

SEC-1/187(2)/2014/844

Dated: 26.05.2014

(1) The Manager, Listing Department, National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051.	(2) Corporate Relationship Department, BSE Limited 1 st Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001.
Scrip Code-- RECLTD	Scrip Code-- 532955

Dear Sirs,

Sub: Submission of Annual Audited Financial Results (Standalone and Consolidated) of the Company for the Financial Year ended March 31, 2014 and recommendation of Final Dividend for the Financial Year 2013-14.

In continuation of our letter dated 7th May, 2014 on the above cited subject, and in pursuance of the Listing Agreement, we are forwarding herewith the Annual Audited Financial Results (Standalone and Consolidated) of the Company for the Financial Year ended 31st March, 2014, in the prescribed format, which has been reviewed/examined by the Audit Committee, approved and taken on record by the Board of Directors of the Company in its Meetings held on 26th May, 2014.

The Board of Directors of the Company in the above Meeting held on 26th May, 2014, has also recommended the Final Dividend of Rs. 1.75/- (One Rupee and Seventy Five paisa only) per share (on the face value of Rs.10/- each) for the Financial Year 2013-14, subject to approval of the Shareholders in the ensuing Annual General Meeting (AGM). This is in addition to the Interim Dividend of Rs. 7.75/- (Rupees Seven and Seventy Five Paisa only) per equity share already declared and paid in the month of February, 2014 for the Financial Year 2013-14 thereby making total dividend for the Financial Year 2013-14 to Rs. 9.50/- (Rupees Nine and Fifty Paisa only) (on the face value of Rs.10/- each). The Final Dividend of Rs. 1.75/-per share, if declared at the ensuing Annual General Meeting, would be paid to the shareholders within 30 days from the date of AGM.

Thanking you,

Yours faithfully,



(J. S. Amitabh)

GM & Company Secretary

Encl: a.a.

Zonal Offices : Hyderabad, Kolkata, Mumbai, Panchkula & Lucknow
Project Offices : Bangalore, Bhopal, Bhubaneswar, Chennai, Guwahati, Jaipur, Jammu, Patna, Ranchi, Shillong, Shimla, Thiruvananthapuram & Vadodara
Sub Offices : Dehradun, Raipur
Training Centre : Central Institute for Rural Electrification (CIRE), Hyderabad

STATEMENT OF STANDALONE/ CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED 31.03.2014

Sl. No.	Particulars	STANDALONE					CONSOLIDATED	
		QUARTER ENDED			YEAR ENDED		YEAR ENDED	
		31.03.2014	31.12.2013	31.03.2013	31.03.2014	31.03.2013	31.03.2014	31.03.2013
		(Un-audited)	(Un-audited)	(Un-audited)	(Audited)	(Audited)	(Audited)	(Audited)
1	Income from Operations							
a	Interest Income	4,39,616	4,32,897	3,55,224	16,80,639	13,29,095	16,80,639	13,29,095
b	Other Operating Income	4,635	4,763	7,273	21,159	24,642	31,582	27,911
	Total Income from Operations	4,44,251	4,37,660	3,62,497	17,01,798	13,53,737	17,12,221	13,57,006
2	Expenses							
a	Finance Costs	2,62,335	2,59,380	2,14,758	10,03,846	8,08,376	10,03,474	8,08,339
b	Employee Benefits Expense	1,944	3,829	3,729	12,991	15,184	13,454	15,558
c	Other Expenses	5,101	2,055	2,722	10,508	6,469	12,585	7,838
d	Allowance for bad and doubtful debts	-	2,500	-	4,732	2,500	4,789	2,556
e	Contingent Allowance against Standard Loan Assets	14,746	5,044	10,568	26,470	10,568	26,470	10,568
f	Depreciation and amortisation expense	104	107	109	421	375	451	390
	Total Expenses	2,84,230	2,72,915	2,31,886	10,58,968	8,43,472	10,61,223	8,45,249
3	Profit from Operations before Other Income & Exceptional Items (1-2)	1,60,021	1,64,745	1,30,611	6,42,830	5,10,265	6,50,998	5,11,757
4	Other Income	4,749	2,857	1,508	10,282	6,130	10,673	6,864
5	Profit from Ordinary Activities before Exceptional Items (3+4)	1,64,770	1,67,602	1,32,119	6,53,112	5,16,395	6,61,671	5,18,621
6	Exceptional Items	-	-	-	-	-	-	-
7	Profit from Ordinary Activities before Tax (5+6)	1,64,770	1,67,602	1,32,119	6,53,112	5,16,395	6,61,671	5,18,621
8	Tax Expense							
	- Current Year	53,648	50,397	36,093	1,70,466	1,34,579	1,73,326	1,35,307
	- Deferred Tax Liability / (Asset)	(8,078)	(5,562)	(8)	12,872	54	12,808	37
	- Earlier Years / (Refund)	30	-	-	1,404	-	1,412	(1)
9	Net Profit from Ordinary Activities after Tax (7-8)	1,19,170	1,22,767	96,034	4,68,370	3,81,762	4,74,125	3,83,278
10	Extraordinary Items (net of tax expense)	-	-	-	-	-	-	-
11	Net Profit for the Period (9-10)	1,19,170	1,22,767	96,034	4,68,370	3,81,762	4,74,125	3,83,278
12	Share of profit/(loss) from associates	-	-	-	-	-	-	-
13	Minority Interest	-	-	-	-	-	-	-
14	Net Profit after taxes, minority interest and share of profit from associates(11+12+13)	1,19,170	1,22,767	96,034	4,68,370	3,81,762	4,74,125	3,83,278
15	Paid up Equity Share Capital (Face Value ₹10 per share)	98,746	98,746	98,746	98,746	98,746	98,746	98,746
16	Reserves & Surplus (Excluding Revaluation Reserves) (as per audited balance sheet as at 31st March)				19,68,200	16,46,692	19,81,559	16,54,302
17	Earnings per Share (EPS) (before extraordinary items) (of ₹10 each) (not annualised) (in ₹)							
a	Basic	12.07	12.43	9.73	47.43	38.66	48.01	38.81
b	Diluted	12.07	12.43	9.73	47.43	38.66	48.01	38.81
ii	Earnings per Share (EPS) (after extraordinary items) (of ₹10 each) (not annualised) (in ₹)							
a	Basic	12.07	12.43	9.73	47.43	38.66	48.01	38.81
b	Diluted	12.07	12.43	9.73	47.43	38.66	48.01	38.81

PART II

SELECT INFORMATION FOR THE QUARTER ENDED 31.03.2014

	PARTICULARS	QUARTER ENDED			YEAR ENDED	
		31.03.2014	31.12.2013	31.03.2013	31.03.2014	31.03.2013
A	PARTICULARS OF SHAREHOLDING					
1	Public shareholding					
	- Number of shares	33,92,90,782	32,78,52,000	32,78,52,000	33,92,90,782	32,78,52,000
	- Percentage of shareholding	34.36%	33.20%	33.20%	34.36%	33.20%
2	Promoters and Promoter group Shareholding					
a	Pledged/ Encumbered					
	- Number of shares	NIL	NIL	NIL	NIL	NIL
	- Percentage of shares (as a % of the total shareholding of Promoter and Promoter Group)	NIL	NIL	NIL	NIL	NIL
	- Percentage of shares (as a % of the total share capital of the Co.)	NIL	NIL	NIL	NIL	NIL
b	Non-Encumbered shares					
	- Number of shares	64,81,68,218	65,96,07,000	65,96,07,000	64,81,68,218	65,96,07,000
	- Percentage of shares (as a % of the total shareholding of Promoter and Promoter Group)	100.00%	100.00%	100.00%	100.00%	100.00%
	- Percentage of shares (as a % of the total share capital of the Co.)	65.64%	66.80%	66.80%	65.64%	66.80%

	PARTICULARS	QUARTER ENDED 31.03.2014	
		Equity Securities	Debt Securities
B	INVESTOR COMPLAINTS		
	Pending at the beginning of the quarter	0	0
	Received during the quarter	146	973
	Disposed off during the quarter	146	973
	Remaining unresolved at the end of the quarter	0	0

STATEMENT OF ASSETS AND LIABILITIES

(₹ in Lakhs)

SI. NO.	PARTICULARS	STANDALONE		CONSOLIDATED	
		AS AT 31.03.2014	AS AT 31.03.2013	AS AT 31.03.2014	AS AT 31.03.2013
		(Audited)	(Audited)	(Audited)	(Audited)
A.	<u>EQUITY AND LIABILITIES</u>				
(1)	<u>Shareholders' Funds</u>				
	(a) Share Capital	98,746	98,746	98,746	98,746
	(b) Reserves and Surplus	19,68,200	16,46,692	19,81,559	16,54,302
	Sub-total (Shareholders' Funds)	20,66,946	17,45,438	20,80,305	17,53,048
(2)	<u>Non-current Liabilities</u>				
	(a) Long-term Borrowings	1,10,16,230	90,96,038	1,10,09,530	90,92,538
	(b) Deferred Tax Liabilities (Net)	17,369	-	17,292	-
	(c) Other Long-term Liabilities	2,352	8,025	2,354	8,025
	(d) Long-term Provisions	44,224	18,845	44,232	18,847
	Sub-total (Non-current Liabilities)	1,10,80,175	91,22,908	1,10,73,408	91,19,410
(3)	<u>Current Liabilities</u>				
	(a) Short-term Borrowings	2,54,000	2,48,000	2,54,000	2,48,555
	(b) Trade Payables	-	-	607	548
	(c) Other current liabilities	18,58,373	19,11,640	18,60,187	19,12,652
	(d) Short-term Provisions	25,796	22,743	25,925	22,746
	Sub-total (Current Liabilities)	21,38,169	21,82,383	21,40,719	21,84,501
	Total (EQUITY AND LIABILITIES)	1,52,85,290	1,30,50,729	1,52,94,432	1,30,56,959
B.	<u>ASSETS</u>				
(1)	<u>Non-current Assets</u>				
	(a) Fixed assets	8,183	8,005	8,347	8,062
	(b) Non-current Investments	1,66,063	61,345	1,64,303	59,085
	(c) Deferred Tax Assets (Net)	-	951	-	965
	(d) Long-term Loans & Advances	1,35,89,897	1,14,57,453	1,35,89,978	1,14,57,476
	(e) Other Non-current Assets	3,212	18,799	3,371	19,102
	Sub-total (Non-Current Assets)	1,37,67,355	1,15,46,553	1,37,65,999	1,15,44,690
(2)	<u>Current Assets</u>				
	(a) Current Investments	4,716	4,716	4,741	4,741
	(b) Trade Receivables	-	-	6,054	2,916
	(c) Cash & Bank Balances	1,19,294	1,48,426	1,23,429	1,52,954
	(d) Short-term Loans & Advances	38,158	1,91,595	38,284	1,91,623
	(e) Other Current Assets	13,55,767	11,59,439	13,55,925	11,60,035
	Sub-total (Current Assets)	15,17,935	15,04,176	15,28,433	15,12,269
	Total (ASSETS)	1,52,85,290	1,30,50,729	1,52,94,432	1,30,56,959

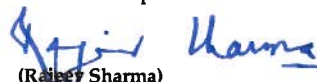
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Notes:

1. The above financial results for the quarter/year ended 31st March, 2014 were reviewed by the Audit Committee at the meeting held on 26th May, 2014 and approved by the Board of Directors and taken on record at the meeting held on 26th May, 2014 and are subject to review by Comptroller and Auditor General of India u/s 619(4) of the Companies Act, 1956.
2. These results have been audited by the Joint Statutory Auditors of the Company.
3. The company has opted for amortising the foreign exchange fluctuation loss/(gain) on the long term foreign currency monetary items over the balance period of such items. The amount remaining to be amortised in 'Foreign Currency Monetary Item Translation Difference Account' is ₹ 532.65 Crores. (As on 31.03.2013 ₹ 160.28 Crores)
4. The audited accounts of the subsidiary companies (REC Transmission Projects Company Limited and REC Power Distribution Company Limited) and unaudited accounts of joint venture (Energy Efficiency Services Limited) have been consolidated in accordance with the Accounting Standard-21 'Consolidated Financial Statements' and Accounting Standard-27 'Financial Reporting of Interests in Joint Ventures'.
5. The Company has made a public issue of Tax Free Bonds of face value of ₹1,000/- each aggregating to ₹ 1,059.40 Crores during the quarter ended 31st March, 2014. The issue proceeds have been utilised for the purposes as mentioned in the Offer document except for ₹ 5.96 Crores which is kept in designated public issue account pending its utilisation.
6. As per RBI's Master Circular dated 1st July, 2013, REC, being a Government Company, continues to be exempt from the applicability of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. Further, RBI, vide letters dated 25th July, 2013 and 4th April, 2014, has conveyed to REC to comply with the prudential norms of RBI by 31st March, 2016. Regarding restructuring of assets, RBI vide its letter dated 04th April, 2014 has advised REC to follow the instructions contained in RBI Circular dated January 23, 2014 issued vide Notification No. DNBS (PD) No. 271/ CGM (NSV)-2014 of the same date. Necessary steps would be taken by 31st March, 2016 in terms of RBI letters dated 25th July, 2013 and 04th April, 2014. However, REC has taken up the matter with RBI and also through the Ministry of Power, for suitable directions in this regard and necessary action shall be taken in subsequent years in the manner so advised by RBI.
7. The Company paid an interim dividend of ₹ 7.75 per Equity Share (on face value of ₹ 10/- each) in the month of February, 2014. The Board of Directors has recommended final dividend of ₹ 1.75 per share (on face value of ₹ 10/- each) for the year 2013-14, subject to approval of the Shareholders in the ensuing Annual General Meeting. The total dividend (including interim dividend) for the financial year 2013-14 is ₹ 9.50 per share (on face value of ₹ 10/- each).
8. The Company's main business is to provide finance for power sector. Accordingly, the company does not have more than one segment eligible for reporting in terms of Accounting Standard-17 'Segment Reporting'.
9. Previous periods/year's figures have been regrouped/rearranged wherever necessary. Further, consequent to the limited review for the quarter and half year ended September 30, 2013, the financial statements for the half year ended September 30, 2013 were got audited by the Statutory Auditors of the Company and approved by the Board of Directors at the meeting held on 28th March, 2014. Minor variations had resulted during the audit from the limited reviewed accounts, resulting in increase of profit after tax by ₹ 0.06 Crores. This effect has been adjusted in the figures for quarter ended 31st March, 2014.
10. Modifications have been made in Significant Accounting Policies regarding Basis of Preparation of Financial Statements, recognition of income on Rescheduled Loans, recognition of income on investments, classification of Loan Assets, Intangible Assets, Investments and Taxes to make them more clarificatory/ explicit. However, there is no financial impact of such modifications.

Further, the Company has changed its Significant Accounting Policy regarding provision on Standard Assets from 'Provision in respect of Standard Assets shall be made as may be decided by the Company in order to bring it to a minimum of 0.25% upto 31st March, 2015' to 'Provision in respect of Standard Assets is made @ 0.25% of the outstanding Standard Assets'. If the company had followed the earlier policy, the profit after tax for the quarter and year ended March 31, 2014 would have been higher by ₹ 105.74 crore.
1. Figures of last quarter are the balancing figures between audited figures in respect of the full financial year and the published year to date figures upto the third quarter of the relevant financial year.

For Rural Electrification Corporation Limited


(Rajesh Sharma)

Chairman & Managing Director

Place: New Delhi
Date: 26th May, 2014

Raj Har Gopal & Co.
Chartered Accountants
412, Ansal Bhawan,
16, Kasturba Gandhi Marg,
New Delhi-110001

P.K. Chopra & Co.
Chartered Accountants
N-84, Pratap Building,
Connaught Place,
New Delhi-110001

Independent Auditors' Report

To,
The Members,
Rural Electrification Corporation Limited
New Delhi

Report on the Financial Statements

1. We have audited the accompanying financial statements of Rural Electrification Corporation Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2014, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

2. Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these 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 Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

3. Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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.

4. Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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 principals generally accepted in India:

- (a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2014;
- (b) in the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

5. Report on Other Legal and Regulatory Requirements

- (i) As required by the Companies (Auditors' Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- (ii) As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;



- c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e. vide Notification No. 2/5/2001-CL.V dated 22.03.2002 of the Department of Company Affairs, Government of India, Government Companies have been exempted from applicability of the provisions of Section 274(1)(g) of the Companies Act, 1956.
- f. Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

For Raj Har Gopal & Co.

Chartered Accountants

Firm Regn No. 0020748N


(Gopal Krishan)
Partner
M. No. 081085



For P.K. Chopra & Co.

Chartered Accountants

Firm Regn No. 0067467N


(K.S. Ponnuswamy)
Partner
M. No. 070276



Place : New Delhi

Date : 26th May, 2014

Annexure to the Independent Auditor's Report

REFERRED TO IN PARAGRAPH 5(i) OF OUR REPORT OF EVEN DATE ON THE ACCOUNTS OF RURAL ELECTRIFICATION CORPORATION LIMITED FOR THE YEAR ENDED ON 31ST MARCH, 2014

- (i) (a) The Company has maintained fixed assets records to show full particulars including quantitative details and situation of its fixed assets.
- (b) The Company has a phased manner of physical verification of its fixed assets, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, substantial assets were physically verified by the management during the year. Discrepancies noticed on such verification have been properly dealt with in the books of account.
- (c) In our opinion and according to the explanations given to us, during the year, the Company has not disposed off substantial part of fixed assets; therefore going concern is not affected. Hence, this clause of the order is not applicable.
- (ii) The company being Non Banking Financial Company, does not have any inventory; as such this clause is not applicable.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans secured or unsecured to any Corporation, firm or other parties covered in register maintained under section 301 of Companies Act, 1956. Accordingly, clause 4(iii)(a), 4(iii)(b), 4(iii)(c) and 4(iii)(d) of the order are not applicable.
- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured, from any Corporation, firm, or other parties covered in the register maintained under section 301 of the Companies Act 1956. Accordingly clause 4(iii)(e), the clause 4(iii)(f) and 4(iii)(g) of the order are not applicable.
- (iv) In our opinion and according to information & explanations given to us, internal controls for purchase of fixed assets and for the financial services are generally commensurate with the size of the Company and the nature of its business. However, in certain areas internal control needs further strengthening like monitoring and supervision of loans given to various SEBs/ DISCOMS/ TRANSCOS/ GENCOS including obtaining search reports for charges created



against the loans given and physical verification of assets charged to REC as security after Commercial Operations Date.

- (v) According to information and explanations given to us, the Company has not entered into any contract with the Companies or Entities covered u/s 301 of the Companies Act, 1956. Accordingly, this clause of the order is not applicable.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposit from public to which the provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the Rules framed there under, apply.
- (vii) In our opinion, the Company has an internal audit system generally commensurate with its size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub section (1) of section 209 of the Companies Act, 1956, for the products/services of the Company. Accordingly, this clause of the order is not applicable to the Company.
- (ix)
 - (a) The Company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investor's education protection fund, employees state insurance, income tax, wealth tax, service tax, custom duty and other material statutory dues applicable to it.
 - (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, service tax, wealth tax were in arrears as at 31st March, 2014 for a period of more than six months from the date they became payable.
 - (c) According to the information and explanations given to us, there are no dues of income tax, wealth tax, service tax, sales tax, custom duty and cess which has not been deposited on account of dispute.
- (x) The Company does not have any accumulated losses as at 31st March, 2014. The Company has also not incurred cash losses during the year covered by our audit and in the immediate preceding financial year. Accordingly, this clause of the order is not applicable.



- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to a financial institution, bank and bond holders as at the Balance Sheet date.
- (xii) In our opinion and according to the information and explanations given to us, the Company has maintained records and documents in respect of loan granted by it to various State Electricity Boards, Transmission, Distribution and Generation Companies including independent power producers on the basis of security including collateral security by way of pledge of share and other securities.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi or mutual benefit fund or society, therefore, this clause of the order is not applicable to the Company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debenture and other investment, therefore this clause of the order is not applicable to the Company.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year. Accordingly, this clause of the order is not applicable to the Company.
- (xvi) In our opinion and according to the information and explanations given to us, the term loans were applied for the purpose for which they were raised.
- (xvii) According to the information and explanations given to us and on the overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, during the year the Company has not made any preferential allotment of shares to companies, firms or other parties needs to be listed in the register maintained u/s 301 of the Companies Act.
- (xix) According to the information and explanations given to us, the Company has created security in respect of Institutional Bonds, Tax Free Secured Bonds, and 54EC Capital Gain Tax Exemption Bonds in the form of charge on receivables



and Registered Mortgage on the immovable properties of the Company at Maharashtra, Delhi, Tamil Nadu & Gujarat.

- (xx) The Company had made public issue of Tax Free Bonds of face value of ₹1,000.00 each aggregating to ₹ 2,148.41 Crores in two tranches during the financial year 2012-13 in addition to a private placement issue of the Tax Free Bonds of ₹ 500.00 Crores. The issue proceeds of ₹ 0.63 Crores remaining unutilized as on 31st March, 2013 have since been utilized for the purposes as mentioned in the Offer document.

The Company has made a public issue of Tax Free Bonds of face value of ₹1,000 each aggregating to ₹ 4,500 Crores during the financial year 2013-14 in addition to a private placement of the Tax Free Bonds of ₹ 1,500 Crores. The bonds under public issue had been allotted in line with the prescribed guidelines and within the financial year 2013-14. The issue proceeds have been utilised for the purposes as mentioned in the Offer document except for ₹ 5.96 Crores which is kept in designated public issue account pending its utilisation.

- (xxi) During the course of our examination of the books of account 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 fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

Referred in paragraph 5 (i) of report of even date, clauses (ii) (b) & (c), (iii) (c) & (d), (v) (b), (viii) (a) (b) (c) (d) of Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

For Raj Har Gopal & Co.

Chartered Accountants

Firm Regn No. 002074N



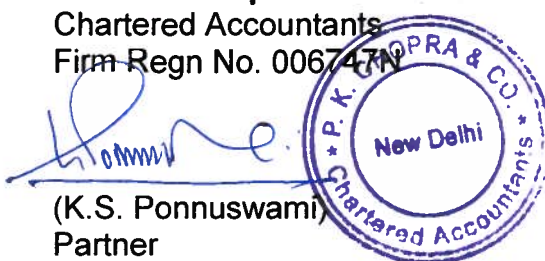
(Gopal Krishan)
Partner

M. No. 081085

For P.K. Chopra & Co.

Chartered Accountants

Firm Regn No. 006747N



(K.S. Ponnuswami)
Partner

M. No. 070276

Place : New Delhi

Date : 26th May, 2014

Raj Har Gopal & Co.
Chartered Accountants
412, Ansal Bhawan,
16, Kasturba Gandhi Marg,
New Delhi-110001

P.K. Chopra & Co.
Chartered Accountants
N-84, Pratap Building,
Connaught Place,
New Delhi-110001

Independent Auditors' Report

To
The Board of Directors,
Rural Electrification Corporation Limited
New Delhi

1. We have audited the accompanying consolidated financial statements of Rural Electrification Corporation Limited ("the Company") and its subsidiaries and joint venture, which comprise the consolidated Balance Sheet as at 31st March, 2014, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information which we have signed under reference to this report.

2. Management's Responsibility for the Consolidated Financial Statements

The Company's management is responsible for the preparation 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 Company and its subsidiaries and joint venture in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control 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.

3. Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. 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 disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, 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 control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An



audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We did not audit the financial statements of two subsidiaries and the joint venture included in the consolidated financial statements, which constitute total assets of ₹ 191.39 Crores (Previous year ₹ 124.78 Crores) as at 31st March, 2014 and total revenue of ₹ 118.73 Crores (Previous year ₹ 41.77 Crores), for the year then ended. The financial statements of the subsidiaries have been audited by other auditors whose reports have been furnished to us and financial statements of the joint venture are un-audited, and our opinion on the consolidated financial statements to the extent they have been derived from such financial statements is based solely on the report of such other auditors and certification of the management of the joint venture.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4. Opinion

We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21 – Consolidated Financial Statements, Accounting Standard (AS) 23 – Accounting for Investments in Associates in Consolidated Financial Statements, and Accounting Standard (AS) 27 – Financial Reporting of Interests in Joint Ventures notified under Section 211(3C) of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of Consolidated Balance Sheet, of the state of affairs of the Company and its subsidiaries and joint venture as at 31st March, 2014;
- (b) in the case of Consolidated Statement of Profit and Loss, of the profit of the Company and its subsidiaries and joint venture for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the cash flows of the Company and its subsidiaries and joint venture for the year ended on that date.

For Raj Har Gopal & Co.

Chartered Accountants

Firm Regn No. 002074N

(Gopal Krishna)

Partner

M. No. 081085



For P.K. Chopra & Co.

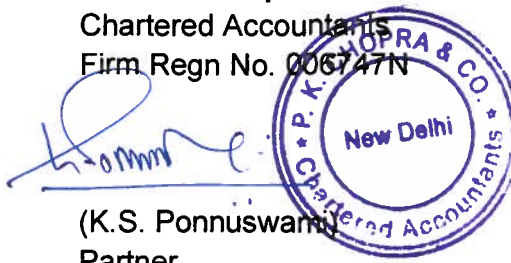
Chartered Accountants

Firm Regn No. 006747N

(K.S. Ponnuswamy)

Partner

M. No. 070276



Place : New Delhi

Date : 26th May, 2014