CHAIRMAN'S MESSAGE

Dear Stakeholders,

It is my privilege to present to you the 48th Annual Report of REC. Your Company continues to be the leading public financial institution of India, funding the power infrastructure development across the nation. This year too, REC performed exceptionally well and demonstrated consistent growth on all parameters. Despite the challenging times and ever-changing dynamics of the power sector, REC is well-placed and well-poised for meeting the challenges and harnessing the emerging business opportunities in the short-term as well as the longer-term.

On the global economic front, there are optimistic signs in terms of investment, manufacturing and trade. As per IMF estimates, the world growth is on an upward trajectory, from 3.1% in 2016 to 3.5% in 2017 to 3.6% projected for 2018. The reasons behind this upward growth momentum are stronger economic activity, expectations of a more robust demand, reduced deflationary pressures, and optimistic financial markets. However, stronger recovery is held back due to structural problems like low productivity growth, high-income inequality and signs of protectionism. As of now, the world needs stronger international economic collaboration and renewed multilateral efforts to achieve sustained global economic integration.

The Indian economy continues to maintain robust growth and remains a bright spot in the global development landscape. In the last three years, India has witnessed several reforms, positive policy actions, substantial trade gain and a range of supply-side measures. As per IMF estimates, Indian economy is likely to grow by 7.2% in financial year 2017-18 and 7.7% in financial year 2018-19. However, strain on the balance sheets of financial and corporate sector, sluggish private investment and weak external demand continue to pose challenges to the economy. Nevertheless, country is making significant strides in supporting sustainable longer-term growth. The introduction of Goods and Services Tax (GST) has been a historic reform, which is likely to raise India's medium-term growth above 8 per cent. Though the banking and financial sector has been subdued with rising NPAs, the Government has been supportive with a series of policy measures to address the challenges.

Global energy outlook is demonstrating a transition to green energy, with increased focus on energy efficiency. The world energy mix is rapidly shifting towards cleaner and lower carbon fuels such as solar power, wind power and hydro power. The governments all over the world are making it a key focus area to promote the use of renewable energy, in order to meet climate change needs as well as to provide affordable, reliable and cleaner energy to their citizens.

Power Sector Scenario

Power is one of the most important drivers of economic growth. The Indian Power Sector has seen a transformational growth in the last three years, on account of a series of reform and policy measures implemented by the government, coupled with surge in investment, rising consumption and unwavering focus on village and household electrification. Decisive steps have been taken by the government across the power value chain, which have resulted in surplus power, increased fiscal discipline and greater efficiency in utilities, sufficient coal availability and unprecedented growth in the clean energy market. As on March 31, 2017, the installed power generating capacity in the country was 326.8 GW. The transmission capacity in the country also saw a high growth, with the length of total transmission lines at the end of Fiscal 2017 standing at 3.67 lakh cKm.

From a scenario characterised by shortages and lack of quality supply, India has surplus power available in real time at affordable rates on the power exchange. Further, the distribution scenario in the country is improving rapidly, with the benefits of reform programmes like Ujwal DISCOM Assurance Yojana (UDAY) starting to show results. On the renewable energy front, the country's orientation to become a low carbon economy is also evident with costs of solar and wind power falling to record lows. As the power sector reforms continue, India has moved up several notches from 99th to 26th rank, in terms of World Bank's global electricity accessibility ranking.

The financial year 2016-17 saw an addition of 24,761 MW in the generation capacity, of which 58% came from renewable energy; 31% came from thermal energy and the balance from other sources. For the first time in financial year 2016-17, the capacity addition in renewable energy segment outstripped that of the capacity addition in conventional energy segment. The actual electric energy generation during 2017 fiscal was 1,160 BUs, against 1,107 BUs in the previous fiscal. The aggregate Power Supply Deficit for 2017 fiscal dropped to 0.7% and Peak Power Deficit also reduced to 1.6%, showing improvement in the power supply situation. The National Grid in the country is now one of the largest operating synchronous grids in the world. India's National Grid is also synchronously interconnected to Bhutan and Nepal and asynchronously linked to Bangladesh.

These achievements would not have been possible without the policy and reform initiatives taken by the Government. The Government has taken several measures for improving the thermal sector, such as streamlining the process of coal block allocation, improvement in coal availability and supply, quality checks of coal at mine-end and plant-end, beneficiation of coal at coal washeries and redefining of coal linkages, to name a few. On the hydro power front, some of the steps taken by the Government were to exempt hydro projects from competitive bidding till 2022, allowing flexibility to developers in depreciation rates and time-of-day tariff and allowing distribution licensees to extend long term PPAs by additional 15 years beyond the normally allowed 35 years. Furthermore, Renewable Energy has become a key focus area of the power sector. The Government has set a target of adding 175 GW of renewable energy capacity by 2022 and to increase the share of renewable energy to 40% of the total installed capacity by year 2030.

Further, to facilitate integration of such large scale renewable power into the grid, multiple green corridors are being established in the country and new ICT technologies i.e., SCADA/ automation, smart & intelligent grid are being adopted across generation, transmission and distribution for ensuring seamless flow of power with reliability, security and efficiency. Besides, new technologies in the areas of large battery storage, electrical mobility and charging infrastructure in the country will open new vistas in clean technology and climate control.

In a nutshell, the power sector has seen significant reforms in the past few years and the sector is brimming with emerging opportunities. REC is prepared to harness these emerging opportunities for the best interests of all its stakeholders.

Performance Highlights

Your Company continues to register growth on key fronts of sanctions, disbursements and profits. During the financial year 2016-17, the Company sanctioned a total loan assistance of ₹ 83,870.82 crore, as compared to ₹ 65,471.10 crore in the last financial year. Further, during the financial year 2016-17, the Company disbursed a total loan amount of ₹ 58,038.61 crore, as against ₹ 46,025.83 crore in the last financial year. In addition to that, ₹ 8,037.54 crore of Government of India grant has been disbursed to the States under DDUGJY during the financial year 2016-17.

The Operating Income of the Company on standalone basis for financial year 2016-17 was ₹ 23,350.79 crore, as against ₹ 23,638.35 crore in the last financial year. Net Profit for the financial year 2016-17 was ₹ 6,245.76 crore, as against ₹ 5,627.66 crore in the last financial year. Further, REC's Net Worth as on March 31, 2017 was ₹ 33,325.59 crore, which was 16% higher than the Net Worth of ₹ 28,617.76 crore as on March 31, 2016.

The Loan Asset Book of your Company as on March 31, 2017 was ₹ 2,01,928.67 crore as compared to ₹ 2,01,278.29 crore as on March 31, 2016. The Non-Performing Assets of REC continue to be at low levels. As on March 31, 2017, the Gross NPAs of the Company were ₹ 4,872.68 crore, which were 2.41% of the Gross Loan Assets and Net NPAs as on March 31, 2017 were ₹ 3,237.34 crore, which were 1.62% of the Net Loan Assets. Further, no doubtful loans have been rescheduled by the Company during the financial year 2016-17. The Company achieved a recovery rate of 97.56% for the financial year 2016-17.

During the year under review, the Company mobilized ₹ 28,495.18 crore from the market, which included ₹ 7,662.92 crore by way of Capital Gain Tax Exemption Bonds, ₹ 18,600 crore by way of Institutional Bonds and ₹ 2,232.26 crore (i.e. USD 330 million) from External Commercial Borrowings. Further, an amount of ₹ 19,916.85 crore was also raised through Commercial Papers.

The domestic debt instruments of the Company continued to enjoy "AAA" rating, i.e., the highest rating assigned by CRISIL, CARE, India Ratings & Research and ICRA. The Company enjoys international credit rating equivalent to sovereign rating of India from international credit rating agencies Moody's and Fitch, which is "Baa3" and "BBB-", respectively. The overall weighted average annualized interest rate of borrowing for the funds raised during financial year 2016-17 was 6.79% p.a. and for the borrowings outstanding on March 31, 2017, it was 8.02% p.a. As a result, your Company was able to deliver debt financing at competitive rates.

Dividend

In addition to interim dividend of ₹ 7.00 per share paid in March, 2017, the Board of Directors of your Company have recommended final dividend of ₹ 2.65 per share for the financial year 2016-17, which is subject to approval of the Shareholders in the ensuing annual general meeting. The total dividend for the financial year 2016-17 will work out to ₹ 9.65 per share, representing 96.5% of the increased paid-up share capital base after Bonus Issue by the Company, as against ₹ 17.10 per share representing 171% of the paid-up share capital of the Company in the previous year. The decrease in the percentage of dividend from previous year is due to issue of Bonus Equity Shares by the Company in the ratio of 1:1 during the financial year 2016-17. The total dividend pay-out for the financial year 2016-17 will amount to ₹ 1,905.80 crore excluding dividend distribution tax.

Financing Power Projects

The Company has been providing funding assistance for power generation projects, in both conventional energy and renewable energy spaces. Your Company also plays an active role in creation and improvement of the infrastructure for Transmission & Distribution network in the country. Further, as the Nodal agency of DDUGJY scheme of the Government of India, your Company also contributes to the socio-economic responsibility of village electrification and household electrification.

Financing Generation Projects

During the financial year 2016-17, your Company sanctioned 22 nos. of Generation/ R&M loans including 6 nos. of additional loan assistance with total financial outlay of ₹ 28,208.93 crore including consortium financing with other financial institutions. Further, the Company disbursed an amount of ₹ 21,697.61 crore during the year under review towards generation projects.

Financing Transmission and Distribution Projects

During the financial year 2016-17, your Company sanctioned 924 nos. of T & D schemes involving a total loan assistance of ₹ 40,953.12 crore. This included primary power evacuation schemes associated with generating plants, system improvement schemes, schemes for procurement & installation of equipment/materials like meters, transformers, conductors, tower material, cables, etc., Government approved schemes like DDUGJY and IPDS and infrastructure schemes for providing electricity access to various categories of consumers including agriculture. The total disbursement under T & D schemes during the year under review was ₹ 26,270.30 crore.

Financing Renewable Energy and Other Projects

During the financial year 2016-17, your Company sanctioned loan assistance of ₹ 2,089.77 crore to 16 new grid-connected Renewable Energy projects with installed generation capacity aggregating to 367 MW, which included 11 solar photo-voltaic projects aggregating to 280 MW; 4 small hydro power projects of 61 MW and 1 wind energy project of 26 MW. The total cost of these projects aggregates to ₹ 3,035.53 crore. Further, during the financial year 2016-17, the total disbursement towards renewable energy projects was ₹ 1,617.68 crore. Your Company is poised for a major leap in financing renewable projects in the times ahead.

Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)

REC is the Nodal agency for implementation of “Deen Dayal Upadhyaya Gram Jyoti Yojana” (DDUGJY scheme), which is an integrated scheme for strengthening all aspects of the rural power distribution system. It is a flagship programme of the Government of India supplementing overall rural development and facilitating towards “24x7 Power for All” in the country through defined project components. All erstwhile RE schemes (including Rajiv Gandhi Grameen Vidyutikaran Yojana i.e., RGGVY) have been subsumed in DDUGJY.

The Hon’ble Prime Minister had announced on August 15, 2015, that all remaining 18,452 Un-Electrified (UE) villages in the country would be electrified within 1,000 days. The Ministry of Power has taken up the electrification of all UE villages on Mission mode and assigned the responsibility for coordinating and monitoring the implementation of DDUGJY to REC. The Company has deployed ‘Gram Vidyut Abhiyantas’ (GVAs) i.e., young electrical engineers in the field for milestone based monitoring of village electrification works and developed ‘GARV App’, an online application for transparent and accountable monitoring.

In addition to village electrification, the emphasis has been laid on household electrification. To achieve this, updated GARV App was launched in December 2016 for monitoring the household electrification in all 5.97 lakh villages in the country. Further, in the portal, a feature named SAMVAD has been provided, to facilitate the general public to raise their queries and interact with the officials of DISCOMs, thus establishing transparency and accountability.

Ujwal DISCOM Assurance Yojana (UDAY)

The Government of India had announced the “Ujwal DISCOM Assurance Yojana” (UDAY scheme) in financial year 2015-16, which aims at financial turnaround, revival and revitalisation of Power Distribution Companies (DISCOMs), and also ensures a sustainable permanent solution to the problem of DISCOMs, which were reeling under debt of ₹ 4.3 lakh crore and accumulated losses of ₹ 3.8 lakh crore.

REC is acting as the nodal agency for UDAY scheme. Through the UDAY scheme, DISCOMs are provided with the opportunity to break even in 2-3 years through the following initiatives:

a) Improving operational efficiencies of DISCOMs

b) Reduction of cost of power

c) Reduction in interest cost of DISCOMs

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

e) Reducing the technical and commercial losses

f) Reducing the gap between cost of supply and the revenue realised.

For the UDAY scheme, REC has developed a state-of-the-art web portal and an online App for monitoring the performance of State DISCOMs. 26 States and 1 Union Territory have joined the scheme and out of these, 16 States have participated for financial restructuring while 10 States and 1 Union Territory have participated only for operational improvements. Bonds to the tune of ₹ 2.32 lakh crore have been issued by the States and DISCOMs. The States have taken over the DISCOM debt to the tune of ₹ 2.09 lakh crore.

It is pertinent to mention that after the implementation of UDAY scheme, significant positive results have started to emerge for the DISCOMs. The average AT&C losses and gap between ACS and ARR of UDAY States have shown a declining trend. In addition to these benefits, lower interest burden is also contributing towards better bottom line for DISCOMs.

Subsidiary Companies and Joint Ventures

The Company has two wholly-owned subsidiaries, to provide value-added services to the clients, including the business of consultancy in the areas of transmission, distribution, bid process transaction advisory services, project management, project implementation, quality assurance, etc. The subsidiaries include:

✓ REC Transmission Projects Company Limited (RECTPCL); and

✓ REC Power Distribution Company Limited (RECPDCL).

RECTPCL acts as the “Bid Process Coordinator” for selection of Transmission Service Provider (s), through Tariff Based Competitive Bidding (TBCB) process for independent inter-state and intra-state transmission projects assigned by the Ministry of Power, Government of India, and the State Governments from time to time. In order to initiate development of each of such independent transmission project, RECTPCL incorporates project-specific Special Purpose Vehicle (SPV) as its wholly-owned subsidiary, which is also a wholly-owned subsidiary of REC. Further, such SPVs are subsequently transferred along with all assets and liabilities to the successful bidder (s) selected through TBCB process. In addition to acting as Bid Process Coordinator, during the financial year 2016-17, RECTPCL also bagged several assignments for project management consultancy, third party quality assurance inspection, bid process management and project management & implementation agency. During the financial year 2016-17, RECTPCL generated an income of ₹ 52.38 crore, its Profit After Tax was ₹ 34.46 crore and its Net Worth as on March 31, 2017 was ₹ 157.86 crore.

RECPDCL’s core business includes preparation of Detailed Project Report, Third Party Inspection, Material Inspection & Project Management Consultancy services, Project Implementation and Enhancement of Energy Efficiency mission. RECPDCL has been engaged as Lead Implementing Agency for managing BEE’s Partial Risk Guarantee Fund for Energy Efficiency; and has signed a MoU with EESL for installation of LED street lights across India. Further, RECPDCL is monitoring the village electrification under DDUGJY. During the financial year 2016-17, RECPDCL generated a total revenue of ₹ 191.57 crore, its Profit After Tax was ₹ 40.33 crore and its Net Worth as on March 31, 2017 was ₹ 157.84 crore.

REC, along with three other PSUs, Power Grid Corporation of India Limited, NTPC and PFC, had formed a Joint Venture Company by the name Energy Efficiency Services Limited (EESL) on December 10, 2009. As on date, REC holds 31.71% of the paid-up equity share capital of EESL. EESL has been formed to create and sustain market access to energy efficient technologies, particularly in the public facilities like municipalities, buildings, agriculture, industry etc. and to implement several schemes of Bureau of Energy Efficiency. EESL is also leading the market related activities of National Mission for Enhanced Energy Efficiency (NMEEE), one of the eight national missions under National Action Plan on Climate Change. During the financial year 2016-17, based on the standalone audited financials, EESL’s revenue from operations was ₹ 1,150.86 crore and its Profit After Tax was ₹ 51.86 crore.

Central Institute for Rural Electrification (CIRE)

Central Institute for Rural Electrification (CIRE) was established at Hyderabad in 1979, to cater to the training and development needs of engineers and managers of Power Sector. CIRE conducts training programmes on Power Generation, Transmission, Distribution, Renewable Energy and other industry relevant subjects. CIRE is the Nodal agency for coordination and implementation of National Training Programmes for employees of C&D category under DDUGJY, sponsored by the Ministry of Power, Government of India.

During the financial year 2016-17, in addition to coordinating and monitoring the National Training Programmes for employees of C&D category, CIRE has conducted 132 programmes on various subjects and trained 2,701 personnel with 16,314 man days of training. CIRE has been conferred with “Education Leadership Award” by reputed Business School and ABP News National Educational Awards consecutively for the last 3 years, in recognition of its ‘Leadership, Development, Innovation and Industry Interface’.

Measures have been initiated to strengthen CIRE with the faculty and managerial capacity required to strengthen the capacity of the state power utilities and other clients.

Human Resources Management

The Company gives utmost importance to capacity-building and well-being of its employees. In this direction, Training and Human Resource Policy of the Company aims to strengthen the business skills and competence of the employees for better performance and productivity. Besides the training provided on professional skills, employees are also sensitized about the socioeconomic environment in which the Company operates. Further, trainings and workshops directed towards spiritual, health and attitudinal development of employees are also regularly conducted. The employees are also encouraged to participate in sports & recreational events and inter-corporate competitions to enhance their motivation level.

A comprehensive review of the human resources needs of the Company for the next 15 years is being undertaken, to ensure that REC is equipped with the human resources required to meet the challenges and to harness the opportunities presented by the future. REC proposes to infuse the necessary human resources with the skills and competencies required for the future to replace the retiring talent. It is pertinent to mention that REC will continue to be lean and efficient, with top of the notch human resources.

Information Technology Initiatives

On the IT front, an Integrated Business ERP system has been in operation in the Company since 2009, which is continuously being improved by adding new features. Benefits of the ERP system have been extended to the Borrowers as a part of better service. The ERP system is hosted at Data Centre of REC and both the Primary Data Centre and Disaster Recovery Centre of REC are ISO/ IEC 27001:2013 certified. The ERP system is being upgraded and modernised in sync with the changing requirements of the Company.

Further, REC has implemented a full-fledged state-of-the-art Video Conferencing solution across all its offices in India. The Corporate Office at New Delhi and all field offices of the Company are Wi-Fi enabled.

Recent IT initiatives include revamping of the corporate website to make it more user-friendly, informative and responsive. Besides that, REC has also developed and implemented a number of in-house applications for effective monitoring of its activities. GARV app has been very effective in monitoring the implementation of Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY).

Currently, the process is under progress for making REC paperless by introducing customised E-office application. A comprehensive review of the business processes are being conducted to create a comprehensive application that would incorporate ERP, E-office, HR Management, and other applications.

Corporate Governance

You are aware that REC is committed to the highest standards of Corporate Governance and therefore all measures are being taken to conduct the business in an ethical and responsible manner, with the sole objective of sustainable value creation for all Stakeholders within the prevalent regulatory framework. The Company has been adopting and adapting the best practices that are followed in the area of Corporate Governance across the globe. As a listed Public-Sector Enterprise, your Company has been complying with the requirements of Corporate Governance as stipulated in the Companies Act, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, DPE Guidelines and other applicable laws.

Corporate Social Responsibility and Sustainable Development

REC has been actively pursuing various initiatives to promote sustainable inclusive development as part of its Corporate Social Responsibility (CSR). For the financial year 2016-17, the Company had allocated a CSR budget of ₹ 146.57 crore, i.e., @ 2% of the average net profits for the preceding three financial years, as per the requirement of the Companies Act, 2013. During the year under review, the Company undertook various CSR projects across the country in the fields of skill development, education, environmental sustainability, health care, drinking water and sanitation facilities, including contribution to the Swachh Bharat Kosh, etc. For the financial year 2016-17, the total financial assistance sanctioned by REC towards CSR activities was ₹ 181.23 crore and the total amount disbursed towards CSR activities was ₹ 69.80 crore.

During the year under review, REC organized various cleanliness programmes i.e. “Swachh Bharat Pakhwada”, “Swachh Bharat Mission” (Swachta Pakhwada) and “Swachhta Abhiyan” (National Cleanliness Campaign). All employees of REC participated in these programmes with great enthusiasm and undertook special cleanliness drive for their respective office premises & other surrounding areas. Old and unwanted records are periodically weeded out and awareness about cleanliness is promoted.

MoU Rating and Awards

REC’s performance has been rated “Excellent” based on the outcomes achieved with reference to the key performance indicators (KPIs) enshrined in the Memorandum of Understanding (MoU) signed with the Ministry of Power, Government of India, for financial year 2015-16. REC has received “Excellent” rating consistently over 23 years; and the Company is poised to receive “Excellent” rating for the financial year 2016-17. The Company’s performance has also been recognized and awarded at various forums. During the year under review, REC received the CBIP Award 2017 for “Best Power Financing Company”; Gold Trophy for “SCOPE Meritorious award for the Best Public-Sector Financing Institution / Insurance Company” for year 2014-15; and “SCOPE Award for Excellence and Outstanding Contribution to the Public-Sector Management” for year 2014-15 from the Hon’ble President of India, in April 2017.

Other Initiatives

The Company constantly reviews its policies and procedures from time to time, to suitably align with its long-term corporate objectives, dynamic market requirements, and applicable statutory requirements. During the year under review, REC adopted/ revisited its policies and guidelines on sole lending limits for private sector renewable energy projects, policy on interest rates for non-conventional generation projects, policy for deployment of short term surplus funds, policy for premature repayment & pre-payment of loans and CSR & Sustainability Policy, to name a few.

The REC management actively encourages a culture of innovation and collaborative efforts within the organization. The Company has launched “REC Innovation Centre”, an in-house idea generation and communication portal, to target the immense potential of the ideas and suggestions of its employees for business development, brand building, and functional improvements.

Despite the growing competition in the market, the Company has been able to balance its corporate objectives of growth and profitability, while also taking care of the interests of all its stakeholders.

Future Strategy

Your Company offers a wide range of products to finance the needs of the Power Sector across the value-chain throughout the country. While REC has a strong foothold in its existing area of operations, the Company is also poised to enter into new areas of business. Accordingly, we are exploring avenues for diversification, such as financing power equipment manufacturing, debt syndication, fee-based project appraisal for other financial institutions, line of credit for large Renewable Energy projects and for manufacturers of electric vehicles, storage and charging infrastructure, and so on. A holistic Strategic Planning activity is currently underway in the organization, to chalk out the strategy and action plan for the future. The Strategic Planning covers assessment of business environment and emerging trends, risks and opportunities across the power sector value chain and allied sectors, key policy developments and their implications for the sector’s dynamics and business opportunities, etc. The activity also covers Business Process Re-engineering and operational improvements in various functional areas. The aim of this exercise is to maximize the returns to the Stakeholders of the Company on a sustainable basis.

Amongst the power sector components, Renewable Energy will be a key focus area for your Company over the next few years, in keeping with the Government of India’s ambitious thrust on developing this segment. The Renewable Energy portfolio of your Company has been growing in terms of both quantity and quality. Further, the Company has been regularly adapting itself to the changing needs of this sector, by making its in-house lending policies more market-friendly and by facilitating its borrowers to set-up more green energy projects across the country.

Your Company is committed to long term value creation & sustainability and will continue to strive towards best standards of Corporate Governance, with emphasis on authority and freedom of management coupled with transparency, accountability and professionalism.

The Path Ahead

Indian economy has emerged as an engine for global growth, with key focus of the Government on structural reforms and fiscal consolidation. Implementation of GST, new bankruptcy code, financial inclusion through Jan-Dhan Yojana, liberalized regime for foreign direct investment, measures to curb black money and encouragement to digitization and increased public investment in infrastructure, together are providing stronger impetus to growth. In this background, the path ahead for India's power sector holds great promise.

As per the CEA estimates, the electrical energy requirement is expected to grow by 37% in a span of five years, to 1,566 BUs by the financial year 2021-22. The Government of India and the state governments are committed to securing universal, affordable, accessible, 24x7 quality power for all. Further, the government's flagship programmes like, DDUGJY, IPDS and UDAY, have catalysed the process for unprecedented investment in the distribution infrastructure, that is likely to result in improved distribution efficiency, reduce supply-demand dissonance, decrease technical and commercial losses, improve revenue realisation and establish technologically sophisticated smart distribution network.

Further, the thrust on renewable energy is likely to increase the penetration of electricity in the country, thereby driving the demand upwards. The government is committed to add 175 GW of renewable energy over a period of five years between 2017 and 2022. It's clear that the current and the emerging power ecosystem holds great promise for the future of REC. Above all, emerging technologies like power storage devices, electric vehicles, energy saving devices, smart transmission and distribution systems, etc., are opening new vistas for business expansion. Further, REC is exploring investment opportunities in the power sector development of neighbouring countries, and potentially in other emerging economies.

However, it is pertinent to mention that the power sector is facing challenges in the form of rising NPAs, absence of big ticket power projects, tough competition from banks, challenges pertaining to interest rate regime and slow growth of manufacturing sector in general. Power sector projects also face issues relating to equity constraints of promoters, PPA challenges, longer time horizon and dynamic policy environment. Therefore, the Company is making consistent and serious efforts to raise resources at low cost and ensure deployment of its resources in avenues offering the best returns.

With likelihood of enormous capital expenditure and development of equally huge operational infrastructure, REC is looking at an optimistic business scenario in the near future as well as the longer-term. The Government's proactive push to address and resolve the sector's bottlenecks is strengthening this promising outlook. REC is well equipped to meet the market's demands and is well poised to play a vibrant role in the economic development of the country.

Acknowledgements

I take this opportunity to express my sincere gratitude to the Hon'ble Minister of State (Independent Charge) for Power, Coal, New & Renewable Energy and Mines, the Secretary, Additional Secretary, Joint Secretaries and other Officials of the Ministry of Power, for their support and guidance to the Company. I would also like to thank the officials in the NITI Aayog, Ministry of Finance, Ministry of Corporate Affairs, Department of Public Enterprises, Reserve Bank of India, Securities and Exchange Board of India, Stock Exchanges and Depositories for their cooperation. Further, I am also grateful to the Comptroller & Auditor General of India, Statutory Auditors, Secretarial Auditors, Registrars and other professionals associated with the Company for their valued contribution.

I wish to express my gratitude to our investors, lenders and borrowers for reposing their trust in REC. Further, I am grateful to my esteemed colleagues on the Board and to all employees of the organization, for their untiring efforts in taking the Company forward on the path of growth. I also record deep appreciation for all our clients, especially the state governments, power utilities and the private entrepreneurs.

Last, but not the least, I convey my heartfelt thanks to all Stakeholders of the Company for their continued support and goodwill. I am confident that with your cooperation and with the dedicated efforts of Team REC, we will grow from strength to strength and touch new heights of sustainable growth in the times ahead.

With warm wishes,

P V Ramesh

Chairman & Managing Director

August 21, 2017