at cost less provision for diminution in value which is other than temporary. Current investments are carried at the lower of cost and fair value. Loans and receivables are measured at cost less valuation allowance.	Similar to IFRS.
Financial Instruments: Recognition and Measurement — Impairment	Impairment losses recognized in profit or loss for equity investments cannot be reversed through profit or loss.	Impairment losses recognized in profit or loss for equity investments are reversed through profit or loss.	Similar to IFRS.
Financial Instruments: Recognition and Measurement — Foreign currency contracts	A forward exchange contract is measured at fair value as at the statement of financial position date, unless the rules for hedge accounting are applied.	Premium or discount on forward exchange contracts is amortized and recognized in the statement of profit and loss over the period of such contracts.	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
		Exchange differences on such a contract should be recognized in the statement of profit and loss in the reporting period in which the exchange rates change.	
Financial Instruments: Recognition and Measurement — Derivatives and embedded derivatives	Measured at fair values.	There is no equivalent standard on derivatives; however, the guidance note states all the derivatives, except those covered in AS 11, are to be recognized at fair value.	Similar to IFRS.
Financial Instruments: Recognition and Measurement — Derivatives and hedge accounting	Hedge accounting (recognizing the offsetting effects of fair value changes of both the hedging instrument and the hedged item in the same period's profit or loss) is permitted in certain circumstances, provided that the hedging relationship is clearly defined, measurable and actually effective. IFRS 9 provides for three types of hedges: • fair value hedge: if an entity hedges a change in fair value of a recognized asset or liability or firm commitment, the change in fair values of both the hedging instrument and the hedged item are recognized in profit or loss when they occur; • cash flow hedge: if an entity hedges changes in the future cash flows relating to a recognized asset or liability or a highly probable forecast transaction, then the change in fair value of the hedging instrument is recognized in other comprehensive income until such time as those future cash flows	There is no AS on hedge accounting. Based on ICAI guidance note, hedge accounting is permitted in certain circumstances, provided that the hedging relationship is clearly defined, measurable and actually effective. Guidance note provides for three types of hedges: • the fair value hedge accounting model is applied when hedging the risk of a fair value change of assets and liabilities already recognized in the balance sheet, or a firm commitment that is not yet recognized,	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
	occur. The ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss in the period of such change; and • hedge of a net investment in a foreign entity: this is treated as a cash flow hedge.	• the cash flow hedge accounting model is applied when hedging the risk of changes in highly probable future cash flows or a firm commitment in a foreign currency, • the hedge of a net investment in a foreign operation.	
Non-current assets held for sale — Recognition and measurement	Non-current assets to be disposed of are classified as held for sale when the asset is available for immediate sale and the sale is highly probable. Depreciation ceases on the date when the assets are classified as held for sale. Non-current assets classified as held for sale are measured at the lower of their carrying value and fair value less costs to sell.	There is no standard dealing with non-current assets held for sale, though AS 10 deals with assets held for disposal. Items of fixed assets that have been retired from active use and are held for disposal are stated at the lower of their net book value and net realizable value and are shown separately in the financial statements. Any expected loss is recognized immediately in the statement of profit and loss.	Similar to IFRS.
Non-current assets held for sale and discontinued operations — Classification	An operation is classified as discontinued when it has either been disposed of or is classified as held for sale.	An operation is classified as discontinued at the earlier of: (a) a binding sale agreement for sale of the operation; and (b) on approval by the board of directors of a detailed formal plan and announcement of the plan.	Similar to IFRS.
Operating Segments — Determination of	Operating segments are identified based on the financial information that is evaluated regularly by the chief	AS 17 requires an enterprise to identify two sets of segments	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
segments	operating decision maker in deciding how to allocate resources and in assessing performance.	(business and geographical), using a risks and rewards approach.	
Operating Segments — Measurement	Segment profit or loss is reported on the same measurement basis as that used by the chief operating decision maker. There is no definition of segment revenue, segment expense, segment result, segment asset or segment liability. Requires reconciliation of segment performance measures, and segment assets and liabilities with the corresponding amounts reported in the financial statements.	Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the enterprise as a whole. Segment revenue, segment expense, segment result, segment asset and segment liability have been defined. A reconciliation is presented between the information disclosed for reportable segments and the aggregated information in the enterprise's financial statements.	Similar to IFRS.
Operating Segments — Entity-wide disclosures	Requires disclosure of: (a) external revenues from each product or service; (b) revenues from customers in the country of domicile and from foreign countries; and (c) geographical information on non-current assets located in the country of domicile and foreign countries. Information on major customers including total revenues from each major customer is disclosed if revenues from each customer are 10 per cent. or more of total segment revenues.	Disclosures are required based on the classification of segments as primary or secondary. Disclosure requirements for secondary reporting formats are less detailed than those required for primary reporting formats.	Similar to IFRS.
First Time Adoption			
Previous GAAP	IFRS 1 defines previous GAAP as the basis of accounting that a first-time adopter used immediately before adopting IFRS.	No specific guidance.	Ind-AS 101 defines previous GAAP as the basis of accounting that a first-time adopter used for its reporting

Topic	IFRS	Indian GAAP	Ind-AS
			requirement in India immediately before adopting Ind-AS.
Treatment of Changes in Retained Earnings	The first-time adopter shall account for the resulting change in the retained earnings as at the transition date except in specific instances to make adjustment with goodwill.	No specific guidance.	The first-time adopter shall account for the resulting change in the retained earnings as at the transition date. In specific instances, Ind-AS allowed adjustment to be made with capital reserve to the extent such adjustment amount does not exceed the balance available in capital reserve.
Additional Exemptions	No such exemptions provided in IFRS.	No specific guidance.	Ind-AS 101 provides certain optional exemptions relating to the long-term foreign currency monetary items and service concession arrangements relating to toll roads. An entity may continue the policy adopted for accounting for exchange differences arising from the translation of long term foreign currency monetary items recognized in the financial statements for the period ending immediately after the beginning of the first Ind-AS financial reporting period as per previous GAAP.
Transitional Relief — Property, Plant and Equipment	An entity may elect to measure an item of property, plant and equipment at the date of transition to IFRS at its fair value and use that fair value as its deemed cost at that date. Also, an entity may elect to use a	No specific guidance.	Paragraph D7AA provides the option to use carrying values of all of its property, plant and equipment

Topic	IFRS	Indian GAAP	Ind-AS
	previous GAAP revaluation of an item of property, plant and equipment at, or before, the date of transition to IFRS as deemed cost at the date of the revaluation, if the revaluation was, at the date of the revaluation, broadly comparable to: (a) fair value; or (b) cost or depreciated cost in accordance with IFRS, adjusted to reflect, for example, changes in a general or specific price index.		as at the date of transition to Ind-AS, measured as per previous GAAP and to use them at its deemed cost as at the date of transition.
Transitional Relief — Lease	No such option provided in IFRS.	No specific guidance.	When the lease includes land and building elements, an entity may assess the classification as a finance or operating lease as at the date of transition to Ind-AS based on the facts and circumstances existing at that date.
Presentation of Financial Statements – Classification of Financial Liabilities upon breach of covenants.	When an entity breaches a provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period and before the authorization of the financial statements for issue, not to demand payment as a consequence of the breach. However, the liability can be classified as non-current if the lender has agreed before the end of the reporting period to provide a grace period of minimum 12 months after the reporting period within which the breach can be rectified and the lender cannot demand immediate repayment.	There is no guidance in the existing standards. Schedule III specifies that financial liabilities, where the company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, will be classified as current liabilities. The Guidance Notes on revised Schedule VI to the companies Act, 1956 (Schedule VI has now been superseded by Schedule III under the Companies Act, 2013) issued by the ICAI states that "In the Indian context, the criteria of a loan becoming repayable on	Where there is a breach of a material provision of a long-term arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, if the lender has agreed, after the reporting period and before the approval of the financial statements for issue, not to demand payment as a consequence of the breach, the loan will not be classified as current.

Topic	IFRS	Indian GAAP	Ind-AS
		demand on breach of a covenant, is generally added in the terms and conditions as a matter of abundant caution. Also, banks generally do not demand repayment of loans on such minor defaults of debt covenants. Therefore, in such situations, the company generally continues to repay the loan as per its original terms and conditions. Hence, considering that the practical implications of such minor breaches are negligible in the Indian scenario, an entity could continue to classify the loan as "non-current" as on the balance sheet date since the loan is not actually demanded by the bank at any time prior to the date on which the financial statements are approved.	
Income Taxes – disclosure	Additional disclosures required under IFRS include: • a reconciliation between the income tax expense (income) reported and the product of accounting profit multiplied by the applicable tax rate. Either a numerical reconciliation or tax rate reconciliation is required to be presented, • details of tax holidays and expiry, • unrecognized deferred tax liability on undistributed earnings of subsidiaries,	Certain additional disclosures like rate reconciliation, tax holidays and their expiry and unrecognized deferred tax liability on undistributed earnings of subsidiaries, branches, associates and joint ventures are not required.	Similar to IFRS.

Topic	IFRS	Indian GAAP	Ind-AS
	branches, associates and joint ventures.		
Deferred taxes – recognition on foreign currency denominated non-monetary assets/ liabilities when the tax reporting currency is not the functional currency	The non-monetary assets and liabilities of an entity are measured in its functional currency. If the entity's taxable profit or tax loss (and, hence, the tax base of its non-monetary assets and liabilities) is determined in a different currency, changes in the exchange rate give rise to temporary differences that result in a recognized deferred tax liability or asset.	Not applicable as there is no concept of functional currency.	Similar to IFRS.
Property, Plant and Equipment – scope	Property under construction or development for future use as investment property is excluded from the scope of IAS 16 and is within the scope of IAS 40, Investment Property. Biological assets that meet the definition of a bearer plant or a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and which will not be sold as agricultural produce are included in property, plant and equipment (effective from January 1, 2016 with earlier application permitted).	There is no exemption in AS 10 for property under development for future use as investment property.	Similar to IFRS.
Property, Plant and Equipment – presentation of capital advances	No specific guidance though usually included in capital-work-in-progress.	Schedule III requires capital advances to be presented separately under the head 'Long-term loans and advances', as part of non-current assets.	As per Ind-AS Schedule III, capital advances should be included under other non- current assets.

Topic	IFRS	Indian GAAP	Ind-AS
Evaluating the Substance of Transactions Involving the Legal Form of a Lease	If a series of transactions involves the legal form of a lease and the economic effect can only be understood with reference to the series as a whole, then the series is accounted for as a single transaction.	No specific guidance	Similar to IFRS.
Related Party Disclosures – definition of related party	A related party is a person or entity that is related to the entity that is preparing its financial statements (reporting entity): (a) a person or a close member of that person's family is related to a reporting entity if that person: (i) has control or joint control of the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to a reporting entity if any of the following conditions apply: (i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others). (ii) one entity is an associate or joint venture of the other entity (or an associate or joint	Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.	Similar to IFRS

Topic	IFRS	Indian GAAP	Ind-AS
	venture of a member of a group of which the other entity is a member). (iii) both entities are joint ventures of the same third party. (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.		
Intangible Assets – goodwill	Not amortized but subject to annual impairment test or more frequently whenever there is an impairment indication.	Goodwill arising on amalgamation in the nature of purchase is amortized over a period not exceeding five years (in accordance with AS 14).	Similar to IFRS.
Investment Property – definition and scope	Investment property is land or building (or part thereof) or both held (whether by owner or by a lessee under a finance lease) to earn rentals or for capital appreciation or both. IAS 40 does not apply to owner-occupied property or property that is being constructed or developed on behalf of third parties or property held for sale in the ordinary course of business, or property that is leased to another entity under a finance lease.	AS 13 defines investment property as an investment in land or buildings that are not intended to be occupied substantially for use by, or in the operations of, the investing enterprise.	Similar to IFRS.
Investment Property – measurement	Investment property is measured initially at cost. Transaction costs are included in the initial measurement. Investment properties can subsequently be measured using the cost or the fair value model, with changes in fair value recognized in profit or loss.	Classified as long-term investments and measured at cost less impairment. As per Schedule III to the Companies Act, 2013, they are classified as non-current investments.	Investment properties are measured using the cost model. The use of a fair value model is not permitted. Detailed disclosures pertaining to fair value have to be provided.

GENERAL INFORMATION

Authorization

1. The update of the Programme and the issue of Notes thereunder have been duly authorized by resolutions of our Board dated March 26, 2018. The borrowing limits have been duly authorized by the resolution of our shareholders dated September 25, 2018.

RBI APPROVALS

2. Approval-in-principle has been granted by the RBI for the raising of an ECB of U.S.$2,000,000,000 by us through the Programme through its letter dated July 4, 2018. 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.

4. Application has been made to the London Stock Exchange for the listing and quotation on the ISM 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 listed on the ISM. Notes so 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 this Offering Circular.

5. Application has been made to the India INX for the trading on the India INX of the Notes that may be issued pursuant to the Programme. The listing of the Notes is in compliance with the SEBI (IFSC) Guidelines, 2015, as amended from time to time.

6. Application has been made to the NSE IFSC for the trading on the NSE IFSC of the Notes that may be issued pursuant to the Programme. The listing of the Notes is in compliance with the SEBI (IFSC) Guidelines, 2015, as amended from time to time.

Clearing systems

7. 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. In addition, the Issuer may make an application for each series of Registered Notes intended to be eligible for sale pursuant to Rule 144A of such Notes to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Notes, together with the relevant ISIN and common code, 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

8. 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 March 31, 2018.

Litigation

9. 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

10. The auditors of our Company in respect of the unaudited but reviewed non-consolidated financial statements for the three months ended June 30, 2018 were as follows:

- G. S. Mathur & Co.
- A.R. & Co.

The auditors of our Company in respect of the audited non-consolidated and consolidated financial statements for the year ended March 31, 2018 were as follows:

- G. S. Mathur & Co.
- A.R. & Co.

The auditors of our Company in respect of the audited non-consolidated and consolidated financial statements for the year ended March 31, 2017 were as follows:

- Raj Har Gopal & Co.
- A.R. & Co.

The auditors of our Company in respect of the audited non-consolidated and consolidated financial statements for the year ended March 31, 2016 were as follows:

- Raj Har Gopal & Co.
- P. K. Chopra & Co.

Such auditors have audited or reviewed (as the case may be) our financial statements, without qualification, in accordance with generally accepted auditing standards in India.

Documents Available

11. 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 March 31, 2016, 2017 and 2018;

(b) our unaudited but reviewed non-consolidated financial statements for the three months ended June 30, 2018;

(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).

INDEX TO FINANCIAL STATEMENTS

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' Limited 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 unaudited standalone interim Ind-AS Financial Statements (the "financial statements") of Rural Electrification Corporation Limited (the "Company") which comprise the Balance Sheet as at 30th June 2018, the Statement of Profit and Loss, the Statement of Changes in Equity and the Cash Flow Statement for the period then ended and the Notes to Accounts thereon. These financial statements are the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on the 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"*, specified under Section 143(10) of the Companies Act, 2013. 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 financial statements, prepared in accordance with applicable Accounting Standards i.e. Indian Accounting Standards (Ind-AS) specified under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other recognised accounting practices and policies thereon has not disclosed the information required to be disclosed 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

S.C. Choudhary
Partner
M.No. 082023

For A.R. & Co.
Chartered Accountants
Firm Regn No. 002744C

Anil Gaur
Partner
M.No. 017546

Place : New Delhi
Date : 12th October 2018

RURAL ELECTRIFICATION CORPORATION LIMITED
BALANCE SHEET AS AT 30TH JUNE 2018

(₹ in Crores)

S. No.	Particulars	Note No.	As at 30.06.2018	As at 30.06.2017
I.	**ASSETS**			
(1)	**Non-current Assets**			
(a)	Property, Plant & Equipment	**4**	139.22	120.01
(b)	Capital Work-in-Progress	**5**	134.27	73.21
(c)	Investment Property	**6**	0.01	0.01
(d)	Other Intangible Assets	**7**	4.88	0.34
(e)	Intangible Assets Under Development	**8**	1.91	1.46
(f)	Financial Assets			
	(i) Investments	**9**	2,644.80	2,786.69
	(ii) Loans	**10**	2,02,083.88	1,78,812.56
	(iii) Other financial assets	**11**	4,743.99	413.70
(g)	Deferred tax assets (net)		2,585.13	2,425.46
(h)	Other non-current assets	**12**	44.77	50.15
	Total non-current assets (1)		**2,12,382.86**	**1,84,683.59**
(2)	**Current Assets**			
(a)	Financial Assets			
	(i) Investments	**9**	145.99	297.91
	(ii) Cash and cash equivalents	**13**	363.29	935.89
	(iii) Other bank balances	**14**	2,472.36	462.88
	(iv) Loans	**10**	29,108.08	20,439.90
	(v) Other financial assets	**11**	842.14	144.56
(b)	Other current assets	**12**	1.83	6.52
	Total current assets (2)		**32,933.69**	**22,287.66**
	Total ASSETS (1+2)		**2,45,316.55**	**2,06,971.25**
II.	**EQUITY & LIABILITIES**			
(1)	**Equity**			
(a)	Equity Share Capital	**15**	1,974.92	1,974.92
(b)	Other equity	**16**	30,502.91	29,600.29
	Total equity (1)		**32,477.83**	**31,575.21**
(2)	**Non-current Liabilities**			
(a)	Financial Liabilities			
	(i) Borrowings	**17**	1,59,510.27	1,49,018.04
	(ii) Other financial liabilities	**18**	4,132.55	240.70
(b)	Provisions	**19**	136.87	151.62
	Total non-current liabilities (2)		**1,63,779.69**	**1,49,410.36**
(3)	**Current Liabilities**			
(a)	Financial Liabilities			
	(i) Borrowings	**17**	6,028.37	1,484.23
	(ii) Other financial liabilities	**18**	42,883.85	24,187.59
(b)	Other current liabilities	**20**	20.14	8.59
(c)	Provisions	**19**	65.34	59.59
(d)	Current Tax Liabilities (net)		61.33	245.68
	Total current liabilities (3)		**49,059.03**	**25,985.68**
	Total EQUITY & LIABILITIES (1+2+3)		**2,45,316.55**	**2,06,971.25**

Notes to Accounts 1 to 36 form an integral part of these interim 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 Limited Review Report of even date

For G.S. Mathur & Co.
Chartered Accountants
Firm Reg. No.: 008744N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

S.C. Choudhary
Partner
M.No. : 082023

Anil Gaur
Partner
M.No. : 017546

Place: New Delhi
Date: 12th October 2018

RURAL ELECTRIFICATION CORPORATION LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 30TH JUNE 2018

(₹ in Crores)

S. No.	Particulars	Note No.	Period ended 30.06.2018	Period ended 30.06.2017
I.	**Income**			
(i)	Revenue from Operations	**21**	5,738.59	5,626.85
(ii)	Other Income	**22**	580.42	1.16
II.	**Total Income (i+ii)**		**6,319.01**	**5,628.01**
III.	**Expenses**			
(i)	Finance Costs	**23**	3,628.05	3,186.55
(ii)	Employee Benefits Expense	**24**	43.18	56.50
(iii)	Depreciation & Amortization	**4,7**	1.59	1.29
(iv)	Corporate Social Responsibility Expenses	**25**	47.47	5.34
(v)	Impairment losses on financial assets		131.84	722.99
(vI)	Other Expenses	**26**	356.04	254.42
	Total Expenses (i to vi)		**4,208.17**	**4,227.09**
IV.	**Profit before Tax (II-III)**		**2,110.84**	**1,400.92**
V.	**Tax Expense**			
(i)	Current tax		344.14	572.87
(ii)	Deferred Tax		298.00	(247.91)
	Total Tax Expense (i+ii)		**642.14**	**324.96**
VI.	**Net Profit for the period**		**1,468.70**	**1,075.96**
VII.	**Other comprehensive Income/(Loss)**			
(i)	**Items that will not be reclassified to profit or loss**			
(a)	- Changes in Fair Value of FVOCI Equity Instruments		(71.44)	(15.39)
(b)	- Income tax relating to these items		(0.83)	-
VIII.	**Other comprehensive Income/(Loss) for the period (a+b)**		**(72.27)**	**(15.39)**
IX.	**Total comprehensive Income for the period (VII+VIII)**		**1,396.43**	**1,060.57**
X.	**Earnings per Equity Share (in ₹ for an equity share of ₹ 10 each)**			
(1)	Basic	**27**	**7.44**	**5.45**
(2)	Diluted	**27**	**7.44**	**5.45**

Notes to Accounts 1 to 36 form an integral part of these interim 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 Limited Review Report of even date

For G.S. Mathur & Co.	**For A.R. & Co.**
Chartered Accountants	**Chartered Accountants**
Firm Reg. No.: 008744N	**Firm Reg. No.: 002744C**
S.C. Choudhary	**Anil Gaur**
Partner	**Partner**
M.No. : 082023	**M.No. : 017546**

Place: New Delhi
Date: 12th October 2018

RURAL ELECTRIFICATION CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY

A Equity share capital

(₹ in Crores)

Particulars	Amount
Balance as at 1 April 2017	**1,974.92**
Changes in equity share capital during the period	-
Balance as at 30 June 2017	**1,974.92**

(₹ in Crores)

Particulars	Amount
Balance as at 1 April 2018	**1,974.92**
Changes in equity share capital during the period	-
Balance as at 30 June 2018	**1,974.92**

B Other Equity

(₹ in Crores)

Particulars	Securities Premium Account	Debenture Redemption Reserve	Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961	Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961	Foreign Currency Monetary Item Translation Difference Account	Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934	General Reserve	Retained Earnings	Total
Balance as at 1 April 2017	2,236.54	924.95	12,230.70	2,425.30	203.78	-	4,677.40	5,889.37	28,588.04
Profit / (Loss) for the period								1,075.96	1,075.96
Other Comprehensive Income for the period								(15.39)	(15.39)
Transfer to Debenture Redemption Reserve		49.15						(49.15)	-
Transfer to Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961			375.13					(375.13)	-
Transfer to Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961				79.12				(79.12)	-
Foreign Currency Translation Gain/ (Loss) on long term monetary items during the period					(104.74)				(104.74)
Amortisation of FCMITD Account					56.42				56.42
Balance as at 30 June 2017	**2,236.54**	**974.10**	**12,605.83**	**2,504.42**	**155.46**	**-**	**4,677.40**	**6,446.54**	**29,600.29**

(₹ in Crores)

Particulars	Securities Premium Account	Debenture Redemption Reserve	Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961	Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961	Foreign Currency Monetary Item Translation Difference Account	Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934	General Reserve	Retained Earnings	Total
Balance as at 1 April 2018	2,236.54	1,121.54	13,813.19	2,761.10	(86.29)	-	5,177.40	5,276.22	30,299.70
Profit / (Loss) for the period								1,468.70	1,468.70
Other Comprehensive Income for the period								(72.27)	(72.27)
Transfer to Debenture Redemption Reserve		49.15						(49.15)	-
Transfer to Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961			254.68					(254.68)	-
Transfer to Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961				53.05				(53.05)	-
Transfer to Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934						294.00		(294.00)	-
Foreign Currency Translation Gain/ (Loss) on long term monetary items during the period					(1,414.81)				(1,414.81)
Amortisation of FCMITD Account					221.59				221.59
Balance as at 30 June 2018	**2,236.54**	**1,170.69**	**14,067.87**	**2,814.15**	**(1,279.51)**	**294.00**	**5,177.40**	**6,021.77**	**30,502.91**

For and on behalf of the Board

J.S. Amitabh	Ajeet Kumar Agarwal	P.V. Ramesh
GM & Company Secretary	Director (Finance)	Chairman & Managing Director
	DIN - 02231613	DIN - 02836069

In terms of our Limited Review Report of even date

For G.S. Mathur & Co.	For A.R. & Co.
Chartered Accountants	Chartered Accountants
Firm Reg. No.: 008744N	Firm Reg. No.: 002744C
S.C. Choudhary	Anil Gaur
Partner	Partner
M.No. : 082023	M.No. : 017546

Place: New Delhi
Date: 12th October 2018

1. COMPANY OVERVIEW

Rural Electrification Corporation Limited ("REC" or the "Company") is a leading public Infrastructure Finance Company in India lending to the power sector. The Company finances and promotes rural electrification projects across India. The principal products of REC as a leading Public Financial Institution are interest bearing loans to State Electricity Boards, State Power utilities/State Power Departments and Private sector for all segments of Power infrastructure.

The Company is headquartered in New Delhi, India. The shares of the Company are listed on the National Stock Exchange and the Bombay Stock Exchange. Its registered office and principal place of business is situated at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003, India.

2. BASIS OF PREPARATION AND MEASUREMENT

The special purpose interim financial statements of the Company for the quarter ended 30 June 2018 (the 'interim financial statements') have been prepared for the purpose of inclusion in the Offering Circular of the Company, and complies with recognition and measurement requirements of Indian Accounting Standards (hereinafter referred to as the 'Ind-AS') as notified by Ministry of Corporate Affairs pursuant to section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time. The Company has uniformly applied the accounting policies during the periods presented. These are the Company's first interim financial statements prepared using recognition and measurement requirements of Ind AS (see note 29 for explanation of transition to Ind-AS). Unless otherwise stated, all amounts are stated in crores of Rupees.

The interim financial statements have been prepared on accrual and going concern basis.

The interim financial statements have been prepared under historical cost convention basis except for the following –

- Certain financial instruments which are measured at fair value;
- Defined benefit plans measured using actuarial valuations;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared using the accounting policies and measurement basis summarized below.

3.1. FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The interim financial statements are presented in Indian Rupee ('INR') which is also the functional currency of the Company, since substantially the entire operational income and majority of its funding is denominated in Indian Rupee.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in profit or loss. However, for the long-term monetary items recognised in the financial statements as on 1 April 2018, such gains and losses are accumulated in a "Foreign Currency Monetary Item Translation Difference Account" and amortized over the balance period of such long term monetary item, by recognition as income or expense in each of such periods.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date).

3.2. INTANGIBLE ASSETS

Recognition

Intangible assets

Intangible assets comprise of computer software which is initially measured at acquisition cost thereof.

Subsequent measurement

All intangible assets with definite useful life are amortized on a straight line basis over the estimated useful lives and a possible impairment is assessed if there is an indication that the intangible asset may be impaired. Residual values and useful lives for all intangible assets are reviewed at each reporting date. Changes, if any, are accounted for as changes in accounting estimates.

The estimated useful lives are as follows:

Asset category	Estimated useful life (in years)
Computer Software	5

3.3. PROPERTY, PLANT AND EQUIPMENT

Recognition

Land
Land held for use is initially recognized at cost. For land, as no finite useful life can be determined, related carrying amounts are not depreciated. Land also includes land held under finance lease, which is depreciated over the lease term.

Other tangible assets
Property, plant and equipment other than land are initially recognized at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management.

The cost of property, plant and equipment under construction at the balance sheet date are disclosed as 'Capital work-in-progress'. Advances paid for the acquisition/ construction of property, plant and equipment which are outstanding at the balance sheet date are classified under 'Capital Advances'.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within 'other income' or 'other expenses' respectively.

Subsequent measurement

Depreciation
Depreciation on assets is provided on straight-line method in accordance with the useful lives under Schedule II to the Companies Act, 2013. Depreciation on assets purchased/ sold during the year is charged for the full month if the asset is in use for more than 15 days, instead of charging the same on pro-rata basis from the date of purchase/sale.

Leasehold land is amortized over the lease period.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

3.4. LEASED ASSETS

Finance leases
Management applies judgment in considering the substance of a lease agreement and whether the lessee receives substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term. Where the Company is a lessee in this type of arrangement, the related asset is recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance lease liability.

The assets held under finance leases are depreciated over the lease term. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding liability and is charged to profit or loss, as finance costs over the period of the lease.

Operating leases
All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term, except where the increase is in line with general inflation. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.5. INVESTMENT PROPERTY

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the investment properties are stated at cost less accumulated depreciation. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. All other repair and maintenance costs are recognised in statement of profit and loss as incurred.

Subsequent measurement (depreciation and useful lives)

Depreciation on investment properties is provided on straight-line method, computed on the basis of useful lives prescribed under Part C of Schedule II to the Companies Act, 2013.

The residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

De-recognition
An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

3.6. IMPAIRMENT OF NON-FINANCIAL ASSETS

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Intangible assets with indefinite useful life are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements.

Discount factors are determined individually for each cash-generating unit and reflect current market assessment of the time value of money and asset-specific risks factors.

Impairment losses for cash-generating units are charged pro rata to the non-financial assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount. Impairment losses relating to goodwill are not reversed in future periods.

3.7. FINANCIAL INSTRUMENTS

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Amortised cost
- financial assets at fair value through profit or loss (FVTPL)
- financial assets at fair value through other comprehensive income (FVOCI)
- investments in equity shares of subsidiaries and joint ventures (carried at cost in accordance with Ind AS 27)

All financial assets except for those at FVTPL of equity instruments at FVOCI are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Amortised cost

A financial asset shall be measured at amortised cost using effective interest rates if both of the following conditions are met:

a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's loans and advances, security deposits, staff loans, cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

A loss allowance for expected credit losses is recognised on financial assets carried at amortised cost.

Modification of cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and shall recognises a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Expected credit losses
The Company has recognised impairment provisions based on the Expected Credit Loss (ECL) model.

The Company has applied the ECL model to all debt-type assets that are not measured at fair value through profit and loss or classified as fair value through other comprehensive income.

ECL are a probability-weighted estimate of credit losses, and is calculated as the present value of all cash shortfalls. The Company calculates loss allowances by multiplying the 12 months' probability of default ('PD') by the total credit losses that would result from that default for the instruments that have not deteriorated significantly in credit quality since initial recognition or (where the optional low credit risk simplification is applied) that have low credit risk, based on assessed credit quality and recognised industry standards.

On the other hand, the Company recognises lifetime expected credit losses for any assets which are not considered to have 'low' credit risk and where credit quality is considered to have significantly deteriorated. When determining whether the credit quality has significantly deteriorated, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort, and the corresponding increase in the probability of default.

Definition of default
The Company considers a financial asset to be in default when the borrower is 90 days past due on any material obligation to the Company, or when the Company considers that the borrower will be unlikely to pay its credit obligations to the Company in full. The Company considers qualitative and quantitative data of the borrower, received from both internal and external sources, to determine whether a borrower is in default.

For assets where default has occurred, interest income is not recognised.

Incorporation of forward looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The estimates of probability of default are suitability adjusted by the Company based on the assessment of relevant economic variables.

Recovery rates
The Company estimates loss given default as the magnitude of the expected loss if there is a default. The Company considers the collateral type, coverage, structure of the instrument, and disposal costs of any collateral. Such estimates are adjusted based on the current economic conditions and expectations of future, and are discounted to their present values using the effective interest rate.

In cases where the Company does not have adequate internal data for estimation of expected credit losses, it uses external data, and engages with market experts.

Financial assets at FVTPL
Financial assets at FVTPL include financial assets that are either do not meet the criteria for amortised cost classification or are equity instruments held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments also fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements may apply. Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at FVOCI
FVOCI financial assets comprise of equity instruments measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the FVOCI reserve within equity, except for dividend income, which is recognized in profit or loss.

Classification and subsequent measurement of financial liabilities
Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried

subsequently at fair value with gains or losses recognized in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss and are included within finance costs or finance income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at FVTPL. The Company does not apply hedge accounting.

3.8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments (original maturity less than 3 months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.9. INCOME TAXES

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax asset ('DTA') is recognized for all deductible temporary differences, carry forward of unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary difference, and the carry forward of unused tax credits and unused tax losses can be utilized or to the extent of taxable temporary differences except:

- Where the DTA relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit or loss.
- in respect of deductible temporary differences arising from investments in subsidiaries, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilized.

This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

3.10. POST-EMPLOYMENT BENEFITS AND SHORT-TERM EMPLOYEE BENEFITS

Defined contribution plan

A defined contribution plan is a plan under which the Company pays fixed contributions into an independent fund administered by the government. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. The contributions to national pension schemes are charged to the profit or loss in the period to which the contributions relate.

Defined benefit plan

The defined benefit plans sponsored by the Company define the amount of the benefit that an employee will receive on completion of services by reference to length of service and last drawn salary. The legal obligation for any benefits remains with the Company. Gratuity is post-employment benefit and is in the nature of a defined benefit plan. The liability recognised in the financial statements in respect of gratuity is the present value of the defined benefit obligation net of fair value of plan assets at the reporting date, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated at or near the reporting date by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are credited or charged to the statement of OCI in the period in which such gains or losses are determined.

Other long-term employee benefits

Liability in respect of compensated absences becoming due or expected to be availed more than one-year after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged to statement of profit and loss in the period in which such gains or losses are determined.

Short-term employee benefits

Expense in respect of other short term benefits is recognised on the basis of the amount paid or payable for the period during which services are rendered by the employee.

3.11. GOVERNMENT GRANTS

Government grants are only recognized if it is sufficiently certain that the assistance will be granted and the conditions attached to the assistance are satisfied. Where the grant relates to an asset value, it is recognized as deferred income, and amortized over the expected useful life of the asset. Other grants are recognized in the consolidated statement of profit and loss concurrent to the expenses to which such grants relate/ are intended to cover.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3.12. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

In those cases where the outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized or disclosure is made.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation (such as from insurance) is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

3.13. INCOME RECOGNITION

Income from Government schemes
Income of agency fee on Government schemes is recognized on accrual basis on the basis of the services rendered.

Interest income
Interest income is recognized on time proportion basis taking into account the amount outstanding and rate applicable. For all financial assets measured at amortised cost (refer policy on financial instruments above), interest income is recorded using the effective interest rate (EIR) i.e. the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial assets.

Dividend income
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.

Other services
Income of the nature of processing fee, upfront fee, lead fee, fees/ charges received under the mutatis - mutandis clause and pre-payment premium, which are not considered an adjustment to EIR are accounted for in the year in which it is received by the Company.

3.14. FAIR VALUE MEASUREMENT

The Company measures financial instruments, such as, derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

4. **Property, Plant & Equipment**

(₹ In Crores)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01.04.2018	Additions during the period	Sales/ adjustment during the period	As at 30.06.2018	As at 01.04.2018	During the period	Adjustment during the period	As at 30.06.2018	As at 30.06.2018	As at 30.06.2017
Freehold Land	82.92	16.03	-	98.95	-	-	-	-	98.95	82.92
Leasehold Land	1.59	-	-	1.59	0.27	0.03	-	0.30	1.29	1.33
Buildings	31.74	-	-	31.74	8.10	0.12	-	8.22	23.52	23.84
Furniture & Fixtures	9.10	0.18	0.07	9.21	5.78	0.16	0.02	5.92	3.29	2.07
Vehicles	0.40	-	-	0.40	0.27	0.01	-	0.28	0.12	0.15
EDP Equipments	15.80	1.23	0.34	16.69	11.69	0.51	0.25	11.95	4.74	3.31
Office Equipments	16.23	0.16	0.21	16.18	8.46	0.49	0.08	8.87	7.31	6.39
Total	**157.78**	**17.60**	**0.62**	**174.76**	**34.57**	**1.32**	**0.35**	**35.54**	**139.22**	**120.01**
Previous period	152.73	0.46	0.26	152.93	31.92	1.16	0.16	32.92	120.01	

5. **Capital Work-in-Progress**

(₹ In Crores)

Particulars	As at 01.04.2018	Additions during the period	Sales/ adjustment during the period	As at 30.06.2018
Current Period	**118.19**	**16.08**	**-**	**134.27**
Previous period	58.69	14.52	-	73.21

6. **Investment Property**

(₹ In Crores)

Particulars	As at 01.04.2018	Additions during the period	Sales/ adjustment during the period	As at 30.06.2018
Current Period	**0.01**	**-**	**-**	**0.01**
Previous period	0.01	-	-	0.01

7. **Other Intangible Assets**

(₹ In Crores)

Particulars	GROSS BLOCK				AMORTISATION				NET BLOCK	
	As at 01.04.2018	Additions during the period	Sales/ adjustment during the period	As at 30.06.2018	As at 01.04.2018	During the period	Adjustment during the period	As at 30.06.2018	As at 30.06.2018	As at 30.06.2017
Intangible Assets										
Computer Software	12.38	-	-	12.38	7.23	0.27	-	7.50	4.88	0.34
Total	**12.38**	**-**	**-**	**12.38**	**7.23**	**0.27**	**-**	**7.50**	**4.88**	**0.34**
Previous period	7.03	0.04	-	7.07	6.60	0.13	-	6.73	0.34	

8. **Intangible Assets under Development**

(₹ In Crores)

Particulars	As at 01.04.2018	Additions during the period	Sales/ adjustment during the period	As at 30.06.2018
Current Period	**1.46**	**0.45**	**-**	**1.91**
Previous period	1.46	-	-	1.46

9. Investments

(₹ in Crores)

	Particulars	As at 30.06.2018			As at 30.06.2017		
		Non-current	Current	Total	Non-current	Current	Total
(A)	**Investments in Equity Instruments**						
(i)	**Subsidiaries - Unquoted (at cost)**						
	- REC Power Distribution Company Limited 50,000 Equity shares of ₹10 each, fully paid up	0.05	-	**0.05**	0.05	-	**0.05**
	- REC Transmission Projects Company Limited 50,000 Equity shares of ₹10 each, fully paid up	0.05	-	**0.05**	0.05	-	**0.05**
	Sub-total - Investment in Subsidiaries	**0.10**	**-**	**0.10**	**0.10**	**-**	**0.10**
(ii)	**Joint Ventures - Unquoted (at cost)**						
	- Energy Efficiency Services Limited 14,65,00,000 Equity shares of ₹10 each, fully paid up	146.50	-	**146.50**	146.50	-	**146.50**
	Sub-total - Investment in Joint Ventures	**146.50**	**-**	**146.50**	**146.50**	**-**	**146.50**
(iii)	**Others - Quoted (at Fair Value through Other Comprehensive Income)**						
	- NHPC Ltd. 18,40,11,865 Equity shares of ₹10 each, fully paid up	431.51	-	431.51	576.88	-	576.88
	- Housing and Urban Development Corporation Ltd. 3,47,429 Equity shares of ₹10 each, fully paid up	1.96	-	1.96	2.33	-	2.33
	- Indian Energy Exchange Ltd. 12,50,000 Equity shares of ₹10 each, fully paid up	207.47	-	207.47	109.25	-	109.25
	Sub-total - Others	**640.94**	**-**	**640.94**	**688.46**	**-**	**688.46**
	Sub-total - Investment in Equity Instruments	**787.54**	**-**	**787.54**	**835.06**	**-**	**835.06**
(B)	**Investments in Bonds, Debentures & Others**						
(i)	**Investment in Debentures - Quoted (at Fair Value through Profit & Loss)**						
	- 11.15% Additional Tier-1 Perpetual Bonds of Indian Bank 5,000 Bonds of ₹ 10,00,000 each	500.00	14.20	**514.20**	500.00	14.20	**514.20**
	- 11.25% Additional Tier-1 Perpetual Bonds of Vijaya Bank 5,000 Bonds of ₹ 10,00,000 each	500.00	14.02	**514.02**	500.00	14.02	**514.02**
	- 11.25% Additional Tier-1 Perpetual Bonds of Syndicate Bank 5,000 Bonds of ₹ 10,00,000 each	500.00	14.33	**514.33**	500.00	14.33	**514.33**
	Sub-total - Debentures - Quoted	**1,500.00**	**42.55**	**1,542.55**	**1,500.00**	**42.55**	**1,542.55**
(ii)	**Investment in Debentures - Unquoted (at amortised cost)**						
	- 9.68% Bonds of UP Power Corporation Ltd. 30,385 Bonds of ₹ 1,00,000 each	303.85	6.29	**310.14**	303.85	6.29	**310.14**
	Sub-total - Debentures - Unquoted	**303.85**	**6.29**	**310.14**	**303.85**	**6.29**	**310.14**
(iii)	**Investment in Government Securities - Unquoted (at amortised cost)**						
	- 8% Government of Madhya Pradesh Power Bonds-II 3 Bonds of ₹ 47,16,00,000 each	47.16	97.15	**144.31**	141.48	99.04	**240.52**
	Sub-total - Government Securities - Unquoted	**47.16**	**97.15**	**144.31**	**141.48**	**99.04**	**240.52**
(iv)	**Investment in Venture Capital Funds - Unquoted (at Fair Value through Profit & Loss)**						
	- 'Small is Beautiful' Fund 61,52,200 units of ₹ 10 each	6.25	-	**6.25**	6.30	-	**6.30**
	Sub-total - Venture Capital Funds - Unquoted	**6.25**	**-**	**6.25**	**6.30**	**-**	**6.30**
(v)	**Investment in Inter Corporate Deposit (at amortised cost)**	-	-	**-**	-	150.03	**150.03**
	Sub-total - Inter-Corporate Deposits	**-**	**-**	**-**	**-**	**150.03**	**150.03**
	Sub-total - Investment in Bonds, Debentures & Others	**1,857.26**	**145.99**	**2,003.25**	**1,951.63**	**297.91**	**2,249.54**
	Total (A+B)	**2,644.80**	**145.99**	**2,790.79**	**2,786.69**	**297.91**	**3,084.60**

(₹ in Crores)

Particulars	As at 30.06.2018			As at 30.06.2017		
	Non-current	Current	Total	Non-current	Current	Total
Aggregate amount of quoted investments and market value thereof	2,140.94	42.55	2,183.49	2,188.46	42.55	2,231.01
Aggregate amount of unquoted investments	503.86	103.44	607.30	598.23	255.36	853.59
Aggregate amount of impariment in value of investments	-	-	-	-	-	-
Total	**2,644.80**	**145.99**	**2,790.79**	**2,786.69**	**297.91**	**3,084.60**

10. Loans

(₹ in Crores)

	Particulars	As at 30.06.2018				As at 30.06.2017			
		Long-term		Short-Term	Total	Long-term		Short-Term	Total
		Non-Current	Current			Non-Current	Current		
(i)	**Loan Assets**								
(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	1,50,207.09	15,712.76	3,278.55	**1,69,198.40**	1,34,899.70	11,330.73	492.34	**1,46,722.77**
	Less: Allowance for Expected Credit Loss	(221.58)	(23.50)	(5.11)	**(250.19)**	(199.83)	(18.53)	(3.31)	**(221.67)**
		1,49,985.51	**15,689.26**	**3,273.44**	**1,68,948.21**	**1,34,699.87**	**11,312.20**	**489.03**	**1,46,501.10**
(A2)	**Loans to Others (Secured by hypothecation and/or mortgage of tangible assets)**								
	(a) Considered good	12,398.12	1,002.26	-	**13,400.38**	24,729.02	1,042.34	-	**25,771.36**
	Less: Allowance for Expected Credit Loss	(1,451.88)	(250.12)	-	**(1,702.00)**	(5,818.33)	(275.13)	-	**(6,093.46)**
		10,946.24	**752.14**	**-**	**11,698.38**	**18,910.69**	**767.21**	**-**	**19,677.90**
	(b) Considered doubtful	12,749.27	6,106.10	-	**18,855.37**	2,897.17	1,722.03	-	**4,619.20**
	Less: Allowance for Expected Credit Loss	(5,588.95)	(2,996.17)	-	**(8,585.12)**	(1,416.66)	(1,109.83)	-	**(2,526.49)**
		7,160.32	**3,109.93**	**-**	**10,270.25**	**1,480.51**	**612.20**	**-**	**2,092.71**
	Sub-total (A1+ A2)	**1,68,092.07**	**19,551.33**	**3,273.44**	**1,90,916.84**	**1,55,091.07**	**12,691.61**	**489.03**	**1,68,271.71**
(B)	**Unsecured Loans**								
(B1)	**Loans Guaranteed by respective State Governments**								
	(a) Considered good	23,788.70	3,208.81	-	**26,997.51**	20,527.33	3,183.54	545.83	**24,256.70**
	Less: Allowance for Expected Credit Loss	(67.58)	(12.51)	-	**(80.09)**	(77.00)	(11.19)	(0.05)	**(88.24)**
		23,721.12	**3,196.30**	**-**	**26,917.42**	**20,450.33**	**3,172.35**	**545.78**	**24,168.46**
(B2)	**Loans to State Governments**								
	(a) Considered good	3,376.25	327.49	-	**3,703.74**	2,735.01	321.00	-	**3,056.01**
	Less: Allowance for Expected Credit Loss	(2.04)	(0.10)	-	**(2.14)**	(0.81)	(0.10)	-	**(0.91)**
		3,374.21	**327.39**	**-**	**3,701.60**	**2,734.20**	**320.90**	**-**	**3,055.10**
(B3)	**Loans - Others**								
	(a) Considered good	6,916.42	727.02	1,260.83	**8,904.27**	487.88	131.63	1,850.00	**2,469.51**
	Less: Allowance for Expected Credit Loss	(45.00)	(1.37)	(8.42)	**(54.79)**	(2.75)	(3.17)	(15.91)	**(21.83)**
		6,871.42	**725.65**	**1,252.41**	**8,849.48**	**485.13**	**128.46**	**1,834.09**	**2,447.68**
	(a) Considered doubtful	-	795.30	-	**795.30**	49.01	744.05	-	**793.06**
	Less: Allowance for Expected Credit Loss	-	(731.26)	-	**(731.26)**	(26.57)	(704.80)	-	**(731.37)**
		-	**64.04**	**-**	**64.04**	**22.44**	**39.25**	**-**	**61.69**
	Sub-total (B1+ B2+B3)	**33,966.75**	**4,313.38**	**1,252.41**	**39,532.54**	**23,692.10**	**3,660.96**	**2,379.87**	**29,732.93**
(C)	**Interest Accrued on Loan Assets**	-	689.18	17.79	**706.97**	-	1,194.38	13.45	**1,207.83**
	Total - Loan Assets (A to C)	**2,02,058.82**	**24,553.89**	**4,543.64**	**2,31,156.35**	**1,78,783.17**	**17,546.95**	**2,882.35**	**1,99,212.47**
(ii)	**Staff Loans**								
	- To Key Managerial Personnel	0.29	0.66	-	0.95	0.39	0.50	-	0.89
	- To Other Employees	23.72	9.89	-	33.61	28.18	10.10	-	38.28
	Total - Staff Loans	**24.01**	**10.55**	**-**	**34.56**	**28.57**	**10.60**	**-**	**39.17**
(iii)	**Security Deposits**	1.05	-	-	**1.05**	0.82	-	-	**0.82**
	Total - Loans (i to iii)	**2,02,083.88**	**24,564.44**	**4,543.64**	**2,31,191.96**	**1,78,812.56**	**17,557.55**	**2,882.35**	**1,99,252.46**

11. Other financial assets

(₹ in Crores)

	Particulars	As at 30.06.2018			As at 30.06.2017		
		Non-current	Current	Total	Non-current	Current	Total
(A)	**Derivative Assets**	743.99	514.18	**1,258.17**	413.70	113.94	**527.64**
(B)	**Advances recoverable (Unsecured)**						
	(a) Considered Good	-	38.83	**38.83**	-	15.94	**15.94**
	(b) Classified Doubtful	-	7.61	**7.61**	-	5.59	**5.59**
	Less: Allowance for Expected Credit Loss	-	(7.61)	**(7.61)**	-	(5.59)	**(5.59)**
		-	-	-	-	-	-
(C)	**Loans & Advances to Subsidiaries**	-	1.90	**1.90**	-	1.38	**1.38**
(D)	**Recoverable from Govt. of India**						
	- Towards Principal - GoI Fully Serviced Bonds	4,000.00	-	**4,000.00**	-	-	-
	- Towards Interest - GoI Fully Serviced Bonds	-	87.51	**87.51**	-	-	-
	- Towards Issue Expenses - GoI Fully Serviced Bonds	-	3.58	**3.58**	-	-	-
	- Agency Charges on Govt. Schemes	-	161.01	**161.01**	-	-	-
	- Reimbursement of Expenses on Govt. Schemes	-	14.21	**14.21**	-	8.31	**8.31**
	Recoverable from Govt. of India (Total)	***4,000.00***	***266.31***	*4,266.31*	-	***8.31***	*8.31*
	Less: Allowance for Expected Credit Loss	-	(6.19)	**(6.19)**	-	0.00	**0.00**
	Recoverable from Govt. of India (Net)	**4,000.00**	**260.12**	**4,260.12**	-	**8.31**	**8.31**
(E)	**Recoverable from State Electricity Boards/ Govt. Deptt./ Others**	-	27.11	**27.11**	-	4.99	**4.99**
	Total (A to E)	**4,743.99**	**842.14**	**5,586.13**	**413.70**	**144.56**	**558.26**

12. Other assets

(₹ in Crores)

	Particulars	As at 30.06.2018			As at 30.06.2017		
		Non-current	Current	Total	Non-current	Current	Total
(A)	**Capital Advances**	36.20	-	**36.20**	40.23	-	**40.23**
(B)	**Other Assets**	8.57	1.83	**10.40**	9.92	6.52	**16.44**
	Total (A to B)	**44.77**	**1.83**	**46.60**	**50.15**	**6.52**	**56.67**

13. Cash and Cash Equivalents

(₹ in Crores)

Particulars	As at 30.06.2018	As at 30.06.2017
- Balances with Banks	3.30	576.16
- Cash on Hand (including postage & imprest)	0.05	0.04
Sub-total	**3.35**	**576.20**
- Term Deposits & Other Cash Equivalents		
- Short-term Deposits with Scheduled Banks	359.94	209.69
- Short term Investment in Debt Mutual Funds	-	150.00
Sub-total	**359.94**	**359.69**
Total (Cash & Cash Equivalents)	**363.29**	**935.89**

14. Other Bank Balances

(₹ in Crores)

Particulars	As at 30.06.2018	As at 30.06.2017
- Earmarked Balances with Banks		
- For unpaid dividends	4.44	3.41
- For grants	1,943.93	444.70
- Earmarked Term Deposits		
- For grants	6.23	12.60
- Deposits in Compliance of Court Order	2.32	2.17
- Balances with banks not available for use pending allotment of securities	515.44	
Total (Other Bank Balances)	**2,472.36**	**462.88**

15. Equity Share Capital

(₹ in Crores)

Particulars	As at 30.06.2018		As at 30.06.2017	
	No. of Shares	Amount	No. of Shares	Amount
Authorised : Equity shares of ₹ 10 each	5,00,00,00,000	5,000.00	5,00,00,00,000	5,000.00
Issued, Subscribed and Paid up : Fully paid up Equity shares of ₹ 10 each	1,97,49,18,000	1,974.92	1,97,49,18,000	1,974.92
Total	**1,97,49,18,000**	**1,974.92**	**1,97,49,18,000**	**1,974.92**

16. <u>Other Equity</u>

(₹ in Crores)

Particulars	As at 30.06.2018		As at 30.06.2017	
Securities Premium Account		**2,236.54**		**2,236.54**
Debenture Redemption Reserve				
Balance as at the beginning of the period		1,121.54		924.95
Add: Amount transferred from Surplus Account		49.15		49.15
Balance as at the end of the period		**1,170.69**		**974.10**
Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961				
Balance as at the beginning of the period		13,813.19		12,230.70
Add: Amount transferred from Surplus Account		254.68		375.13
Balance as at the end of the period		**14,067.87**		**12,605.83**
Reserve for Bad and doubtful debts u/s 36(1)(viia) of the Income Tax Act, 1961				
Balance as at the beginning of the period		2,761.10		2,425.30
Add: Amount transferred from Surplus Account		53.05		79.12
Balance as at the end of the period		**2,814.15**		**2,504.42**
Foreign Currency Monetary Item Translation Difference Account				
Balance as at the beginning of the period		(86.29)		203.78
Add: Foreign Currency Translation Gain/ Loss (-) on long term monetary items during the period		(1,414.81)		(104.74)
Amortisation during the period		221.59		56.42
Balance as at the end of the period		**(1,279.51)**		**155.46**
Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934				
Balance as at the beginning of the period		-		-
Add: Amount transferred from Surplus Account		294.00		-
Balance as at the end of the period		**294.00**		**-**
General Reserve		**5,177.40**		**4,677.40**
Retained Earnings				
Balance as at the beginning of the period		5,276.22		5,889.37
Add: Profit during the period		1,468.70		1,075.96
Add: Other Comprehensive Income/ (Loss) for the period		(72.27)		(15.39)
Less : Appropriations				
- Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	254.68		375.13	
- Transfer to Reserve for Bad & Doubtful Debts u/s 36(1)(viia) of the Income Tax Act, 1961	53.05		79.12	
- Transfer to Debenture Redemption Reserve	49.15		49.15	
- Transfer to Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934	294.00	650.88	-	503.40
Balance as at the end of the period		**6,021.77**		**6,446.54**
Total - Other Equity		**30,502.91**		**29,600.29**

17. Details of Borrowings
17.1 Non-Current Borrowings

(₹ in Crores)

	Particulars	As at 30.06.2018			As at 30.06.2017		
		Non-Current	Current	Total	Non-Current	Current	Total
(A)	**Secured Long-Term Debt**						
(a)	**Bonds**						
(i)	Institutional Bonds	11,016.84	10,618.54	21,635.38	21,632.83	5,953.13	27,585.96
(ii)	54EC Capital Gain Tax Exemption Bonds	16,291.61	6,919.21	23,210.82	14,452.41	5,422.42	**19,874.83**
(iii)	Tax Free Bonds	12,607.75	-	**12,607.75**	12,604.30	-	**12,604.30**
(b)	**Term Loans**						
(i)	from Financial Institutions	200.00	200.00	**400.00**	400.00	350.00	**750.00**
(c)	**Other Loans & Advances**						
(i)	Bond Application Money	514.82	-	**514.82**	-	-	**-**
	Total Secured Long-Term Debt (a+b+c)	**40,631.02**	**17,737.75**	**58,368.77**	**49,089.54**	**11,725.55**	**60,815.09**
(B)	**Unsecured Long-Term Debt**						
(a)	**Bonds**						
(i)	Institutional Bonds	98,860.84	6,674.58	**1,05,535.42**	79,394.59	5,359.53	**84,754.12**
(ii)	Infrastructure Bonds	16.46	94.01	110.47	34.88	76.75	**111.63**
(iii)	Zero Coupon Bonds	1,185.01	-	**1,185.01**	1,094.14	-	**1,094.14**
(b)	**Other Loans & Advances**						
(i)	Foreign Currency Borrowings	18,816.83	9,813.30	**28,630.13**	19,404.76	302.11	**19,706.87**
	Total Unsecured Long-Term Debt (a+b)	**1,18,879.14**	**16,581.89**	**1,35,461.03**	**99,928.37**	**5,738.39**	**1,05,666.76**
(C)	**Lease Liability**	**0.11**		**0.11**	**0.13**		**0.13**
	Total Long Term Borrowings (A+B+C)	**1,59,510.27**	**34,319.64**	**1,93,829.91**	**1,49,018.04**	**17,463.94**	**1,66,481.98**
	Less: Current Maturities of Long-term Borrowings		**34,319.64**	**34,319.64**		**17,463.94**	**17,463.94**
	Total Non-Current Borrowings	**1,59,510.27**	**-**	**1,59,510.27**	**1,49,018.04**	**-**	**1,49,018.04**

17.2 Short Term Borrowings

(₹ in Crores)

	Particulars	As at 30.06.2018	As at 30.06.2017
(i)	Loans Repayable on Demand from Banks, unsecured	416.00	-
(ii)	Commercial Paper, unsecured	3,208.52	1,484.23
(iii)	FCNR (B) Loans, unsecured	2,400.14	-
(iv)	Interest Accrued on Short-term Borrowings	3.71	-
	Total (i+ii+iii)	**6,028.37**	**1,484.23**

18. Other Financial Liabilities

(₹ in Crores)

	Particulars	As at 30.06.2018			As at 30.06.2017		
		Non-Current	Current	Total	Non-Current	Current	Total
(A)	**Current Maturities of Long term Debt**	-	34,319.64	**34,319.64**	-	17,463.94	**17,463.94**
(B)	**Interest accrued on borrowings**	-	6,342.13	**6,342.13**	-	6,054.21	**6,054.21**
(C)	**Unpaid Principal & Interest on Bonds**						
	- Matured Bonds & Interest Accrued thereon	-	43.12	**43.12**	-	56.52	**56.52**
	- Interest on Bonds	-	14.14	**14.14**	-	12.96	**12.96**
	Sub-total - Unpaid Principal & Interest on Bonds	-	**57.26**	**57.26**	-	**69.48**	**69.48**
(D)	**Unpaid Dividends**	-	4.44	**4.44**	-	3.41	**3.41**
(E)	**Funds Received from Govt. of India for Disbursement as Subsidy/ Grant**	-	61,632.58	**61,632.58**	-	47,164.67	**47,164.67**
	Add: Interest on Subsidy/ Grant	-	18.65	**18.65**	-	2.12	**2.12**
	Less: Disbursed to Beneficiaries	-	(59,705.39)	**(59,705.39)**	-	(46,707.31)	**(46,707.31)**
	Undisbursed Funds to be disbursed as Subsidy/Grant	-	1,945.84	**1,945.84**	-	459.48	**459.48**
(F)	- Payables towards Bonds Fully serviced by Govt. of India						
	Towards Principal	4,000.00	-	**4,000.00**	-	-	**-**
	Towards Interest	-	87.51	**87.51**	-	-	**-**
(G)	- Sundry Liabilities Account (Interest Capitalisation)	15.99	24.00	**39.99**	-	-	**-**
(H)	- Derivative Financial Instruments	116.56	4.67	**121.23**	240.70	0.04	**240.74**
(I)	- Overdraft in Current Account	-	5.63	**5.63**	-	-	**-**
(J)	- Payable towards funded staff benefits	-	3.20	**3.20**	-	17.55	**17.55**
(K)	- Other Liabilities	-	89.53	**89.53**	-	119.48	**119.48**
	Total (A to K)	**4,132.55**	**42,883.85**	**47,016.40**	**240.70**	**24,187.59**	**24,428.29**

19. Provisions

(₹ in Crores)

	Particulars	As at 30.06.2018			As at 30.06.2017		
		Non-Current	Current	Total	Non-Current	Current	Total
	Provisions for						
(A)	**Employee Benefits**						
	Earned Leave Liability	9.28	1.57	**10.85**	30.39	3.27	**33.66**
	Post Retirement Medical Benefits	103.22	5.39	**108.61**	95.84	4.66	**100.50**
	Medical Leave Liability	17.54	2.81	**20.35**	17.79	2.64	**20.43**
	Settlement Allowance	1.02	0.22	**1.24**	1.13	0.17	**1.30**
	Economic Rehabilitation Scheme	3.33	0.03	**3.36**	3.54	0.01	**3.55**
	Long Service Award	2.48	0.02	**2.50**	2.93	0.19	**3.12**
	Sub-total (A)	**136.87**	**10.04**	**146.91**	**151.62**	**10.94**	**162.56**
(B)	**Others**						
	Incentive	-	23.94	**23.94**	-	21.03	**21.03**
	Pay Revision	-	31.36	**31.36**	-	27.62	**27.62**
	Sub-total (B)	**-**	**55.30**	**55.30**	**-**	**48.65**	**48.65**
	Total (A+B)	**136.87**	**65.34**	**202.21**	**151.62**	**59.59**	**211.21**

20. Other Liabilities

(₹ in Crores)

	Particulars	As at 30.06.2018			As at 30.06.2017		
		Non-Current	Current	Total	Non-Current	Current	Total
(A)	Income Received in Advance	-	1.71	**1.71**	-	2.22	**2.22**
(B)	Statutory Dues payable including PF and TDS	-	16.23	**16.23**	-	6.37	**6.37**
(C)	Deferred Income	-	2.20	**2.20**	-	-	**-**
	Total (A to C)	**-**	**20.14**	**20.14**	**-**	**8.59**	**8.59**

21. Revenue from Operations

(₹ in Crores)

	Particulars	Period ended 30.06.2018		Period ended 30.06.2017	
(A)	**Interest on Loan Assets**				
(i)	Long term financing	5,551.02		5,381.49	
	Less: Rebate for timely payments/ completion etc.	2.70	5,548.32	8.18	5,373.31
(ii)	Short term financing		120.50		93.52
	Sub-total (A)		**5,668.82**		**5,466.83**
(B)	**Revenue from Other Financial Services**				
(i)	Fees based Income		0.73		2.69
(ii)	Prepayment Premium		3.39		71.10
(iii)	Fee for Implementation of Govt. Schemes		-		7.40
	Sub-total (B)		**4.12**		**81.19**
(C)	**Income from Short-term Investment of Surplus Funds**				
(i)	Interest from Deposits		10.72		17.27
(ii)	Changes in fair value of Mutual Funds		1.68		6.05
(iii)	Interest from CP/ ICD		0.33		0.03
	Sub-total (C)		**12.73**		**23.35**
(D)	**Other Interest Income**				
(i)	Interest from Govt. Securities		2.83		4.72
(ii)	Interest from Long Term Investments		49.28		49.28
(iii)	Interest from Staff Advances		0.81		1.48
	Sub-Total (D)		**52.92**		**55.48**
	Total (A to D)		**5,738.59**		**5,626.85**

22. Other Income

(₹ in Crores)

	Particulars	Period ended 30.06.2018	Period ended 30.06.2017
(A)	**Changes in Fair Value of Derivatives**	**578.87**	**-**
(B)	**Other Non-Operating Income**		
	- Unwinding of Discount of Security Deposits	0.01	0.01
	- Miscellaneous Income	1.54	1.15
	Sub-Total (B)	**1.55**	**1.16**
	Total (A+B)	**580.42**	**1.16**

23. Finance Costs

(₹ in Crores)

	Particulars	Period ended 30.06.2018	Period ended 30.06.2017
(A)	**Interest Expense**		
	- On Bonds	3,228.89	2,970.77
	- On Loans from Banks/ Financial Institutions	18.43	18.79
	- On External Commercial Borrowings	314.43	181.81
	- On Commercial Paper	58.08	7.50
	Sub-Total (A)	**3,619.83**	**3,178.87**
(B)	**Other Borrowing Costs**		
	- Guarantee Fee	2.77	4.14
	- Other Finance Charges	5.45	3.54
	Sub-Total (B)	**8.22**	**7.68**
	Total (A+B)	**3,628.05**	**3,186.55**

24. Employee Benefits Expense

(₹ in Crores)

Particulars	Period ended 30.06.2018	Period ended 30.06.2017
- Salaries and Allowances	29.07	38.13
- Contribution to Provident Fund and Other Funds	3.29	3.47
- Gratuity	0.36	4.37
- Expenses towards Post Retirement Medical Facility	5.08	4.95
- Staff Welfare Expenses	5.38	5.58
Total	**43.18**	**56.50**

25. Corporate Social Responsibility Expenses

(₹ in Crores)

Particulars	Period ended 30.06.2018	Period ended 30.06.2017
- Direct Expenditure	46.00	5.25
- Overheads	1.47	0.09
Total	**47.47**	**5.34**

26. Other Expenses

(₹ in Crores)

Particulars	Period ended 30.06.2018		Period ended 30.06.2017	
- Foreign Exchange Fluctuation Loss		332.72		55.06
- Changes in MTM Value of Derivatives		-		174.52
- Travelling and Conveyance		3.24		2.69
- Publicity & Promotion Expenses		2.69		1.79
- Repairs and Maintenance				
- Building	0.66		0.73	
- ERP & Data Centre	0.68		0.98	
- Others	0.31	1.65	0.25	1.96
- Rent & Hiring Charges		2.37		1.93
- Rates and Taxes		0.46		0.25
- Power & Fuel		0.50		0.40
- Insurance Charges		0.01		0.01
- Postage and Telephone		0.98		0.77
- Auditors' Remuneration		0.25		0.13
- Consultancy Charges		2.74		3.31
- Loss on Sale of Assets		0.18		0.09
- Miscellaneous Expenses		8.25		11.51
Total		**356.04**		**254.42**

27. Earnings per Share

Particulars	Period ended 30.06.2018	Period ended 30.06.2017
Numerator		
Profit after Tax as per Statement of Profit and Loss (₹ in Crores)	1,468.70	1,075.96
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 ₹)	**7.44**	**5.45**

28. As per the roadmap notified by the Ministry of Corporate Affairs (MCA), the Company has adopted Indian Accounting Standards (Ind-AS) w.e.f. financial year 2018-19 and accordingly, the transition date is 1st April 2017. The financial results have been prepared in accordance with the recognition and measurement principles of Ind-AS prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder. The impact of the transition has been accounted for in the opening reserves as at 1st April 2017 in line with the requirements of Indian Accounting Standard 101 ***'First Time Adoption of Indian Accounting Standards'*** .

These interim financial statements have been drawn up on the basis of Ind-AS that are applicable to the Company as at 30th June 2018. The corresponding comparative figures have been restated/ reclassified/ regrouped in order to conform to the current period presentation. Any application/ guidance/ directions issued by RBI or other regulators will be adopted/ implemented as and when they are issued.

29. In terms of the requirements of Para 32 of Indian Accounting Standard 101 '***First Time Adoption of Indian Accounting Standards***', the reconciliation of the Net Profit reported for the quarter ended 30th June 2017 under the previous GAAP and Ind-AS is as under:

(₹ in Crores)

	Particulars	Quarter ended 30-06-17
(A)	**Net Profit for the period as reported under the previous GAAP**	1,301.14
(B)	**Add/ (Less) - Ind-AS Adjustments**	
(i)	Adjustment on account of Expected Credit Loss	(400.10)
(ii)	Adjustment on account of MTM accounting for derivatives	(87.79)
(iii)	Adjustment on account of effective interest rate on financial liabilities and financial assets	(20.41)
(iv)	Changes in Fair Value of Investments through Other Comprehensive Income (OCI)	19.61
(v)	Other Misc. adjustments	(0.11)
(vi)	Deferred tax impact	263.62
(C)	**Net Profit as per Ind AS (A+B)**	**1,075.96**
(D)	**Other Comprehensive Income (net of tax)**	
	- Adjustment on account of Fair value change in investments	(15.39)
(E)	**Total Comprehensive Income (net of tax) as per Ind AS (C+D)**	**1,060.57**

30. Details of credit-impaired loan assets and the provisions maintained in respect of those accounts is as under:

(₹ in Crores)

	Particulars	As at 30-06-18
(i)	Credit-impaired loan assets	19,650.67
(ii)	Impairment Allowance Maintained	9,316.17
	Impairment Allowance Coverage (%) (ii/i)	**47.41%**

31. 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 Indian Accounting Standard (Ind AS) 108 '***Operating Segments***'.

32. The Company has started recognising Deferred Tax Asset on account of accumulated impairment allowance in excess of Reserve for Bad & Doubtful Debts. Suitable adjustments have been made on the transition date and in the restated comparative results.

33. Interest income on credit-impaired loan assets amounting to ₹ 327.70 crores during the current quarter (Corresponding quarter of the previous year ₹ 88.99 crores) has not been recognised as a matter of prudence, pending the outcome of resolutions of stressed assets.

34. For all the secured bonds issued by the Company and outstanding as at 30th June 2018, 100% security cover has been maintained by way of mortgage on certain immovable properties and/or charge on the receivables of the Company.

35. Reconciliation between the figures reported under Ind-AS and actual amounts outstanding in respect of Loan Assets:

(₹ in Crores)

	Particulars	As at 30-06-18	As at 30-06-17
(i)	Non-Current Assets - Loans	2,02,083.88	1,78,812.56
(ii)	Current Assets - Loans	29,108.08	20,439.90
	Total Loans (i+ii)	**2,31,191.96**	**1,99,252.46**
	Less: Staff Loans classified under the same head as per Ind-AS	(34.56)	(39.17)
	Less: Security Deposits classified under the same head as per Ind-AS	(1.05)	(0.82)
	Less: Interest accrued on Loans classified under the same head as per Ind-AS	(706.97)	(1,207.83)
	Add: Allowance for Expected Credit Loss netted off as per Ind-AS	11,405.59	9,683.97
	Add: Ind-AS Adjustments in respect of fees based income at Effective Interest Rate (EIR)	58.00	113.86
	Gross Loan Assets	**2,41,912.97**	**2,07,802.47**

36. Reconciliation between the figures reported under Ind-AS and actual amounts outstanding in respect of Borrowings:

(₹ in Crores)

	Particulars	As at 30-06-18	As at 30-06-17
(i)	Non-Current Liabilities - Borrowings	1,59,510.27	1,49,018.04
(ii)	Current Liabilities - Borrowings	6,028.37	1,484.23
(iii)	Current Maturities of Long Term Borrowings	34,319.64	17,463.94
	Total Borrowings Reported (i+ii+iii)	**1,99,858.28**	**1,67,966.21**
	Less: Interest accrued on Borrowings classified under the same head as per Ind-AS	(3.71)	-
	Less: Lease Liability classified under the same head as per Ind-AS	(0.11)	(0.13)
	Add: Ind-AS Adjustments in respect of fund raising expenses at Effective Interest Rate (EIR)	370.17	317.51
	Total Borrowings Outstanding	**2,00,224.63**	**1,68,283.59**

For and on behalf of the Board

J.S. Amitabh
GM & Company Secretary

Ajeet Kumar Agarwal
Director (Finance)
DIN - 02231613

P.V. Ramesh
Chairman & Managing Director
DIN - 02836069

In terms of our Limited Review Report of even date

For G.S. Mathur & Co.
Chartered Accountants
Firm Reg. No.: 008744N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

S.C. Choudhary
Partner
M.No. : 082023

Anil Gaur
Partner
M.No. : 017546

Place: New Delhi
Date: 12th October 2018

RURAL ELECTRIFICATION CORPORATION LIMITED
CASH FLOW STATEMENT FOR THE QUARTER ENDED 30TH JUNE 2018

(₹ in Crores)

PARTICULARS	QUARTER ENDED 30.06.2018		QUARTER ENDED 30.06.2017	
A. Cash Flow from Operating Activities :				
Net Profit before Tax	**2,110.84**		**1,400.92**	
Adjustments for:				
1. Loss/ (Profit) on Sale of Property, Plant & Equipment	0.18		0.09	
2. Depreciation & Amortization	1.59		1.29	
3. Impairment losses on financial assets	131.84		722.99	
4. Adjustments in respect of Effective Interest Rate	(3.63)		30.08	
5. Changes in fair value of derivatives	(764.31)		(13.30)	
6. Interest on Commercial Paper	58.08		7.50	
7. Loss/ (Gain) on Exchange Rate fluctuation	357.66		56.44	
8. Interest on Long-term Investments/ Govt. Securities	(52.11)		(54.00)	
9. Interest Accrued on Zero Coupon Bonds	23.46		22.13	
Operating profit before Changes in Operating Assets & Liabilities	**1,863.60**		**2,174.14**	
Increase / Decrease :				
1. Loan Assets	(2,463.65)		(5,873.75)	
2. Other Operating Assets	(959.51)		(582.41)	
3. Operating Liabilities	256.94		143.17	
Cash flow from Operations	**(1,302.62)**		**(4,138.85)**	
1. Income Tax Paid (including TDS)	(261.79)		(289.57)	
2. Income Tax refund	-		1.35	
Net Cash Flow from Operating Activities		**(1,564.41)**		**(4,427.07)**
B. Cash Flow from Investing Activities				
1. Sale of Property, Plant & Equipment	0.06		0.01	
2. Investment in Property, Plant & Equipment (incl. CWIP & Capital Advances)	(23.92)		(15.00)	
3. Investment in Intangible Assets (including intangible assets under development)	(0.45)		(0.04)	
4. Investment in shares of Housing and Urban Development Corporation Ltd.	-		(2.08)	
5. Investment in Inter-Corporate Deposits	-		(150.03)	
6. Interest on Long-term Investments/ Govt. Securities	14.66		14.66	
Net Cash Flow from Investing Activities		**-9.65**		**-152.48**
C. Cash Flow from Financing Activities				
1. Issue of Bonds (Net of redemptions)	(459.49)		412.76	
2. Raising of Term Loans/ WCDL from Banks/ FIs (net of repayments)	416.00		-	
3. Raising of Foreign Currency Borrowings (net of redemptions)	(85.46)		(1,273.64)	
4. Funds received from GOI for further disbursement as Subsidy/ Grant including interest (net of refund)	4,859.14		1,009.94	
5. Disbursement of grants	(3,010.47)		(576.30)	
6. Issue of Commercial Paper (net of repayments)	-		1,476.73	
Net Cash flow from Financing Activities		**1,719.72**		**1,049.49**
Net Increase/Decrease in Cash & Cash Equivalents		**145.66**		**(3,530.06)**
Cash & Cash Equivalents as at the beginning of the period		**212.00**		**4,465.95**
Cash & Cash Equivalents as at the end of the period		**357.66**		**935.89**

Components of Cash & Cash Equivalents as at end of the period are:

(₹ in Crores)

PARTICULARS	AS AT 30.06.2018	AS AT 30.06.2017
- Cash in Hand (including postage & imprest)	0.05	0.04
- Balances with Banks	3.30	576.16
- Short-term Deposits with Scheduled Banks	359.94	209.69
- Short term Investment in Debt Mutual Funds	-	150.00
- Bank Overdraft	(5.63)	-
Total Cash & Cash Equivalents	**357.66**	**935.89**

Note : Previous period figures have been rearranged and regrouped wherever necessary.

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 Limited Review Report of even date

For G.S. Mathur & Co.	For A.R. & Co.
Chartered Accountants	Chartered Accountants
Firm Reg. No.: 008744N	Firm Reg. No.: 002744C
S.C. Choudhary	Anil Gaur
Partner	Partner
M.No. : 082023	M.No. : 017546

Place: New Delhi
Date: 12th October 2018

G.S. Mathur & Co.	**A.R. & Co.**
Chartered Accountants	**Chartered Accountants**
A-160 Defence Colony	**A-403, Gayatri Apartments,**
New Delhi-110024.	**Plot No. 27, Sector 10, Dwarka**
	New Delhi- 110075.

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 2018, 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 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 31st March 2018,

(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 21.1 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.

For G.S. Mathur & Co.	**For A.R. & Co.**
Chartered Accountants	Chartered Accountants
Firm Regn No. 008744N	Firm Regn. No. 002744C
S.C. Choudhary	Aakansha Nigam
Partner	Partner
M. No. 082023	M. No. 416425

Place : New Delhi
Date : 28th May 2018

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 2018

(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	2.26	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 not granted a loan to any of its directors during the year.

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, Goods & 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, 2018 for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us, the disputed statutory dues aggregating to Rs.39.60 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	21.35	5.28	16.07 *	AY 2008-09 AY 2010-11 AY 2011-12 AY 2012-13	Income Tax Appellate Tribunal, Delhi
Income Tax Act, 1961	Income Tax and Interest	55.85	41.97	13.88	AY 2011-12, AY 2012-13, Ay 2013-14, AY 2014-15 A/Y 2015-16	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	Income Tax and Interest	17.06	8.31	8.75 *	AY 1999-00 AY 2003-04 AY 2004-05	Supreme Court
Income Tax Act, 1961	Tax Deducted at Source	0.06	-	0.06	FY 2007-08 to 2017-18	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	**95.16**	**55.56**	**39.60**		

* ` *24.82 Crore though received by the Company as refund due to appeal effects of favorable decisions of various appellate forums, is however being considered as unpaid on account of further appeals made by the Income Tax Department to higher authorities.*

(viii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the company has not defaulted in repayment of loans or borrowing to a financial institution, bank, government or dues to debenture holders as at the Balance Sheet date.

(ix) The company did not raise any money by way of initial public offer or further public offer and term loans during the year. Accordingly, paragraph 3 (ix) of the order is not applicable.

(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of any material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

(xi) According to the information and explanations given to us, Central Government has exempted the Government Companies from the provisions of Section 197. Accordingly, this clause of the Order is not applicable to the Company.

(xii) According to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, this clause of the Order is not applicable to the Company.

(xiii) According to the information and explanations given to us and on the basis of our examination of the records of the Company, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the necessary disclosures have been made in the standalone 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 is 14.000011.

For G.S. Mathur & Co.	**For A.R. & Co.**
Chartered Accountants	Chartered Accountants
Firm Regn No. 008744N	Firm Regn. No. 002744C
S.C. Choudhary	Aakansha Nigam
Partner	Partner
M. No. 082023	M. No. 416425

Place : New Delhi
Date : 28th May 2018

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 2018

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 39,374.92 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.	Additional interest amounting to ` 0.31 crore was waived off in the case of one of the borrowers for non-creation of security in the initial allowed time period of six months, during the year. Prepayment premium in five cases, amounting to ` 0.64 crore has also been waived, during the year.	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

Sl. No.	Directions/ Sub-Directions	Action Taken	Impact on Standalone Financial Statements
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 G.S. Mathur & Co.
Chartered Accountants
Firm Regn No. 008744N

S.C. Choudhary
Partner
M. No. 082023

For A.R. & Co.
Chartered Accountants
Firm Regn. No. 002744C

Aakansha Nigam
Partner
M. No. 416425

Place : New Delhi
Date : 28th May 2018

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 2018 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 standalone financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material aspects, an adequate internal financial controls system, except (i) improvement in ERP system relating to determination of non-performing assets, 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 service providers, (iv) rotation of duties amongst staff as per HR Policy to be implemented in letter and spirit, over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31st March 2018, 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 31st March 2018 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 G.S. Mathur & Co.	**For A.R. & Co.**
Chartered Accountants	Chartered Accountants
Firm Regn No. 008744N	Firm Regn. No. 002744C
S.C. Choudhary	Aakansha Nigam
Partner	Partner
M. No. 082023	M. No. 416425

Place : New Delhi
Date : 28th May 2018

RURAL ELECTRIFICATION CORPORATION LIMITED
BALANCE SHEET AS AT 31ST MARCH 2018

(` in Crores)

Sl. No.	Particulars	Note No.	As at 31.03.2018	As at 31.03.2017
I.	**EQUITY AND LIABILITIES**			
(1)	**Shareholders' Funds**			
	(a) Share Capital	1	1,974.92	1,974.92
	(b) Reserves and Surplus	2	33,515.59	31,350.67
	Sub-total (1)		**35,490.51**	**33,325.59**
(2)	**Non-current Liabilities**			
	(a) Long-term Borrowings	3	1,60,949.43	1,49,489.33
	(b) Deferred Tax Liabilities (Net)	4	66.96	40.26
	(c) Other Long-term Liabilities	5	4,037.49	12.38
	(d) Long-term Provisions	6	1,326.02	1,848.42
	Sub-total (2)		**1,66,379.90**	**1,51,390.39**
(3)	**Current Liabilities**			
	(a) Short-term Borrowings	3	5,526.54	-
	(b) Other Current Liabilities	5	38,836.01	24,326.04
	(c) Short-term Provisions	6	251.50	194.22
	Sub-total (3)		**44,614.05**	**24,520.26**
	Total (1+2+3)		**2,46,484.46**	**2,09,236.24**
II.	**ASSETS**			
(1)	**Non-current Assets**			
	(a) Fixed assets	7		
	(i) Tangible Assets		123.08	120.68
	(ii) Intangible Assets		5.15	0.43
	(iii) Capital work-in-progress		118.19	58.69
	(iv) Intangible Assets under Development		1.46	1.46
			247.88	181.26
	(b) Non-current Investments	8	2,455.05	2,547.29
	(c) Long-term Loans & Advances	9	2,06,492.49	1,77,348.96
	(d) Other Non-current Assets	10	4,734.95	382.60
	Sub-total (1)		**2,13,930.37**	**1,80,460.11**
(2)	**Current Assets**			
	(a) Current Investments	8	119.75	149.16
	(b) Cash & Bank Balances	11	1,773.53	4,490.02
	(c) Short-term Loans & Advances	9	5,673.56	3,594.56
	(d) Other Current Assets	10	24,987.25	20,542.39
	Sub-total (2)		**32,554.09**	**28,776.13**
	Total (1+2)		**2,46,484.46**	**2,09,236.24**

The Significant Accounting Policies and Notes to Accounts 1 to 45 are an integral part of these 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 G.S. Mathur & Co.	**For A.R. & Co.**
Chartered Accountants	**Chartered Accountants**
Firm Reg. No.: 008744N	**Firm Reg. No.: 002744C**
S.C. Choudhary	**Aakansha Nigam**
Partner	**Partner**
M.No. : 082023	**M.No. : 416425**

Place: New Delhi
Date: 28th May 2018

RURAL ELECTRIFICATION CORPORATION LIMITED
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2018

(` in Crores)

Sl. No.	Particulars	Note No.	Year ended 31.03.2018	Year ended 31.03.2017
I.	Revenue from Operations	12	22,358.27	23,587.30
II.	Other Income	13	82.04	183.28
III.	**Total Revenue (I+II)**		**22,440.31**	**23,770.58**
IV.	**Expenses**			
(i)	Finance Costs	14	13,829.52	13,450.35
(ii)	Employee Benefits Expense	15	176.87	178.07
(iii)	Depreciation & Amortization	7	5.61	5.04
(iv)	Corporate Social Responsibility Expenses	16	49.45	69.80
(v)	Other Expenses	17	111.69	98.80
(vi)	Provisions and Contingencies	18	1,415.55	1,109.47
	Total Expenses (IV)		**15,588.69**	**14,911.53**
V.	**Profit before Prior Period Items & Tax (III-IV)**		6,851.62	8,859.05
VI.	Prior Period Items	19	(0.47)	(1.65)
VII.	**Profit before Tax (V-VI)**		**6,852.09**	**8,860.70**
VIII.	**Tax Expense**			
(i)	Current period		2,168.20	2,606.29
(ii)	Earlier periods/ (Refunds)		10.19	(27.78)
(iii)	Deferred Tax		26.70	36.43
	Total Tax Expense (i+ii+iii)		**2,205.09**	**2,614.94**
IX.	**Profit for the period from Continuing Operations (VII-VIII)**		**4,647.00**	**6,245.76**
X.	**Profit from Discontinuing Operations (after tax)**		-	-
XI.	**Profit for the period (IX+X)**		**4,647.00**	**6,245.76**
XII.	**Earnings per Equity Share (in ` for an equity share of ` 10 each)**			
(1)	Basic	20	**23.53**	**31.63**
(2)	Diluted	20	**23.53**	**31.63**

The Significant Accounting Policies and Notes to Accounts 1 to 45 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 G.S. Mathur & Co.
Chartered Accountants
Firm Reg. No.: 008744N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

S.C. Choudhary
Partner
M.No. : 082023

Aakansha Nigam
Partner
M.No. : 416425

Place: New Delhi
Date: 28th May 2018

RURAL ELECTRIFICATION CORPORATION LIMITED

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. 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 agency fee on Government schemes is recognized on accrual basis on the basis of the services rendered.

c. 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.

d. 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.

(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 3 months or more.

(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 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 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 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).	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	The provisioning requirement would be 0.40% of the amount outstanding as Standard Assets.

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 Rs. 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 arrangement fee paid on the raising of External Commercial Borrowings, 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 Rs. 5,00,000/- in each case are accounted for under natural heads of account.

13. EMPLOYEES BENEFITS

13.1 The liability for employees benefit in respect of Gratuity 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.

16.3 Any one-time hedging premium paid on derivative transactions shall be amortized over the tenor of such derivative contract.

NOTES TO ACCOUNTS

1. Share Capital

(` in Crores)

Particulars	As at 31.03.2018		As at 31.03.2017	
	No. of Shares	Amount	No. of Shares	Amount
Authorised : Equity shares of ` 10 each	5,00,00,00,000	5,000.00	5,00,00,00,000	5,000.00
Issued, Subscribed and Paid up : Fully paid up Equity shares of ` 10 each	1,97,49,18,000	1,974.92	1,97,49,18,000	1,974.92
Total	**1,97,49,18,000**	**1,974.92**	**1,97,49,18,000**	**1,974.92**

1.1 Reconciliation of the number of shares outstanding at the beginning and at the end of the year

(` in Crores)

Particulars	As at 31.03.2018		As at 31.03.2017	
	No. of Shares	Amount	No. of Shares	Amount
Number of shares at the beginning of the year	1,97,49,18,000	1,974.92	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**	**1,97,49,18,000**	**1,974.92**

1.2 Allotment of Bonus Shares during the year and during preceding five years

During the FY 2017-18, no bonus shares were issued by the Company. However, the Company had 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 of the Shareholder	As at 31.03.2018		As at 31.03.2017	
	No. of Shares	Percentage	No. of Shares	Percentage
The President of India	1,15,16,78,783	58.32%	1,16,25,04,472	58.86%
Life Insurance Corporation of India	5,51,51,984	2.79%	12,63,22,504	6.40%

The President of India acting through Ministry of Power, Government of India has divested/sold 1,08,25,689 equity shares i.e. 0.54% of total paid up capital of the Company through BHARAT 22 ETF Scheme on 23rd November, 2017.

2. Reserves and Surplus

(` in Crores)

Particulars	As at 31.03.2018		As at 31.03.2017	
Capital Reserve		**105.00**		**105.00**
Securities Premium Account				
Balance as at the beginning of the year		2,236.54		3,224.00
Less: Deductions/ adjustments during the year (Refer Note 2.1)		-		987.46
Balance as at the end of the year		**2,236.54**		**2,236.54**
Debenture Redemption Reserve *(Refer Note 2.2)*				
Balance as at the beginning of the year		924.95		728.36
Add: Amount transferred from Surplus Account		196.59		196.59
Balance as at the end of the year		**1,121.54**		**924.95**
Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961				
Balance as at the beginning of the year		12,230.70		10,349.64
Add: Amount transferred from Surplus Account		1,582.49		1,881.06
Balance as at the end of the year		**13,813.19**		**12,230.70**
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		2,425.30		2,011.97
Add: Amount transferred from Surplus Account		335.80		413.33
Balance as at the end of the year		**2,761.10**		**2,425.30**
Foreign Currency Monetary Item Translation Difference Account *(Refer Note 2.3)*				
Balance as at the beginning of the year		36.31		-172.41
Add: Foreign Currency Translation Gain/ Loss (-) on long term monetary items during the year		-145.16		153.63
Amortisation during the year		45.75		55.09
Balance as at the end of the year		**-63.10**		**36.31**
General Reserve				
Balance as at the beginning of the year		4,677.40		4,677.40
Add: Amount transferred from Surplus Account		500.00		-
Balance as at the end of the year		**5,177.40**		**4,677.40**
Surplus Account				
Balance as at the beginning of the year		8,714.47		6,706.34
Less: Adjustment of MTM in respect of Interest Rate Swaps as at 31st March 2016 *(Refer Note 2.1)*		-		86.75
Add: Profit during the year		4,647.00		6,245.76
Less : Appropriations				
- Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	1,582.49		1,881.06	
- Transfer to Reserve for Bad & Doubtful Debts u/s 36(1)(viia) of the Income Tax Act, 1961	335.80		413.33	
- Dividend				
- Final Dividend for the previous year *(Refer Note 2.4)*	523.35		-	
- Interim Dividend for the current year	1,461.44		1,382.44	
- Dividend Distribution Tax				
- Final Dividend for the previous year	101.11		-	
- Interim Dividend for the current year	296.77		277.46	
- Transfer to Debenture Redemption Reserve	196.59		196.59	
- Transfer to General Reserve	500.00	4,997.55	-	4,150.88
Balance as at the end of the year		**8,363.92**		**8,714.47**
Total Reserves and Surplus		**33,515.59**		**31,350.67**

2.1 Draw down from Reserves

No amount has been drawn from the reserves during the year ended 31st March 2018. However, during the financial year 2016-17, an amount of ` 86.75 crores after netting of taxes of ` 45.92 crores had been adjusted in the retained earnings In accordance with the transitional provisions mentioned in the Guidance Note on Accounting for Derivative Contracts. Further, bonus shares had also been issued to the shareholders by capitalising Securities Premium Account by a sum of ` 987.46 Crores during the previous year.

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 ` 63.10 Crores as at 31st March 2018 (` 36.31 Crores (gain) as at 31st March 2017).

2.4 Proposed Dividend

The dividend proposed for the year is as follows :

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
On Equity Shares of ` 10 each		
- Amount of Dividend proposed (` in Crores)	345.61	523.35
- Rate of Dividend (%)	17.50%	26.50%
- Dividend per equity share (`)	1.75	2.65

As per the requirements of Revised AS-4 as amended vide the Companies (Accounting Standards) Amendment Rules, 2016, the Company was not required to provide for dividend proposed by the Board of Directors for the financial year 2016-17 in the books of accounts for the same year, as the declaration of dividend was done after the year end. The appropriation towards final dividend for the last year was accordingly made during the current year.

3. Details of Borrowings

3.1 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-5 'Other Long-term and Short-term Liabilities'.

(` in Crores)

	Particulars	As at 31.03.2018			As at 31.03.2017		
		Non-Current	Current	Total	Non-Current	Current	Total
(A)	**Secured Long-Term Debt**						
(a)	**Bonds**						
(i)	Institutional Bonds	11,019.40	11,119.20	**22,138.60**	22,138.60	5,453.30	**27,591.90**
(ii)	54EC Capital Gain Tax Exemption Bonds	15,759.19	6,476.70	**22,235.89**	14,139.62	5,337.78	**19,477.40**
(iii)	Tax Free Bonds	12,648.41	-	**12,648.41**	12,648.41	-	**12,648.41**
(b)	**Term Loans**						
(i)	from Financial Institutions	200.00	200.00	**400.00**	400.00	350.00	**750.00**
(c)	**Other Loans & Advances**						
(i)	Bond Application Money	1,469.23	-	**1,469.23**	-	-	**-**
	Total Secured Long-Term Debt (a+b+c)	**41,096.23**	**17,795.90**	**58,892.13**	**49,326.63**	**11,141.08**	**60,467.71**
(B)	**Unsecured Long-Term Debt**						
(a)	**Bonds**						
(i)	Institutional Bonds	98,894.70	6,675.00	**1,05,569.70**	79,424.70	5,359.70	**84,784.40**
(ii)	Infrastructure Bonds	16.46	94.01	**110.47**	34.89	76.75	**111.64**
(iii)	Zero Coupon Bonds	1,162.59	-	**1,162.59**	1,073.09	-	**1,073.09**
(b)	**Other Loans & Advances**						
(i)	Foreign Currency Borrowings	19,779.45	7,750.63	**27,530.08**	19,630.02	1,450.53	**21,080.55**
	Total Unsecured Long-Term Debt (a+b)	**1,19,853.20**	**14,519.64**	**1,34,372.84**	**1,00,162.70**	**6,886.98**	**1,07,049.68**
	Total Long-Term Debt (A+B)	**1,60,949.43**	**32,315.54**	**1,93,264.97**	**1,49,489.33**	**18,028.06**	**1,67,517.39**

3.2 Short term Debt

(` in Crores)

	Particulars	As at 31.03.2018	As at 31.03.2017
(A)	Commercial Paper, unsecured	3,250.00	-
(B)	FCNR (B) Loans, unsecured	2,276.54	-
	Total Short-Term Debt (A+B)	**5,526.54**	**-**

3.3 Details of secured long-term debt - *Refer Note 3.5 for details of the security*

(a) Bonds

(i) Institutional Bonds

(` in Crores)

Particulars	As at 31.03.2018			As at 31.03.2017		
	Non-Current	Current	Total	Non-Current	Current	Total
123-IIIB Series - 9.34% Redeemable at par on 23.08.2024	1,955.00	-	1,955.00	1,955.00	-	1,955.00
123-I Series - 9.40% Redeemable at par on 17.07.2021	1,515.00	-	1,515.00	1,515.00	-	1,515.00
92-II Series - 8.65% Redeemable at par on 22.01.2020	945.30	-	945.30	945.30	-	945.30
91-II Series - 8.80% Redeemable at par on 18.11.2019	995.90	-	995.90	995.90	-	995.90
90-C-II Series - 8.80% Redeemable at par on 07.10.2019	1,040.00	-	1,040.00	1,040.00	-	1,040.00
90-B-II Series - 8.72% Redeemable at par on 04.09.2019	868.20	-	868.20	868.20	-	868.20
90th Series - 8.80% Redeemable at par on 03.08.2019	2,000.00	-	2,000.00	2,000.00	-	2,000.00
122nd Series - 9.02% Redeemable at par on 18.06.2019	1,700.00	-	1,700.00	1,700.00	-	1,700.00
119th Series - 9.63% Redeemable at par on 05.02.2019	-	2,090.00	2,090.00	2,090.00	-	2,090.00
88th Series - 8.65% Redeemable at par on 15.01.2019	-	1,495.00	1,495.00	1,495.00	-	1,495.00
118th Series - 9.61% Redeemable at par on 03.01.2019	-	1,655.00	1,655.00	1,655.00	-	1,655.00
117th Series - 9.38% Redeemable at par on 06.11.2018	-	2,878.00	2,878.00	2,878.00	-	2,878.00
87-A-III Series - 11.15% Redeemable at par on 24.10.2018	-	61.80	61.80	61.80	-	61.80
116-II Series - 9.24% Redeemable at par on 17.10.2018	-	850.00	850.00	850.00	-	850.00
87-II Series - 10.85% Redeemable at par on 01.10.2018	-	657.40	657.40	657.40	-	657.40
86-B-III Series - 10.85% Redeemable at par on 14.08.2018	-	432.00	432.00	432.00	-	432.00
86-A Series - 10.70% Redeemable at par on 30.07.2018	-	500.00	500.00	500.00	-	500.00
85th Series - 9.68% Redeemable at par on 13.06.2018	-	500.00	500.00	500.00	-	500.00
83rd Series - 9.07% Redeemed at par on 28.02.2018	-	-	-	-	685.20	685.20
82nd Series - 9.85% Redeemed at par on 28.09.2017	-	-	-	-	883.10	883.10
124-I Series - 9.06% Redeemed at par on 22.09.2017	-	-	-	-	2,610.00	2,610.00
123-IIIA Series - 9.25% Redeemed at par on 25.08.2017	-	-	-	-	1,275.00	1,275.00
Total - Institutional Bonds	**11,019.40**	**11,119.20**	**22,138.60**	**22,138.60**	**5,453.30**	**27,591.90**

(ii) 54EC Capital Gain Tax Exemption Bonds

(` in Crores)

Particulars	As at 31.03.2018			As at 31.03.2017		
	Non-Current	Current	Total	Non-Current	Current	Total
Series XI (2017-18) - 5.25% Redeemable at par during financial year 2020-21	8,096.27	-	8,096.27	-	-	-
Series X (2016-17) - 5.25%- 6.00% Redeemable at par during financial year 2019-20	7,662.92	-	7,662.92	7,662.92	-	7,662.92
Series X (2015-16) - 6.00% Redeemable at par during financial year 2018-19	-	6,476.70	6,476.70	6,476.70	-	6,476.70
Series IX (2014-15) - 6.00% Redeemed at par during financial year 2017-18	-	-	-	-	5,337.78	5,337.78
Total - 54EC Capital Gain Tax Exemption Bonds	**15,759.19**	**6,476.70**	**22,235.89**	**14,139.62**	**5,337.78**	**19,477.40**

(iii) Tax Free Bonds

(` in Crores)

Particulars	As at 31.03.2018			As at 31.03.2017		
	Non-Current	Current	Total	Non-Current	Current	Total
Series 2015-16 Tranche 1 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	700.00	-	700.00	700.00	-	700.00
Series 2015-16 Series 5A 7.17% Redeemable at par on 23.07.2025	300.00	-	300.00	300.00	-	300.00
Series 2013-14 Tranche 2 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	1,059.40	-	1,059.40	1,059.40	-	1,059.40
Series 2013-14 Series 4A & 4B 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	150.00	-	150.00	150.00	-	150.00
Series 2013-14 Tranche 1 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	3,440.60	-	3,440.60	3,440.60	-	3,440.60
Series 2013-14 Series 3A & 3B 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	1,350.00	-	1,350.00	1,350.00	-	1,350.00
Series 2012-13 Tranche 2 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	131.06	-	131.06	131.06	-	131.06
Series 2012-13 Tranche 1 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	2,017.35	-	2,017.35	2,017.35	-	2,017.35
Series 2012-13 Series 2A & 2B 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	500.00	-	500.00	500.00	-	500.00
Series 2011-12 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	3,000.00	-	3,000.00	3,000.00	-	3,000.00
Total - Tax Free Bonds	**12,648.41**	**-**	**12,648.41**	**12,648.41**	**-**	**12,648.41**

(b) Term Loans

(` in Crores)

Particulars	As at 31.03.2018			As at 31.03.2017		
	Non-Current	Current	Total	Non-Current	Current	Total
Term Loan from Financial Institutions						
- Life Insurance Corporation of India (LIC)	200.00	200.00	400.00	400.00	350.00	750.00
7.35% Loan repayable in equal annual installments of ` 200 crores, next instalment due on 01.10.2018						
Total - Term Loans	**200.00**	**200.00**	**400.00**	**400.00**	**350.00**	**750.00**

3.4 Details of Unsecured long-term debt :

(a) Bonds

(` in Crores)

	Particulars	As at 31.03.2018			As at 31.03.2017		
		Non-Current	Current	Total	Non-Current	Current	Total
(i)	**Institutional Bonds**						
	156th Series - 7.70% Redeemable at par on 10.12.2027	3,533.00	-	3,533.00	-	-	-
	147th Series - 7.95% Redeemable at par on 12.03.2027	2,745.00	-	2,745.00	2,745.00	-	2,745.00
	142nd Series - 7.54% Redeemable at par on 30.12.2026	3,000.00	-	3,000.00	3,000.00	-	3,000.00
	140th Series - 7.52% Redeemable at par on 07.11.2026	2,100.00	-	2,100.00	2,100.00	-	2,100.00
	136th Series - 8.11% Redeemable at par on 07.10.2025	2,585.00	-	2,585.00	2,585.00	-	2,585.00
	95-II Series - 8.75% Redeemable at par on 14.07.2025	1,800.00	-	1,800.00	1,800.00	-	1,800.00
	94th Series - 8.75% Redeemable at par on 09.06.2025	1,250.00	-	1,250.00	1,250.00	-	1,250.00
	133rd Series - 8.30% Redeemable at par on 10.04.2025	2,396.00	-	2,396.00	2,396.00	-	2,396.00
	131st Series - 8.35% Redeemable at par on 21.02.2025	2,285.00	-	2,285.00	2,285.00	-	2,285.00
	130th Series - 8.27% Redeemable at par on 06.02.2025	2,325.00	-	2,325.00	2,325.00	-	2,325.00
	129th Series - 8.23% Redeemable at par on 23.01.2025	1,925.00	-	1,925.00	1,925.00	-	1,925.00
	128th Series - 8.57% Redeemable at par on 21.12.2024	2,250.00	-	2,250.00	2,250.00	-	2,250.00
	115th Series - Subordinate Tier-II Bonds - 8.06% Redeemable at par on 31.05.2023	2,500.00	-	2,500.00	2,500.00	-	2,500.00 -
	114th Series - 8.82% Redeemable at par on 12.04.2023	4,300.00	-	4,300.00	4,300.00	-	4,300.00
	159th Series - 7.99% Redeemable at par on 23.02.2023	950.00	-	950.00	-	-	-
	155th Series - 7.45% Redeemable at par on 30.11.2022	1,912.00	-	1,912.00	-	-	-
	111-II Series - 9.02% Redeemable at par on 19.11.2022	2,211.20	-	2,211.20	2,211.20	-	2,211.20
	152nd Series - 7.09% Redeemable at par on 17.10.2022	1,225.00	-	1,225.00	-	-	-
	150th Series - 7.03% Redeemable at par on 07.09.2022	2,670.00	-	2,670.00	-	-	-
	107th Series - 9.35% Redeemable at par on 15.06.2022	2,378.20	-	2,378.20	2,378.20	-	2,378.20
	132nd Series - 8.27% Redeemable at par on 09.03.2022	700.00	-	700.00	700.00	-	700.00
	145th Series - 7.46% Redeemable at par on 28.02.2022	625.00	-	625.00	625.00	-	625.00
	141st Series - 7.14% Redeemable at par on 09.12.2021	1,020.00	-	1,020.00	1,020.00	-	1,020.00
	127th Series - 8.44% Redeemable at par on 04.12.2021	1,550.00	-	1,550.00	1,550.00	-	1,550.00
	105th Series - 9.75% Redeemable at par on 11.11.2021	3,922.20	-	3,922.20	3,922.20		3,922.20
	139th Series - 7.24% Redeemable at par on 21.10.2021	2,500.00	-	2,500.00	2,500.00	-	2,500.00
	101-III Series - 9.48% Redeemable at par on 10.08.2021	3,171.80	-	3,171.80	3,171.80	-	3,171.80
	100th Series - 9.63% Redeemable at par on 15.07.2021	1,500.00	-	1,500.00	1,500.00	-	1,500.00
	161B Series - 7.73% Redeemable at par on 15.06.2021	800.00	-	800.00	-	-	-
	154th Series - 7.18% Redeemable at par on 21.05.2021	600.00	-	600.00	-	-	-
	157th Series - 7.60% Redeemable at par on 17.04.2021	1,055.00	-	1,055.00	-	-	-
	98th Series - 9.18% Redeemable at par on 15.03.2021	3,000.00	-	3,000.00	3,000.00	-	3,000.00
	158th Series - 7.70% Redeemable at par on 15.03.2021	2,465.00	-	2,465.00	-	-	-
	153rd Series - 6.99% Redeemable at par on 31.12.2020	2,850.00	-	2,850.00	-	-	-
	97th Series - 8.80% Redeemable at par on 30.11.2020	2,120.50	-	2,120.50	2,120.50	-	2,120.50
	96th Series - 8.80% Redeemable at par on 26.10.2020	1,150.00	-	1,150.00	1,150.00	-	1,150.00
	149th Series - 6.87% Redeemable at par on 24.09.2020	2,485.00	-	2,485.00	-	-	-
	135th Series - 8.36% Redeemable at par on 22.09.2020	2,750.00	-	2,750.00	2,750.00	-	2,750.00
	144th Series - 7.13% Redeemable at par on 21.09.2020	835.00	-	835.00	835.00	-	835.00
	134th Series - 8.37% Redeemable at par on 14.08.2020	2,675.00	-	2,675.00	2,675.00	-	2,675.00
	143rd Series - 6.83% Redeemable at par on 29.06.2020	1,275.00	-	1,275.00	1,275.00	-	1,275.00
	148th Series - 7.42% Redeemable at par on 17.06.2020	1,200.00	-	1,200.00	1,200.00	-	1,200.00
	161A Series - 7.59% Redeemable at par on 13.03.2020	3,000.00	-	3,000.00	-	-	-
	113th Series - 8.87% Redeemable at par on 09.03.2020	1,542.00	-	1,542.00	1,542.00	-	1,542.00
	111-I Series - 9.02% Redeemable at par on 19.11.2019	452.80	-	452.80	452.80	-	452.80
	126th Series - 8.56% Redeemable at par on 13.11.2019	1,700.00	-	1,700.00	1,700.00	-	1,700.00
	125th Series - 9.04% Redeemable at par on 11.10.2019	3,000.00	-	3,000.00	3,000.00	-	3,000.00
	160th Series - 7.77% Redeemable at par on 16.09.2019	1,450.00	-	1,450.00	-	-	-
	108-II Series - 9.39% Redeemable at par on 20.07.2019	960.00	-	960.00	960.00	-	960.00
	95-I Series - 8.70% Redeemable at par on 12.07.2019	200.00	-	200.00	200.00	-	200.00
	151st Series - 6.75% Redeemable at par on 26.03.2019	-	1,150.00	1,150.00	-	-	-
	137th Series - 8.05% Redeemable at par on 07.12.2018	-	2,225.00	2,225.00	2,225.00	-	2,225.00
	146th Series - 6.88% Redeemable at par on 03.09.2018	-	3,300.00	3,300.00	3,300.00	-	3,300.00
	112th Series - 8.70% Redeemed at par on 01.02.2018	-	-	-	-	1,500.00	1,500.00
	109th Series - 9.25% Redeemed at par on 28.08.2017	-	-	-	-	1,734.70	1,734.70
	108-I Series - 9.40% Redeemed at par on 20.07.2017	-	-	-	-	2,125.00	2,125.00
	Total - Institutional Bonds	**98,894.70**	**6,675.00**	**1,05,569.70**	**79,424.70**	**5,359.70**	**84,784.40**
(ii)	**Infrastructure Bonds**						
	Series-II (2011-12) - Redeemable at par. Refer Note 3.6	11.06	18.44	29.50	29.50	-	29.50
	Series-I (2010-11) - Redeemable at par. Refer Note 3.6	5.40	75.57	80.97	5.39	76.75	82.14
	Total - Infrastructure Bonds	**16.46**	**94.01**	**110.47**	**34.89**	**76.75**	**111.64**
(iii)	**Zero Coupon Bonds**						
	ZCB - Series II (Net of unamortised discount, 89,510 bonds with face value of ` 30,000 each redeemable at par on 03.02.2021)	211.59	-	211.59	194.57	-	194.57
	ZCB - Series I (Net of unamortised discount, 3,92,700 bonds with face value of ` 30,000 each redeemable at par on 15.12.2020)	951.00	-	951.00	878.52	-	878.52
	Total - Zero Coupon Bonds	**1,162.59**	**-**	**1,162.59**	**1,073.09**	**-**	**1,073.09**

(b) Other Loans & Advances

(i) Foreign Currency Borrowings

(` in Crores)

	Particulars	As at 31.03.2018			As at 31.03.2017		
		Non-Current	Current	Total	Non-Current	Current	Total
(1)	<u>**Foreign Currency Bonds**</u>						
	4.625% US $300 Mn Bonds - Redeemable at par on 22.03.2028	1,951.32	-	1,951.32	-	-	-
	3.875% US $450 Mn Green Bonds - Redeemable at par on 07.07.2027	2,926.98	-	2,926.98	-	-	-
	3.068% US $400 Mn Bonds - Redeemable at par on 18.12.2020	2,601.76	-	2,601.76	-	-	-
	Sub-Total - Foreign Currency Bonds	**7,480.06**	**-**	**7,480.06**	**-**	**-**	**-**
(2)	<u>**ODA Loans - Guaranteed by Govt. of India**</u>						
	JICA Loan - 0.75% JICA-I loan repayable in half-yearly instalments till 20.03.2021, next instalment falling due on 20.09.2018 and 0.65% JICA-II loan repayable in half-yearly instalments till 20.03.2023, next instalment falling due on 20.09.2018	129.35	122.98	252.33	237.65	169.84	407.49
	3.73% KfW Loan - Repayable in equal half-yearly instalments of €3.68 Mn, next instalment due on 30.06.2018	-	59.41	59.41	51.03	51.02	102.05
	2.89% KfW-II Loan - Repayable in equal half-yearly instalments of €3.88 Mn, next instalment falling due on 30.06.2018	125.42	62.71	188.13	161.58	53.86	215.44
	1.86% KfW-III Loan - Repayable in equal half-yearly instalments of €5.26 Mn, next instalment falling due on 30.06.2018	466.78	84.86	551.64	473.81	72.89	546.70
	Sub-Total - ODA Loans - Guaranteed by Govt. of India	**721.55**	**329.96**	**1,051.51**	**924.07**	**347.61**	**1,271.68**
(3)	<u>**Syndicated Loans**</u>						
	¥19.029 Bn - Repaid on 10.04.2017	-	-	-	-	1,102.92	1,102.92
	US $285 Mn - Repayable on 02.12.2018	-	1,853.76	1,853.76	1,847.90	-	1,847.90
	US $250 Mn - Repayable on 29.05.2019	1,252.10	-	1,252.10	1,620.97	-	1,620.97
	US $400 Mn - Prepaid on 27.12.2017	-	-	-	2,593.54	-	2,593.54
	US $400 Mn - Prepaid on 26.03.2018	-	-	-	2,593.54	-	2,593.54
	US $300 Mn - Repayable on 29.07.2020	1,951.32	-	1,951.32	1,945.16	-	1,945.16
	**US $250 Mn -** Loan of US$ 150 Mn and US$ 100 Mn repayable on 18.09.2018 and 19.11.2018 respectively	-	1,626.10	1,626.10	1,620.97	-	1,620.97
	US $300 Mn - Repayable on 01.12.2020	1,951.32	-	1,951.32	1,945.16	-	1,945.16
	US $250 Mn - Repayable on 05.02.2019	-	1,626.10	1,626.10	1,620.97	-	1,620.97
	US $120 Mn - Repayable on 21.03.2019	-	780.53	780.53	778.06	-	778.06
	US $100 Mn - Repayable on 05.10.2021	650.44	-	650.44	648.39	-	648.39
	US $230 Mn - Repayable on 19.01.2022	1,496.01	-	1,496.01	1,491.29	-	1,491.29
	US $200 Mn - Repayable on 28.07.2022	1,300.88	-	1,300.88	-	-	-
	US $57.50 Mn - Repayable on 29.05.2019	374.00	-	374.00	-	-	-
	US $240 Mn - Repayable on 26.03.2021	1,561.06	-	1,561.06	-	-	-
	US $160 Mn - Repayable on 26.03.2021	1,040.71	-	1,040.71	-	-	-
	Sub-Total - Syndicated Loans	**11,577.84**	**5,886.49**	**17,464.33**	**18,705.95**	**1,102.92**	**19,808.87**
(4)	<u>**FCNR (B) Loans**</u>						
	US $235.87 Mn - Repayable on 12.02.2019	-	1,534.18	1,534.18	-	-	-
	Sub-Total - FNCR (B) Loans	**-**	**1,534.18**	**1,534.18**	**-**	**-**	**-**
	Total - Foreign Currency Borrowings	**19,779.45**	**7,750.63**	**27,530.08**	**19,630.02**	**1,450.53**	**21,080.55**

3.5 <u>Security Details of the Secured Borrowings</u>

The Bond Series 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 24th 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 and 123-IIIB of Institutional Bonds are secured by way of first pari passu charge on the specified immovable property and the book debts of the Issuer which are charged to other lender / trustee and as may be agreed between the Issuer and the Trustee, pursuant to the terms of the Bond Trust Deed with a minimum security cover of one time of the aggregate face value of amount of bonds outstanding at all times and amount of interest due thereon in favor of IDBI Trusteeship Services Ltd.

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 & Series XI of 54EC Capital Gain Tax Exemption Bonds and Tax Free Bonds issued during FY 2012-13 & 2015-16 are secured by first pari passu charge on (a) mortgage of premises at Sub Plot No. 8, TPS No 2, FP No. 584P, situated at Village Subhanpura, Distt Vadodara and (b) hypothecation of receivables (other than those that are exclusively charged/ earmarked to lenders / other Trustees) in favour of SBICap Trustee Company Ltd.

The term loan from Life Insurance Corporation of India is secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to Vistra ITCL (India) Ltd. (formerly known as IL&FS Trust Company Ltd.) on the basis of joint hypothecation agreement dated 24th September, 2010 in favour of IDBI Trusteeship Services Ltd.

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%	17.07	Redeemable on the date falling 10 years from the date of allotment with buyback option by bondholders after 5/6/7/8/9 years
8.20%	58.50	
8.10%	1.61	Redeemable on the date falling 10 years from the date of allotment
8.20%	3.79	
Total	**80.97**	

Series II (2011-12) allotted on 15.02.2012

Rate of Interest	Amount (` in Crores)	Redemption Details
9.15% Cumulative	13.44	Redeemable on the date falling 15 years from the date of allotment with buyback option by bondholders after 7 years
9.15% Annual	5.00	
8.95% Cumulative	5.72	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 Foreign Currency Borrowings in Note No. 3.4(b)(i)(3) and (4) have been raised at interest rates ranging from a spread of 65 bps to 150 bps over 6 Months' USD/JPY LIBOR (London Inter Bank Offered Rate)

3.8 In respect of foreign currency borrowings, the company has also executed cross currency swaps (principal and/or interest) to hedge the Foreign Currency Exposure. The outstanding position of Foreign Currency Exposure as at 31st March 2018 is as under:

(Foreign Currency amounts in Millions)

Currency	Total Exposure		Hedged Exposure		Unhedged Exposure	
	As at 31.03.18	As at 31.03.17	As at 31.03.18	As at 31.03.17	As at 31.03.18	As at 31.03.17
USD $	4,420.87	2,885.00	2,680.00	2,530.00	1,740.87	355.00
JPY ¥	4,100.17	26,059.52	2,214.38	23,985.15	1,885.79	2,074.37
EURO €	99.13	124.80	73.68	99.35	25.45	25.45

3.9 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
As at 31st March 2018	65.0441	0.6154	80.6222
As at 31st March 2017	*64.8386*	*0.5796*	*69.2476*

3.10 REC launched its maiden USD Green Bonds in June 2017 to become the first Indian PSU to launch Green Bonds denominated in US Dollars and raised US$ 450 million for a tenure of ten years from the offshore market. The Green Bonds, listed on the London Stock Exchange and Singapore Stock Exchange, have been certified by the Climate Bond Initiative, London while the 'Green Bond framework' formulated by REC has been verified by KPMG. The issue proceeds have been utilized for financing existing projects including re-financing and new eligible green projects in accordance with the Green Bond framework.

3.11 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 of "Baa3" and "BBB-" from International Credit Rating Agencies Moody's and FITCH respectively.

There has been no migration of ratings during the year.

3.12 The Company had 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 during the year 2016-17. Based on the complaint filed by the Company, the police filed an FIR against the unknown person and the officials of then Registrar and Transfer Agent (R&TA). Further, an amount of ` 0.59 Crore had been shown recoverable from the RTA in the books of accounts and the matter duly reported to the Reserve Bank of India (RBI). A criminal case has also been filed by the police against the suspected culprits. REC has filed a civil suit on 1st March, 2018 against the erstwhile R&TA (M/s RCMC Share Registry Pvt. Ltd.) for recovery of the dues.

4. Deferred Tax Liabilities (Net)

(` in Crores)

Particulars	As at 31.03.2018	As at 31.03.2017
Deferred Tax Liabilities on account of:		
Depreciation	2.93	3.79
Foreign Currency Exchange Fluctuation Loss	21.84	-
MTM on Interest Rate Swap	52.49	66.48
Total	**77.26**	**70.27**
Deferred Tax Assets on account of:		
Provision for Earned Leave	3.46	10.77
Provision for Medical Leave	6.84	6.67
Foreign Currency Exchange Fluctuation Loss	-	12.57
Total	**10.30**	**30.01**
Deferred Tax Liabilities (Net)	**66.96**	**40.26**

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 and Short-term Liabilities

(` in Crores)

	Particulars	As at 31.03.2018			As at 31.03.2017		
		Non-Current	Current	Total	Non-Current	Current	Total
(A)	**Current maturities of long-term debt** *(Refer Note 3)*	-	32,315.54	**32,315.54**	-	18,028.06	**18,028.06**
(B)	**Interest accrued but not due on borrowings**	15.50	6,163.64	**6,179.14**	12.38	6,026.78	**6,039.16**
	Interest accrued and due on borrowings	-	-	**-**	-	-	**-**
(C)	**Income Received in Advance**	-	-	**-**	-	0.08	**0.08**
(D)	**Unpaid Dividends**	-	3.49	**3.49**	-	2.75	**2.75**
(E)	**Unpaid Principal & Interest on Bonds**						
	- Matured Bonds & Interest Accrued thereon	-	47.03	**47.03**	-	51.54	**51.54**
	- Interest on Bonds	-	14.27	**14.27**	-	15.19	**15.19**
(F)	**Other payables**						
	- Funds Received from Govt. of India for Disbursement as Subsidy/ Grant	-	56,780.96	**56,780.96**	-	46,154.67	**46,154.67**
	Add: Interest on Subsidy/ Grant *(Refer Note 5.3)*	-	11.13	**11.13**	-	2.18	**2.18**
	Less: Disbursed to Beneficiaries	-	(56,694.92)	**(56,694.92)**	-	(46,131.01)	**(46,131.01)**
	Undisbursed Funds to be disbursed as Subsidy/Grant	-	97.17	**97.17**	-	25.84	**25.84**
	- Payables towards Bonds Fully serviced by Govt. of India						
	Towards Principal (Refer Note 5.4)	4,000.00	-	**4,000.00**	-	-	**-**
	Towards Interest	-	7.17	**7.17**	-	-	**-**
	- Sundry Liabilities Account (Interest Capitalisation)	21.99	24.00	**45.99**	-	-	**-**
	- Statutory Dues payable including PF and TDS	-	33.52	**33.52**	-	26.26	**26.26**
	- Payable towards funded staff benefits	-	2.84	**2.84**	-	13.63	**13.63**
	- Other Liabilities	-	127.34	**127.34**	-	135.91	**135.91**
	Sub-total (F)	**4,021.99**	**292.04**	**4,314.03**	**-**	**201.64**	**201.64**
	Total (A to F)	**4,037.49**	**38,836.01**	**42873.50**	**12.38**	**24,326.04**	**24,338.42**

5.1 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 ` 0.53 Crores as at 31st March 2018 (` 0.86 Crores as at 31st March 2017) represents the balance amount of interest subsidy fund, which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following :-

(` in Crores)

Particulars	For the year ended 31.03.2018	For the year ended 31.03.2017
Opening Balance of Interest Subsidy Fund	0.86	1.26
Add: Interest earned during the year	0.02	0.07
Less: Interest subsidy passed on to the borrower	0.35	0.47
Closing Balance of Interest Subsidy Fund	**0.53**	**0.86**

5.2 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 period, interest earned of ` 18.15 Crores (Previous year ` 24.84 Crores) has been taken to DDUGJY Subsidy account. Further, during the year, an amount of ` 10.33 crores (Previous year ` 40.78 crores) has been refunded back to MoP out of the total interest on subsidy.

5.3 The movement in Interest on Subsidy/ Grant is explained as under:

(` in Crores)

Particulars	For the year ended 31.03.2018	For the year ended 31.03.2017
Opening Balance	2.18	18.10
Add: Interest earned during the year	20.49	25.94
Less: Amount refunded to Govt. during the year	11.32	41.59
Less: Disbursement out of Interest earned on account of AG&SP Grant	0.22	0.27
Closing Balance	**11.13**	**2.18**

5.4 For meeting GOI's funding requirement of DDUGJY Scheme, during the year, the Company has raised an aggregate amount of ` 4,000 crore through unsecured, redeemable, non-convertible, taxable bonds in the nature of debentures of face value of ` 10 lacs at par on private placement basis. As per Ministry of Power (MoP) letter dated 19th March 2018, the repayment of principal and interest of the above bonds shall be made by GoI by making suitable budget provisions in the demand of Ministry of Power. Accordingly, the amount of such bonds along-with interest is also appearing as recoverable by the Company from GoI.

Details of the GoI Fully Serviced Bonds raised are as follows-

(` in Crores)

Particulars	As at 31.03.2018			As at 31.03.2017		
	Non-Current	Current	Total	Non-Current	Current	Total
GoI-I Series 8.09% semi-annual redeemable at par on 21.03.2028	1,837.00	-	**1,837.00**	-	-	-
GoI-II Series 8.01% semi-annual redeemable at par on 24.03.2028	1,410.00	-	**1,410.00**	-	-	-
GoI-III Series 8.06% semi-annual redeemable at par on 27.03.2028	753.00	-	**753.00**	-	-	-
Total	**4,000.00**	**-**	**4,000.00**	**-**	**-**	**-**

6. Long-term and Short-term Provisions

(` in Crores)

	Particulars	As at 31.03.2018			As at 31.03.2017		
		Non-Current	Current	Total	Non-Current	Current	Total
	Provisions for						
(A)	**Employee Benefits**						
	Earned Leave Liability	8.43	1.58	**10.01**	27.86	3.27	**31.13**
	Post Retirement Medical Benefits	99.80	5.39	**105.19**	92.49	4.66	**97.15**
	Medical Leave Liability	16.96	2.81	**19.77**	16.63	2.64	**19.27**
	Settlement Allowance	1.03	0.21	**1.24**	1.10	0.17	**1.27**
	Economic Rehabilitation Scheme	3.31	0.03	**3.34**	3.44	0.01	**3.45**
	Long Service Award	2.55	0.02	**2.57**	2.64	0.19	**2.83**
	Sub-total (A)	**132.08**	**10.04**	**142.12**	**144.16**	**10.94**	**155.10**
(B)	**Others**						
	Standard Loan Assets	784.53	104.87	**889.40**	536.59	70.87	**607.46**
	Restructured Standard Loans	409.41	54.54	**463.95**	1,167.67	73.52	**1,241.19**
	Interest on Loans Due & Converted into Equity	-	3.96	**3.96**	-	3.96	**3.96**
	Incentive	-	19.19	**19.19**	-	20.34	**20.34**
	Pay Revision	-	58.90	**58.90**	-	14.59	**14.59**
	Sub-total (B)	**1,193.94**	**241.46**	**1,435.40**	**1,704.26**	**183.28**	**1,887.54**
	Total (A+B)	**1,326.02**	**251.50**	**1,577.52**	**1,848.42**	**194.22**	**2,042.64**

6.1 Details of Provisions as required under AS-29 are as under :

(` in Crores)

Particulars	For the year ended 31.03.2018				For the year ended 31.03.2017			
	Opening Balance	Additions during the year	Paid/ Adjusted during the year	Closing Balance	Opening Balance	Additions during the year	Paid/ Adjusted during the year	Closing Balance
Standard Loan Assets	607.46	281.94	-	**889.40**	543.43	64.03	-	**607.46**
Restructured Standard Loans	1241.19	68.16	845.40	**463.95**	821.34	419.85	-	**1241.19**
Interest on Loans Due & Converted into Equity	3.96		-	**3.96**	3.96	-	-	**3.96**
Incentive	20.34	13.43	14.58	**19.19**	18.13	15.52	13.31	**20.34**
Pay Revision	14.59	50.33	6.02	**58.90**	-	14.59	-	**14.59**

7. **Fixed Assets as at 31st March 2018**

(` In Crores)

FIXED ASSETS	GROSS BLOCK				DEPRECIATION/ AMORTISATION				NET BLOCK	
	As at 01.04.2017	Additions during the year	Sales/ adjustment during the year	Closing as on 31.03.2018	Upto 31.03.2017	During the year	Adjustment during the year	As at 31.03.2018	As at 31.03.2018	As at 31.03.2017
Tangible Assets										
Freehold Land	82.92	-	-	82.92	-	-	-	-	82.92	82.92
Leasehold Land	1.45	-	-	1.45	0.25	0.02	-	0.27	1.18	1.20
Buildings	31.59	0.16	-	31.75	7.62	0.48	-	8.10	23.65	23.97
Furniture & Fixtures	7.31	1.95	0.15	9.11	5.31	0.55	0.07	5.79	3.32	2.00
Vehicles	0.43	-	0.03	0.40	0.28	0.02	0.03	0.27	0.13	0.15
EDP Equipments	15.26	2.64	2.10	15.80	11.57	2.04	1.92	11.69	4.11	3.69
Office Equipments	13.64	3.33	0.75	16.22	6.89	1.87	0.31	8.45	7.77	6.75
Total	**152.60**	**8.08**	**3.03**	**157.65**	**31.92**	**4.98**	**2.33**	**34.57**	**123.08**	**120.68**
Previous year	149.63	9.59	6.62	152.60	31.80	4.50	4.38	31.92	120.68	
Intangible Assets										
Computer Software	7.03	5.35	-	12.38	6.60	0.63	-	7.23	5.15	0.43
Total	**7.03**	**5.35**	**-**	**12.38**	**6.60**	**0.63**	**-**	**7.23**	**5.15**	**0.43**
Previous year	6.97	0.06	-	7.03	6.06	0.54	-	6.60	0.43	
Capital Work-in-progress	**58.69**	**59.50**	**-**	**118.19**	**-**	**-**	**-**	**-**	**118.19**	**58.69**
Previous year	30.37	28.32	-	58.69	-	-	-	-	58.69	
Intangible Assets under Development	**1.46**	**-**	**-**	**1.46**	**-**	**-**	**-**	**-**	**1.46**	**1.46**
Previous year	1.21	0.25	-	1.46	-	-	-	-	1.46	

7.1 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.

7.2 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.

7.3 **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

8. Investments

(` in Crores)

	Particulars	As at 31.03.2018			As at 31.03.2017		
		Non-current	Current	Total	Non-current	Current	Total
	Valued at Cost						
(A)	**Trade Investments**						
(i)	**Investment in Equity Instruments - Quoted**						
	- NHPC Ltd. 18,40,11,865 Equity shares of `10 each, fully paid up	400.80	-	**400.80**	400.80	-	**400.80**
	- Housing and Urban Development Corporation Ltd. 3,47,429 Equity shares of `10 each, fully paid up	2.08	-	**2.08**	-	-	**-**
	- Indian Energy Exchange Limited 12,50,000 Equity shares of `10 each, fully paid up	1.25	-	**1.25**	1.25	-	**1.25**
(ii)	**Investment in Equity Instruments - Unquoted**						
	- Subsidiaries						
	- REC Power Distribution Company Limited 5,00,000 Equity shares of `10 each, fully paid up	0.05	-	**0.05**	0.05	-	**0.05**
	- REC Transmission Projects Company Limited 5,00,000 Equity shares of `10 each, fully paid up	0.05	-	**0.05**	0.05	-	**0.05**
	- Joint Ventures						
	- Energy Efficiency Services Limited 14,65,00,000 Equity shares of `10 each, fully paid up	146.50	-	**146.50**	146.50	-	**146.50**
	- Others						
	- Universal Commodity Exchange Limited 1,60,00,000 Equity shares of `10 each, fully paid up	-	16.00	**16.00**	16.00	-	**16.00**
	Less: Provision for Diminution in Investment	-	*(16.00)*	**(16.00)**	*(16.00)*	-	**(16.00)**
		-	-	**-**	-	-	**-**
	- Lanco Teesta Hydro Power Limited 10,20,00,000 Equity shares of `10 each, fully paid up	-	102.00	**102.00**	-	102.00	**102.00**
	Less: Provision for Diminution in Investment	-	*(29.41)*	**(29.41)**	-	-	**-**
		-	72.59	**72.59**		102.00	**102.00**
(iii)	**Investment in Government Securities - Unquoted**						
	- 8% Government of Madhya Pradesh Power Bonds-II 3 Bonds of ` 47,16,00,000 each	94.32	47.16	**141.48**	188.64	47.16	**235.80**
(iv)	**Investment in Venture Capital Funds - Unquoted**						
	- 'Small is Beautiful' Fund 61,52,200 units of ` 10 each	6.15	-	**6.15**	6.15	-	**6.15**
(v)	**Investment in Debentures - Unquoted**						
	- 9.68% Bonds of UP Power Corporation Ltd. 30,385 Bonds of ` 1,00,000 each	303.85	-	**303.85**	303.85	-	**303.85**
(B)	**Other Investments**						
(i)	**Investment in Debentures - Quoted**						
	- 11.15% Additional Tier-1 Perpetual Bonds of Indian Bank 5,000 Bonds of ` 10,00,000 each	500.00	-	**500.00**	500.00	-	**500.00**
	- 11.25% Additional Tier-1 Perpetual Bonds of Vijaya Bank 5,000 Bonds of ` 10,00,000 each	500.00	-	**500.00**	500.00	-	**500.00**
	- 11.25% Additional Tier-1 Perpetual Bonds of Syndicate Bank 5,000 Bonds of ` 10,00,000 each	500.00	-	**500.00**	500.00	-	**500.00**
	Total (1+2)	**2,455.05**	**119.75**	**2,574.80**	**2,547.29**	**149.16**	**2,696.45**

8.1 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 31.03.2018 is ` 10.17 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 Indian Energy Exchange Ltd. (IEX)

Name of the Company	No. of Shares	Invested Amount	Country of Incorporation	Shareholding %
Indian Energy Exchange Limited	12,50,000	`1.25 Crores	India	4.12%

The equity shares of IEX have been listed on stock exchanges on 23rd October 2017.

8.2 Information in relation to the interest of the Company in Joint Ventures (JVs):

1. Energy Efficiency Services Ltd.

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 31.03.2018 and income and expenses for the year in respect of joint venture are given below :

(` in Crores)

	Particulars	As at / For the year ended 31.03.2018 (Unaudited)	As at / For the year ended 31.03.2017 (Unaudited)	As at / For the year ended 31.03.2017 (Audited) *
(i)	Total Assets	1,543.62	838.77	817.03
(ii)	Total Liabilities	1,340.45	662.90	640.93
(iii)	Total Reserves & Surplus	25.27	29.37	29.60
(iv)	Contingent Liabilities	68.65	11.74	38.06
(v)	Capital Commitments	83.64	103.95	253.57
(vi)	Total Income	461.78	408.83	389.14
(vii)	Total Expenses	438.60	384.81	363.25

** The consolidated financial statements of the Company for the FY 2016-17 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 30th May 2017. Further, the audited financial statements for the year ended 31st March 2017 have been prepared under Indian Accounting Standards (Ind-AS). The unaudited financial statements for the year ended 31st March 2018 have been prepared as per Indian GAAP and certified by the Management.*

8.3 Additional disclosures required in respect of the investments :

(` in Crores)

	Particulars	As at 31.03.2018	As at 31.03.2017
(1)	**Value of Investments**		
(i)	Gross Value of Investments		
(a)	In India	**2,620.21**	**2,712.45**
(b)	Outside India,	**-**	**-**
(ii)	**Provisions for Depreciation**		
(a)	In India	**45.41**	**16.00**
(b)	Outside India,	**-**	**-**
(iii)	**Net Value of Investments**		
(a)	In India	**2,574.80**	**2,696.45**
(b)	Outside India.	**-**	**-**
(2)	**Movement of provisions held towards depreciation on investments.**		
(i)	Opening balance	**16.00**	**-**
(ii)	Add : Provisions made during the year	**29.41**	**16.00**
(iii)	Less : Write-off / write-back of excess provisions during the year	**-**	**-**
(iv)	**Closing balance**	**45.41**	**16.00**
(3)	**Aggregate amount of Quoted Investments**	**1,904.13**	**1,900.80**
	Market Value of Quoted Investments	**2,212.38**	**2,089.76**
(4)	**Aggregate amount of Unquoted Investments**	**716.08**	**811.65**
(5)	**Aggregate provision for diminution in value of investments**	**45.41**	**16.00**

9. Loans & Advances

Non-current portion of the staff loans & advances has been classified under 'Long-term Loans & Advances' and the current portion of the staff loans & advances has been classified under Note-10 'Other Non-Current and Current Assets'.

(` in Crores)

	Particulars	As at 31.03.2018				As at 31.03.2017			
		Long-term		Short-Term	Total	Long-Term		Short-Term	Total
		Non-Current	Current			Non-Current	Current		
(A)	**Capital Advances (Unsecured, considered good)**	45.96	-	-	**45.96**	40.23	-	-	**40.23**
(B)	**Security Deposits (Unsecured, considered good)**	1.04	-	-	**1.04**	0.83	-	-	**0.83**
(C)	**Loans & Advances to Related Parties**								
	- To Key Managerial Personnel (KMP)	0.36	0.17	-	**0.53**	0.37	0.13	-	**0.50**
	- To Subsidiaries	-	-	1.49	1.49	-	-	1.35	**1.35**
		0.36	**0.17**	**1.49**	**2.02**	**0.37**	**0.13**	**1.35**	**1.85**
(D)	**Other Loans & Advances**								
	- Staff Loans & Advances (except to KMP)	25.66	10.51	-	**36.17**	32.29	11.10	-	**43.39**
	- Loan Assets	2,06,419.47	23,865.66	5,647.92	**2,35,933.05**	1,77,275.24	19,429.25	3,588.85	**2,00,293.34**
	- Others	-	-	24.15	**24.15**	-	-	4.36	**4.36**
		2,06,445.13	**23,876.17**	**5,672.07**	**2,35,993.37**	**1,77,307.53**	**19,440.35**	**3,593.21**	**2,00,341.09**
	Total (A to D)	**2,06,492.49**	**23,876.34**	**5,673.56**	**2,36,042.39**	**1,77,348.96**	**19,440.48**	**3,594.56**	**2,00,384.00**

<u>Details of Loans & Advances :</u>

9.1 Staff Loans & Advances

(` in Crores)

	Particulars	As at 31.03.2018				As at 31.03.2017			
		Long-term		Short-Term	Total	Long-Term		Short-Term	Total
		Non-Current	Current			Non-Current	Current		
(A)	**Secured Staff Loans & Advances**								
(A1)	**To Key Managerial Personnel**								
	(a) Considered Good	-	-	-	-	0.01	-	-	0.01
(A2)	**To Others**								
	(a) Considered Good	2.89	0.63	-	3.52	3.43	0.68	-	4.11
	Sub-total (A1+ A2)	**2.89**	**0.63**	**-**	**3.52**	**3.44**	**0.68**	**-**	**4.12**
(B)	**Unsecured Staff Loans & Advances**								
(B1)	**To Key Managerial Personnel**								
	(a) Considered Good	0.36	0.17	-	0.53	0.36	0.13	-	0.49
(B2)	**To Others**								
	(a) Considered Good	22.77	9.88	-	32.65	28.86	10.42	-	39.28
	Sub-total (B1+ B2)	**23.13**	**10.05**	**-**	**33.18**	**29.22**	**10.55**	**-**	**39.77**
	Grand Total (A+B)	**26.02**	**10.68**	**-**	**36.70**	**32.66**	**11.23**	**-**	**43.89**

9.2 Loan Assets

(` in Crores)

	Particulars	As at 31.03.2018				As at 31.03.2017			
		Long-term		Short-Term	Total	Long-Term		Short-Term	Total
		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	1,46,256.29	15,670.42	4,117.09	**1,66,043.80**	1,25,811.34	11,014.90	740.67	**1,37,566.91**
(A2)	**Loans to Others (Secured by hypothecation and/or mortgage of tangible assets)**								
	(a) Considered good	14,928.90	1,148.33	-	**16,077.23**	24,691.95	3,553.12	-	**28,245.07**
	(b) Considered doubtful	12,059.39	4,273.73	-	**16,333.12**	2,220.01	2,169.10	-	**4,389.11**
	Less: Provision for bad & doubtful debts	1,352.52	1,368.44	-	**2,720.96**	383.89	767.87	-	**1,151.76**
		10,706.87	2,905.29	-	**13,612.16**	1,836.12	1,401.23	-	**3,237.35**
	Sub-total (A1+ A2)	**1,71,892.06**	**19,724.04**	**4,117.09**	**1,95,733.19**	**1,52,339.41**	**15,969.25**	**740.67**	**1,69,049.33**
(B)	**Unsecured Loans**								
(B1)	**Loans Guaranteed by respective State Governments**								
	(a) Considered good	23,694.24	3,221.16	-	**26,915.40**	19,109.20	2,850.00	197.18	**22,156.38**
(B2)	**Loans to State Governments**								
	(a) Considered good	3,009.99	330.99	-	**3,340.98**	2,647.90	351.22	-	**2,999.12**
(B3)	**Loans - Others**								
	(a) Considered good	7,823.18	589.47	1,530.83	**9,943.48**	3,178.73	258.78	2,651.00	**6,088.51**
	(b) Considered doubtful	34.92	760.38	-	**795.30**	5.18	478.40	-	**483.58**
	Less: Provision for bad & doubtful debts	34.92	760.38	-	**795.30**	5.18	478.40	-	**483.58**
		-	-	-	**-**	-	-	-	**-**
	Sub-total (B1+ B2+B3)	**34,527.41**	**4,141.62**	**1,530.83**	**40,199.86**	**24,935.83**	**3,460.00**	**2,848.18**	**31,244.01**
	Grand Total (A+B)	**2,06,419.47**	**23,865.66**	**5,647.92**	**2,35,933.05**	**1,77,275.24**	**19,429.25**	**3,588.85**	**2,00,293.34**

9.3 Other Loans & Advances

(` in Crores)

	Particulars	As at 31.03.2018				As at 31.03.2017			
		Long-term		Short-Term	Total	Long-Term		Short-Term	Total
		Non-Current	Current			Non-Current	Current		
(A)	**Advances recoverable in cash or in kind or value to be received (Unsecured)**								
	(a) Considered good	-	-	24.15	24.15	-	-	4.36	4.36
	(b) Considered doubtful	-	-	6.08	6.08	-	-	5.59	5.59
	Less: Provision for bad & doubtful debts	-	-	6.08	6.08	-	-	5.59	5.59
		-	-	-	-	-	-	-	-
	Grand Total	**-**	**-**	**24.15**	**24.15**	**-**	**-**	**4.36**	**4.36**

9.3.1 Loan balance confirmations for 87% of total loan assets as at 31st March 2018 have been received from the borrowers. Out of the remaining 13% loan assets amounting to ` 30,013 crore for which balance confirmations have not been received, 81% loans are secured by way of hypothecation of assets, 15% by way of Government Guarantee/ Loans to Government and 4% are unsecured loans.

9.3.2 Loan Assets also include amount financed by the Company as per the Scheme for Financial Restructuring of State Distribution Companies (Discoms).

9.3.3 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 31st March 2018, the loan outstanding is ` 811.74 crores

The account had become NPA on 30th June 2014. As at 31st March 2018, the account of the borrower is classified as Doubtful asset. In line with Independent valuer's report, 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 has been created in the books as per Significant Accounting Policy no 2.3(ii). As such, total provision created as on 31st March 2018 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 joined the winding up petition filed by one the employee of CIAL 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.

9.3.4 REC has sanctioned ` 1,150 Crore to Jas Infrastructure & Power Limited (JIPL) wherein total disbursement is ` 33.24 Crores till 31st March 2018. The account has become NPA on 30th June 2014. As at 31st March 2018, the account of the borrower is classified as Doubtful asset. In line with the Independent valuer's report, 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 31st March 2018 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 before DRT for recovery of dues. Further, lenders have jointly taken action under the provision of the SARFAESI Act. PNB acting as Lead has taken the symbolic possession of the project by issuing Notice under section 13(4) of SARFEASI Act.

9.3.5 As at 31st March 2018, 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 'Restructured Standard Asset' pending final decision of the Court. During the financial year 2016-17, 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 31st March 2018, the total provision of ` 218.69 Crores stands created against the project and unrealized income of ` 382.35 Crores has also not been recognized for the financial year 2017-18. An application has been filed by REC for vacation of stay order issued by Hon'ble High Court of Madras. REC has filed an Application before High Court, Madaras for dismissal of the Writ Petition

9.3.6 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 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, approved the Strategic Debt Restructuring (SDR) package pursuant to RBI circular dated 8th 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 20th 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. As per SDR scheme, asset classification shall remain standard up to 18 months from 24th July 2015 i.e. 23rd January 2017 and within this timeline, a suitable investor had 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. the asset classification has now been downgraded to Doubtful Category and as on 31st March 2018 total provision of ` 71.04 Cr has been created @ 30% of the outstanding loan. Further a provision @ 30% has also been created on the investment portion. The project company has now been admitted under Insolvency and Bankruptcy Code 2016 by NCLT, Hyderabad on 16th March 2018 to initiate Corporate Insolvency Resolution Proceeding (CIRP).

9.3.7 REC has given a loan to M/s Ind Barath Power (Madras) Limited (IBPML) under consortium lending with PFC being the lead lender. The total disbursement towards IBPML by three consortium lenders was ` 947.71 crore. Out of this, ` 573.99 crore kept as FDs, were utilized by the borrower from TRA for other than the project purposes. The matter has since been reported to RBI on 26th February 2018. Accordingly, the company has created a provision of ` 145.67 crores during the current quarter, making total of 100% provision on its loan outstanding of ` 416.21 crores as at 31st March, 2018. One of the operational creditor of IBPML has filed application under section 9 of the Insolvency and Bankruptcy Code 2016 and based on which NCLT has initiated Corporate Insolvency Resolution Process against IBPML. Resolution Professional has been appointed and REC has filed its claim before the Resolution Professional.

9.3.8 Facor Power Limited (FPL) has become NPA on 30th September 2015 due to default in payment of dues. After initiating recovery action and issue of demand notices, the Company issued notice u/s 13(4) of SARFAESI Act for symbolic possession on 3rd November 2016 which was challenged by the borrower before DRT. Consequent to favorable disposal of litigation, REC has taken over the management control of FPL along with physical possession on 7th November 2017 under section 13(4)(b) of the SARFAESI Act after issuing necessary notice/publication. The erstwhile directors of FPL were suspended and replaced with three officers of REC out of which one of the directors is managing the day to day activities as Chief Executive Officer of FPL. The actions of REC are being challenged by the promoter of the borrower company in DRT which is subjudice.

9.3.9 REC has extended a loan of ` 217 Crores (Outstanding loan amount as at 31st March 2018 - ` 197.24 Crores) to Gati Infrastructure Private Limited for the implementation of 2X55 MW HEP in Sikkim with Edelweisse Asset Reconstruction Company (EARC) as Lead lender. Project achieved COD on 18th May 2013 and is operational since then. Lower revenue realization due to short term arrangment is causing stress on project cash flows. Lenders have invoked pledged shares under Outside SDR scheme considering 05th December 2016 as reference date and shares have been transferred to Security trustee on behalf of all lenders. Further the process of inducting a suitable investor/prospective buyer is underway. Long term PPA is expected soon for supplying power to Haryana Discoms.

9.3.10 REC has extended a loan of ` 325 Crores (Outstanding loan amount as on 31st March 2018 - ` 321.04 Crores) to Jhabua Power Ltd for the implementation of 1X600 MW TPP in Seoni Dist. in Madhya Pradesh with Axis Bank as Lead lender. Project achieved COD on 31st March 2015 and is operational since then. As the project was suffering due to lower revenue realization, Lenders have invoked pledged shares under Outside SDR Scheme with 23rd June 2017 as reference date. Accordingly pledged shares have been transferred to Security trustee agent on behalf of all lenders. Additionally, to effect change in current management/promoters lenders have initiated open auction process and the same is underway.

10. Other Non-Current and Current Assets

(` in Crores)

	Particulars	As at 31.03.2018			As at 31.03.2017		
		Non-current	Current	Total	Non-current	Current	Total
(A)	**Current recoverable of Loan & Advances (Net)** *(Refer Note 9)*	-	23,876.34	**23,876.34**	-	19,440.48	**19,440.48**
(B)	**Interest Accrued & not due on:**						
	- Long Term Investments	-	14.23	**14.23**	-	14.23	**14.23**
	- Term Deposits	-	8.54	**8.54**	-	4.37	**4.37**
	Sub-total	-	*22.77*	***22.77***	-	*18.60*	*18.60*
(C)	**Interest Accrued & Due on Loan Assets**	-	462.37	**462.37**	-	781.26	**781.26**
(D)	**Interest Accrued & Not Due on Loan Assets**	-	303.23	**303.23**	-	288.31	**288.31**
(E)	**Interest Accrued on Staff Advances**	9.03	0.30	**9.33**	7.74	0.33	**8.07**
(F)	**Recoverable from Govt. of India**						**-**
	- Towards Principal - GoI Fully Serviced Bonds	4,000.00	-	**4,000.00**	-	-	**-**
	- Towards Interest - GoI Fully Serviced Bonds	-	7.17	**7.17**	-	-	**-**
	- Towards Issue Expenses - GoI Fully Serviced Bonds	-	4.07	**4.07**	-	-	**-**
	- Agency Charges on Govt. Schemes	-	161.01	**161.01**	-	-	**-**
	- Reimbursement of Expenses on Govt. Schemes	**-**	14.19	**14.19**	-	9.44	**9.44**
	Recoverable from Govt. of India (Total)	*4,000.00*	*186.44*	***4,186.44***	-	*9.44*	*9.44*
	Less: Provision for bad & doubtful debts	-	(6.19)	**(6.19)**	-	-	**-**
	Recoverable from Govt. of India (Net)	**4,000.00**	**180.25**	4,180.25	**-**	**9.44**	**9.44**
(G)	**Recoverable from SEBs/ Govt. Deptt./ Others**	**-**	12.27	**12.27**	-	3.97	**3.97**
(H)	**Advance Income-tax & TDS**	2,199.97	-	**2,199.97**	2,653.30	-	**2,653.30**
	Less; Provision for Income Tax	(2,178.95)	-	**(2,178.95)**	(2,614.33)	-	**(2,614.33)**
	Advance Income-tax & TDS (Net)	21.02	**-**	**21.02**	38.97	**-**	**38.97**
(I)	**Forward Contract Receivables**	313.57	-	**313.57**	143.79	-	**143.79**
(J)	**Receivables in respect of Derivative Contracts**	151.68	-	**151.68**	192.10	-	**192.10**
(K)	**Prepaid Financial Charges on Commercial Paper**	**-**	99.56	**99.56**	-	-	**-**
(L)	**Unamortized Expenses**						**-**
	- Discount on Foreign Currency Borrowings	47.42	1.64	**49.06**	-	-	**-**
	- Arrangement Fee on Foreign Currency Borrowings	38.53	6.56	**45.09**	-	-	**-**
	- Premium on Forward Contracts	153.70	21.96	**175.66**	-	-	**-**
	Total (A to L)	**4,734.95**	**24,987.25**	**29,722.20**	**382.60**	**20,542.39**	**20,924.99**

11. Cash and Bank Balances

(` in Crores)

	Particulars	As at 31.03.2018	As at 31.03.2017
(A)	**Cash & Cash Equivalents**		
	- Balances with Banks	1,686.19	851.34
	- Cash on Hand (including postage & imprest)	0.01	-
	- Others		
	- Short-term Deposits with Scheduled Banks	85.02	2,476.70
	- Short term Investment in Debt Mutual Funds	-	1,160.00
	Sub-total (A)	**1,771.22**	**4,488.04**
(B)	**Others**		
	- Term Deposits with Scheduled Banks	2.31	1.98
	Sub-total (B)	**2.31**	**1.98**
	Total (A+B)	**1,773.53**	**4,490.02**

Balances with Banks include:		
- Earmarked Balances with Banks in separate accounts		
- For unpaid dividends	*3.49*	*2.75*
- For DDUGJY, AG&SP, NEF and other grants	*56.02*	*0.51*
- Amount set aside for grants disbursement	*2.13*	*2.13*
- Amount not available for use pending allotment of securities	*1,469.23*	*0.00*

Further, Short-term Deposits with Scheduled Banks include ` 39.02 Crores (Previous year ` 23.20 Crores) earmarked towards DDUGJY and other grants. Figure in (B) Others - Term Deposits with Scheduled Banks includes deposits for ` 2.31 Crores (Previous year ` 1.98 Crores) made and earmarked in compliance of Court orders.

12. Revenue from Operations

(` in Crores)

	Particulars	Year ended 31.03.2018		Year ended 31.03.2017	
(A)	**Interest on Loan Assets**				
(i)	Long term financing	21,338.77		22,479.98	
	Less: Rebate for timely payments/ completion etc.	16.43	21,322.34	0.26	22,479.72
(ii)	Short term financing		426.61		455.89
	Sub-total (A)		**21,748.95**		**22,935.61**
(B)	**Revenue from Other Financial Services**				
(i)	Processing, Upfront, Lead fees, LC Commission etc.		15.11		48.49
(ii)	Prepayment Premium		106.41		147.44
(iii)	Fee for Implementation of Govt. Schemes		187.79		23.86
	Sub-total (B)		**309.31**		**219.79**
(C)	**Income from Short-term Investment of Surplus Funds**				
(i)	Interest from Deposits		68.66		98.39
(ii)	Gain on Sale of Mutual Funds		13.39		67.13
(iii)	Interest from CP/ ICD		0.98		29.87
	Sub-total (C)		**83.03**		**195.39**
(D)	**Other Interest Income**				
(i)	Interest from Govt. Securities		16.98		24.52
(ii)	Interest from Long Term Investments		197.66		201.59
(iii)	Interest from Income Tax Refund		0.62		8.88
(iv)	Interest from Staff Advances		1.69		1.52
(v)	Interest from Subsidiary Companies		0.03		-
	Sub-Total (D)		**216.98**		**236.51**
	Total (A to D)		**22,358.27**		**23,587.30**

13. Other Income

(` in Crores)

	Particulars	Year ended 31.03.2018	Year ended 31.03.2017
(A)	**Dividend Income**		
	- Dividend from Subsidiary Companies	25.91	19.50
	- Dividend from Long-Term Investments	39.77	66.54
	Sub-Total (A)	**65.68**	**86.04**
(B)	**Net Gain on Sale of Long Term Investments**	**-**	**79.75**
(C)	**Other Non-Operating Income**		
	- Miscellaneous Income	16.36	17.49
	Sub-Total (C)	**16.36**	**17.49**
	Total (A to C)	**82.04**	**183.28**

14. Finance Costs

(` in Crores)

	Particulars	Year ended 31.03.2018	Year ended 31.03.2017
(A)	**Interest Expense**		
	- On REC Bonds	12,157.53	11,577.81
	- On Loans from Banks/ Financial Institutions	87.33	96.13
	- On External Commercial Borrowings	1,330.45	1,264.97
	- On Commercial Paper	135.60	300.46
	- On Advance Income Tax	5.53	2.82
	Sub-Total (A)	**13,716.44**	**13,242.19**
(B)	**Other Borrowing Costs**		
	- Guarantee Fee	13.81	17.04
	- Bonds Handling Charges	0.54	0.80
	- Bonds Brokerage	18.31	15.68
	- Stamp Duty on Bonds	5.48	5.42
	- Debt Issue and Other Finance Charges	33.56	80.66
	Sub-Total (B)	**71.70**	**119.60**
(C)	**Net Translation/ Transaction Exchange Loss**	**41.38**	**88.56**
	Total (A to C)	**13,829.52**	**13,450.35**

15. Employee Benefits Expense

(` in Crores)

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
- Salaries and Allowances	130.70	117.56
- Contribution to Provident Fund and Other Funds	13.96	12.88
- Gratuity	1.24	15.19
- Expenses towards Post Retirement Medical Facility	15.70	17.21
- Staff Welfare Expenses	15.27	15.23
Total	**176.87**	**178.07**

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 ` 44.31 crores has been created during the year ended 31st March 2018 and the cumulative provision in this respect as at 31st March 2018 is ` 58.90 crore towards pay revision arrears as 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.

16. Corporate Social Responsibility Expenses

(` in Crores)

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
- Direct Expenditure	46.67	66.64
- Overheads	2.78	3.16
Total	**49.45**	**69.80**

16.1 Disclosure in respect of CSR Expenses:

(a) Gross Amount required to be spent by the Company during the year 2017-18 is ` 161.95 Crores (Previous year ` 146.57 Crores).

(b) Amount spent during the year (` in Crores) :

	Particulars	Year ended 31.03.2018			Year ended 31.03.2017		
		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	48.64	0.81	49.45	68.82	0.98	69.80

17. Other Expenses

(` in Crores)

Particulars	Year ended 31.03.2018		Year ended 31.03.2017	
- Travelling and Conveyance		12.59		10.12
- Publicity & Promotion Expenses		8.56		5.33
- Repairs and Maintenance				
- Building	3.28		2.06	
- ERP & Data Centre	4.50		4.83	
- Others	1.18	8.96	0.92	7.81
- Rent & Hiring Charges		8.32		3.68
- Rates and Taxes		0.40		0.46
- Power & Fuel		1.92		2.01
- Insurance Charges		0.16		0.09
- Postage and Telephone		2.44		2.69
- Auditors' Remuneration		1.24		1.15
- Consultancy Charges		8.15		5.10
- Loss on Sale of Assets		0.56		0.52
- Miscellaneous Expenses		58.39		59.84
Total		**111.69**		**98.80**

17.1 Auditors' Remuneration includes :

(` in Crores)

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
- Audit Fees	0.40	0.60
- Tax Audit Fees	0.11	0.10
- Limited Review Fees	0.26	0.24
- Payment for Other Services		
(i) Certification of MTN Offer Document/ Comfort Letter	0.30	0.07
(ii) Other Certifications	0.05	0.04
- Expenses Incurred	0.02	0.05
- Tax component	0.10	0.05
Total	**1.24**	**1.15**

The figures above include Nil (Previous year ` 0.06 crores) of Audit Fees and ` 0.02 crores (Previous year ` 0.02 crores) of Tax Audit fees pertaining to earlier years.

17.2 Earnings and Expenditure in Foreign Currency :

(` in Crores)

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Earnings	-	-
Expenditure		
- Royalty, Know-how, Professional, Consultation Fees	0.73	1.17
- Interest	518.75	462.03
- Finance Charges	24.00	68.61
- Other Expenses	26.25	3.11
Total	**569.73**	**534.92**

17.3 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 ` 9.26 Crores (Previous year ` 5.03 Crores) is shown under the head 'Other Expenses'. Lease payments in respect of accommodations for staff amounting to ` 2.05 Crores (Previous year ` 2.92 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 31.03.2018		As at 31.03.2017	
	Data Centre	Office & Accomodations	Data Centre	Office & Accomodations
Not later than one year	0.27	6.38	0.36	4.07
Later than one year and not later than 5 years	-	5.43	0.26	1.12
Later than 5 years	-	1.67	-	0.67
Total	**0.27**	**13.48**	**0.62**	**5.86**

18. Provisions and Contingencies

(` in Crores)

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Provision for bad & doubtful debts	1,881.43	625.59
Contingent Provision against Standard Loan Assets	281.94	64.03
Provision against Restructured Standard Loans	(777.23)	419.85
Provision for depreciation on Investments	29.41	-
Total	**1,415.55**	**1,109.47**

19. Prior Period Items

(` in Crores)

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
- Travelling and Conveyance	-	(1.01)
- Depreciation	-	(0.64)
- Others	(0.47)	-
Total	**(0.47)**	**(1.65)**

20. Earnings per Share

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Numerator		
Profit after Tax as per Statement of Profit and Loss (` in Crores)	4,647.00	6,245.76
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 `)	**23.53**	**31.63**

21. Contingent Liabilities and Commitments :

21.1 Contingent Liabilities not provided for in respect of:

(` in Crores)

	Particulars	As at 31.03.2018	As at 31.03.2017
(A)	Claims against the Company not acknowledged as debts	94.67	85.68
(B)	Others		
	- Letters of Comfort	13.51	173.36

The amount referred to in 'A' above includes ` 0.08 Crores (Previous year ` 2.37 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 ` 94.59 Crores (Previous year ` 83.31 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.

21.2 Commitments not provided for in respect of:

(` in Crores)

Particulars	As at 31.03.2018	As at 31.03.2017
- Contracts remaining to be executed on capital account		
- Towards Tangible Assets	403.75	272.33
- Towards Intangible Assets	1.93	2.60
- Other Commitments		
- CSR Commitments	260.12	143.98

22. 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

23. 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.

In accordance with clarification from RBI vide email dated 10th August 17, T&D, R&M and life extension projects as also the hydro projects in Himalayan region or affected by natural disaster are regulated by RBI restructuring norms with effect from 1st April 2017.

24. RBI, vide its letter dated 17th September 2010 had categorized REC as an Infrastructure Finance Company (IFC) in terms of instructions contained in RBI Circular CC No.168 dated 12th February 2010. As an IFC, the total permissible exposure for lending in the private sector is 25% of owned funds in case of single borrower and 40% in case of a single group of borrowers and exposure for lending and investing taken together can be upto 30% and 50% of owned funds, respectively.

In respect of Central/State Government entities, RBI vide its letter No.DNBR.PD.CO.No.2184/03.10.001/2015-16 dated 16th June 2016 has exempted REC from applicability of RBI's concentration of credit/investment norms till 31st March, 2022. In view of the above, our maximum credit exposure limits to Central and State power Utilities continue to vary from 50% to 250% of owned funds, depending upon entity appraisal.

In respect of Private Sector entities, the Company's credit exposure to single borrowers and group borrowers did not exceed the RBI prudential exposure limits as at 31st March 2018 and 31st March 2017.

25. Changes in Accounting Policies

During the year, the Company has 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 year ended 31st March 2018 is higher by ` 220.75 Crores.

Further, 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 year ended 31st March 2018 is higher by ` 136.45 Crores.

Since the validity of certain exemptions given by RBI had expired during the current year in respect of classification of loan assets, the Company has modified the accounting policy in respect of asset classification and provisioning to bring it in line with RBI Master Directions. Due to this change in accounting policy, profit before tax for the year ended 31st March 2018 is lower by ` 146.09 Crores.

Due to these changes in accounting policies, profit before tax for the year ended 31st March 2018 is higher by ` 211.11 Crores.

26. Quality of Loan Assets

26.1 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 1st April 2017	No. of borrowers						14	2	1		17	14	2	1	-	17
		Amount outstanding (Restructured facility)			Nil			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
(2)	Movement of balance in account appearing in opening balance	No. of borrowers						2		1		3	2	-	1	-	3
		Amount outstanding (Restructured facility)			Nil			130	-	-		130	130	-	-	-	130
		Amount outstanding (Other facility)										-	-	-	-	-	-
		Provision Thereon						54	-	135		189	54	-	135	-	189
(3)	Fresh restructuring during the year	No. of borrowers						3		1		4	3	-	1	-	4
		Amount outstanding (Restructured facility)			Nil			316	-	258		574	316	-	258	-	574
		Amount outstanding (Other facility)										-	-	-	-	-	-
		Provision Thereon						14	-	11		25	14	-	11	-	25
(4)	Up gradations to restructured standard category during the year	No. of borrowers								(1)	-	(1)	-	-	(1)	-	(1)
		Amount outstanding (Restructured facility)			Nil			-	-	(258)	-	(258)	-	-	(258)	-	(258)
		Amount outstanding (Other facility)									-	-	-	-	-	-	-
		Provision Thereon						-	-	(11)	-	(11)	-	-	(11)	-	(11)
(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						(5)			-	(5)	(5)	-	-	-	(5)
		Amount outstanding (Restructured facility)			Nil			(9,480)	-	-	-	(9,480)	(9,480)	-	-	-	(9,480)
		Amount outstanding (Other facility)									-	-	-	-	-	-	-
		Provision Thereon						(403)	-	-	-	(403)	(403)	-	-	-	(403)
(6)	Down gradation of restructured accounts during the year	No. of borrowers						(5)	(2)			(7)	(5)	(2)	-	-	(7)
		Amount outstanding (Restructured facility)			Nil			(8,171)	(786)	-		(8,957)	(8,171)	(786)	-	-	(8,957)
		Amount outstanding (Other facility)										-	-	-	-	-	-
		Provision Thereon						(442)	(79)	-		(521)	(442)	(79)	-	-	(521)
(7)	Addition due to downgradation of restructured accounts during the year	No. of borrowers							5	2		7	-	5	2	-	7
		Amount outstanding (Restructured facility)			Nil			-	8,639	786		9,425	-	8,639	786	-	9,425
		Amount outstanding (Other facility)										-	-	-	-	-	-
		Provision Thereon						-	788	157		945	-	788	157	-	945
(8)	Write-offs restructured accounts during the year	No. of borrowers						-	-	-	-	-	-	-	-	-	-
		Amount outstanding (Restructured facility)			Nil			-	-	-	-	-	-	-	-	-	-
		Amount outstanding (Other facility)						-	-	-	-	-	-	-	-	-	-
		Provision Thereon						-	-	-	-	-	-	-	-	-	-
(9)	Restructured accounts as on 31st March 2018	No. of borrowers						8	5	3		16	8	5	3	-	16
		Amount outstanding (Restructured facility)			Nil			6,290	8,639	2,131		17,060	6,290	8,639	2,131	-	17,060
		Amount outstanding (Other facility)						-	-			-	-	-	-	-	-
		Provision Thereon						464	789	561		1,814	464	789	561	-	1,814

26.2 The Classification of Loan Assets of the Company (classified in Note No. 9) as per RBI Prudential Norms is as under:

(` in Crores)

	Asset Classification	As at 31.03.2018		As at 31.03.2017	
		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)	6,290.13	463.95	23,495.57	1,241.19
(b)	Other than (a) above	2,16,030.77	889.40	1,73,560.42	607.46
	Sub-total (i)	**2,22,320.90**	**1,353.35**	**1,97,055.99**	**1,848.65**
(ii)	**Non Performing Assets**				
(a)	Sub-standard Assets	12,473.52	1,302.90	1,226.75	205.92
(b)	Doubtful Assets	4,637.68	2,196.14	3,628.71	1,412.20
(c)	Loss Assets	17.22	17.22	17.22	17.22
	Sub-total (ii)	**17,128.42**	**3,516.26**	**4,872.68**	**1,635.34**
	Total	**2,39,449.32**	**4,869.61**	**2,01,928.67**	**3,483.99**

Note : Loan assets as mentioned in (i)(a) refer to restructured standard loan assets as specified in Accounting Policy No. 2.3(iv).

Reserve Bank of India (RBI) vide Notification No. DBR.No.BP.BC.101/21.04.048/2017-18 dated 12th February 2018 issued a Revised Framework for Resolution of Stressed Asset, which superseded the existing guidelines on CDR/ SDR/ Change in ownership outside SDR, Flexible Structuring of Existing Long Term Project Loans (5/25 Scheme) and S4A scheme. While the notification is applicable to all Scheduled Commercial Banks (excluding Regional Rural Banks (RRB)) and all-India Financial Institutions (Exim Bank, NABARD, NHB and SIDBI), the guidelines per se are not applicable to the Company, being NBFC-IFC. However, as a matter of prudence, REC has also followed these guidelines and classified loans amounting to ` 9,591.39 crores as NPAs as at 31st March 2018.

26.3 Sector-wise NPAs - Percentage of NPAs to Total Advances in that sector

Particulars	As at 31.03.2018	As at 31.03.2017
Power Sector	7.15%	2.41%

26.4 Movement of NPAs

(` in Crores)

	Particulars	As at 31.03.2018	As at 31.03.2017
(i)	**Net NPAs to Net Advances (%)**	**5.77%**	**1.62%**
(ii)	**Movement of NPAs (Gross)**		
(a)	Opening balance	4,872.69	4,243.57
(b)	Additions during the year	12,560.99	686.56
(c)	Reductions during the year	305.26	57.44
(d)	Closing balance	**17,128.42**	**4,872.69**
(iii)	**Movement of NPAs (Net)**		
(a)	Opening balance	3,237.35	3,230.30
(b)	Additions during the year	10,636.51	56.25
(c)	Reductions during the year	261.70	49.20
(d)	Closing balance	**13,612.16**	**3,237.35**
(iv)	**Movement of provisions for NPAs**		
(a)	Opening balance	1,635.34	1,013.27
(b)	Provisions made during the year	1,924.48	630.31
(c)	Write-off / write-back of excess provisions	43.56	8.24
(d)	Closing balance	**3,516.26**	**1,635.34**

27. Exposure Related Disclosures

27.1 Exposure to Real Estate Sector

The Company has no exposure to real estate sector as at 31st March 2018 (Previous year Nil).

27.2 Exposure to Capital Market

(` in Crores)

	Particulars	As at 31.03.2018	As at 31.03.2017
(i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	668.73	666.65
(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	**674.88**	**672.80**

27.3 Unsecured Advances against Intangible Assets

There are no such advances outstanding as at 31st March 2018 (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.

28. Concentration of Advances, Exposures and NPAs

	Particulars	As at 31.03.2018	As at 31.03.2017
(i)	**Concentration of Advances**		
	Total Advances to twenty largest borrowers (` in Crores)	1,36,285.52	1,11,916.90
	Percentage of Advances to twenty largest borrowers to Total Advances of the Company	56.92%	55.42%
(ii)	**Concentration of Exposures**		
	Total Exposure to twenty largest borrowers (` in Crores)	2,36,006.27	1,97,327.07
	Percentage of Exposures to twenty largest borrowers to Total Exposure of the Company on borrowers	59.25%	60.34%
(iii)	**Concentration of NPAs**		
	Total Outstanding to top four NPA Accounts (` in Crores)	8,558.91	3,444.72
	Total Exposure to the above four NPA Accounts (` in Crores)	8,558.91	3,444.72

29. The Company has not entered into any securitisation/ assignment transactions during the year ended 31st March 2018 (Previous year Nil). Further, no assets have been sold to securitisation/ reconstruction company for asset reconstruction. The Company has also not entered into any transaction of sale and purchase of non-performing financial assets.

30. Implementation of Govt. Schemes

30.1 Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA)

Government of India has launched a scheme "Pradhan Mantri Sahaj Bijli Har Ghar Yojana" - Saubhagya to achieve universal household electrification in the country. The scheme envisages to provide last mile connectivity and electricity connections to all remaining un-electrified households in rural areas and poor households in urban areas by 31st March 2019. The scheme has been launched with a total cost of ` 16,320 Crore including Gross Budgetary Support of ` 12,320 Crore from Govt. of India during the entire implementation period. REC has been nominated as the Nodal Agency responsible for operationalization of scheme in the entire country.

30.2 Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)

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.

30.3 National Electricity Fund (NEF)

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.

31. 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.

32. There are no Micro and Small Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at 31st March 2018. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent the status of such parties identified on the basis of information available with the Company.

33. Derivatives Related Disclosures

33.1 Forward Rate Agreements/ Interest Rate Swaps

(` in Crores)

	Particulars	As at 31.03.2018	As at 31.03.2017
(i)	The notional principal of swap agreements	38,608.11	41,664.18
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	690.38	628.07
(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	372.62	273.61

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.

33.2 The Company has not entered into any exchange traded Interest Rate (IR) derivatives.

33.3 Disclosure on Risk Exposure in Derivatives

33.3.1 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.

33.3.2 Quantitative Disclosures

(` in Crores)

	Particulars	Currency Derivatives *		Interest Rate Derivatives **	
		As at 31.03.18	As at 31.03.17	As at 31.03.18	As at 31.03.17
(i)	Derivatives (Notional Principal Amount)				
	For hedging	18,162.11	18,482.32	20,446.00	23,181.86
(ii)	Marked to Market Positions				
a)	Asset (+)	453.61	370.75	236.76	257.32
b)	Liability (-)	232.67	289.24	85.08	65.22
(iii)	Credit Exposure	18,162.11	18,482.32	20,446.00	23,181.86
(iv)	Unhedged Exposures	11,644.51	2,598.22	N.A.	N.A.

** Includes Full Hedge, Principal only Swap and Call Spread.*

*** Includes Interest Rate Derivatives as a strategy of cost reduction*

34. Related Party Disclosures :

(1) Key Managerial Personnel

Dr. P.V. Ramesh	Chairman & Managing Director
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)

In view of Ministry of Power's Office Memorandum dated 30th August, 2017 and to have better operational efficiency and to reap the benefits of higher capital base & pooled resources, it was decided to merge two unlisted wholly owned subsidiary companies of Rural Electrification Corporation Limited i.e. REC Power Distribution Company Limited (RECPDCL) and REC Transmission Projects Company Limited (RECTPCL) into one single entity.

Accordingly, as per provisions of the Companies Act, 2013 and Rules made thereunder, after the approval of Board of Directors, shareholders, creditors of respective companies and approval of Holding company i.e. REC, an application has been filed with the Ministry of Corporate Affairs (MCA) on 27th March, 2018 for sanction of Scheme of Arrangement for amalgamation of RECTPCL (Transferor Company) with RECPDCL (Transferee Company) and approval of the same is awaited.

2. **Wholly owned Subsidiaries of REC Transmission Projects Company Limited**
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 and transferred to M/s Powergrid Corporation of India Limited (PGCIL) on 12.01.2018, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, ERSS XXI Transmission Limited and PGCIL.
WR-NR Power Transmission Limited - Incorporated on 12.01.2017 and transferred to M/s Powergrid Corporation of India Limited (PGCIL) on 27.03.2018, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, WR-NR Power Transmission Limited and PGCIL.
Chandil Transmission Limited - Incorporated on 14th March, 2018
Koderma Transmission Limited - Incorporated on 19th March, 2018
Dumka Transmission Limited - Incorporated on 23rd March, 2018
Mandar Transmission Limited - Incorporated on 26th March, 2018

3. **Joint Ventures**
Energy Efficiency Services Limited (EESL)

Details of amount due from/ to the related parties :

(` in Crores)

Particulars	As at 31.03.2018	As at 31.03.2017
Long-term Debt		
RECTPCL	60.00	60.00
RECPDCL	10.44	10.44
Key Managerial Personnel	0.10	0.10
Loans & Advances		
RECTPCL	0.27	0.28
RECPDCL	1.23	1.07
Key Managerial Personnel	0.53	0.50
Other Current Liabilities		
RECPDCL	4.35	1.51

Details of Transactions with the related parties :

(` in Crores)

Particulars	For the year ended 31.03.2018	For the year ended 31.03.2017
Loans & Advances		
Key Managerial Personnel	0.20	0.06
Disbursement from Subsidy/ Grant Received from Govt. of India		
RECPDCL	0.06	-
RECTPCL	1.52	-
Dividend from Subsidiaries		
RECTPCL	13.80	8.65
RECPDCL	12.11	10.85
Interest Income - Loans & Advances		
RECPDCL	0.03	-
Key Managerial Personnel	0.02	0.03
Apportionment of Employee Benefit and Other Expenses		
RECTPCL	2.72	2.56
RECPDCL	5.34	4.65
Finance Cost		
Interest Paid to RECTPCL	4.70	4.70
Interest Paid to RECPDCL	0.84	0.82
Interest Paid to Key Managerial Personnel	0.01	0.01
Employee Benefits Expense - Managerial Remuneration	2.04	2.09
CSR Expenses		
RECPDCL	0.19	14.25
EESL	-	0.86
Other Expenses		
RECPDCL	16.58	30.65

35. **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 NPS Trust/ 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 31.03.2018	For the year ended 31.03.2017
(i)	Provident Fund	7.97	7.35
(ii)	Defined Contribution Superannuation Scheme	5.91	5.46
	Total	**13.88**	**12.81**

(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	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Current Service Cost	2.11	2.16	1.96	1.63	0.06	0.06
Interest Cost	3.80	2.99	7.29	6.93	0.10	0.10
Expected Return on Plan Assets	2.93	2.97	-	-	-	-
Actuarial (Gain)/ Loss	(0.14)	11.41	6.45	8.65	(0.07)	(0.02)
Expense recognized	2.84	13.59	15.70	17.21	0.09	0.14

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	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Present value of obligation as at the end of the year	52.59	50.61	105.19	97.15	1.24	1.27
Fair value of Plan Assets as at the end of the year	48.66	35.69	-	-	-	-
Net Assets/ (Liability) recognized	(3.93)	(14.92)	(105.19)	(97.15)	(1.24)	(1.27)

Changes in the Present value of defined benefit/ Obligation:

(` in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Present value of obligation as at the beginning of the year	50.61	37.34	97.15	86.62	1.27	1.22
Interest Cost	3.80	2.99	7.29	6.93	0.10	0.10
Current Service Cost	2.11	2.16	1.96	1.63	0.06	0.06
Benefit Paid	(3.81)	(3.29)	(7.66)	(6.68)	(0.12)	(0.09)
Actuarial (Gain)/ Loss on obligation	(0.12)	11.41	6.45	8.65	(0.07)	(0.02)
Present Value of defined benefit obligation at the end of the year	52.59	50.61	105.19	97.15	1.24	1.27

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	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Fair value of Plan Assets as at the beginning of the year	35.69	35.48	-	-	-	-
Return on Plan Assets	2.93	2.97	-	-	-	-
Contributions	13.83	0.53	-	-	-	-
Benefit Paid	(3.81)	(3.29)	-	-	-	-
Actuarial Gain/ (Loss) on Plan Assets	0.02	-	-	-	-	-
Fair value of Plan Assets as at the end of the year	48.66	35.69	-	-	-	-

Funded Status and Experience adjustments for liability towards Gratuity:

(` in Crores)

Particulars	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
Present value of obligation at year end	52.59	50.61	37.34	38.16	38.07
Fair value of Plan Assets at year end	48.66	35.69	35.48	36.25	35.94
Funded Status	**(3.93)**	**(14.92)**	**(1.86)**	**(1.91)**	**(2.13)**
Experience adjustment; Gain/(Loss):					
Experience adjustment on plan liabilities	0.39	(10.25)	1.51	1.17	0.68
Experience adjustment on plan assets	0.02	-	(0.23)	(0.40)	(0.30)

The effect of an increase/ decrease of one percent point in inflation rate on PRMF:

(` in Crores)

Particulars	1% (+)		1% (-)	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Service & Interest Cost	1.48	0.84	(0.99)	(1.34)
PBO (Closing)	13.49	12.14	(10.96)	(9.86)

Actuarial Assumptions:

Particulars	Gratuity		PRMF		ODRB	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
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	7.60%	7.50%	7.60%	7.50%	7.60%	7.50%
Expected Rate of Return on Plan Assets	8.00%	8.20%	-	-	-	-
Future Salary Increase	6.50%	6.00%	6.50%	6.00%	6.50%	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.*

36. Status of Documentation Subsequent to Unbundling of SEBs

Some of the erstwhile State Electricity Boards (SEBs) against whom loans were outstanding or on whose behalf guarantees were given, were restructured by the respective State Governments and new entities were formed in the past. Consequently, the liabilities of the erstwhile SEBs stand transferred to new entities. However, transfer agreements in the case of Chhattisgarh State Electricity Board (CSEB) are yet to be executed amongst the Company, new entity and the State Government.

Agreements in case of erstwhile Tamil Nadu State Electricity Board (TNEB) have been executed based on the provisional provisions of the Tamil Nadu Electricity (Re-organisation and Reforms) Transfer Scheme, 2010. However further transfer agreements in this regard shall be executed, once finalized based on the discussion with the Tamilnadu utilities.

Status of Documentation Subsequent to Reorganisation of the State of Andhra Pradesh

Subsequent to the reorganisation of erstwhile State of Andhra Pradesh, the state of Telangana has been formed on 2 June 2014. However, the assets and liabilities are yet to be transferred to the respective power utilities through a formal Gazette Notification.

Status of Documentation is as under:

(i) Where ever the loans have been sanctioned to erstwhile APCPDCL, APNPDCL and APGENCO prior to bifurcation and documentation has not been done, these schemes have been re-sanctioned in the name of newly formed utilities and documentation formalities completed and accordingly the charge has been registered with the Ministry of Corporate Affairs (MCA).

(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.

37. 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 30th 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.

38. 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.

39. 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 31.03.2018	As at / For the year ended 31.03.2017
(i)	CRAR (%)	19.39%	21.18%
(ii)	CRAR - Tier I Capital (%)	16.84%	18.43%
(iii)	CRAR - Tier II Capital (%)	2.55%	2.75%
(iv)	Amount of subordinated debt raised as Tier-II capital (` in crore)	-	-
(v)	Amount raised by issue of Perpetual Debt Instruments (` in crore)	-	-

40. Maturity pattern of certain items of Assets and Liabilities as per RBI Liquidity Bucketing Norms is as under:

(` in Crores)

As at 31.03.2018	Advances	Investments	Borrowings		Foreign Currency Items	
			Domestic Borrowings	Foreign Currency Borrowings	Assets	Liabilities (Other than Borrowings)
Upto 30/31 days	1,424	-	312	976	-	-
Over 1 month upto 2 months	1,693	-	428	-	-	-
Over 2 months upto 3 months	3,626	-	941	103	-	-
Over 3 month & upto 6 months	8,007	-	9,611	1,698	-	-
Over 6 months & upto 1 year	12,296	120	16,523	7,250	-	-
Over 1 year & upto 3 years	49,686	94	61,256	11,110	-	-
Over 3 years & upto 5 years	45,866	-	32,654	3,663	-	-
Over 5 years	1,13,335	2,361	47,260	5,007	-	-
Total	**2,35,933**	**2,575**	**1,68,985**	**29,807**	**-**	**-**

(` 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	1,117	-	403	1,103	-	-
Over 1 month upto 2 months	3,160	-	366	-	-	-
Over 2 months upto 3 months	2,363	-	326	89	-	-
Over 3 month & upto 6 months	5,405	-	9,854	102	-	-
Over 6 months & upto 1 year	9,573	149	5,629	157	-	-
Over 1 year & upto 3 years	38,153	189	46,606	13,135	-	-
Over 3 years & upto 5 years	36,044	-	33,435	6,291	-	-
Over 5 years	1,04,478	2,359	49,817	204	-	-
Total	**2,00,293**	**2,697**	**1,46,436**	**21,081**	**-**	**-**

41. There are no Off-Balance Sheet SPVs sponsored by the Company, which need to be consolidated as per accounting norms.

42. No penalties have been levied on the Company by any regulator during the year ended 31st March 2018 (Previous year Nil).

43. No complaints have been received by the Company from the borrowers under the Fair Practices Code during the year ended 31st March 2018 (Previous year Nil).

44. Previous year figures have been reclassified/ regrouped to conform to the current classification.

45. 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 45 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

P.V. Ramesh
Chairman and Managing Director
DIN - 02836069

In terms of our Report of even date

For G. S. Mathur & Co.
Chartered Accountants
Firm Reg. No.: 008744N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

S.C. Choudhary
Partner
M.No. : 082023

Aakansha Nigam
Partner
M.No. : 416425

Place : New Delhi
Date : 28th May 2018

RURAL ELECTRIFICATION CORPORATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2018

(` in Crores)

PARTICULARS	YEAR ENDED 31.03.2018		YEAR ENDED 31.03.2017	
A. Cash Flow from Operating Activities :				
Net Profit before Tax	**6,852.09**		**8,860.70**	
Adjustments for:				
1. Profit (-) / Loss on Sale of Fixed Assets	0.56		0.52	
2. Depreciation & Amortization	5.61		4.40	
3. Provisions and Contingencies	1,415.55		1,109.47	
4. Interest on Commercial Paper	135.60		300.46	
5. Profit on sale/redemption of investments	-		-79.75	
6. Loss/ Gain(-) on Exchange Rate fluctuation	45.75		55.09	
7. Dividend from Subsidiary Co.	-25.91		-19.50	
8. Dividend from Investments	-39.77		-66.54	
9. Interest on Long-term Investments/ Govt. Securities	-214.64		-226.11	
10. Provision made for Interest on Advance Income Tax	5.53		2.82	
11. Provision in respect of Amounts recoverable	6.19		-	
12. Discount on Bonds written off	1.66		0.14	
13. Interest Accrued on Zero Coupon Bonds	89.50		82.45	
Operating profit before Changes in Operating Assets & Liabilities	**8,277.72**		**10,024.15**	
Increase / Decrease :				
1. Loan Assets	-37,474.64		-650.38	
2. Other Operating Assets	-4,080.83		37.78	
3. Operating Liabilities	4,160.46		-91.32	
Cash flow from Operations	**-29,117.29**		**9,320.23**	
1. Income Tax Paid (including TDS)	-2,168.60		-2,548.11	
2. Income Tax refund	2.57		22.07	
Net Cash Flow from Operating Activities		**-31,283.32**		**6,794.19**
B. Cash Flow from Investing Activities				
1. Sale of Fixed Assets	0.14		0.06	
2. Purchase of Fixed Assets (incl. CWIP, Intangible Assets under development & Capital Advances)	-78.66		-27.01	
3. Investment in shares of NHPC Ltd. (net of sale)	-		-400.80	
4. Investment in shares of HUDCO Ltd.	-2.08		-	
5. Redemption of 8% Government of Madhya Pradesh Power Bonds-II	94.32		94.32	
6. Redemption of Bonds of UP Power Corporation Ltd.	-		76.65	
7. Profit on sale/redemption of investments	-		79.75	
8. Interest on Long-term Investments/ Govt. Securities	214.64		229.94	
9. Dividend from Subsidiary Co.	25.91		19.50	
10. Dividend from Investments	39.77		66.54	
Net Cash Flow from Investing Activities		**294.04**		**138.95**
C. Cash Flow from Financing Activities				
1. Issue of Bonds (Net of redemptions)	19,558.55		5,871.66	
2. Raising of Term Loans/ STL from Banks/ FIs (Net of repayments)	-350.00		-1,099.93	
3. Raising of Foreign Currency Loan (Net of redemptions and inclusive of related derivative payments)	8,360.41		-833.33	
4. Funds received from GOI for further disbursement as Subsidy/ Grant including interest (Net of refund)	10,635.24		8,027.15	
5. Disbursement of grants	-10,563.91		-8,039.66	
6. Payment of Dividend on Equity Shares	-1,984.79		-1,886.04	
7. Payment of Corporate Dividend Tax	-397.88		-379.98	
8. Issue of Commercial Paper (Net of repayments)	3,014.84		-5,833.16	
Net Cash flow from Financing Activities		**28,272.46**		**-4,173.29**
Net Increase/Decrease in Cash & Cash Equivalents		**-2,716.82**		**2,759.85**
Cash & Cash Equivalents as at the beginning of the year		**4,488.04**		**1,728.19**
Cash & Cash Equivalents as at the end of the year		**1,771.22**		**4,488.04**

Components of Cash & Cash Equivalents as at end of the year are:

(` in Crores)

PARTICULARS	AS AT 31.03.2018	AS AT 31.03.2017
- Cash in Hand (including postage & imprest)	0.01	-
- Balances with Banks in:		
- Accounts with RBI and other banks	1,626.68	848.08
- Unpaid Dividend Accounts #	3.49	2.75
- Undisbursed DDUGJY, AG&SP, NEF and Other Grants #	56.02	0.51
- Short-term Deposits with Scheduled Banks	85.02	2,476.70
- Short term Investment in Debt Mutual Funds	-	1,160.00
Total Cash & Cash Equivalents	**1,771.22**	**4,488.04**

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 ` 2.13 Crores) and ` 1,469.23 Crores (Previous year Nil) set aside for grants disbursement and amount pending allotment of securities respectively and not available for free use by the Company. Short-term deposits with scheduled banks include ` 39.02 Crores (Previous year ` 23.20 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 G.S. Mathur & Co.
Chartered Accountants
Firm Reg. No.: 008744N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

S.C. Choudhary
Partner
M.No. : 082023

Aakansha Nigam
Partner
M.No. : 416425

Place: New Delhi
Date: 28th May 2018

Annexure to be enclosed with Balance Sheet as at 31st March 2018

(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	57,022.90	-
	- Unsecured	1,06,842.76	-
	(b) Deferred Credits	-	-
	(c) Term Loans		
	- from Financial Institutions	400.00	-
	(d) Inter-corporate Loans and Borrowing	-	-
	(e) Commercial Paper	3,250.00	-
	(f) Other Loans		
	- Long-term Foreign Currency Borrowings	27,530.08	-
	- Bond Application Money	1,469.23	-
	- Short Term FCNR (B) Loans	2,276.54	

(` In Crores)

	Particulars	Amount Outstanding
	ASSETS SIDE :	
(2)	Break-up of Loans and Advances including bills receivables	
	(a) Secured	1,95,736.71
	(b) Unsecured	40,305.68
(3)	**INVESTMENTS :**	
	Current Investments:	
	Unquoted:	
	(i) Shares : Equity	72.59
	Long Term Investments:	
	Quoted:	
	(i) Shares : Equity	404.13
	(i) Debentures and Bonds	1,500.00
	Unquoted:	
	(i) Shares : Equity	146.60
	(ii) Debentures and Bonds	303.85
	(iii) Units of mutual funds	6.15
	(iv) Government Securities	141.48

(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	-	1.49	1.49
(b) Companies in the same Group	-	-	-
(c) Other related Parties	-	0.53	0.53
2. Other than Related Parties	1,95,736.71	40,303.66	2,36,040.37
Total	**1,95,736.71**	**40,305.68**	**2,36,042.39**

(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	2,736.60	2,428.20
Total	**2,883.20**	**2,574.80**

(6) **Other Information**

(` In Crores)

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related Parties	-
(b) Other than related Parties	17,128.42
(ii) Net Non-Performing Assets	
(a) Related Parties	-
(b) Other than related Parties	13,612.16
(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 G.S. Mathur & Co.
Chartered Accountants
Firm Reg. No.: 008744N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

S.C. Choudhary
Partner
M.No. : 082023

Aakansha Nigam
Partner
M.No. : 416425

Place: New Delhi
Date: 28th May 2018

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' 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, 2018, 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.

Auditors' 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 auditors' 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 auditors consider 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, 2018, 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 ` 848.66 Crores as at 31 March 2018 (Previous year ` 391.65 Crores), total revenues of ` 260.33 Crores (Previous year ` 243.96 Crores) and net cash flows amounting to ` 187.13 Crores (Previous year ` -9.21Crores) for the year ended on 31st March, 2018, as considered in the Consolidated Financial Statements. The Consolidated Financial Statements also include the subsidiaries' share of net profit after tax of ` 72.09 crores (Previous Year ` 74.78 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 ` 1,530.32 Crores (Previous year ` 838.77 Crores) as at 31 March 2018, total revenues of ` 461.78 Crores (Previous year ` 408.83 Crores) and net cash flows amounting to ` 80.70 Crores (Previous year ` 6.11 Crores) for the year ended on 31st March, 2018, 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 ` 9.20 crores (Previous Year ` 15.72 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 26.1 to the Consolidated Financial Statements;

ii) The Group and its jointly controlled entity do not have any such long term 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 G.S.Mathur & Co.
Chartered Accountants
Firm Regn No. 008744N

S. C. Choudhary
Partner
M. No.082023

For A.R. & Co.
Chartered Accountants
Firm Regn. No. 002744C

Priyanshu Jain
Partner
M. No. 530262

Place : New Delhi
Date : 28th May, 2018

ANNEXURE-A TO THE INDEPENDENT AUDITORS' 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 31st March 2018, 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.

Auditors' 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 judgement, 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 (i) improvement in ERP system relating to determination of non-performing assets, 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 service providers, (iv) rotation of duties amongst staff as per HR Policy to be implemented in letter and spirit, over financial reporting and such internal financial controls over financial reporting were operating effectively as of 31st March 2018, 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 31st March 2018 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 insofar as it relates to two subsidiary companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

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 31st March 2018. 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 G.S. Mathur & Co.
Chartered Accountants
Firm Regn No. 008744N

S.C. Choudhary
Partner
M. No. 082023

For A.R. & Co.
Chartered Accountants
Firm Regn. No. 002744C

Priyanshu Jain
Partner
M. No. 530262

Place : New Delhi
Date : 28th May 2018

RURAL ELECTRIFICATION CORPORATION LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2018

(` in Crores)

Sl. No.	Particulars	Note No.	As at 31.03.2018	As at 31.03.2017
I.	**EQUITY AND LIABILITIES**			
(1)	**Shareholders' Funds**			
	(a) Share Capital	2	1,974.92	1,974.92
	(b) Reserves and Surplus	3	33,897.38	31,695.64
	Sub-total (1)		**35,872.30**	**33,670.56**
(2)	**Share Application Money pending Allotment**		**31.39**	-
(3)	**Non-current Liabilities**			
	(a) Long-term Borrowings	4	1,61,434.78	1,49,680.89
	(b) Deferred Tax Liabilities (Net)	5	65.73	39.92
	(c) Other Long-term Liabilities	6	4,038.46	13.42
	(d) Long-term Provisions	7	1,340.57	1,849.47
	Sub-total (3)		**1,66,879.54**	**1,51,583.70**
(4)	**Current Liabilities**			
	(a) Short-term Borrowings	4	5,727.90	110.98
	(b) Trade Payables	8	448.64	160.39
	(c) Other current liabilities	6	39,426.54	24,524.99
	(d) Short-term Provisions	7	252.40	194.30
	Sub-total (4)		**45,855.48**	**24,990.66**
	Total (1+2+3+4)		**2,48,638.71**	**2,10,244.92**
II.	**ASSETS**			
(1)	**Non-current Assets**			
	(a) Fixed assets	9		
	(i) Tangible Assets		424.14	354.11
	(ii) Intangible Assets		10.16	0.74
	(iii) Capital work-in-progress		530.07	164.13
	(iv) Intangible Assets under Development		1.46	1.46
			965.83	520.44
	(b) Non-current Investments	10	2,396.87	2,432.57
	(c) Long-term Loans & Advances	11	2,06,495.28	1,77,351.58
	(d) Other Non-current Assets	12	4,743.92	394.07
	Sub-total (1)		**2,14,601.90**	**1,80,698.66**
(2)	**Current Assets**			
	(a) Current Investments	10	183.85	184.36
	(b) Inventories	13	102.48	51.18
	(c) Trade Receivables	14	541.86	438.40
	(d) Cash & Bank Balances	15	2,368.24	4,650.79
	(e) Short-term Loans & Advances	11	5,702.07	3,618.72
	(f) Other Current Assets	12	25,138.31	20,602.81
	Sub-total (2)		**34,036.81**	**29,546.26**
	Total (1+2)		**2,48,638.71**	**2,10,244.92**

The Significant Accounting Policies and Notes to Accounts 1 to 52 are an integral part of these 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 G.S. Mathur & Co.
Chartered Accountants
Firm Reg. No.: 008744N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

S.C. Choudhary
Partner
M.No. : 082023

Priyanshu Jain
Partner
M.No. : 530262

Place: New Delhi
Date: 28th May 2018

RURAL ELECTRIFICATION CORPORATION LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH 2018

(` in Crores)

Sl. No.	Particulars	Note No.	Year ended 31.03.2018	Year ended 31.03.2017
I.	Revenue from Operations	16	23,054.42	24,194.92
II.	Other Income	17	46.98	166.31
III.	**Total Revenue (I+II)**		**23,101.40**	**24,361.23**
IV.	**Expenses**			
(i)	Finance Costs	18	13859.59	13461.59
(ii)	Employee Benefits Expense	19	198.46	192.75
(iii)	Depreciation & Amortization	9	69.59	40.33
(iv)	Corporate Social Responsibility Expenses	20	50.94	68.94
(v)	Other Expenses	21	285.29	220.58
(vi)	Provisions and Contingencies	22	1421.06	1110.31
(vii)	Purchases of Stock-in-Trade		328.53	273.12
(viii)	Changes in inventories of Stock-in-Trade & Work-in-Progress	23	(53.32)	22.76
	Total Expenses (IV)		**16160.14**	**15390.38**
V.	**Profit before Prior Period Items & Tax (III-IV)**		**6941.26**	**8970.85**
VI.	Prior Period Items	24	**0.02**	**(1.51)**
VII.	**Profit before Tax (V-VI)**		**6941.24**	**8972.36**
VIII.	Tax Expense :			
(i)	Current Year		**2212.17**	2648.37
(ii)	Earlier Years/ (Refunds)		**12.21**	(27.79)
(iii)	Deferred Tax		**27.40**	38.41
	Total Tax Expense (i+ii+iii)		**2,251.78**	**2,658.99**
IX.	**Profit for the year from Continuing Operations (VII-VIII)**		**4,689.46**	**6,313.37**
X.	**Profit from Discontinuing Operations (after tax)**		-	-
XI.	**Profit for the year (IX+X)**		**4,689.46**	**6,313.37**
XII.	**Earnings per Equity Share (in ` for an equity share of ` 10 each)**			
	(1) Basic	25	**23.75**	**31.97**
	(2) Diluted	25	**23.75**	**31.97**

The Significant Accounting Policies and Notes to Accounts 1 to 52 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 G.S. Mathur & Co.
Chartered Accountants
Firm Reg. No.: 008744N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

S.C. Choudhary
Partner
M.No. : 082023

Priyanshu Jain
Partner
M.No. : 530262

Place: New Delhi
Date: 28th May 2018

RURAL ELECTRIFICATION CORPORATION LIMITED

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. 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 agency fee on Government schemes is recognized on accrual basis on the basis of the services rendered.

c. 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.

d. Income from consultancy services is recognized based on proportionate completion method as per AS 9 – Revenue Recognition

e. Revenue from contracts is recognized as follows:

(i) in cost plus contracts – by including eligible contractual items of expenditure plus proportionate margin as per the contract.

(ii) in fixed price contracts – on the basis of contractual price breakup of deliverables. In the absence of the same, at the cost of work performed on the contract plus proportionate margin using the percentage of completion method.

f. Revenue from sale of goods is recognized at the time of delivery of goods to customers.

g. 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.

(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 3 months or more.

(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 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 12 months' for the financial year ended 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 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).	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	The provisioning requirement would be 0.40% of the amount outstanding as Standard Assets.

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 Rs. 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 arrangement fee paid on the raising of External Commercial Borrowings, 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 Rs. 5,00,000/- in each case are accounted for under natural heads of account.

13. EMPLOYEES BENEFITS

13.1 The liability for employees benefit in respect of Gratuity 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.

16.3 Any one-time hedging premium paid on derivative transactions shall be amortized over the tenor of such derivative contract.

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, Koderma Transmission Limited, Chandil Transmission Limited, Dumka Transmission Limited and Mandar Transmission Limited have not been consolidated with the financial statements of the Company.

2. **Share Capital**

(` in Crores)

Particulars	As at 31.03.2018		As at 31.03.2017	
	No. of Shares	Amount	No. of Shares	Amount
Authorised :				
Equity shares of ` 10 each	5,00,00,00,000	5,000.00	5,00,00,00,000	5,000.00
Issued, Subscribed and Paid up :				
Fully paid up Equity shares of ` 10 each	1,97,49,18,000	1,974.92	1,97,49,18,000	1,974.92
Total	**1,97,49,18,000**	**1,974.92**	**1,97,49,18,000**	**1,974.92**

2.1 Reconciliation of the number of shares outstanding at the beginning and at the end of the year

(` in Crores)

Particulars	As at 31.03.2018		As at 31.03.2017	
	No. of Shares	Amount	No. of Shares	Amount
Number of shares at the beginning of the year	1,97,49,18,000	1,974.92	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**	**1,97,49,18,000**	**1,974.92**

2.2 Allotment of Bonus Shares during the year and during preceding five years

During the FY 2017-18, no bonus shares were issued by the Company. However, the Company had 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 31.03.2018		As at 31.03.2017	
	No. of Shares	Percentage	No. of Shares	Percentage
The President of India	1,15,16,78,783	58.32%	1,16,25,04,472	58.86%
Life Insurance Corporation of India	5,51,51,984	2.79%	12,63,22,504	6.40%

The President of India acting through Ministry of Power, Government of India has divested/sold 1,08,25,689 equity shares i.e. 0.54% of total paid up capital of the Company through BHARAT 22 ETF Scheme on 23rd November, 2017.

3. Reserves and Surplus

(` in Crores)

Particulars	As at 31.03.2018 Amount	As at 31.03.2017 Amount
Capital Reserve	**105.00**	**105.00**
Securities Premium Account		
Balance as at the beginning of the year	2,236.54	3,224.00
Less: Deductions/ Adjustments during the year (Refer Note 3.1)	-	987.46
Balance as at the end of the year	**2,236.54**	**2,236.54**
Debenture Redemption Reserve *(Refer Note 3.2)*		
Balance as at the beginning of the year	929.56	728.36
Add: Amount transferred from Surplus Account	212.64	201.20
Balance as at the end of the year	**1,142.20**	**929.56**
Special Reserve created u/s 36(1) (viii) of the Income Tax Act, 1961		
Balance as at the beginning of the year	12,230.70	10,349.64
Add: Amount transferred from Surplus Account	1,582.49	1,881.06
Balance as at the end of the year	**13,813.19**	**12,230.70**
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	2,425.30	2,011.97
Add: Amount transferred from Surplus Account	335.80	413.33
Balance as at the end of the year	**2,761.10**	**2,425.30**
Foreign Currency Monetary Item Translation Difference Account *(Refer Note 3.3)*		
Balance as at the beginning of the year	36.31	-172.41
Add: Foreign Currency Translation Gain/ Loss (-) on long term monetary items during the year	-145.16	153.63
Amortisation during the year	45.75	55.09
Balance as at the end of the year	**-63.10**	**36.31**
General Reserve		
Balance as at the beginning of the year	4,730.54	4,727.04
Add: Amount transferred from Surplus Account	500.00	3.50
Balance as at the end of the year	**5,230.54**	**4,730.54**
Surplus Account		
Balance as at the beginning of the year	9,001.69	6,932.34
Less: Adjustment of MTM in respect of Interest Rate Swaps as at 31 March 2016 (Refer Note 3.1)	-	86.75
Add: Profit during the year	4,689.46	6,313.37
Add: Adjustments during the year (Refer Note 3.5)	2.26	1.72
Less : Appropriations		
- Transfer to Special Reserve u/s 36(1)(viii) of the Income Tax Act, 1961	1,582.49	1,881.06
- Transfer to Reserve for Bad & Doubtful Debts u/s 36(1)(viia) of the Income Tax Act, 1961	335.80	413.33
- Dividend		
- Final Dividend for the previous year *(Refer Note 3.4)*	523.35	-
- Interim Dividend for the current year	1,461.44	1,382.44
- Dividend Distribution Tax		
- Final Dividend for the previous year	109.01	-
- Interim Dividend for the current year	296.77	277.46
- Transfer to Debenture Redemption Reserve	212.64	201.20
- Transfer to General Reserve	500.00	3.50
Balance as at the end of the year	**8,671.91**	**9,001.69**
Total Reserves and Surplus	**33,897.38**	**31,695.64**

3.1 Draw down from Reserves

No amount has been drawn from the reserves during the year ended 31st March 2018.

However, during the financial year 2016-17, an amount of ` 86.75 crores after netting of taxes of ` 45.92 crores had been adjusted in the retained earnings In accordance with the transitional provisions mentioned in the Guidance Note on Accounting for Derivative Contracts. Further, bonus shares had also been issued to the shareholders by capitalising Securities Premium Account by a sum of ` 987.46 Crores during the previous year.

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 ` 50.62 Crores (Previous year ` 14.53 crores), REC's share being ` 16.04 Crores (Previous year ` 4.61 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'. The balance in 'Foreign Currency Monetary Item Translation Difference Account' remaining to be amortised is ` 63.10 Crores as at 31st March 2018 (` 36.31 Crores (gain) as at 31st March 2017).

3.4 Proposed Dividend

The dividend proposed for the year is as follows :

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
On Equity Shares of ` 10 each		
- Amount of Dividend proposed (` in Crores)	345.61	523.35
- Rate of Dividend	17.50%	26.50%
- Dividend per equity share (`)	1.75	2.65

As per the requirements of Revised AS-4 as amended vide the Companies (Accounting Standards) Amendment Rules, 2016, the Company was not required to provide for dividend proposed by the Board of Directors for the financial year 2016-17 in the books of accounts for the same year, as the declaration of dividend was done after the year end. The appropriation towards final dividend for the last year was accordingly made during the current year.

3.5 During the previous year, an amount of ` 49.59 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 ` 56.70 crore. The consequential increase, in proportion to the Company’s share holding in the joint venture, amounting to ` 2.26 crore has been included in the adjustments to the Surplus account during the current year.

4. Details of Borrowings

4.1 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-6 'Other Long-term and Short-term Liabilities'.

(` in Crores)

	Particulars	As at 31.03.2018			As at 31.03.2017		
		Non-Current	Current	Total	Non-Current	Current	Total
(A)	**Secured Long-Term Debt**						
(a)	**Bonds**						
(i)	Institutional Bonds	11,177.95	11,119.20	**22,297.15**	22,297.15	5,453.30	**27,750.45**
(ii)	54EC Capital Gain Tax Exemption Bonds	15,759.19	6,476.70	**22,235.89**	14,139.62	5,337.78	**19,477.40**
(iii)	Tax Free Bonds	12,577.97	-	**12,577.97**	12,577.97	-	**12,577.97**
(b)	**Term Loans**						
(i)	from Financial Institutions	200.00	200.00	**400.00**	400.00	381.71	**781.71**
(c)	**Other Loans & Advances**						
(i)	Bond Application Money	1,469.23	-	**1,469.23**	-	-	**-**
	Total Secured Long-Term Debt (a+b+c)	**41,184.34**	**17,795.90**	**58,980.24**	**49,414.74**	**11,172.79**	**60,587.53**
(B)	**Unsecured Long-Term Debt**						
(a)	**Bonds**						
(i)	Institutional Bonds	99,140.45	6,675.00	**1,05,815.45**	79,424.70	5,359.70	**84,784.40**
(ii)	Infrastructure Bonds	16.46	94.01	**110.47**	34.89	76.75	**111.64**
(iii)	Zero Coupon Bonds	1,162.59	-	**1,162.59**	1,073.09	-	**1,073.09**
(b)	**Other Loans & Advances**						
(i)	Foreign Currency Borrowings	19,930.94	7,765.55	**27,696.49**	19,733.47	1,450.53	**21,184.00**
	Total Unsecured Long-Term Debt (a+b)	**1,20,250.44**	**14,534.56**	**1,34,785.00**	**1,00,266.15**	**6,886.98**	**1,07,153.13**
	Total Long-Term Debt (A+B)	**1,61,434.78**	**32,330.46**	**1,93,765.24**	**1,49,680.89**	**18,059.77**	**1,67,740.66**

4.2 Short term Debt

(` in Crores)

	Particulars	As at 31.03.2018	As at 31.03.2017
(A)	**Loans Repayable on Demand, from Banks**		
	Secured*	172.82	110.98
	Unsecured	28.54	-
(B)	Commercial Paper, unsecured	3,250.00	-
(C)	FCNR (B) Loans, unsecured	2,276.54	-
	Total Short-Term Debt (A+B)	**5,727.90**	**110.98**

**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.*

4.3 Details of secured long-term debt - *Refer Note 4.5 for details of the security*

(a) Bonds

(i) Institutional Bonds

(` in Crores)

Particulars	As at 31.03.2018			As at 31.03.2017		
	Non-Current	Current	Total	Non-Current	Current	Total
123-IIIB Series - 9.34% Redeemable at par on 23.08.2024	1,955.00	-	1,955.00	1,955.00	-	1,955.00
EESL STRPP C - 8.07% Redeemable at par on 20.09.2023	79.27	-	79.27	79.27	-	79.27
EESL STRPP B - 8.07% Redeemable at par on 20.09.2021	39.64	-	39.64	39.64	-	39.64
123-I Series - 9.40% Redeemable at par on 17.07.2021	1,515.00	-	1,515.00	1,515.00	-	1,515.00
EESL STRPP A - 8.07% Redeemable at par on 20.03.2020	39.64	-	39.64	39.64	-	39.64
92-II Series - 8.65% Redeemable at par on 22.01.2020	945.30	-	945.30	945.30	-	945.30
91-II Series - 8.80% Redeemable at par on 18.11.2019	995.90	-	995.90	995.90	-	995.90
90-C-II Series - 8.80% Redeemable at par on 07.10.2019	1,040.00	-	1,040.00	1,040.00	-	1,040.00
90-B-II Series - 8.72% Redeemable at par on 04.09.2019	868.20	-	868.20	868.20	-	868.20
90th Series - 8.80% Redeemable at par on 03.08.2019	2,000.00	-	2,000.00	2,000.00	-	2,000.00
122nd Series - 9.02% Redeemable at par on 18.06.2019	1,700.00	-	1,700.00	1,700.00	-	1,700.00
119th Series - 9.63% Redeemable at par on 05.02.2019	-	2,090.00	2,090.00	2,090.00	-	2,090.00
88th Series - 8.65% Redeemable at par on 15.01.2019	-	1,495.00	1,495.00	1,495.00	-	1,495.00
118th Series - 9.61% Redeemable at par on 03.01.2019	-	1,655.00	1,655.00	1,655.00	-	1,655.00
117th Series - 9.38% Redeemable at par on 06.11.2018	-	2,878.00	2,878.00	2,878.00	-	2,878.00
87-A-III Series - 11.15% Redeemable at par on 24.10.2018	-	61.80	61.80	61.80	-	61.80
116-II Series - 9.24% Redeemable at par on 17.10.2018	-	850.00	850.00	850.00	-	850.00
87-II Series - 10.85% Redeemable at par on 01.10.2018	-	657.40	657.40	657.40	-	657.40
86-B-III Series - 10.85% Redeemable at par on 14.08.2018	-	432.00	432.00	432.00	-	432.00
86-A Series - 10.70% Redeemable at par on 30.07.2018	-	500.00	500.00	500.00	-	500.00
85th Series - 9.68% Redeemable at par on 13.06.2018	-	500.00	500.00	500.00	-	500.00
83rd Series - 9.07% Redeemed at par on 28.02.2018	-	-	-	-	685.20	685.20
82nd Series - 9.85% Redeemed at par on 28.09.2017	-	-	-	-	883.10	883.10
124-I Series - 9.06% Redeemed at par on 22.09.2017	-	-	-	-	2,610.00	2,610.00
123-IIIA Series - 9.25% Redeemed at par on 25.08.2017	-	-	-	-	1,275.00	1,275.00
Total - Institutional Bonds	**11,177.95**	**11,119.20**	**22,297.15**	**22,297.15**	**5,453.30**	**27,750.45**

(ii) 54EC Capital Gain Tax Exemption Bonds

(` in Crores)

Particulars	As at 31.03.2018			As at 31.03.2017		
	Non-Current	Current	Total	Non-Current	Current	Total
Series XI (2017-18) - 5.25% Redeemable at par during financial year 2020-21	8,096.27	-	8,096.27	-	-	-
Series X (2016-17) - 5.25%- 6.00% Redeemable at par during financial year 2019-20	7,662.92	-	7,662.92	7,662.92	-	7,662.92
Series X (2015-16) - 6.00% Redeemable at par during financial year 2018-19	-	6,476.70	6,476.70	6,476.70	-	6,476.70
Series IX (2014-15) - 6.00% Redeemed at par during financial year 2017-18	-	-	-	-	5,337.78	5,337.78
Total - 54EC Capital Gain Tax Exemption Bonds	**15,759.19**	**6,476.70**	**22,235.89**	**14,139.62**	**5,337.78**	**19,477.40**

(iii) Tax Free Bonds

(` in Crores)

Particulars	As at 31.03.2018			As at 31.03.2017		
	Non-Current	Current	Total	Non-Current	Current	Total
Series 2015-16 Tranche 1 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	696.56	-	696.56	696.56	-	696.56
Series 2015-16 Series 5A 7.17% Redeemable at par on 23.07.2025	300.00	-	300.00	300.00	-	300.00
Series 2013-14 Tranche 2 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	1,057.40	-	1,057.40	1,057.40	-	1,057.40
Series 2013-14 Series 4A & 4B 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	150.00	-	150.00	150.00	-	150.00
Series 2013-14 Tranche 1 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	3,410.60	-	3,410.60	3,410.60	-	3,410.60
Series 2013-14 Series 3A & 3B 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	1,350.00	-	1,350.00	1,350.00	-	1,350.00
Series 2012-13 Tranche 2 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	131.06	-	131.06	131.06	-	131.06
Series 2012-13 Tranche 1 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	1,982.35	-	1,982.35	1,982.35	-	1,982.35
Series 2012-13 Series 2A & 2B 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	500.00	-	500.00	500.00	-	500.00
Series 2011-12 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	3,000.00	-	3,000.00	3,000.00	-	3,000.00
Total - Tax Free Bonds	**12,577.97**	**-**	**12,577.97**	**12,577.97**	**-**	**12,577.97**

(b) Term Loans

(` in Crores)

Particulars	As at 31.03.2018			As at 31.03.2017		
	Non-Current	Current	Total	Non-Current	Current	Total
Term Loan from Financial Institutions						
- Life Insurance Corporation of India (LIC) *7.35% Loan repayable in equal annual installments of ` 200 crores, next instalment due on 01.10.2018*	200.00	200.00	400.00	400.00	350.00	750.00
- PTC India Financial Services Limited *10.5% Loan repayable in equal quarterly installments in the range of ` 24.04 crores to ` 25.98 crores, starting from 30.03.2017*	-	-	-	-	31.71	31.71
Total - Term Loans	**200.00**	**200.00**	**400.00**	**400.00**	**381.71**	**781.71**

4.4 Details of Unsecured long-term debt :

(a) Bonds

(` in Crores)

	Particulars	As at 31.03.2018			As at 31.03.2017		
		Non-Current	Current	Total	Non-Current	Current	Total
(i)	**Institutional Bonds**						
	156th Series - 7.70% Redeemable at par on 10.12.2027	3,533.00	-	3,533.00	-	-	-
	147th Series - 7.95% Redeemable at par on 12.03.2027	2,745.00	-	2,745.00	2,745.00	-	2,745.00
	142nd Series - 7.54% Redeemable at par on 30.12.2026	3,000.00	-	3,000.00	3,000.00	-	3,000.00
	140th Series - 7.52% Redeemable at par on 07.11.2026	2,100.00	-	2,100.00	2,100.00	-	2,100.00
	136th Series - 8.11% Redeemable at par on 07.10.2025	2,585.00	-	2,585.00	2,585.00	-	2,585.00
	95-II Series - 8.75% Redeemable at par on 14.07.2025	1,800.00	-	1,800.00	1,800.00	-	1,800.00
	94th Series - 8.75% Redeemable at par on 09.06.2025	1,250.00	-	1,250.00	1,250.00	-	1,250.00
	133rd Series - 8.30% Redeemable at par on 10.04.2025	2,396.00	-	2,396.00	2,396.00	-	2,396.00
	131st Series - 8.35% Redeemable at par on 21.02.2025	2,285.00	-	2,285.00	2,285.00	-	2,285.00
	130th Series - 8.27% Redeemable at par on 06.02.2025	2,325.00	-	2,325.00	2,325.00	-	2,325.00
	129th Series - 8.23% Redeemable at par on 23.01.2025	1,925.00	-	1,925.00	1,925.00	-	1,925.00
	128th Series - 8.57% Redeemable at par on 21.12.2024	2,250.00	-	2,250.00	2,250.00	-	2,250.00
	115th Series - Subordinate Tier-II Bonds - 8.06% Redeemable at par on 31.05.2023	2,500.00	-	2,500.00	2,500.00	-	2,500.00 -
	114th Series - 8.82% Redeemable at par on 12.04.2023	4,300.00	-	4,300.00	4,300.00	-	4,300.00
	159th Series - 7.99% Redeemable at par on 23.02.2023	950.00	-	950.00	-	-	-
	155th Series - 7.45% Redeemable at par on 30.11.2022	1,912.00	-	1,912.00	-	-	-
	111-II Series - 9.02% Redeemable at par on 19.11.2022	2,211.20	-	2,211.20	2,211.20	-	2,211.20
	152nd Series - 7.09% Redeemable at par on 17.10.2022	1,225.00	-	1,225.00	-	-	-
	150th Series - 7.03% Redeemable at par on 07.09.2022	2,670.00	-	2,670.00	-	-	-
	EESL 2nd Series - 7.80% Redeemable at par on 18.07.2022	142.69	-	142.69	-	-	-
	107th Series - 9.35% Redeemable at par on 15.06.2022	2,378.20	-	2,378.20	2,378.20	-	2,378.20
	132nd Series - 8.27% Redeemable at par on 09.03.2022	700.00	-	700.00	700.00	-	700.00
	145th Series - 7.46% Redeemable at par on 28.02.2022	625.00	-	625.00	625.00	-	625.00
	141st Series - 7.14% Redeemable at par on 09.12.2021	1,020.00	-	1,020.00	1,020.00	-	1,020.00
	127th Series - 8.44% Redeemable at par on 04.12.2021	1,550.00	-	1,550.00	1,550.00	-	1,550.00
	105th Series - 9.75% Redeemable at par on 11.11.2021	3,922.20	-	3,922.20	3,922.20	-	3,922.20
	139th Series - 7.24% Redeemable at par on 21.10.2021	2,500.00	-	2,500.00	2,500.00	-	2,500.00
	101-III Series - 9.48% Redeemable at par on 10.08.2021	3,171.80	-	3,171.80	3,171.80	-	3,171.80
	100th Series - 9.63% Redeemable at par on 15.07.2021	1,500.00	-	1,500.00	1,500.00	-	1,500.00
	161B Series - 7.73% Redeemable at par on 15.06.2021	800.00	-	800.00	-	-	-
	EESL 4th Series - 8.29% Redeemable at par on 28.05.2021	39.64	-	39.64	-	-	-
	154th Series - 7.18% Redeemable at par on 21.05.2021	600.00	-	600.00	-	-	-
	157th Series - 7.60% Redeemable at par on 17.04.2021	1,055.00	-	1,055.00	-	-	-
	98th Series - 9.18% Redeemable at par on 15.03.2021	3,000.00	-	3,000.00	3,000.00	-	3,000.00
	158th Series - 7.70% Redeemable at par on 15.03.2021	2,465.00	-	2,465.00	-	-	-
	EESL 3rd Series - 8.15% Redeemable at par on 10.02.2021	63.42	-	63.42	-	-	-
	153rd Series - 6.99% Redeemable at par on 31.12.2020	2,850.00	-	2,850.00	-	-	-
	97th Series - 8.80% Redeemable at par on 30.11.2020	2,120.50	-	2,120.50	2,120.50	-	2,120.50
	96th Series - 8.80% Redeemable at par on 26.10.2020	1,150.00	-	1,150.00	1,150.00	-	1,150.00
	149th Series - 6.87% Redeemable at par on 24.09.2020	2,485.00	-	2,485.00	-	-	-
	135th Series - 8.36% Redeemable at par on 22.09.2020	2,750.00	-	2,750.00	2,750.00	-	2,750.00
	144th Series - 7.13% Redeemable at par on 21.09.2020	835.00	-	835.00	835.00	-	835.00
	134th Series - 8.37% Redeemable at par on 14.08.2020	2,675.00	-	2,675.00	2,675.00	-	2,675.00
	143rd Series - 6.83% Redeemable at par on 29.06.2020	1,275.00	-	1,275.00	1,275.00	-	1,275.00
	148th Series - 7.42% Redeemable at par on 17.06.2020	1,200.00	-	1,200.00	1,200.00	-	1,200.00
	161A Series - 7.59% Redeemable at par on 13.03.2020	3,000.00	-	3,000.00	-	-	-
	113th Series - 8.87% Redeemable at par on 09.03.2020	1,542.00	-	1,542.00	1,542.00	-	1,542.00
	111-I Series - 9.02% Redeemable at par on 19.11.2019	452.80	-	452.80	452.80	-	452.80
	126th Series - 8.56% Redeemable at par on 13.11.2019	1,700.00	-	1,700.00	1,700.00	-	1,700.00
	125th Series - 9.04% Redeemable at par on 11.10.2019	3,000.00	-	3,000.00	3,000.00	-	3,000.00

(` in Crores)

Particulars	As at 31.03.2018			As at 31.03.2017		
	Non-Current	Current	Total	Non-Current	Current	Total
160th Series - 7.77% Redeemable at par on 16.09.2019	1,450.00	-	1,450.00	-	-	-
108-II Series - 9.39% Redeemable at par on 20.07.2019	960.00	-	960.00	960.00	-	960.00
95-I Series - 8.70% Redeemable at par on 12.07.2019	200.00	-	200.00	200.00	-	200.00
151st Series - 6.75% Redeemable at par on 26.03.2019	-	1,150.00	1,150.00	-	-	-
137th Series - 8.05% Redeemable at par on 07.12.2018	-	2,225.00	2,225.00	2,225.00	-	2,225.00
146th Series - 9.25% Redeemable at par on 03.09.2018	-	3,300.00	3,300.00	3,300.00	-	3,300.00
112th Series - 8.70% Redeemed at par on 01.02.2018	-	-	-	-	1,500.00	1,500.00
109th Series - 9.25% Redeemed at par on 28.08.2017	-	-	-	-	1,734.70	1,734.70
108-I Series - 9.40% Redeemed at par on 20.07.2017	-	-	-	-	2,125.00	2,125.00
Total - Institutional Bonds	**99,140.45**	**6,675.00**	**1,05,815.45**	**79,424.70**	**5,359.70**	**84,784.40**
(ii) Infrastructure Bonds						
Series-II (2011-12) - Redeemable at par. Refer Note 4.6	11.06	18.44	29.50	29.50	-	29.50
Series-I (2010-11) - Redeemable at par. Refer Note 4.6	5.40	75.57	80.97	5.39	76.75	82.14
Total - Infrastructure Bonds	**16.46**	**94.01**	**110.47**	**34.89**	**76.75**	**111.64**
(iii) Zero Coupon Bonds						
ZCB - Series II (Net of unamortised discount, 89,510 bonds with face value of ` 30,000 each redeemable at par on 03.02.2021)	211.59	-	211.59	194.57	-	194.57
ZCB - Series I (Net of unamortised discount, 3,92,700 bonds with face value of ` 30,000 each redeemable at par on 15.12.2020)	951.00	-	951.00	878.52	-	878.52
Total - Zero Coupon Bonds	**1,162.59**	**-**	**1,162.59**	**1,073.09**	**-**	**1,073.09**

(b) Other Loans & Advances

(i) Foreign Currency Borrowings

(` in Crores)

Particulars	As at 31.03.2018			As at 31.03.2017		
	Non-Current	Current	Total	Non-Current	Current	Total
(1) Foreign Currency Bonds						
4.625% US $300 Mn Bonds - Redeemable at par on 22.03.2028	1,951.32	-	1,951.32	-	-	-
3.875% US $450 Mn Green Bonds - Redeemable at par on 07.07.2027	2,926.98	-	2,926.98	-	-	-
3.068% US $400 Mn Bonds - Redeemable at par on 18.12.2020	2,601.76	-	2,601.76	-	-	-
Sub-Total - Foreign Currency Bonds	**7,480.06**	**-**	**7,480.06**	**-**	**-**	**-**
(2) ODA Loans - Guaranteed by Govt. of India						
JICA Loan - 0.75% JICA-I loan repayable in half-yearly instalments till 20.03.2021, next instalment falling due on 20.09.2018 and 0.65% JICA-II loan repayable in half-yearly instalments till 20.03.2023, next instalment falling due on 20.09.2018	129.35	122.98	252.33	237.65	169.84	407.49
3.73% KfW Loan - Repayable in equal half-yearly instalments of €3.68 Mn, next instalment due on 30.06.2018	-	59.41	59.41	51.03	51.02	102.05
1.96% KfW 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 31.03.2018 ` 387.52 Crores (Equivalent to €48.07 Mn), REC'S share ` 122.88 cr)	107.96	14.92	122.88	95.28	-	95.28
1.87% - 2.20% AFD Loan - Repayable in 20 equal half-yearly instalments of €2.50 Mn, first instalment due on 31.10.2020. Total Loan Amount as on 31.03.2018 ` 39.70 Crores (Equivalent to €3.97 Mn), REC'S share ` 12.59 cr)	12.59	-	12.59	8.17	-	8.17
1.96% ADB Loan - Repayable in 30 equal half-yearly instalments of €6.67 Mn, first instalment due on 15.03.2022. Total Loan Amount as on 31.03.2018 ` 97.57 Crores (Equivalent to €15 Mn), REC'S share ` 30.94 cr)	30.94	-	30.94	-	-	-
2.89% KfW-II Loan - Repayable in equal half-yearly instalments of €3.88 Mn, next instalment falling due on 30.06.2018	125.42	62.71	188.13	161.58	53.86	215.44
1.86% KfW-III Loan - Repayable in equal half-yearly instalments of €5.26 Mn, next instalment falling due on 30.06.2018	466.78	84.86	551.64	473.81	72.89	546.70
Sub-Total - ODA Loans - Guaranteed by Govt. of India	**873.04**	**344.88**	**1,217.92**	**1,027.52**	**347.61**	**1,375.13**

(` in Crores)

	Particulars	As at 31.03.2018			As at 31.03.2017		
		Non-Current	Current	Total	Non-Current	Current	Total
(3)	**Syndicated Loans**						
	¥19.029 Bn - Repaid on 10.04.2017	-	-	-	-	1,102.92	1,102.92
	US $285 Mn - Repayable on 02.12.2018	-	1,853.76	1,853.76	1,847.90	-	1,847.90
	US $250 Mn - Repayable on 29.05.2019	1,252.10	-	1,252.10	1,620.97	-	1,620.97
	US $400 Mn - Prepaid on 27.12.2017	-	-	-	2,593.54	-	2,593.54
	US $400 Mn - Prepaid on 26.03.2018	-	-	-	2,593.54	-	2,593.54
	US $300 Mn - Repayable on 29.07.2020	1,951.32	-	1,951.32	1,945.16	-	1,945.16
	**US $250 Mn -** Loan of US$ 150 Mn and US$ 100 Mn repayable on 18.09.2018 and 19.11.2018 respectively	-	1,626.10	1,626.10	1,620.97	-	1,620.97
	US $300 Mn - Repayable on 01.12.2020	1,951.32	-	1,951.32	1,945.16	-	1,945.16
	US $250 Mn - Repayable on 05.02.2019	-	1,626.10	1,626.10	1,620.97	-	1,620.97
	US $120 Mn - Repayable on 21.03.2019	-	780.53	780.53	778.06	-	778.06
	US $100 Mn - Repayable on 05.10.2021	650.44	-	650.44	648.39	-	648.39
	US $230 Mn - Repayable on 19.01.2022	1,496.01	-	1,496.01	1,491.29	-	1,491.29
	US $200 Mn - Repayable on 28.07.2022	1,300.88	-	1,300.88	-	-	-
	US $57.50 Mn - Repayable on 29.05.2019	374.00	-	374.00	-	-	-
	US $240 Mn - Repayable on 26.03.2021	1,561.06	-	1,561.06	-	-	-
	US $160 Mn - Repayable on 26.03.2021	1,040.71	-	1,040.71	-	-	-
	Sub-Total - Syndicated Loans	**11,577.84**	**5,886.49**	**17,464.33**	**18,705.95**	**1,102.92**	**19,808.87**
(4)	**FCNR (B) Loans**						
	US $235.87 Mn - Repayable on 12.02.2019	-	1,534.18	1,534.18	-	-	-
	Sub-Total - FNCR (B) Loans	**-**	**1,534.18**	**1,534.18**	**-**	**-**	**-**
	Total - Foreign Currency Borrowings	**19,930.94**	**7,765.55**	**27,696.49**	**19,733.47**	**1,450.53**	**21,184.00**

4.5 Security Details of the Secured Borrowings

The Bond Series 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 24th 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 and 123-IIIB of Institutional Bonds are secured by way of first pari passu charge on the specified immovable property and the book debts of the Issuer which are charged to other lender / trustee and as may be agreed between the Issuer and the Trustee, pursuant to the terms of the Bond Trust Deed with a minimum security cover of one time of the aggregate face value of amount of bonds outstanding at all times and amount of interest due thereon in favor of IDBI Trusteeship Services Ltd.

The Bond Series STRPP (Separately Transferrable Redeemable Principal Parts) A, B and C are secured by way of first pari passu charge over moveable 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 & Series XI of 54EC Capital Gain Tax Exemption Bonds and Tax Free Bonds issued during FY 2012-13 & 2015-16 are secured by first pari passu charge on (a) mortgage of premises at Sub Plot No. 8, TPS No 2, FP No. 584P, situated at Village Subhanpura, Distt Vadodara and (b) hypothecation of receivables (other than those that are exclusively charged/ earmarked to lenders / other Trustees) in favour of SBICap Trustee Company Ltd.

The term loan from Life Insurance Corporation of India is secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to Vistra ITCL (India) Ltd. (formerly known as IL&FS Trust Company Ltd.) on the basis of joint hypothecation agreement dated 24th September, 2010 in favour of IDBI Trusteeship Services Ltd.

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%	17.07	Redeemable on the date falling 10 years from the date of allotment with buyback option by bondholders after 5/6/7/8/9 years
8.20%	58.50	
8.10%	1.61	Redeemable on the date falling 10 years from the date of allotment
8.20%	3.79	
Total	**80.97**	

Series II (2011-12) allotted on 15.02.2012

Rate of Interest	Amount (` in Crores)	Redemption Details
9.15% Cumulative 9.15% Annual	13.44 5.00	Redeemable on the date falling 15 years from the date of allotment with buyback option by bondholders after 7 years
8.95% Cumulative 8.95% Annual	5.72 1.38	Redeemable on the date falling 10 years from the date of allotment
9.15% Cumulative 9.15% Annual	2.83 1.13	Redeemable on the date falling 15 years from the date of allotment
Total	**29.50**	

4.7 Foreign Currency Borrowings in Note No. 4.4(b)(i)(3) & (4) have been raised at interest rates ranging from a spread of 65 bps to 150 bps over 6 Months' USD/JPY LIBOR (London Inter Bank Offered Rate)

4.8 The outstanding position of Foreign Currency Exposure as at 31st March 2018 is as under:

(Foreign Currency amounts in Millions)

Currency	Total Exposure		Hedged Portion (Currency & Interest rate)		Unhedged Exposure	
	As at 31.03.18	As at 31.03.17	As at 31.03.18	As at 31.03.17	As at 31.03.18	As at 31.03.17
USD $	4,425.63	2,885.00	2,680.00	2,530.00	1,745.63	355.00
JPY ¥	4,100.17	26,059.52	2,214.38	23,985.15	1,885.79	2,074.37
EURO €	115.93	139.74	73.68	99.35	42.25	40.39

4.9 In terms of Accounting Policy No. 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
As at 31st March 2018	65.0441	0.6154	80.6222
As at 31st March 2017	*64.8386*	*0.5796*	*69.2476*

4.10 REC launched its maiden USD Green Bonds in June 2017 to become the first Indian PSU to launch Green Bonds denominated in US Dollars and raised US$ 450 million for a tenure of ten years from the offshore market. The Green Bonds, listed on the London Stock Exchange and Singapore Stock Exchange, have been certified by the Climate Bond Initiative, London while the 'Green Bond framework' formulated by REC has been verified by KPMG. The issue proceeds have been utilized for financing existing projects including re-financing and new eligible green projects in accordance with the Green Bond framework.

4.11 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.

The domestic debt instruments of EESL, a Joint Venture of the Company has "AA" rating – assigned by CARE & ICRA-Credit Rating Agencies.

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

There has been no migration of ratings during the year.

4.12 REC had 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 during the year 2016-17. Based on the complaint filed by the Company, the police filed an FIR against the unknown person and the officials of then Registrar and Transfer Agent (R&TA). Further, an amount of ` 0.59 Crore had been shown recoverable from the RTA in the books of accounts and the matter duly reported to the Reserve Bank of India (RBI). A criminal case has also been filed by the police against the suspected culprits. REC has filed a civil suit on 1st March, 2018 against the erstwhile R&TA (M/s RCMC Share Registry Pvt. Ltd.) for recovery of the dues.

5. **Deferred Tax Liabilities (Net)**

(` in Crores)

Particulars	As at 31.03.2018	As at 31.03.2017
Deferred Tax Liabilities on account of:		
Depreciation	2.56	4.57
Foreign Currency Exchange Fluctuation Loss	21.84	-
MTM on Interest Rate Swap	52.49	66.48
Total	**76.89**	**71.05**
Deferred Tax Assets on account of:		
Provision for Earned Leave	3.77	10.85
Provision for Medical Leave	6.84	6.67
Foreign Currency Exchange Fluctuation Loss	-	12.57
Provision for Gratuity	0.16	0.03
Provision for Doubtful Debts	0.16	0.88
Provision for Employee benefits	0.12	0.09
Operating lease liabilities	0.11	0.04
Total	**11.16**	**31.13**
Deferred Tax Liabilities (Net)	**65.73**	**39.92**

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 and Short-term Liabilities**

(` in Crores)

	Particulars	As at 31.03.2018			As at 31.03.2017		
		Non-Current	Current	Total	Non-Current	Current	Total
(A)	**Current maturities of long-term debt** *(Refer Note 4)*	-	32,330.46	**32,330.46**	-	18,059.77	**18,059.77**
(B)	**Interest accrued but not due on borrowings**	15.50	6,161.80	**6,177.30**	12.38	6,025.45	**6,037.83**
	Interest accrued and due on borrowings	-	-	**-**	-	-	**-**
(C)	**Income Received in Advance**	-	5.27	**5.27**	-	8.41	**8.41**
(D)	**Unpaid Dividends**	-	3.49	**3.49**	-	2.75	**2.75**
(E)	**Unpaid Principal & Interest on Bonds**						
	- Matured Bonds & Interest Accrued thereon	-	47.03	**47.03**	-	51.54	**51.54**
	- Interest on Bonds	-	14.27	**14.27**	-	15.19	**15.19**
(F)	**Other payables**						
	- Funds Received from Govt. of India/ State Govts. for Disbursement as Subsidy/ Grant	-	57,141.98	**57,141.98**	-	46,154.67	**46,154.67**
	Add: Interest on Subsidy/ Grant *(Refer Note 6.3)*	-	24.21	**24.21**	-	2.18	**2.18**
	Less: Disbursed to Beneficiaries	-	(56,699.85)	**(56,699.85)**	-	(46,131.01)	**(46,131.01)**
	Undisbursed Funds to be disbursed as Subsidy/Grant	**-**	**466.34**	**466.34**	**-**	**25.84**	**25.84**
	- Payables towards Bonds Fully serviced by Govt. of India						
	Towards Principal (Refer Note 6.4)	4,000.00	-	**4,000.00**	-	-	**-**
	Towards Interest	-	7.17	**7.17**	-	-	**-**
	- Sundry Liabilities Account (Interest Capitalisation)	21.99	24.00	**45.99**	-	-	**-**
	- Overdraft in Current Account	-	-	**-**	-	-	**-**
	- Statutory Dues payable including PF and TDS	-	71.42	**71.42**	-	53.33	**53.33**
	- Payable towards funded staff benefits	-	2.84	**2.84**	-	13.63	**13.63**
	- Other Liabilities	0.97	292.45	**293.42**	1.04	269.08	**270.12**
	Sub-total (F)	**4,022.96**	**864.22**	**4,887.18**	**1.04**	**361.88**	**362.92**
	Total (A to F)	**4,038.46**	**39,426.54**	**43,465.00**	**13.42**	**24,524.99**	**24,538.41**

6.1 **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 ` 0.53 Crores as at 31st March 2018 (` 0.86 Crores as at 31st March 2017) represents the balance amount of interest subsidy fund, which is to be passed on to the borrowers against their interest liability arising in future, under Accelerated Generation & Supply Programme (AG&SP), which comprises of the following :-

(` in Crores)

Particulars	For the year ended 31.03.2018	For the year ended 31.03.2017
Opening Balance of Interest Subsidy Fund	0.86	1.26
Add: Interest earned during the year	0.02	0.07
Less: Interest subsidy passed on to the borrower	0.35	0.47
Closing Balance of Interest Subsidy Fund	**0.53**	**0.86**

6.2 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 period, interest earned of ` 18.15 Crores (Previous year ` 24.84 Crores) has been taken to DDUGJY Subsidy account. Further, during the year, an amount of ` 10.33 crores (Previous year ` 40.78 crores) has been refunded back to MoP out of the total interest on subsidy.

6.3 The movement in Interest on Subsidy/ Grant is explained as under:

(` in Crores)

Particulars	For the year ended 31.03.2018	For the year ended 31.03.2017
Opening Balance	2.18	18.10
Add: Interest earned during the year	33.57	25.94
Less: Amount refunded to Govt. during the year	11.32	41.59
Less: Disbursement out of Interest earned on account of AG&SP Grant	0.22	0.27
Closing Balance	**24.21**	**2.18**

6.4 For meeting GOI's funding requirement of DDUGJY Scheme, during the year, the Company has raised an aggregate amount of ` 4,000 crore through unsecured, redeemable, non-convertible, taxable bonds in the nature of debentures of face value of ` 10 lacs at par on private placement basis. As per Ministry of Power (MoP) letter dated 19th March 2018, the repayment of principal and interest of the above bonds shall be made by GoI by making suitable budget provisions in the demand of Ministry of Power. Accordingly, the amount of such bonds along-with interest is also appearing as recoverable by the Company from GoI.

Details of the GoI Fully Serviced Bonds raised are as follows-

(` in Crores)

Particulars	As at 31.03.2018			As at 31.03.2017		
	Non-Current	Current	Total	Non-Current	Current	Total
GoI-I Series 8.09% semi-annual redeemable at par on 21.03.2028	1,837.00	-	1,837.00	-	-	-
GoI-II Series 8.01% semi-annual redeemable at par on 24.03.2028	1,410.00	-	1,410.00	-	-	-
GoI-III Series 8.06% semi-annual redeemable at par on 27.03.2028	753.00	-	753.00	-	-	-
Total	**4,000.00**	**-**	**4,000.00**	**-**	**-**	**-**

7. Long-term and Short-term Provisions

(` in Crores)

	Particulars	As at 31.03.2018			As at 31.03.2017		
		Non-Current	Current	Total	Non-Current	Current	Total
	Provisions for						
(A)	**Employee Benefits**						
	Earned Leave Liability	9.44	1.64	**11.08**	28.48	3.31	**31.79**
	Post Retirement Medical Benefits	99.80	5.39	**105.19**	92.49	4.66	**97.15**
	Medical Leave Liability	16.96	2.81	**19.77**	16.63	2.64	**19.27**
	Settlement Allowance	1.03	0.21	**1.24**	1.10	0.17	**1.27**
	Economic Rehabilitation Scheme	3.31	0.03	**3.34**	3.44	0.01	**3.45**
	Long Service Award	2.55	0.02	**2.57**	2.64	0.19	**2.83**
	Loyalty Bonus	0.21	-	**0.21**	0.11	0.04	**0.15**
	Gratuity	0.45	-	**0.45**	0.19	-	**0.19**
	Sub-total (A)	**133.75**	**10.10**	**143.85**	**145.08**	**11.02**	**156.10**
(B)	**Others**						
	Standard Loan Assets	784.53	104.87	**889.40**	536.59	70.87	**607.46**
	Restructured Standard Loans	409.41	54.54	**463.95**	1,167.67	73.52	**1,241.19**
	Interest on Loans Due & Converted into Equity	-	3.96	**3.96**	-	3.96	**3.96**
	Incentive	-	19.19	**19.19**	-	20.34	**20.34**
	Pay Revision	-	58.90	**58.90**	-	14.59	**14.59**
	Retention Money	12.88	-	**12.88**	-	-	**-**
	Corporate Dividend Tax	-	0.84	**0.84**	-	-	**-**
	Provision for Warranty	-	-	**-**	0.13	-	**0.13**
	Sub-total (B)	**1,206.82**	**242.30**	**1,449.12**	**1,704.39**	**183.28**	**1,887.67**
	Total (A+B)	**1,340.57**	**252.40**	**1,592.97**	**1,849.47**	**194.30**	**2,043.77**

7.1 Details of Provisions as required under AS-29 are as under :

(` in Crores)

Particulars	For the year ended 31.03.2018				For the year ended 31.03.2017			
	Opening Balance	Additions during the year	Paid/ Adjusted during the year	Closing Balance	Opening Balance	Additions during the year	Paid/ Adjusted during the year	Closing Balance
Standard Loan Assets	607.46	281.94	-	**889.40**	543.43	64.03	-	**607.46**
Restructured Standard Loans	1,241.19	68.16	845.40	**463.95**	821.34	419.85	-	**1,241.19**
Interest on Loans Due & Converted into Equity	3.96	-	-	**3.96**	3.96	-	-	**3.96**
Incentive	20.34	13.43	14.58	**19.19**	18.13	15.52	13.31	**20.34**
Pay Revision	14.59	50.33	6.02	**58.90**	-	14.59	-	**14.59**
Corporate Dividend Tax	-	405.78	404.94	**0.84**	106.49	277.46	383.95	**-**
Retention Money	-	12.88	-	**12.88**	-	-	-	**-**
Warranty	0.13	-	0.13	**-**	-	0.13	-	**0.13**
Contigencies of project cost revisions	-	-	-	**-**	2.29	0.36	2.65	**-**

8. Trade Payables

(` in Crores)

Particulars	As at 31.03.2018	As at 31.03.2017
Trade Payables	448.64	160.39
Total	**448.64**	**160.39**

9. Fixed Assets as at 31st March 2018

(` In Crores)

FIXED ASSETS	GROSS BLOCK				DEPRECIATION/ AMORTISATION				NET BLOCK	
	As at 01.04.2017	Additions during the year	Sales/ adjustment during the year	Closing as on 31.03.2018	Upto 31.03.2017	During the year	Adjustment during the year	As at 31.03.2018	As at 31.03.2018	As at 31.03.2017
Tangible Assets										
Freehold Land	82.92	-	-	82.92	-	-	-	-	82.92	82.92
Leasehold Land	6.59	0.21	-	6.80	0.41	0.54	-	0.95	5.85	6.18
Buildings	31.59	0.16	-	31.75	7.62	0.48	-	8.10	23.65	23.97
Furniture & Fixtures	8.63	2.07	0.16	10.54	5.67	0.70	0.07	6.30	4.24	2.96
Vehicles	0.43	-	0.03	0.40	0.28	0.02	0.03	0.27	0.13	0.15
EDP Equipments	18.21	3.55	2.12	19.64	12.95	3.01	1.96	14.00	5.64	5.26
Office Equipments	291.07	129.57	(3.78)	424.42	58.40	64.10	-0.21	122.71	301.71	232.67
Total	**439.44**	**135.56**	**(1.47)**	**576.47**	**85.33**	**68.85**	**1.85**	**152.33**	**424.14**	**354.11**
Previous year	301.36	128.41	(9.66)	439.43	48.31	39.76	2.75	85.32	354.11	
Intangible Assets										
Computer Software	7.47	10.21	-	17.68	6.73	0.74	-0.05	7.52	10.16	0.74
Total	**7.47**	**10.21**	**-**	**17.68**	**6.73**	**0.74**	**-0.05**	**7.52**	**10.16**	**0.74**
Previous year	7.18	0.27	(0.02)	7.47	6.15	0.57	-0.01	6.73	0.74	
Capital Work-in-progress	**164.13**	**623.56**	**257.62**	**530.07**	-	-	-	-	**530.07**	**164.13**
Previous year	76.84	243.05	155.76	164.13	-	-	-	-	164.13	
Intangible Assets under Development	1.46	-	-	**1.46**	-	-	-	-	**1.46**	**1.46**
Previous year	1.21	0.25	-	**1.46**	-	-	-	-	1.46	

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 in AS-26 "Intangible Assets" :

Amortisation Rate 20%, 100% in case the total cost of the asset is `5,000 or less

10. Investments

(` in Crores)

Particulars	As at 31.03.2018			As at 31.03.2017		
	Non-current	Current	Total	Non-current	Current	Total
<u>Valued at Cost</u>						
(A) Trade Investments						
(i) Investment in Equity Instruments - Quoted						
- NHPC Ltd. 18,40,11,865 Equity shares of `10 each, fully paid up	400.80	-	**400.80**	400.80	-	**400.80**
- Housing and Urban Development Corporation Ltd. 3,47,429 Equity shares of `10 each, fully paid up	2.08	-	**2.08**	-	-	**-**
- Indian Energy Exchange Limited 12,50,000 Equity shares of `10 each, fully paid up	1.25	-	**1.25**	1.25	-	**1.25**
(ii) Investment in Equity Instruments - Unquoted						
- Controlled SPVs						
- Dinchang Transmission Limited 50,000 Equity shares of `10 each, fully paid up	-	0.05	**0.05**	-	0.05	**0.05**
- Ghatampur Transmission Limited 50,000 Equity shares of `10 each, fully paid up	-	0.05	**0.05**	-	0.05	**0.05**
- ERSS XXI Transmission Limited 50,000 Equity shares of `10 each, fully paid up	-	-	**-**	-	0.05	**0.05**
- WR-NR Power Transmission Limited 50,000 Equity shares of `10 each, fully paid up	-	-	**-**	-	0.05	**0.05**
- Others						
- Energypro Assets Limited 2,17,45,680 Equity shares of £1 each, fully paid up	57.14	-	**57.14**	0.60	-	**0.60**
- Universal Commodity Exchange Limited 1,60,00,000 Equity shares of `10 each, fully paid up	-	16.00	**16.00**	16.00	-	**16.00**
Less: Provision for Diminution in Investment	-	(16.00)	**(16.00)**	(16.00)	-	**(16.00)**
	-	-	**-**	-	-	**-**
- Lanco Teesta Hydro Power Limited 10,20,00,000 Equity shares of `10 each, fully paid up	-	102.00	**102.00**	-	102.00	**102.00**
Less: Provision for Diminution in Investment	-	(29.41)	**(29.41)**	-	-	**-**
	-	72.59	**72.59**		102.00	**102.00**
(iii) Investment in Government Securities - Unquoted						
- 8% Government of Madhya Pradesh Power Bonds-II 3 Bonds of ` 47,16,00,000 each	94.32	47.16	**141.48**	188.64	47.16	**235.80**
(iv) Investment in Venture Capital Funds - Unquoted						
- 'Small is Beautiful' Fund 61,52,200 units of ` 10 each	6.15	-	**6.15**	6.15	-	**6.15**
(v) Investment in Debentures - Unquoted						
- 9.68% Bonds of UP Power Corporation Ltd. 30,385 Bonds of ` 1,00,000 each	303.85	-	**303.85**	303.85	-	**303.85**
(B) Other Investments						
(i) Investment in Debentures - Quoted						
- 11.15% Additional Tier-1 Perpetual Bonds of Indian Bank 5,000 Bonds of ` 10,00,000 each	500.00	-	**500.00**	500.00	-	**500.00**
- 11.25% Additional Tier-1 Perpetual Bonds of Vijaya Bank 5,000 Bonds of ` 10,00,000 each	500.00	-	**500.00**	500.00	-	**500.00**
- 11.25% Additional Tier-1 Perpetual Bonds of Syndicate Bank 5,000 Bonds of ` 10,00,000 each	500.00	-	**500.00**	500.00	-	**500.00**
(ii) Investment in Inter Corporate Deposit						
- LIC Housing Finance Limited	-	-	**-**	-	17.50	**17.50**
- PNB Housing Finance Limited	-	64.00	**64.00**	-	17.50	**17.50**
(iii) Investment in Tax Free Bonds - Quoted						
- 8.76% Bonds of HUDCO Ltd. 50,000 Bonds of ` 1,000 each	5.00	-	**5.00**	5.00	-	**5.00**
- 7.39% Bonds of HUDCO Ltd. 86,798 Bonds of ` 1,000 each	8.68	-	**8.68**	8.68	-	**8.68**
- 7.35% Bonds of NHAI 42,855 Bonds of ` 1,000 each	4.29	-	**4.29**	4.29	-	**4.29**
- 7.39% Bonds of NHAI 35,463 Bonds of ` 1,000 each	3.55	-	**3.55**	3.55	-	**3.55**
- 7.49% Bonds of IREDA Ltd. 61,308 Bonds of ` 1,000 each	6.13	-	**6.13**	6.13	-	**6.13**
- 7.35% Bonds of IRFC Ltd. 22,338 Bonds of ` 1,000 each	2.23	-	**2.23**	2.23	-	**2.23**
- 7.35% Bonds of NABARD 14,028 Bonds of ` 1,000 each	1.40	-	**1.40**	1.40	-	**1.40**
Total (A+B)	**2,396.87**	**183.85**	**2,580.72**	**2,432.57**	**184.36**	**2,616.93**

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 31.03.2018 is ` 10.17 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 Indian Energy Exchange Ltd. (IEX)

Name of the Company	No. of Shares	Invested	Country of Incorporation	Shareholding %
Indian Energy Exchange Limited	12,50,000	`1.25 Crores	India	4.12%

The equity shares of IEX have been listed on stock exchanges on 23rd October 2017.

10.2 Information in relation to the interest of the Company in Joint Ventures (JVs):

1. Energy Efficiency Services Ltd.

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 31.03.2018 and income and expenses for the year in respect of joint venture are given below :

(` in Crores)

	Particulars	As at / For the half year ended 31.03.2018 (Unaudited)	As at / For the year ended 31.03.2017 (Unaudited)	As at / For the year ended 31.03.2017 (Audited) *
(i)	Total Assets	1,543.62	838.77	817.03
(ii)	Total Liabilities	1,340.45	662.90	640.93
(iii)	Total Reserves & Surplus	25.27	29.37	29.60
(iv)	Contingent Liabilities	68.65	11.74	38.06
(v)	Capital Commitments	83.64	103.95	253.57
(vi)	Total Income	461.78	408.83	389.14
(vii)	Total Expenses	438.60	384.81	363.25

** The consolidated financial statements of the Company for the FY 2016-17 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 30th May 2017. Further, the audited financial statements for the year ended 31st March 2017 have been prepared under Indian Accounting Standards (Ind-AS). The unaudited financial statements for the year ended 31st March 2018 have been prepared as per Indian GAAP and certified by the Management.*

10.3 Additional disclosures required in respect of the investments :

(` in Crores)

	Particulars	As at 31.03.2018	As at 31.03.2017
(1)	**Value of Investments**		
(i)	Gross Value of Investments		
(a)	In India	**2,568.99**	**2,632.33**
(b)	Outside India,	**57.14**	**0.60**
(ii)	**Provisions for Depreciation**		
(a)	In India	**45.41**	**16.00**
(b)	Outside India,	**-**	**-**
(iii)	**Net Value of Investments**		
(a)	In India	**2,523.58**	**2,616.33**
(b)	Outside India.	**57.14**	**0.60**
(2)	**Movement of provisions held towards depreciation on**		
(i)	Opening balance	**16.00**	**0.10**
(ii)	Add : Provisions made during the year	**29.41**	**16.00**
(iii)	Less : Write-off / write-back of excess provisions during the year	**-**	**0.10**
(iv)	**Closing balance**	**45.41**	**16.00**
(3)	**Aggregate amount of Quoted Investments**	**1,935.41**	**1,932.08**
	Market Value of Quoted Investments	**2,247.81**	**2,125.57**
(4)	**Aggregate amount of Unquoted Investments**	**690.72**	**700.85**
(5)	**Aggregate provision for diminution in value of investments**	**45.41**	**16.00**

11. Loans & Advances

Non-current portion of loans & advances has been classified under 'Long-term Loans & Advances' and the current portion of loans & advances has been classified under Note-12 'Other Non-Current and Current Assets'.

(` in Crores)

Particulars	As at 31.03.2018				As at 31.03.2017			
	Long-term		Short-Term	Total	Long-term		Short-Term	Total
	Non-Current	Current			Non-Current	Current		
(A) Capital Advances (Unsecured, considered good)	45.96	-	-	**45.96**	40.23	-	-	**40.23**
(B) Security Deposits (Unsecured, considered good)	3.22	-	0.41	**3.63**	1.55	-	0.48	**2.03**
(C) Loans & Advances to Related Parties								
- To Key Managerial Personnel (KMP)	0.36	0.17	-	**0.53**	0.37	0.13	-	**0.50**
- To Others								
(a) Unsecured, considered good	-	-	7.57	**7.57**	-	-	2.89	**2.89**
(a) Unsecured, considered doubtful	-	-	0.06	**0.06**			0.06	**0.06**
Less: Provision for bad & doubtful debts	-	-	(0.06)	**(0.06)**			(0.06)	**(0.06)**
	0.36	**0.17**	**7.57**	**8.10**	**0.37**	**0.13**	**2.89**	**3.39**
(D) Other Loans & Advances								
- Staff Loans & Advances (except to KMP)	25.89	10.51	0.05	**36.45**	32.29	11.10	0.04	**43.43**
- Loan Assets	2,06,419.47	23,865.66	5,647.92	**2,35,933.05**	1,77,275.24	19,429.25	3,588.85	**2,00,293.34**
- Others	0.38	-	46.12	**46.50**	1.90	-	26.46	**28.36**
	2,06,445.74	**23,876.17**	**5,694.09**	**2,36,016.00**	**1,77,309.43**	**19,440.35**	**3,615.35**	**2,00,365.13**
Total (A to D)	**2,06,495.28**	**23,876.34**	**5,702.07**	**2,36,073.69**	**1,77,351.58**	**19,440.48**	**3,618.72**	**2,00,410.78**

Details of Loans & Advances :

11.1 Staff Loans & Advances

(` in Crores)

Particulars	As at 31.03.2018				As at 31.03.2017			
	Long-term		Short-Term	Total	Long-term		Short-Term	Total
	Non-Current	Current			Non-Current	Current		
(A) Secured Staff Loans & Advances								
(A1) To Key Managerial Personnel								
(a) Considered Good	-	-	-	**-**	0.01	-	-	**0.01**
(A2) To Others								
(a) Considered Good	3.12	0.63	0.02	**3.77**	3.43	0.68	-	**4.11**
Sub-total (A1+ A2)	**3.12**	**0.63**	**0.02**	**3.77**	**3.44**	**0.68**	**-**	**4.12**
(B) Unsecured Staff Loans & Advances								
(B1) To Key Managerial Personnel								
(a) Considered Good	0.36	0.17	-	**0.53**	0.36	0.13	-	**0.49**
(B2) To Others								
(a) Considered Good	22.77	9.88	0.03	**32.68**	28.86	10.42	0.04	**39.32**
Sub-total (B1+ B2)	**23.13**	**10.05**	**0.03**	**33.21**	**29.22**	**10.55**	**0.04**	**39.81**
Grand Total (A+B)	**26.25**	**10.68**	**0.05**	**36.98**	**32.66**	**11.23**	**0.04**	**43.93**

11.2 Loan Assets

(` in Crores)

Particulars	As at 31.03.2018				As at 31.03.2017			
	Long-term		Short-Term	Total	Long-term		Short-Term	Total
	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	1,46,256.29	15,670.42	4,117.09	**1,66,043.80**	1,25,811.34	11,014.90	740.67	**1,37,566.91**
(A2) Loans to Others (Secured by hypothecation and/or mortgage of tangible assets)								
(a) Considered good	14,928.90	1,148.33	-	**16,077.23**	24,691.95	3,553.12	-	**28,245.07**
(b) Considered doubtful	12,059.39	4,273.73	-	**16,333.12**	2,220.01	2,169.10	-	**4,389.11**
Less: Provision for bad & doubtful debts	1,352.52	1,368.44	-	**2,720.96**	383.89	767.87	-	**1,151.76**
	10,706.87	2,905.29	-	**13,612.16**	1,836.12	1,401.23	-	**3,237.35**
Sub-total (A1+ A2)	**1,71,892.06**	**19,724.04**	**4,117.09**	**1,95,733.19**	**1,52,339.41**	**15,969.25**	**740.67**	**1,69,049.33**
(B) Unsecured Loans								
(B1) Loans Guaranteed by respective State Governments								
(a) Considered good	23,694.24	3,221.16	-	**26,915.40**	19,109.20	2,850.00	197.18	**22,156.38**
(B2) Loans to State Governments								
(a) Considered good	3,009.99	330.99	-	**3,340.98**	2,647.90	351.22	-	**2,999.12**
(B3) Loans - Others								
(a) Considered good	7,823.18	589.47	1,530.83	**9,943.48**	3,178.73	258.78	2,651.00	**6,088.51**
(b) Considered doubtful	34.92	760.38	-	**795.30**	5.18	478.40	-	**483.58**
Less: Provision for bad & doubtful debts	34.92	760.38	-	**795.30**	5.18	478.40	-	**483.58**
	-	-	-	**-**	-	-	-	**-**
Sub-total (B1+ B2+B3)	**34,527.41**	**4,141.62**	**1,530.83**	**40,199.86**	**24,935.83**	**3,460.00**	**2,848.18**	**31,244.01**
Grand Total (A+B)	**2,06,419.47**	**23,865.66**	**5,647.92**	**2,35,933.05**	**1,77,275.24**	**19,429.25**	**3,588.85**	**2,00,293.34**

11.3 Other Loans & Advances

(` in Crores)

Particulars	As at 31.03.2018				As at 31.03.2017			
	Long-term		Short-Term	Total	Long-term		Short-Term	Total
	Non-Current	Current			Non-Current	Current		
(A) Advances recoverable in cash or in kind or value to be received (Unsecured)								
(a) Considered good	0.38	-	46.12	**46.50**	1.90	-	26.46	**28.36**
(b) Considered doubtful	-	-	6.08	**6.08**	-	-	5.59	**5.59**
Less: Provision for bad & doubtful debts	-	-	6.08	**6.08**	-	-	5.59	**5.59**
	-	-	-	**-**	-	-	-	**-**
Grand Total	**0.38**	**-**	**46.12**	**46.50**	**1.90**	**-**	**26.46**	**28.36**

11.3.1 Loan balance confirmations for 87% of total loan assets as at 31st March 2018 have been received from the borrowers. Out of the remaining 13% loan assets amounting to ` 30,013 crore for which balance confirmations have not been received, 81% loans are secured by way of hypothecation of assets, 15% by way of Government Guarantee/ Loans to Government and 4% are unsecured loans.

11.3.2 Loan Assets also include amount financed by the Company as per the Scheme for Financial Restructuring of State Distribution Companies (Discoms).

11.3.3 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 31st March 2018, the loan outstanding is ` 811.74 crores

The account had become NPA on 30th June 2014. As at 31st March 2018, the account of the borrower is classified as Doubtful asset. In line with Independent valuer's report, 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 has been created in the books as per Significant Accounting Policy no 2.3(ii). As such, total provision created as on 31st March 2018 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 joined the winding up petition filed by one the employee of CIAL 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.

11.3.4 REC has sanctioned ` 1,150 Crore to Jas Infrastructure & Power Limited (JIPL) wherein total disbursement is ` 33.24 Crores till 31st March 2018. The account has become NPA on 30th June 2014. As at 31st March 2018, the account of the borrower is classified as Doubtful asset. In line with the Independent valuer's report, 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 31st March 2018 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 before DRT for recovery of dues. Further, lenders have jointly taken action under the provision of the SARFAESI Act. PNB acting as Lead has taken the symbolic possession of the project by issuing Notice under section 13(4) of SARFEASI Act.

11.3.5 As at 31st March 2018, 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 'Restructured Standard Asset' pending final decision of the Court. During the financial year 2016-17, 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 31st March 2018, the total provision of ` 218.69 Crores stands created against the project and unrealized income of ` 382.35 Crores has also not been recognized for the financial year 2017-18. An application has been filed by REC for vacation of stay order issued by Hon'ble High Court of Madras. REC has filed an Application before High Court, Madaras for dismissal of the Writ Petition and vacation of stay order.

11.3.6 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 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, approved the Strategic Debt Restructuring (SDR) package pursuant to RBI circular dated 8th 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 20th 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. As per SDR scheme, asset classification shall remain standard up to 18 months from 24th July 2015 i.e. 23rd January 2017 and within this timeline, a suitable investor had 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. the asset classification has now been downgraded to Doubtful Category and as on 31st March 2018 total provision of Rs.71.04 Cr has been created @ 30% of the outstanding loan. Further a provision @ 30% has also been created on the investment portion. The project company has now been admitted under Insolvency and Bankruptcy Code 2016 by NCLT, Hyderabad on 16th March 2018 to initiate Corporate Insolvency Resolution Proceeding (CIRP).

11.3.7 REC has given a loan to M/s Ind Barath Power (Madras) Limited (IBPML) under consortium lending with PFC being the lead lender. The total disbursement towards IBPML by three consortium lenders was ` 947.71 crore. Out of this, ` 573.99 crore kept as FDs, were utilized by the borrower from TRA for other than the project purposes. The matter has since been reported to RBI on 26th February 2018. Accordingly, the company has created a provision of ` 145.67 crores during the current quarter, making total of 100% provision on its loan outstanding of ` 416.21 crores as at 31st March, 2018. One of the operational creditor of IBPML has filed application under section 9 of the Insolvency and Bankruptcy Code 2016 and based on which NCLT has initiated Corporate Insolvency Resolution Process against IBPML. Resolution Professional has been appointed and REC has filed its claim before the Resolution Professional.

11.3.8 Facor Power Limited (FPL) has become NPA on 30th September 2015 due to default in payment of dues. After initiating recovery action and issue of demand notices, the Company issued notice u/s 13(4) of SARFAESI Act for symbolic possession on 3rd November 2016 which was challenged by the borrower before DRT. Consequent to favorable disposal of litigation, REC has taken over the management control of FPL along with physical possession on 7th November 2017 under section 13(4)(b) of the SARFAESI Act after issuing necessary notice/publication. The erstwhile directors of FPL were suspended and replaced with three officers of REC out of which one of the directors is managing the day to day activities as Chief Executive Officer of FPL. The actions of REC are being challenged by the promoter of the borrower company in DRT which is subjudice.

11.3.9 REC has extended a loan of ` 217 Crores (Outstanding loan amount as at 31st March 2018 - ` 197.24 Crores) to Gati Infrastructure Private Limited for the implementation of 2X55 MW HEP in Sikkim with Edelweisse Asset Reconstruction Company (EARC) as Lead lender. Project achieved COD on 18th May 2013 and is operational since then. Lower revenue realization due to short term arrangment is causing stress on project cash flows. Lenders have invoked pledged shares under Outside SDR scheme considering 05th December 2016 as reference date and shares have been transferred to Security trustee on behalf of all lenders. Further the process of inducting a suitable investor/prospective buyer is underway. Long term PPA is expected soon for supplying power to Haryana Discoms.

11.3.10 REC has extended a loan of ` 325 Crores (Outstanding loan amount as on 31st March 2018 - ` 321.04 Crores) to Jhabua Power Ltd for the implementation of 1X600 MW TPP in Seoni Dist. in Madhya Pradesh with Axis Bank as Lead lender. Project achieved COD on 31st March 2015 and is operational since then. As the project was suffering due to lower revenue realization, Lenders have invoked pledged shares under Outside SDR Scheme with 23rd June 2017 as reference date. Accordingly pledged shares have been transferred to Security trustee agent on behalf of all lenders. Additionally, to effect change in current management/promoters lenders have initiated open auction process and the same is underway.

12. Other Non-Current and Current Assets

(` in Crores)

	Particulars	As at 31.03.2018			As at 31.03.2017		
		Non-current	Current	Total	Non-current	Current	Total
(A)	**Current recoverable of Loan & Advances (Net)** *(Refer Note 11)*	-	23,876.34	**23,876.34**	-	19,440.48	**19,440.48**
		-	-	-	-	-	-
(B)	**Interest Accrued & not due on:**						
	- Long Term Investments	-	13.63	**13.63**	-	14.25	**14.25**
	- Term Deposits	-	11.34	**11.34**	-	7.06	**7.06**
	Sub-total	-	*24.97*	***24.97***	-	*21.31*	*21.31*
(C)	**Interest Accrued & Due on Loan Assets**	-	462.37	**462.37**	-	781.26	**781.26**
(D)	**Interest Accrued & Not Due on Loan Assets**	-	303.23	**303.23**	-	288.31	**288.31**
(E)	**Interest Accrued on Staff Advances**	9.03	0.32	**9.35**	7.74	0.33	**8.07**
(F)	**Recoverable from Govt. of India**						-
	- Towards Principal - GoI Fully Serviced Bonds	4,000.00	-	**4,000.00**	-	-	-
	- Towards Interest - GoI Fully Serviced Bonds	-	7.17	**7.17**	-	-	-
	- Towards Issue Expenses - GoI Fully Serviced Bonds	-	4.07	**4.07**	-	-	-
	- Agency Charges on Govt. Schemes	-	161.01	**161.01**	-	-	-
	- Reimbursement of Expenses on Govt. Schemes	-	14.19	**14.19**	-	9.44	**9.44**
	Recoverable from Govt. of India (Total)	*4,000.00*	*186.44*	***4,186.44***	-	*9.44*	*9.44*
	Less: Provision for bad & doubtful debts	-	(6.19)	**(6.19)**	-	-	-
	Recoverable from Govt. of India (Net)	***4,000.00***	***180.25***	***4,180.25***	-	***9.44***	***9.44***
(G)	**Recoverable from SEBs/ Govt. Deptt./ Others**	-	93.87	**93.87**	-	35.53	**35.53**
(H)	**Advance Income-tax & TDS**	2,356.67	-	**2,356.67**	2,800.34	-	**2,800.34**
	Less; Provision for Income Tax	(2,326.68)	-	**(2,326.68)**	(2,751.95)	-	**(2,751.95)**
	Advance Income-tax & TDS (Net)	29.99	-	**29.99**	48.39	-	**48.39**
(I)	**Income tax receivable**	-	1.87	**1.87**	-	1.97	**1.97**
(J)	**Forward Contract Receivables**	313.57	-	**313.57**	143.79	-	**143.79**
(K)	**Receivables in respect of Derivative Contracts**	151.68	-	**151.68**	192.10	-	**192.10**
(L)	**Prepaid Financial Charges on Commercial Paper**	-	99.56	**99.56**	-	-	-
(M)	**Prepaid Expenditure**	-	14.27	**14.27**	-	16.80	**16.80**
(N)	**Unamortized Expenses**						-
	- Discount on Foreign Currency Borrowings	47.42	1.64	**49.06**	-	-	-
	- Arrangement Fee on Foreign Currency Borrowings	38.53	6.56	**45.09**	-	-	-
	- Premium on Forward Contracts	153.70	21.96	**175.66**	-	-	-
(O)	**Term Deposits with Banks with more than 12 months maturity**	-	-	-	2.05	-	**2.05**
(P)	**Others**	-	51.10	**51.10**	-	7.38	**7.38**
	Total (A to P)	**4,743.92**	**25,138.31**	**29,882.23**	**394.07**	**20,602.81**	**20,996.88**

-Term deposits held as security/ margin money in (O) above

13. Inventories

(` in Crores)

	Particulars	As at 31.03.2018	As at 31.03.2017
(A)	**Stock-in-trade**	102.48	51.14
(B)	**Work-in-progress**	-	0.04
	Total (A+B)	**102.48**	**51.18**

14. Trade Receivables

(` in Crores)

	Particulars	As at 31.03.2018	As at 31.03.2017
(A)	**Unsecured**		
	Outstanding for a period more than 6 months		
	- Considered Good	288.44	213.15
	- Considered Doubtful	0.46	2.53
	Less: Provision for bad & doubtful debts	0.46	2.53
		-	-
	Less than 6 months		
	- Considered Good	253.42	225.25
	Total	**541.86**	**438.40**

15. Cash and Bank Balances

(` in Crores)

	Particulars	As at 31.03.2018	As at 31.03.2017
(A)	**Cash & Cash Equivalents**		
	- Balances with Banks	2,035.38	937.97
	- Cash on Hand (including postage & imprest)	0.02	0.03
	- Others		
	- Short-term Deposits with Scheduled Banks	95.89	2,482.34
	- Short term Investment in Debt Mutual Funds	-	1,160.00
	Sub-total (A)	**2,131.29**	**4,580.34**
(B)	**Others**		
	- Term Deposits with Scheduled Banks	236.95	70.45
	Sub-total (B)	**236.95**	**70.45**
	Total (A+B)	**2,368.24**	**4,650.79**

Balances with Banks include:		
- Earmarked Balances with Banks in separate accounts		
- For unpaid dividends	3.49	2.75
- For DDUGJY, AG&SP, NEF and other grants	212.36	0.51
- Amount set aside for grants disbursement	2.13	2.13
- Amount not available for use pending allotment of securities	1,469.23	-

Further, Short-term Deposits with Scheduled Banks include ` 39.02 Crores (Previous year ` 23.20 Crores) earmarked towards DDUGJY and other grants and ` 2.91 Crores (Previous year ` 5.99 Crores) earmarked towards Swachh Vidyalaya Abhiyan (SVA). Figure in (B) Others - Term Deposits with Scheduled Banks includes deposits for ` 2.31 Crores (Previous year ` 1.98 Crores) made and earmarked in compliance of Court orders and ` 216.13 Crores (Previous year Nil) earmarked towards J&K PMDP work.

- Term deposits held as security/ margin money	17.51	33.78
- Term Deposits with Scheduled Banks with more than twelve months original maturity	17.51	0.56

16. Revenue from Operations

(` in Crores)

	Particulars	Year ended 31.03.2018		Year ended 31.03.2017	
(A)	**Interest on Loan Assets**				
(i)	Long term financing	21,338.77		22,479.98	
	Less: Rebate for timely payments/ completion etc.	16.43	21,322.34	0.26	22,479.72
(ii)	Short term financing		426.61		455.89
	Sub-total (A)		**21,748.95**		**22,935.61**
(B)	**Revenue from Other Financial Services**				
(i)	Processing, Upfront, Lead fees, LC Commission etc.		15.11		48.49
(ii)	Prepayment Premium		106.41		147.44
(iii)	Fee for Implementation of Govt. Schemes		187.79		23.86
	Sub-total (B)		**309.31**		**219.79**
(C)	**Income from Short-term Investment of Surplus Funds**				
(i)	Interest from Deposits		68.66		98.39
(ii)	Gain on Sale of Mutual Funds		13.39		67.13
(iii)	Interest from CP/ ICD		0.98		29.87
	Sub-total (C)		**83.03**		**195.39**
(D)	**Other Interest Income**				
	- Interest from Govt. Securities		16.98		24.52
	- Interest from Long Term Investments/Term Deposits/Others		214.40		214.18
	- Interest from Income Tax Refund		0.62		9.03
	- Interest from Staff Advances		1.69		1.52
	- Interest from Subsidiary Companies/SPVs		0.66		0.51
	Sub-total (D)		**234.35**		**249.76**
(E)	**Revenue from Sale of Goods**		**332.79**		**326.72**
(F)	**Income from Consulting Engineer Services**		**278.82**		**192.96**
(G)	**Income from Execution of IT Implementation Project**		**67.17**		**74.69**
	Total (A to G)		**23,054.42**		**24,194.92**

17. Other Income

(` in Crores)

	Particulars	Year ended 31.03.2018	Year ended 31.03.2017
(A)	**Dividend Income**	**26.85**	**63.15**
(B)	**Net Gain on Sale of Long Term Investments**	**-**	**79.75**
(C)	**Other Non-Operating Income**		
	- Provision & Liabilities no longer required written back	0.71	2.87
	- Miscellaneous Income	19.42	20.54
	Sub-Total (C)	**20.13**	**23.41**
	Total (A to C)	**46.98**	**166.31**

18. Finance Costs

(` in Crores)

	Particulars	Year ended 31.03.2018	Year ended 31.03.2017
(A)	**Interest Expense**		
	- On Bonds	12,166.56	11,576.33
	- On Loans from Banks/ Financial Institutions	100.36	106.47
	- On External Commercial Borrowings	1,332.78	1,266.38
	- On Commercial Paper	135.60	300.46
	- On Advance Income Tax	5.68	3.28
	- Others	0.27	0.18
	Sub-Total (A)	**13,741.25**	**13,253.10**
(B)	**Other Borrowing Costs**		
	- Guarantee Fee	15.06	18.25
	- Bonds Handling Charges	0.54	0.80
	- Bonds Brokerage	18.31	15.68
	- Stamp Duty on Bonds/ Shares	5.48	5.59
	- Debt Issue and Other Finance Charges	34.59	80.88
	Sub-Total (B)	**73.98**	**121.20**
(C)	**Net Translation/ Transaction Exchange Loss**	**44.36**	**87.29**
	Total (A to C)	**13,859.59**	**13,461.59**

19. Employee Benefits Expense

(` in Crores)

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
- Salaries and Allowances	150.33	130.39
- Contribution to Provident Fund and Other Funds	14.74	13.58
- Gratuity	1.47	15.30
- Expenses towards Post Retirement Medical Facility	15.70	17.21
- Staff Welfare Expenses	16.22	16.27
Total	**198.46**	**192.75**

The pay revision of the employees of the Company is due w.e.f.1st January 2017. Pending final notification of the revised Pay Scales and other benefits by the Govt. of India, an estimated provision of ` 44.31 crores has been created during the year ended 31st March 2018 and the cumulative provision in this respect as at 31st March 2018 is ` 58.90 crore towards pay revision arrears as 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 31.03.2018	Year ended 31.03.2017
- Direct Expenditure	48.16	65.78
- Overheads	2.78	3.16
Total	**50.94**	**68.94**

20.1 Disclosure in respect of CSR Expenses:

Amount spent during the year (` in Crores) :

	Particulars	Year ended 31.03.2018			Year ended 31.03.2017		
		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	50.13	0.81	50.94	67.96	0.98	68.94

21. Other Expenses

(` in Crores)

Particulars	Year ended 31.03.2018		Year ended 31.03.2017	
- Travelling and Conveyance		16.18		13.60
- Publicity & Promotion Expenses		17.04		16.53
- Repairs and Maintenance				
- Building	4.26		2.89	
- ERP & Data Centre	4.52		4.85	
- Others	8.72	17.50	2.72	10.46
- Rent & Hiring Charges		13.07		7.04
- Rates and Taxes		1.35		1.27
- Power & Fuel		2.41		2.34
- Insurance Charges		0.24		0.19
- Postage and Telephone		2.62		2.86
- Auditors' Remuneration		1.36		1.24
- Legal & Consultancy Charges		12.30		7.72
- Project Expenses		128.83		96.64
- Distribution Expense		15.54		25.96
- Loss on Sale of Assets		0.56		0.52
- Miscellaneous Expenses		56.29		34.21
Total		**285.29**		**220.58**

21.1 Auditors' Remuneration includes :

(` in Crores)

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
- Audit Fees	0.47	0.65
- Tax Audit Fees	0.15	0.14
- Limited Review Fees	0.26	0.24
- Payment for Other Services		
(i) Certification of MTN Offer Document/ Comfort Letter	0.30	0.07
(ii) Other Certifications	0.06	0.04
- Expenses Incurred	0.02	0.05
- Tax component	0.10	0.05
Total	**1.36**	**1.24**

The figures above include Nil (Previous year ` 0.06 crores) of Audit Fees and ` 0.02 crores (Previous year ` 0.02 crores) of Tax Audit fees pertaining to earlier years.

21.2 Earnings and Expenditure in Foreign Currency :

(` in Crores)

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Earnings	0.88	1.27
Expenditure		
- Royalty, Know-how, Professional, Consultation Fees	0.73	1.17
- Interest	524.43	462.70
- Finance Charges	24.00	68.61
- Other Expenses	26.25	3.11
Total	**575.41**	**535.59**

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 ` 9.96 Crores (Previous year ` 8.40 Crores) is shown under the head 'Other Expenses'. Lease payments in respect of accommodations for staff amounting to ` 2.05 Crores (Previous year ` 2.92 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 31.03.2018		As at 31.03.2017	
	Data Centre	Office & Accomodations	Data Centre	Office & Accomodations
Not later than one year	0.27	14.25	0.36	7.87
Later than one year and not later than 5 years	-	25.57	0.26	16.66
Later than 5 years	-	5.01	-	6.83
Total	**0.27**	**44.83**	**0.62**	**31.36**

22. <u>Provisions and Contingencies</u>

(` in Crores)

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Provision for bad & doubtful debts	1,886.94	626.43
Contingent Provision against Standard Loan Assets	281.94	64.03
Provision against Restructured Standard Loans	(777.23)	419.85
Provision for depreciation on Investment	29.41	-
Total	**1,421.06**	**1,110.31**

23. <u>Changes in inventories</u>

(` in Crores)

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Stock-in-Trade		
Opening Balance	49.04	56.83
Closing Balance	102.40	51.14
Changes in inventories of Stock-in-Trade	**(53.36)**	**5.69**
Work-in-Progress		
Opening Balance	0.04	17.11
Closing Balance	0.00	0.04
Changes in inventories of Work-in-Progress	**0.04**	**17.07**
Total	**(53.32)**	**22.76**

24. **Prior Period Items**

(` in Crores)

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
- Travelling and Conveyance	-	(1.01)
- Depreciation	-	(0.64)
- Others	0.02	0.14
Total	**0.02**	**(1.51)**

25. **Earnings per Share**

Particulars	Year ended 31.03.2018	Year ended 31.03.2017
Numerator Profit after Tax as per Statement of Profit and Loss (` in Crores)	4,689.46	6,313.37
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 `)	**23.75**	**31.97**

26 **Contingent Liabilities and Commitments :**

26.1 Contingent Liabilities not provided for in respect of:

(` in Crores)

	Particulars	As at 31.03.2018	As at 31.03.2017
(A)	Claims against the Company not acknowledged as debts	166.03	97.63
(B)	Guarantees	32.58	35.32
(C)	Others		
	- Letters of Comfort	13.51	173.36

The amount referred to in 'A' above includes ` 0.08 crores (Previous year ` 2.37 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 ` 165.95 Crores (Previous year ` 95.26 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.

26.2 Commitments not provided for in respect of:

(` in Crores)

Particulars	As at 31.03.2018	As at 31.03.2017
- Contracts remaining to be executed on capital account		
- Towards Tangible Assets	487.39	376.28
- Towards Intangible Assets	1.93	2.60
- CSR & Other Commitments	2,105.41	322.51

27. 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

28. 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 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 new project loans to generating companies restructured w.e.f. 1st 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.

In accordance with clarification from RBI vide email dated 10th August 17, T&D, R&M and life extension projects as also the hydro projects in Himalayan region or affected by natural disaster are regulated by RBI restructuring norms with effect from 1st April 2017.

29. RBI, vide its letter dated 17th September 2010 had categorized REC as an Infrastructure Finance Company (IFC) in terms of instructions contained in RBI Circular CC No.168 dated 12th February 2010. As an IFC, the total permissible exposure for lending in the private sector is 25% of owned funds in case of single borrower and 40% in case of a single group of borrowers and exposure for lending and investing taken together can be upto 30% and 50% of owned funds, respectively.

In respect of Central/State Government entities, RBI vide its letter No.DNBR.PD.CO.No.2184/03.10.001/2015-16 dated 16th June 2016 has exempted REC from applicability of RBI’s concentration of credit/investment norms till 31st March, 2022. In view of the above, our maximum credit exposure limits to Central and State power Utilities continue to vary from 50% to 250% of owned funds, depending upon entity appraisal.

In respect of Private Sector entities, the Company's credit exposure to single borrowers and group borrowers did not exceed the RBI prudential exposure limits as at 31st March 2018 and 31st March 2017.

30. Changes in Accounting Policies

During the year, the Company has 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 year ended 31st March 2018 is higher by ` 220.75 Crores.

Further, 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 year ended 31st March 2018 is higher by ` 136.45 Crores.

Since the validity of certain exemptions given by RBI had expired during the current year in respect of classification of loan assets, the Company has modified the accounting policy in respect of asset classification and provisioning to bring it in line with RBI Master Directions. Due to this change in accounting policy, profit before tax for the year ended 31st March 2018 is lower by ` 146.09 Crores.

Due to these changes in accounting policies, profit before tax for the year ended 31st March 2018 is higher by ` 211.11 Crores.

31. Quality of Loan Assets

31.1 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 1st April 2017	No. of borrowers						14	2	1	-	17		14	2	1	-	17
		Amount outstanding (Restructured facility)			Nil			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
(2)	Movement of balance in account appearing in opening balance	No. of borrowers						2	-	1	-	3		2	-	1	-	3
		Amount outstanding (Restructured facility)			Nil			130	-	-	-	130		130	-	-	-	130
		Amount outstanding (Other facility)						-	-	-	-	-		-	-	-	-	-
		Provision Thereon						54	-	135	-	189		54	-	135	-	189
(3)	Fresh restructuring during the year	No. of borrowers						3	-	1	-	4		3	-	1	-	4
		Amount outstanding (Restructured facility)			Nil			316	-	258	-	574		316	-	258	-	574
		Amount outstanding (Other facility)						-	-	-	-	-		-	-	-	-	-
		Provision Thereon						14	-	11	-	25		14	-	11	-	25
(4)	Up gradations to restructured standard category during the year	No. of borrowers						-	-	(1)	-	(1)		-	-	(1)	-	(1)
		Amount outstanding (Restructured facility)			Nil			-	-	(258)	-	(258)		-	-	(258)	-	(258)
		Amount outstanding (Other facility)						-	-	-	-	-		-	-	-	-	-
		Provision Thereon						-	-	(11)	-	(11)		-	-	(11)	-	(11)
(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						(5)	-	-	-	(5)		(5)	-	-	-	(5)
		Amount outstanding (Restructured facility)			Nil			(9,480)	-	-	-	(9,480)		(9,480)	-	-	-	(9,480)
		Amount outstanding (Other facility)						-	-	-	-	-		-	-	-	-	-
		Provision Thereon						(403)	-	-	-	(403)		(403)	-	-	-	(403)
(6)	Down gradation of restructured accounts during the year	No. of borrowers						(5)	(2)	-	-	(7)		(5)	(2)	-	-	(7)
		Amount outstanding (Restructured facility)			Nil			(8,171)	(786)	-	-	(8,957)		(8,171)	(786)	-	-	(8,957)
		Amount outstanding (Other facility)						-	-	-	-	-		-	-	-	-	-
		Provision Thereon						(442)	(79)	-	-	(521)		(442)	(79)	-	-	(521)
(7)	Addition due to downgradation of restructured accounts during the year	No. of borrowers						-	5	2	-	7		-	5	2	-	7
		Amount outstanding (Restructured facility)			Nil			-	8,639	786	-	9,425		-	8,639	786	-	9,425
		Amount outstanding (Other facility)						-	-	-	-	-		-	-	-	-	-
		Provision Thereon						-	788	157	-	945		-	788	157	-	945
(8)	Write-offs restructured accounts during the year	No. of borrowers						-	-	-	-	-		-	-	-	-	-
		Amount outstanding (Restructured facility)			Nil			-	-	-	-	-		-	-	-	-	-
		Amount outstanding (Other facility)						-	-	-	-	-		-	-	-	-	-
		Provision Thereon						-	-	-	-	-		-	-	-	-	-
(9)	Restructured accounts as on 31st March 2018	No. of borrowers						8	5	3	-	16		8	5	3	-	16
		Amount outstanding (Restructured facility)			Nil			6,290	8,639	2,131	-	17,060		6,290	8,639	2,131	-	17,060
		Amount outstanding (Other facility)						-	-	-	-	-		-	-	-	-	-
		Provision Thereon						464	789	561	-	1,814		464	789	561	-	1,814

31.2 The Classification of Loan Assets of the Company (classified in Note No. 11) as per RBI Prudential Norms is as under:

(` in Crores)

	Asset Classification	As at 31.03.2018		As at 31.03.2017	
		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)	6,290.13	463.95	23,495.57	1,241.19
(b)	Other than (a) above	2,16,030.77	889.40	1,73,560.42	607.46
	Sub-total (i)	**2,22,320.90**	**1,353.35**	**1,97,055.99**	**1,848.65**
(ii)	**Non Performing Assets**				
(a)	Sub-standard Assets	12,473.52	1,302.90	1,226.75	205.92
(b)	Doubtful Assets	4,637.68	2,196.14	3,628.71	1,412.20
(c)	Loss Assets	17.22	17.22	17.22	17.22
	Sub-total (ii)	**17,128.42**	**3,516.26**	**4,872.68**	**1,635.34**
	Total	**2,39,449.32**	**4,869.61**	**2,01,928.67**	**3,483.99**

Note : Loan assets as mentioned in (i)(a) refer to restructured standard loan assets as specified in Accounting Policy No. B 2.3(iv).

Reserve Bank of India (RBI) vide Notification No. DBR.No.BP.BC.101/21.04.048/2017-18 dated 12th February 2018 issued a Revised Framework for Resolution of Stressed Asset, which superseded the existing guidelines on CDR/ SDR/ Change in ownership outside SDR, Flexible Structuring of Existing Long Term Project Loans (5/25 Scheme) and S4A scheme. While the notification is applicable to all Scheduled Commercial Banks (excluding Regional Rural Banks (RRB)) and all-India Financial Institutions (Exim Bank, NABARD, NHB and SIDBI), the guidelines per se are not applicable to the Company, being NBFC-IFC. However, as a matter of prudence, REC has also followed these guidelines and classified loans amounting to ` 9,591.39 crores as NPAs as at 31st March 2018.

31.3 Sector-wise NPAs - Percentage of NPAs to Total Advances in that sector

Particulars	As at 31.03.2018	As at 31.03.2017
- Power Sector	7.15%	2.41%

31.4 Movement of NPAs

(` in Crores)

	Particulars	As at 31.03.2018	As at 31.03.2017
(i)	**Net NPAs to Net Advances (%)**	**5.77%**	**1.62%**
(ii)	**Movement of NPAs (Gross)**		
(a)	Opening balance	4,872.69	4,243.57
(b)	Additions during the year	12,560.99	686.56
(c)	Reductions during the year	305.26	57.44
(d)	Closing balance	**17,128.42**	**4,872.69**
(iii)	**Movement of NPAs (Net)**		
(a)	Opening balance	3,237.35	3,230.30
(b)	Additions during the year	10,636.51	56.25
(c)	Reductions during the year	261.70	49.20
(d)	Closing balance	**13,612.16**	**3,237.35**
(iv)	**Movement of provisions for NPAs**		
(a)	Opening balance	1,635.34	1,013.27
(b)	Provisions made during the year	1,924.48	630.31
(c)	Write-off / write-back of excess provisions	43.56	8.24
(d)	Closing balance	**3,516.26**	**1,635.34**

32. Exposure Related Disclosures

32.1 Exposure to Real Estate Sector

The Company has no exposure to real estate sector as at 31st March 2018 (Previous year Nil).

32.2 Exposure to Capital Market

(` in Crores)

	Particulars	As at 31.03.2018	As at 31.03.2017
(i)	Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	579.37	520.85
(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	**585.52**	**527.00**

32.3 Unsecured Advances against Intangible Assets

There are no such advances outstanding as at 31st March 2018 (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.

33. Concentration of Advances, Exposures and NPAs

	Particulars	As at 31.03.2018	As at 31.03.2017
(i)	**Concentration of Advances**		
	Total Advances to twenty largest borrowers (` in Crores)	1,36,285.52	1,11,916.90
	Percentage of Advances to twenty largest borrowers to Total Advances of the Company	56.92%	55.42%
(ii)	**Concentration of Exposures**		
	Total Exposure to twenty largest borrowers (` in Crores)	2,36,006.27	1,97,327.07
	Percentage of Exposures to twenty largest borrowers to Total Exposure of the Company on borrowers	59.25%	60.34%
(iii)	**Concentration of NPAs**		
	Total Outstanding to top four NPA Accounts (` in Crores)	8,558.91	3,444.72
	Total Exposure to the above four NPA Accounts (` in Crores)	8,558.91	3,444.72

34. The Company has not entered into any securitisation/ assignment transactions during the year ended 31st March 2018 (Previous year Nil). Further, no assets have been sold to securitisation/ reconstruction company for asset reconstruction. The Company has also not entered into any transaction of sale and purchase of non-performing financial assets.

35. Implementation of Govt. Schemes

35.1 Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA)

Government of India has launched a scheme “Pradhan Mantri Sahaj Bijli Har Ghar Yojana” - Saubhagya to achieve universal household electrification in the country. The scheme envisages to provide last mile connectivity and electricity connections to all remaining un-electrified households in rural areas and poor households in urban areas by 31st March 2019. The scheme has been launched with a total cost of ` 16,320 Crore including Gross Budgetary Support of ` 12,320 Crore from Govt. of India during the entire implementation period. REC has been nominated as the Nodal Agency responsible for operationalization of scheme in the entire country.

35.2 Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)

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.

35.3 National Electricity Fund (NEF)

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.

35.4 J&K Prime Minister's Development Plan (PMDP)

Government of Jammu & Kashmir, Power Development Department has appointed RECPDCL and RECTPCL as a Project Implimenting Agency (PIA) for design, engineering, procurement, supply, erection, testing and commsioning of all the material and services works to be taken-up for execution of distribution work under PMDP in J&K state on nomination basis, as per actual cost to be discovered through competitive biddings.

35.5 Urja Mitra and 11 kV Feeder Monitoring

Ministry of Power has initiated two schemes namely Urja Mitra and 11 kV Feeder Monitoring. Urja Mitra is an initiative which aims to provide information about power outage/cuts /breakdown/shutdown (both planned and unplanned) to the consumers. Feeder Monitoring scheme is to develop a Self-sustained independent web based system for automated 11 kV Rural Feeder Monitoring System through Data Logging of various essential parameters of all the Outgoing 11kV rural feeders from 66, 33/11 kV sub stations and make the information available online for various stake holders including public portal, on real time basis for power supply monitoring, alerts, meter data analysis, information dissemination and energy audit. RECTPCL has been appointed as nodal agency for the both the schemes.

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. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006:

(` in Crores)

Particulars	As at 31.03.2018	As at 31.03.2017
Principal amount remaining unpaid but due as at year end	1.83	0.30
Interest due thereon as at year end	0.14	0.06
Interest paid by the company in terms of Section 16 of MSME Development Act, 2006 along with the amount of the payment made to the supplier beyond the appointed day during the year.	-	-
Interest due and payable for the period of delay in making payment but without adding the interest specified under MSME Development Act, 2006.	-	-
Interest accrued and remaining unpaid as at year end.	0.14	0.06
Further interest remaining due and payable even in the succeeding years, until such date when the interest due as above are actually paid to the small entereprises.	-	-

38. Derivatives Related Disclosures

38.1 Forward Rate Agreements/ Interest Rate Swaps

(` in Crores)

	Particulars	As at 31.03.2018	As at 31.03.2017
(i)	The notional principal of swap agreements	38,608.11	41,664.18
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	690.38	628.07
(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	372.62	273.61

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 31.03.2018	As at 31.03.2017	As at 31.03.2018	As at 31.03.2017
(i)	Derivatives (Notional Principal Amount)				
	For hedging	18,162.11	18,482.32	20,446.00	23,181.86
(ii)	Marked to Market Positions				
a)	Asset (+)	453.61	370.75	236.76	257.32
b)	Liability (-)	232.67	289.24	85.08	65.22
(iii)	Credit Exposure	18,162.11	18,482.32	20,446.00	23,181.86
(iv)	Unhedged Exposures	11,810.92	2,701.67	N.A.	N.A.

** Includes Full Hedge, Principal only Swap and Call Spread.*

*** Includes Interest Rate Derivatives as a strategy of cost reduction*

39. Related Party Disclosures :

(1) Key Managerial Personnel

Dr. P.V. Ramesh	Chairman & Managing Director
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

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 and transferred to M/s Powergrid Corporation of India Limited (PGCIL) on 12.01.2018, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, ERSS XXI Transmission Limited and PGCIL.

WR-NR Power Transmission Limited - Incorporated on 12.01.2017 and transferred to M/s Powergrid Corporation of India Limited (PGCIL) on 27.03.2018, substantially upon the terms and conditions as detailed in the Share Purchase Agreement executed between RECTPCL, WR-NR Power Transmission Limited and PGCIL.

Chandil Transmission Limited - Incorporated on 14th March, 2018

Koderma Transmission Limited - Incorporated on 19th March, 2018

Dumka Transmission Limited - Incorporated on 23rd March, 2018

Mandar Transmission Limited - Incorporated on 26th March, 2018

In view of Ministry of Power's Office Memorandum dated 30th August, 2017 and to have better operational efficiency and to reap the benefits of higher capital base & pooled resources, it was decided to merge two unlisted wholly owned subsidiary companies of Rural Electrification Corporation Limited i.e. REC Power Distribution Company Limited (RECPDCL) and REC Transmission Projects Company Limited (RECTPCL) into one single entity.

Accordingly, as per provisions of the Companies Act, 2013 and Rules made thereunder, after the approval of Board of Directors, shareholders, creditors of respective companies and approval of Holding company i.e. REC, an application has been filed with the Ministry of Corporate Affairs (MCA) on 27th March, 2018 for sanction of Scheme of Arrangement for amalgamation of RECTPCL (Transferor Company) with RECPDCL (Transferee Company) and approval of the same is awaited.

Details of amount due from/ to the related parties :

(` in Crores)

Particulars	As at 31.03.2018	As at 31.03.2017
Long-term Debt		
Key Managerial Personnel	0.10	0.10
Loans & Advances		
Key Managerial Personnel	0.53	0.50

Details of Transactions with the related parties :

(` in Crores)

Particulars	For the year ended 31.03.2018	For the year ended 31.03.2017
Long Term Debt - Amount Invested		
Key Managerial Personnel	-	-
Loans & Advances		
Key Managerial Personnel	0.20	0.06
Interest Income - Loans & Advances		
Key Managerial Personnel	0.02	0.03
Finance Cost		
Interest Paid to Key Managerial Personnel	0.01	0.01
Employee Benefits Expense - Managerial Remuneration	2.04	2.09

40. 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 NPS Trust/ 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 31.03.2018	For the year ended 31.03.2017
(i)	Provident Fund	8.75	8.05
(ii)	Defined Contribution Superannuation Scheme	5.91	5.46
	Total	**14.66**	**13.51**

(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	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Current Service Cost	2.30	2.25	1.96	1.63	0.06	0.06
Interest Cost	3.81	3.00	7.29	6.93	0.10	0.10
Expected Return on Plan Assets	2.93	2.97	0.00	0.00	0.00	0.00
Actuarial (Gain)/ Loss	(0.10)	11.42	6.45	8.65	(0.07)	(0.02)
Expense recognized*	3.08	13.70	15.70	17.21	0.09	0.14

** Includes amount of `0.24 crores (Previous Year `0.11 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	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Present value of obligation as at the end of the year	53.04	50.80	105.19	97.15	1.24	1.27
Fair value of Plan Assets as at the end of the year	48.66	35.69	-	-	-	-
Net Assets/ (Liability) recognized*	(3.48)	(14.73)	(105.19)	(97.15)	(1.24)	(1.27)

** Includes amount of `0.45 crores (Previous Year `0.19 crores) in respect of EESL*

Changes in the Present value of defined benefit/ Obligation:

(` in Crores)

Particulars	Gratuity		PRMF		ODRB	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Present value of obligation as at the beginning of the year	50.81	37.43	97.15	86.62	1.27	1.22
Acquisition Adjustment	0.04	0.00	0.00	0.00	0.00	0.00
Interest Cost	3.81	3.00	7.29	6.93	0.10	0.10
Past Service Cost	0.00	0.00	0.00	0.00	0.00	0.00
Current Service Cost	2.30	2.25	1.96	1.63	0.06	0.06
Benefit Paid	(3.84)	(3.30)	(7.66)	(6.68)	(0.12)	(0.09)
Actuarial (Gain)/ Loss on obligation	(0.08)	11.42	6.45	8.65	(0.07)	(0.02)
Present Value of defined benefit obligation at the end of the year*	53.04	50.80	105.19	97.15	1.24	1.27

** Includes amount of `0.45 crores (Previous Year `0.19 crores) in respect of EESL*

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	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Fair value of Plan Assets as at the beginning of the year	35.69	35.48	-	-	-	-
Return on Plan Assets	2.93	2.97	-	-	-	-
Contributions	13.83	0.53	-	-	-	-
Benefit Paid	(3.81)	(3.29)	-	-	-	-
Actuarial Gain/ (Loss) on Plan Assets	0.02	-	-	-	-	-
Fair value of Plan Assets as at the end of the year	48.66	35.69	-	-	-	-

Funded Status and Experience adjustments for liability towards Gratuity:

(` in Crores)

Particulars	31.03.2018	31.03.2017	31.03.2015	31.03.2014	31.03.2013
Present value of obligation at year end	53.04	50.80	37.34	38.16	38.07
Fair value of Plan Assets at year end	48.66	35.69	35.48	36.25	35.94
Funded Status	**(4.38)**	**(15.11)**	**(1.86)**	**(1.91)**	**(2.13)**
Experience adjustment; Gain/(Loss):					
Experience adjustment on plan liabilities	0.32	(10.26)	1.51	1.17	0.68
Experience adjustment on plan assets	0.02	-	(0.23)	(0.40)	(0.30)

The effect of an increase/ decrease of one percent point in inflation rate on PRMF:

(` in Crores)

Particulars	1% (+)		1% (-)	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
Service & Interest Cost	1.48	0.84	(0.99)	(1.34)
PBO (Closing)	13.49	12.14	(10.96)	(9.86)

Actuarial Assumptions:

Particulars	Gratuity		PRMF		ODRB	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017	31.03.2018	31.03.2017
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*	7.60%	7.50%	7.60%	7.50%	7.60%	7.50%
Expected Rate of Return on Plan Assets	8.00%	8.20%	-	-	-	-
Future Salary Increase	6.50%	6.00%	6.50%	6.00%	6.50%	6.00%

** In case of EESL, discount rate has been assumed to be 7.80%.*

- 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.

41. Status of Documentation Subsequent to Unbundling of SEBs

Some of the erstwhile State Electricity Boards (SEBs) against whom loans were outstanding or on whose behalf guarantees were given, were restructured by the respective State Governments and new entities were formed in the past. Consequently, the liabilities of the erstwhile SEBs stand transferred to new entities. However, transfer agreements in the case of Chhattisgarh State Electricity Board (CSEB) are yet to be executed amongst the Company, new entity and the State Government.

Agreements in case of erstwhile Tamil Nadu State Electricity Board (TNEB) have been executed based on the provisional provisions of the Tamil Nadu Electricity (Re-organisation and Reforms) Transfer Scheme, 2010. However further transfer agreements in this regard shall be executed, once finalized based on the discussion with the Tamilnadu utilities.

Status of Documentation Subsequent to Reorganisation of the State of Andhra Pradesh

Subsequent to the reorganisation of erstwhile State of Andhra Pradesh, the state of Telangana has been formed on 2 June 2014. However, the assets and liabilities are yet to be transferred to the respective power utilities through a formal Gazette Notification.

Status of Documentation is as under:

(i) Where ever the loans have been sanctioned to erstwhile APCPDCL, APNPDCL and APGENCO prior to bifurcation and documentation has not been done, these schemes have been re-sanctioned in the name of newly formed utilities and documentation formalities completed and accordingly the charge has been registered with the Ministry of Corporate Affairs (MCA).

(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.

42. 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 30th 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.

43. 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.

44. 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 31.03.2018	As at / For the year ended 31.03.2017
(i)	CRAR (%)	19.39%	21.18%
(ii)	CRAR - Tier I Capital (%)	16.84%	18.43%
(iii)	CRAR - Tier II Capital (%)	2.55%	2.75%
(iv)	Amount of subordinated debt raised as Tier-II capital (` in crore)	-	-
(v)	Amount raised by issue of Perpetual Debt Instruments (` in crore)	-	-

45. Asset Liability Management - Maturity pattern of certain items of Assets and Liabilities :

(` in Crores)

As at 31.03.2018	Advances	Investments	Borrowings		Foreign Currency Items	
			Domestic Borrowings	Foreign Currency Borrowings	Assets	Liabilities (Other than Borrowings)
Upto 30/31 days	1,424	12	312	976	-	-
Over 1 month upto 2 months	1,693	-	428	-	-	-
Over 2 months upto 3 months	3,626	-	973	110	-	-
Over 3 month & upto 6 months	8,007	-	9,646	1,698	-	-
Over 6 months & upto 1 year	12,296	172	16,658	7,257	-	-
Over 1 year & upto 3 years	49,686	94	61,359	11,140	-	-
Over 3 years & upto 5 years	45,866	-	32,876	3,698	-	-
Over 5 years	1,13,335	2,303	47,269	5,095	-	-
Total	**2,35,933**	**2,581**	**1,69,520**	**29,973**	**-**	**-**

(` 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	1,117	-	403	1,103	-	-
Over 1 month upto 2 months	3,160	-	366	-	-	-
Over 2 months upto 3 months	2,363	-	326	89	-	-
Over 3 month & upto 6 months	5,405	-	9,854	102	-	-
Over 6 months & upto 1 year	9,573	184	5,772	157	-	-
Over 1 year & upto 3 years	38,153	189	46,646	13,161	-	-
Over 3 years & upto 5 years	36,044	-	33,475	6,325	-	-
Over 5 years	1,04,478	2,244	49,826	248	-	-
Total	**2,00,293**	**2,617**	**1,46,667**	**21,184**	**-**	**-**

46. 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	98.74%	35,419.04	98.62%	4,624.96
(2)	**Subsidiaries - Indian**				
1.	REC Power Distribution Company Limited	0.46%	166.23	0.53%	24.71
2.	REC Transmission Projects Company Limited	0.32%	115.25	0.65%	30.59
(3)	**Joint Venture - Indian**				
1.	Energy Efficiency Services Limited	0.48%	171.78	0.20%	9.20
	Total	**100.00%**	**35,872.30**	**100.00%**	**4,689.46**

47. Disclosures in respect of different accounting policies of Group Companies

(i) RECPDCL has adopted different useful life for certain fixed assets item- camera, gps, other hand held wireless devices, mobile/tablet, furniture & fixtures and intangible assets from that of Rural Electrification Corporation Limited, the impact of which is immaterial.

(ii) In case of Energy Efficiency Services Limited (EESL), depreciation on cell phone, ESCO Projects and residential assets are provided at different rates from that of Rural Electrification Corporation Limited. The total amount of gross block and depreciation charged during the year on these assets pertaining to the Company's share in the Joint Venture, EESL considered in the Consolidated Financial Statements for the year 2017-18 are ` 405.93 crores (Previous Year ` 275.94 crores) and ` 62 crores (Previous Year ` 50.62 crores) respectively.

(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.

48. There are no Off-Balance Sheet SPVs sponsored by the Company, which need to be consolidated as per accounting norms.

49. No penalties have been levied on the Company by any regulator during the year ended 31st March 2018 (Previous year Nil).

50. No complaints have been received by the Company from the borrowers under the Fair Practices Code during the year ended 31st March 2018 (Previous year Nil).

51. Previous year figures have been reclassified/ regrouped to conform to the current classification.

52. 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 52 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 G.S. Mathur & Co.
Chartered Accountants
Firm Reg. No.: 008744N

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

S.C. Choudhary
Partner
M.No. : 082023

Priyanshu Jain
Partner
M.No. : 530262

Place : New Delhi
Date : 28th May 2018

RURAL ELECTRIFICATION CORPORATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2018

(` in Crores)

PARTICULARS	YEAR ENDED 31.03.2018		YEAR ENDED 31.03.2017	
A. Cash Flow from Operating Activities :				
Net Profit before Tax	**6,941.24**		**8,972.36**	
Adjustments for:				
1. Profit / Loss on Sale of Fixed Assets	0.56		0.52	
2. Depreciation & Amortization	69.59		39.69	
3. Provisions and Contingencies	1,415.83		1,110.31	
4. Interest on Commercial Paper	135.60		300.46	
5. Interest Expense of Misc. Borrowings	29.91		15.79	
6. Excess Provision written back	-0.71		-1.42	
7. Profit on sale/redemption of investments	-		-79.75	
8. Loss/ Gain(-) on Exchange Rate fluctuation	61.65		47.37	
9. Dividend from Investments	-26.85		-63.15	
10. Interest on Long-term Investments/ Govt. Securities	-231.87		-239.22	
11. Provision made for Interest on Advance Income Tax	5.53		2.82	
12. Provision in respect of Amounts recoverable	6.19		-	
13. Discount on Bonds written off	1.66		0.14	
14. Interest Accrued on Zero Coupon Bonds	89.50		82.45	
Operating profit before Changes in Operating Assets & Liabilities:	**8,497.83**		**10,188.37**	
Increase / Decrease :				
1. Loan Assets	-37,474.64		-650.38	
2. Other Operating Assets	-4,366.37		-177.34	
3. Operating Liabilities	4,876.43		13.87	
Cash flow from Operations	**-28,466.75**		**9,374.52**	
1. Income Tax Paid (including TDS)	-2,213.77		-2,592.07	
2. Income Tax refund	2.57		22.07	
Net Cash Flow from Operating Activities		**-30,677.95**		**6,804.52**
B. Cash Flow from Investing Activities				
1. Sale of Fixed Assets	0.14		0.06	
2. Purchase of Fixed Assets (incl. CWIP, Intangible Assets under development & Capital Advances)	-506.29		-203.19	
3. Investment in shares of Energypro Assets Limited	-56.54		-0.60	
4. Investment in shares of NHPC Ltd. (net of sale)	-		-400.80	
5. Investment in shares of HUDCO Ltd.	-2.08		-	
6. Redemption of 8% Government of Madhya Pradesh Power Bonds-II	94.32		94.32	
7. Redemption of Bonds of UP Power Corporation Ltd.	-		76.65	
8. Profit on sale/redemption of investments	-		79.75	
9. Interest on Long term Investments/ Govt. Securities	232.49		242.43	
10. Dividend from Investments	39.77		66.54	
11. Investment in Shares of Fellow Subsidiary Companies	0.10		0.05	
12. Fixed Deposit made during the year	-212.58		-38.12	
13. Fixed Deposit matured during the year	46.40		16.95	
14. Investments in CP/CDs (Net)	-29.00		-35.00	
Net Cash Flow from Investing Activities		**-393.27**		**-100.96**
C. Cash Flow from Financing Activities				
1. Issue of Shares including Share Application Money	31.39		31.39	
2. Issue of Bonds (Net of redemptions)	19,558.55		5,871.66	
3. Raising of Term Loans/ STL from Banks/ FIs (Net of repayments)	18.27		-881.04	
4. Raising of Foreign Currency Loan (Net of redemptions and inclusive of related derivative payments)	8,360.41		-833.33	
5. Funds received from GOI for further disbursement as Subsidy/ Grant including interest (Net of refund)	10,635.24		8,027.15	
6. Disbursement of grants	-10,563.91		-8,039.66	
7. Payment of Dividend on Equity Shares	-1,997.71		-1,889.43	

(` in Crores)

PARTICULARS	YEAR ENDED 31.03.2018		YEAR ENDED 31.03.2017	
8. Payment of Corporate Dividend Tax	-404.94		-384.66	
9. Interst Paid on Misc. Borrowings	-29.91		-15.73	
10. Issue of Commercial Paper (Net of repayments)	3,014.84		-5,833.16	
Net Cash flow from Financing Activities		**28,622.23**		**-3,946.81**
Net Increase/Decrease in Cash & Cash Equivalents		**-2,448.99**		**2,756.75**
Cash & Cash Equivalents as at the beginning of the year		**4,580.28**		**1,823.59**
Cash & Cash Equivalents as at the end of the year		**2,131.29**		**4,580.34**

Components of Cash & Cash Equivalents as at end of the year are:

(` in Crores)

PARTICULARS	AS AT 31.03.2018	AS AT 31.03.2017
- Cash in Hand (including postage & imprest)	**0.02**	**0.03**
- Balances with Banks in:		
- Accounts with RBI and other banks	1,819.53	934.71
- Unpaid Dividend Accounts #	3.49	2.75
- Undisbursed DDUGJY, AG&SP, NEF and Other Grants #	212.36	0.51
-Short Term Deposits with Scheduled Banks	95.89	2,482.34
-Short term Investment in Debt Mutual Funds	-	1,160.00
Total Cash & Cash Equivalents	**2,131.29**	**4,580.34**

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 ` 2.13 Crores) and ` 1,469.23 Crores (Previous year Nil) set aside for grants disbursement and amount pending allotment of securities respectively and not available for free use by the Company.

Short-term Deposits with Scheduled Banks include ` 39.02 Crores (Previous year ` 23.20 Crores) earmarked towards DDUGJY and other grants and ` 2.91 Crores (Previous year ` 5.99 Crores) earmarked towards Swachh Vidyalaya Abhiyan (SVA)

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 G.S. Mathur & Co.
Chartered Accountants
Firm Reg. No.: 008744N

S.C. Choudhary
Partner
M.No. : 082023

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

Priyanshu Jain
Partner
M.No. : 530262

Place: New Delhi
Date: 28th May 2018

Form AOC-1

Statement containing salient features of the financial statements of Subsidiaries/ Associates/ Joint Ventures for the Year 2017-18

Part A: Subsidiaries

(` in Crores)

1	Sl. No.	I	II	III	IV	V	VI	VII	VIII
2	Name of the Subsidiary	REC Power Distribution Company Limited	REC Transmission Projects Company Limited	Dinchang Transmission Limited	Ghatampur Transmission Limited	Chandil Transmission Limited *	Koderma Transmission Limited *	Dumka Transmission Limited *	Mandar 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
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
5	Share capital	0.05	0.05	0.05	0.05	-	-	-	-
6	Reserves & Surplus	180.02	176.50	-	-	-	-	-	-
7	Total assets	501.43	348.11	1.12	3.19	0.86	0.85	0.85	0.85
8	Total Liabilities	321.36	171.56	1.07	3.14	0.86	0.85	0.85	0.85
9	Investments	15.44	150.38	-	-	-	-	-	-
10	Turnover	207.03	53.30	-	-	-	-	-	-
11	Profit/ (Loss) Before Taxation	57.64	47.22	-	-	-	-	-	-
12	Provision for Taxation	20.83	11.93	-	-	-	-	-	-
13	Profit/ (Loss) After Taxation	36.80	35.29	-	-	-	-	-	-
14	Proposed Dividend	-	-	-	-	-	-	-	-
15	% Shareholding	100%	100%	100%	100%	-	-	-	-

** Based on the un-audited financial statements.*

1. Name of subsidiaries which are yet to commence operations:

Six Subsidiaries of REC Transmission Limited (RECTPCL) namely Dinchang Transmission Limited, Ghatampur Transmission Limited, Chandil Transmission Limited, Koderma Transmission Limited, Dumka Transmission Limited and Mandar Transmission Limited are yet to commence operations as at 31st March, 2018.

2. Names of subsidiaries which have been liquidated or sold during the year

The following subsidiaries are sold during the year, as a part of business process

Sl. No.	Name of subsidiary	Date of Sale
1	ERSS XXI Transmission Limited	12.01.2018
2	WR NR Power Transmission Limited	27.03.2018

Part B: Associates and Joint Ventures

Name of Associates/Joint Ventures		Energy Efficiency Services Limited
1	Latest audited Balance Sheet Date	31-Mar-17
2	Shares of Associate/Joint Ventures held by the company on the year end	
	Number	14,65,00,000
	Amount of Investment in Associates/Joint Venture (` 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)*	176.10
6	Profit / Loss for the year (` in Crores)	
i.	Considered in Consolidation	9.20
ii.	Not Considered in Consolidation	Nil

**** The latest audited Balance Sheet available for EESL has been prepared on the basis of IND-AS.***

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 G.S. Mathur & Co.
Chartered Accountants
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Firm Reg. No.: 002744C

S.C. Choudhary
Partner
M.No. : 082023

Priyanshu Jain
Partner
M.No. : 530262

Place: New Delhi
Date: 28th May 2018

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

Shrey Gupta
Partner
M.No. : 522315

Anil Gaur
Partner
M.No. : 017546

Place : Mumbai
Date : 30 May 2017

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				

NOTES TO ACCOUNTS

(` 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.

NOTES TO ACCOUNTS

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	

NOTES TO ACCOUNTS

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

NOTES TO ACCOUNTS

	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

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

NOTES TO ACCOUNTS

(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

	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

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		As at 31.03.2016	
		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	**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.

NOTES TO ACCOUNTS

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

NOTES TO ACCOUNTS

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

Place : Mumbai
Date : 30 May 2017

Shrey Gupta
Partner
M.No. : 522315

Anil Gaur
Partner
M.No. : 017546

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

Place : Mumbai
Date : 30 May 2017

Shrey Gupta
Partner
M.No. : 522315

Anil Gaur
Partner
M.No. : 017546

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.
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 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

Place : Mumbai
Date : 30 May 2017

Shrey Gupta
Partner
M.No. : 522315

Anil Gaur
Partner
M.No. : 017546

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

Place : Mumbai
Date : 30 May 2017

Shrey Gupta
Partner
M.No. : 522315

Anil Gaur
Partner
M.No. : 017546

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	As at 31.03.2016
	Amount	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.

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				

(` 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

CONSOLIDATED NOTES TO ACCOUNTS

(` 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				

CONSOLIDATED NOTES TO ACCOUNTS

(` 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				

 (` 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

CONSOLIDATED NOTES TO ACCOUNTS

(` 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

(` 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.

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

CONSOLIDATED NOTES TO ACCOUNTS

(` 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	**-**	-

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(` 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

	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**

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

CONSOLIDATED NOTES TO ACCOUNTS

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

CONSOLIDATED NOTES TO ACCOUNTS

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

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.

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.

CONSOLIDATED NOTES TO ACCOUNTS

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 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

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2017

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

Shrey Gupta
Partner
M.No. : 522315

Anil Gaur
Partner
M.No. : 017546

Place: Mumbai
Date: 30 May 2017

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.
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-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)

SIGNIFICANT ACCOUNTING POLICIES

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.

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	-	-	-	-

NOTES TO ACCOUNTS

(₹ 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%)

NOTES TO ACCOUNTS

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

NOTES TO ACCOUNTS

(₹ 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).

NOTES TO ACCOUNTS

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 12^{th} and 13^{th} 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 12^{th} and 13^{th} 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.

NOTES TO ACCOUNTS

(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

NOTES TO ACCOUNTS

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

Gopal Krishan
Partner
M.No. : 081085

For A.R. & Co.
Chartered Accountants
Firm Reg. No.: 002744C

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.	**For A.R. & Co.**
Chartered Accountants	Chartered Accountants
Firm Regn. No. 002074N	Firm Regn. No. 002744C
Gopal Krishan	**Priyanshu Jain**
Partner	Partner
M. No. 081085	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

Gopal Krishan
Partner
M.No. : 081085

Priyanshu Jain
Partner
M.No. : 530262

Place: New Delhi
Date: 27th May, 2016

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

Gopal Krishan
Partner
M.No. : 081085

Priyanshu Jain
Partner
M.No. : 530262

Place: New Delhi
Date: 27th May, 2016

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 :-

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.

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.

CONSOLIDATED NOTES TO ACCOUNTS

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				

CONSOLIDATED NOTES TO ACCOUNTS

(₹ 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.

CONSOLIDATED NOTES TO ACCOUNTS

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

CONSOLIDATED NOTES TO ACCOUNTS

(₹ 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				

CONSOLIDATED NOTES TO ACCOUNTS

(₹ 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).

CONSOLIDATED NOTES TO ACCOUNTS

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**

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**

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(₹ 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**

(₹ 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**

(₹ 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**

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**

CONSOLIDATED NOTES TO ACCOUNTS

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).

CONSOLIDATED NOTES TO ACCOUNTS

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.

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 entereprises.	**-**	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*

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
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

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

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

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

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

REC Limited (formerly known as Rural Electrification Corporation Limited)
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United Kingdom

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United Kingdom

MUFG Securities Asia Limited
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Hong Kong

J.P. Morgan Securities PLC
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Canary Wharf
London E14 5JP
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Chartered Accountants
A-160, Defence Colony

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Chartered Accountants
A – 403, Gayatri Apartments

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Plot No. 27, Sector -10, Dwarka
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Vertigo Building – Polaris
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DTC PAYING AGENT, EXCHANGE AGENT, REGISTRAR AND TRANSFER AGENT
(IN RESPECT OF NOTES CLEARED THROUGH DTC)

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