



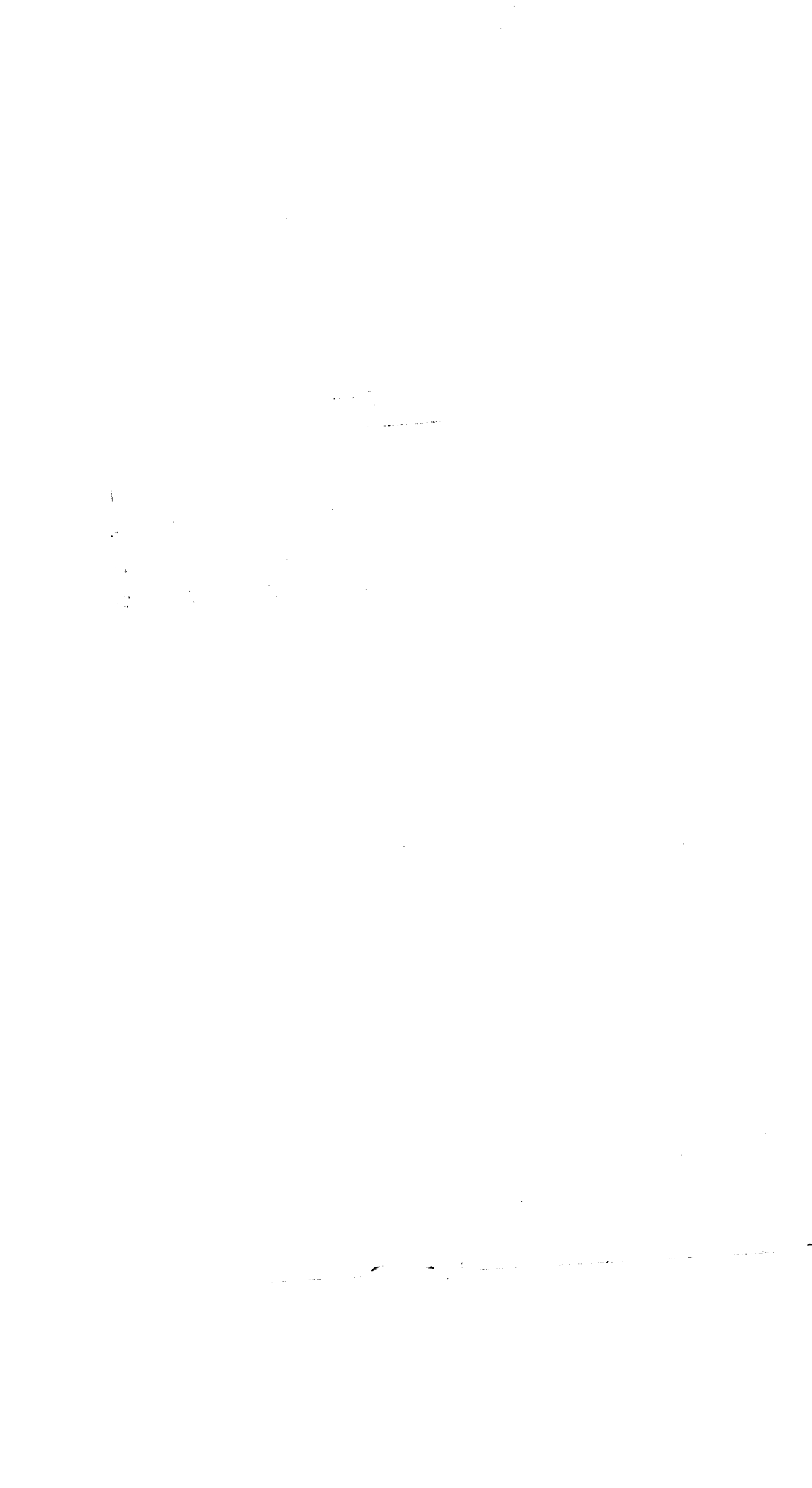
1st ANNUAL REPORT

1969-70

annual report

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RURAL ELECTRIFICATION CORPORATION LIMITED
(A Government of India Undertaking)

NOTICE

NOTICE is hereby given that the First Annual General meeting of the Shareholders of the Corporation will be held at the registered office of the Corporation at D-5, N. D. S. E. Part II, New Delhi-49 on Saturday the 26th December, 1970 at 12.30 p.m. to transact the following business :—

1. To receive, consider and adopt the Directors' Report, the Audited Balance Sheet as at 31st March, 1970, the Audited Profit & Loss Account of the Corporation for the period ended 31st March, 1970 and the Auditors' Report thereon annexed herewith.
2. To consider and, if thought fit, to pass, with or without modification, the following resolution as a Special Resolution under Section 31 (1) of the Companies Act :—
“Resolved
that Article 126 (i) of the Articles of Association of the Corporation be and is hereby amended to read as follows :—
126 (i)—Notwithstanding anything contained in any of these Articles, the President may, from time to time, issue such directives as he may consider necessary in regard to the conduct of affairs of the Company or Directors thereof and in like manner may vary and annul any such directive. The Directors shall give immediate effect to the directives so issued.”
3. To consider and, if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution under Section 94 of the Companies Act:—
“Resolved
that the Authorised Capital of the Corporation be and is hereby increased from Rs. 10 crores to Rs. 25 crores by the creation of one lakh fifty thousand Equity Shares of Rs. 1000/- each to rank in all respects *pari-passu* with the Corporation's existing Equity Share Capital and that accordingly necessary changes be made in the Capital Clauses of the Memorandum and Articles of Association of the Corporation, and that the Secretary of the Corporation be and is hereby authorised to file a notice of increase of Share Capital with the Registrar of Companies as required under the Companies Act and to incur expenditure on account of registration fee as may be necessary.”

By order of the Board
A. C. Bandyopadhyay
Managing Director

D-5, N.D.S.E., Part II.
New Delhi-49
4th December, 1970.

To

1. All the Members of the Corporation.
2. M/s. Khanna & Annadhanam, Chartered Accountants.

NOTES :—

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a Member.
2. An Explanatory Statement pursuant to Section 173 of the Companies Act in respect of business under Items 2 and 3 is annexed hereto.

**EXPLANATORY STATEMENT UNDER SECTION 173 OF
THE COMPANIES ACT, 1956**

ITEM NO. 2 :—

In pursuance of the decision of the Government of India that the Articles of Association of the Public Enterprises should invariably contain adequate provision for issue of directives by the President in respect of the activities of these enterprises, the Ministry of Finance, Bureau of Public Enterprises, has requested that the Articles of the existing enterprises should be amended in order to substitute the word 'business' if contained in its relevant Article by the word 'affairs' so that the relevant provision would be such as will not limit the President's powers to issue directives on some of the aspects of the working of the Enterprises. As Article 126 (i) of the Articles of Association of the Corporation which deals with 'Rights of the President' contains the word 'business', it needs to be amended in order to substitute the word 'business' by the word 'affairs'.

The amendment of the Articles of Association of the Corporation can be done pursuant to Section 31 (1) of the Companies Act, 1956 by passing a Special Resolution.

ITEM NO. 3:—

The Authorised Capital of the Company at present is Rs. 10 crores divided into one lakh equity shares of Rs. 1000/- each. The Government of India have agreed to provide Rs. 45 crores to the Corporation during the 4th Plan period as a matching contribution to enable the Corporation to receive a contribution of Rs. 105 crores from U.S.A.I.D. The present policy of the Government is to provide 50% of its contribution in the form of equity share capital and 50% in the form of loan. On this basis, the Corporation is likely to receive Rs. 22.5 crores from the Government in the form of equity share capital.

In view of the above, the Authorised Capital of the Corporation is proposed to be increased from Rs. 10 crores to Rs. 25 crores. Under Section 94 of the Companies Act readwith Article 31 of the Articles of Association of the Corporation, approval of the General Meeting by way of an Ordinary Resolution is necessary to increase the Authorised Capital.

By order of the Board
A. C. Bandyopadhyay
Managing Director

D-5, N.D.S.E. Part II,
New Delhi-49.

BOARD OF DIRECTORS

(As on 31-3-1970)

Chairman	B. VENKATAPPIAH
Directors	A. T. BAMBAWALE A. P. SEETHAPATHY S. S. PURI B. B. VOHRA A. F. COUTO
Managing Director	A. C. BANDYOPADHYAY
Technical Director	P. A. RAMAN

**Financial Adviser
&
Chief Accounts Officer**

V. S. BHIR

Secretary

C. V. NAIR

Auditors

M/s. Khanna & Annadhanam
Chartered Accountants

Bankers

THE RESERVE BANK OF INDIA
THE STATE BANK OF INDIA

Registered Office

D-5, N.D.S.E. PART-II,
NEW DELHI-49.

RURAL ELECTRIFICATION CORPORATION LIMITED

REPORT OF THE DIRECTORS TO THE SHARE-HOLDERS FOR THE YEAR ENDED MARCH 31, 1970

The Directors of the Rural Electrification Corporation have pleasure in presenting their first annual report along with the audited statement of accounts of the Corporation. The period covered falls short of twelve months. It commenced on July 25, 1969, the date of registration of the Corporation, and ends on March 31, 1970, the close of the financial year.

Establishment of the Corporation

2. Since this is the first annual report, it may not be out of place to give at the outset a brief account of the circumstances in which the Corporation came to be set up. The impact of rural electrification on agricultural production has not only been substantial but of increasing importance since 1966-67 when there was a shift of emphasis from general electrification of villages to energisation of irrigation pumpsets. In the three years 1966-67 to 1968-69, the total number of pumpsets/tubewells energised in the country was over 5.76 lakhs as against a cumulative total of 5.13 lakhs energised by the end of 1965-66. However, even with the accelerated pace of rural electrification since 1966-67, there were wide gaps. At the end of 1968-69 i.e. shortly before the establishment of the Corporation, electrified villages were only of the order of 12.60% of the total number of villages in the country as a whole. As regards the energisation of pumpsets for which the Draft IV Five Year Plan had given a very high priority, the estimated target was an additional number of 7.4 lakhs by the end of the Plan period. The Committee of Members of Parliament which had occasion to examine the question and consider measures for the acceleration of rural electrification programme in the country had on the other hand suggested a target of 15 lakhs pumpsets for the IV Plan period. The All-India Rural Credit Review Committee set up by the Reserve Bank of India under the Chairmanship of Shri B. Venkatappiah, also examined in detail the question of acceleration of rural electrification programmes in the country in the overall context of planned programmes for increased agricultural production. This Committee felt that one of the high priority items in the IV Plan not only for the country as a whole but for each individual State would be a greatly accelerated and more extensive use of electric pumpsets for irrigation. The Committee was also of the opinion that rural electrification was a very necessary adjunct to planned irrigation and that the programme of rural electrification would have to be viewed as virtually complementary to the scheme for the construction of wells and installation of pumpsets such as those which were

financed project-wise by the Agricultural Refinance Corporation. On the question of financing rural electrification schemes through the State Electricity Boards, the Committee was of the opinion that, while larger resources should be made available to the Boards on suitable conditions as long-term loans, the projects financed by the Boards should be such, in point of economic viability, as not to weaken the financial position of the Boards but, if possible, make it sounder. Against this background, and after considering the plan outlays and institutional finances expected to be available for rural electrification during the IV Plan, the Committee suggested the constitution of a special fund for the further financing of rural electrification with the help of grants from US-use funds and matching contributions from the Central Government. The Committee also recommended that, for maintaining and operating the special fund, a Rural Electrification Corporation should be created as an autonomous body under the Ministry of Irrigation & Power and registered under the Indian Companies Act. It was in pursuance of this recommendation that the Government of India approved the setting up of this Corporation, which was registered on July 25, 1969, as a company under the Indian Companies Act.

The main objects of the Corporation are —

- to finance rural electrification schemes in the country ;
- to subscribe to special rural electrification bonds that may be issued by the State Electricity Boards on conditions to be stipulated from time to time ;
- to promote and finance rural electric cooperatives in the country; and
- to administer the moneys received from time to time from the Government of India and other sources as grants or otherwise for the purpose of financing rural electrification in the country in general.

Resources ✓

3.1 The Corporation was registered with an authorised capital of Rs. 10 crores divided into one lakh equity shares of Rs. 1000 -each. The paid up capital of the Corporation as on 31st March, 1970 was Rs. 3 crores and this is wholly owned by the Central Government.

3.2 The Corporation entered into an agreement dated July 26, 1969 with the U.S. Agency for International Development in regard to the constitution of the special fund which the Corporation is to administer. Under this agreement, the U.S. AID has agreed to provide during the IV Plan period a

grant of Rs. 105 crores against a matching contribution by the Government of India, as equity or loan, to the extent of Rs. 45 crores, in the ratio of 70 (AID): 30 (GOI). In pursuance of this agreement, the Corporation received during the year Rs. 7 crores as a grant from the US AID against the Government of India's contribution to equity capital to the extent of Rs. 3 crores. The total financial resources available with the Corporation as at the close of the year were thus Rs. 10 crores.

Management

4. In pursuance of Article 82 (i) of the Memorandum and Articles of Association of the Corporation, the first Board of Directors was appointed by the Government of India, on 25th July, 1969, with the following 7 Directors :—

Shri K.G.R. Iyer	<i>Chairman</i>
Shri A.T. Bambawale	<i>Director</i>
Shri A.P. Seethapathy	<i>Director</i>
Shri S.S. Puri	<i>Director</i>
Shri B.B. Vohra	<i>Director</i>
Shri K.D.N. Singh	<i>Director</i>
Shri S. Rammohan	<i>Director</i>

Subsequently, Shri B. Venkatappiah was appointed a Director and Chairman of the Board of Directors of the Corporation with effect from 27th August, 1969. Shri A. C. Bandyopadhyay and Shri P. A. Raman were appointed Managing Director and Technical Director respectively. Shri Bandyopadhyay assumed charge of his office as Managing Director on 8th January, 1970 while Shri Raman did so on February 4, 1970. Shri V. S. Bhir and Shri C. V. Nair were appointed Financial Adviser & Chief Accounts Officer and Secretary of the Corporation respectively in December 1969 and January 1970.

Government Directives

5.1 On the appointment of the first Board of Directors of the Corporation in July, 1969, the Government of India issued certain directives under Article 126 of the Articles of Association, with regard to the conduct of business of the Company. These directives enjoined on the Corporation the responsibility to establish sound policies and procedures for the consideration, approval and implementation of rural electrification schemes coming up for assistance from the Corporation. These directives further required that in formulating such policies and procedures, the Corporation should develop and

apply criteria for, and establish priorities regarding, the choice of schemes on the basis of consideration of economic viability of the schemes. Such criteria and priorities are to be based on suitable economic and financial standards and the Corporation is required to lay down appropriate stipulations in regard to the technical, economic, financial and managerial soundness of each scheme as a condition for providing financial assistance for the scheme. In choosing the schemes for which loans may be provided by the Corporation to the State Electricity Boards, a project approach is to be generally adopted so that extension of electricity along with other investments and inputs results in increased agricultural production and reasonable returns on agricultural investments. Economic viability has been broadly defined to mean the prospect of sufficient revenue from sales of electricity to rural users to cover operating costs and an appropriate return on investments. The directives have also enjoined that in economically backward areas with future agricultural potential, the norms relating to returns on investments may be suitably liberalised for a short initial period not exceeding five years. The Corporation is also required to help State Electricity Boards in identifying likely areas for projects, in preparing project proposals and in improving the quality of project appraisal and presentation. The Corporation is also required to encourage the cooperative type of organisation for distribution of electricity in the rural areas.

5.2 A copy of the directives is enclosed as Annexure I.

Financing Policy

6.1 In pursuance of these directives certain tentative norms of viability and terms and conditions of loan were worked out by the Corporation and suggested to the State Governments and State Electricity Boards for their views. After receiving the views in writing from some State Governments and State Electricity Boards, the Corporation arranged a series of three meetings with the representatives of the State Governments and State Electricity Boards to discuss the issues involved. The discussions held in these meetings led to a fruitful exchange of ideas and helped the Corporation to come to some broad conclusions regarding the criteria for classification of areas, norms of viability and terms and conditions of loan to be applied during the first year of its operation. These were then conveyed to the State Electricity Boards as the basis for the formulation of schemes and their presentation to the Corporation for financial assistance. These are briefly summarised below.

6.2 It was decided, to begin with, to have broadly two categories of areas 'backward areas' and 'other areas'. Preferential terms and conditions were stipulated for backward areas compared with those for other areas. In

deciding the classification of a given area, the following factors, among others, are taken into account.

- (a) Level of economic development as indicated by the pattern of per-capita income (where available) and per acre productivity;
- (b) Irrigation facilities-existing and potential -as indicated by intensity of wells/tubewells as well as availability of under-ground water resources;
- (c) Intensity of rainfall and extent of dry farming;
- (d) Susceptibility to drought or flood;
- (e) Availability of infra-structure other than electricity i.e. institutional arrangements for provision of credit, other inputs, marketing, etc.;
- (f) The geographical situation as indicated by hazards to extension of electricity on account of terrain, location, etc.;
- (g) Degree of electrification already achieved; and
- (h) Cost of extension of electricity as indicated by cost for energisation per pumpset.

6.3 To be eligible for being financed by the Corporation, a rural electrification scheme should be based on the project approach, with the accent on the electrification of a cluster of agricultural pumpsets. The scheme should be such as to help the general economic development of the area by stimulating the effort for increased agricultural production and for the growth of rural industries. The economic viability of the scheme would be determined on the basis of the anticipated revenue from sale of electricity to rural users which should be sufficient to cover operating costs and give not less than a prescribed net return on investment. The scale of net return has been fixed after taking into account the fact that a scheme to be economically viable will have to generate adequate surplus to repay the capital together with interest thereon within a stipulated period. In the appraisal of schemes for their economic viability, the following schedule of minimum returns is insisted upon.

<i>Category</i>	<i>Minimum return to be achieved</i>
Economically backward areas	$\frac{1}{2}$ % on completion of 5 years ; 2% within 10 years ; and $3\frac{1}{2}$ within 15 years.
Other than backward areas	2% on completion of 5 years ; and $3\frac{1}{2}$ % within 10 years

The total period of the loan has been fixed at 30 years for schemes relating to 'backward areas' and 20 years for schemes relating to 'other areas' ; but in both cases the Corporation allows a period of moratorium for 5 years for repayment of principal. The term 'minimum return' is used to mean the net return after providing for—(a) operating expenses (including operation and maintenance, depreciation and cost of power at 11 Kv bus) and (b) interest. The rate of interest is 6½% in the case of schemes relating to 'other areas' (with a rebate of ½% for punctual payment). The rate of interest for schemes relating to backward areas is 5½% for the first 10 years, 5¾% for the next 5 years and 6½% for the remaining period (with a rebate of ½% in all cases for punctual payment).

6.4 With regard to the question of security for the loans, the Government directives require that in seeking appropriate security for its loans the Corporation should ensure that the ability of the State Electricity Boards to raise loans from State Governments, the Life Insurance Corporation of India and other sources is not jeopardised thereby. The Corporation, therefore, decided that it should not normally secure its loans against the mortgage of the assets of the Electricity Boards so that these assets would be available to the Boards for raising loans from other sources. The Corporation also considered it desirable that the State Governments should be involved in the implementation of rural electrification schemes sponsored by the State Electricity Boards and financed by the Corporation, and this involvement could be brought about through the furnishing of guarantees for the loans provided by the Corporation. Accordingly it has been stipulated that loans given by the Corporation to the State Electricity Boards should be guaranteed fully by the concerned State Governments in respect of payment of interest and repayment of principal.

Organisational set-up

7. On the basis of the norms of viability and the terms and conditions of loan indicated in the preceding paragraphs, the State Electricity Boards were invited to send in suitable schemes for consideration by the Corporation. Simultaneously, steps were also taken by the Corporation to build up its organisation so as to effectively discharge its responsibilities as a financing institution. As noted earlier, the Corporation is required, in terms of the Government directives, to assist the State Electricity Boards in identifying the areas suitable for rural electrification schemes and in preparing schemes in a suitable form for presentation to the Corporation. In terms of its obligation to consider loan assistance for schemes on the basis of their economic viability, and also its responsibilities to give preferential consideration to schemes coming up from backward areas, the Corporation has taken steps to

equip itself with appropriate staff for conducting project analysis and appraisal. The Corporation looks upon a rural electrification scheme as an integrated project for extension of electricity to a rural area primarily for the purpose of stimulating productive activities like agriculture and rural industries. The electrification of agricultural pump sets for irrigation is usually the core of a rural electrification project; in addition, provisions are made in the scheme for supply of power to rural industries, and for domestic uses and street lighting. To assess the remunerativeness of a scheme, the potential for development of the loan in respect of each category of consumers has to be examined. With regard to irrigation pump sets, the feasibility of operating the proposed number of pumpsets with electricity has to be examined in the light of the availability of ground water, the willingness and the ability of the farmers to make the necessary investment in the construction/sinking of a well/tube-well and installation of a pump set, and the availability of institutional credit facilities to the farmer to facilitate such investment. With regard to rural industries, the feasibility of the proposed number of electrical connections for industries as proposed in a project has to be examined with reference to the potential for the growth of industries of the particular types proposed, the availability of local entrepreneurs, credit facilities, market for the finished products and such other relevant factors. If a scheme is to be treated as belonging to a "backward" area, so as to be eligible for preferential treatment, the area has to be studied with reference to the indicators of backwardness. To enable the State Electricity Boards to present the schemes with relevant data on these aspects, suitable proformae have been devised by the Corporation and forwarded to the State Electricity Boards so that the necessary data can be incorporated in the schemes for consideration of the Corporation. Keeping in view the nature of work as indicated above, the Corporation has evolved its organisational set-up consisting of three divisions, viz. the Project Division, the Technical Division and the Finance & Accounts Division. By the end of the year under report these three divisions were formed with a small nucleus of staff in each division. Subsequently, during the period since 1st April 1970, these divisions have been further strengthened by recruitment of additional personnel.

Schemes Sanctioned

8. In consequence of the various steps outlined above, and the quick response made by various State Electricity Boards in coming forward to avail themselves of the loan facilities offered by the Corporation, a number of schemes were received for consideration. During the year under report 12 such schemes from six State Electricity Boards were considered by the

Corporation and loan assistance of the order of Rs. 588.819 lakhs was sanctioned. These schemes on completion over a period of 3-5 years aim at providing electricity to 707 villages and energising 18,995 agricultural pump-sets. Five of these schemes are for backward areas and seven for other areas. Brief particulars of these schemes are given below :—

Name of Scheme	No. of villages	No. of pump-sets/tube wells	Total cost of scheme (Rs. lakhs)	Amount of loan sanctioned (Rs. lakhs)	Classification of the area
1	2	3	4	5	6
Uttar Pradesh					
1. R. E. Scheme of Lucknow dist.	150	300	24.330	23.330	O
2. R. E. Scheme of Meerut dist. (Modi Nagar area)	65	500	53.849	53.849	O
Punjab					
1. R. E. Scheme of Machhiwara Block in Ludhiana district	43	1500	39.177	39.00	O
2. R. E. Scheme for Ferozeshah, Ferozepur dist.	40	2820	74.356	74.02	O
Haryana					
1. R. E. Scheme for Gurgaon Tehsil	69	1725	52.81	51.38	O
2. R. E. Scheme for Southern parts of Narnaul in Mohindergarh dist.	50	1250	47.33	44.70	B
Andhra Pradesh					
1. R. E. Scheme for Palnad & Vinukonda, Guntur dist.	37	30	37.00	37.00	B
2. R. E. Scheme for Kadiri Taluk, Anantpur dist.	45	1350	45.00	45.00	B
Tamil Nadu					
1. R. E. Scheme for Srivilliputhur, Muthukalthur, Sivaganga & Aruppukotta in Ramanathapuram dist.	63	923	60.54	48.54	O
*2. R. E. Scheme for Erode Taluk of Coimbatore dist.	45	1597	65.86	49.00	O
Madhya Pradesh					
1. R. E. Scheme for Pench and its tributary area in Chhindwara	60	4500	79.00	79.00	B
2. Kanhiwada area of Seoni dist.	40	2500	44.00	44.00	B
Total	707	18995	623.252	588.819	

* Since withdrawn by T.N.E.B.

Note 1 'O' indicates "Other Area"

'B' indicates "Backward Area"

Note 2 Besides the above, the Corporation also sanctioned an ad hoc pre-construction loan of Rs. 1.00 lakh to each of the five pilot project rural electric cooperative societies.

Assistance to Pilot Project Rural Electric Cooperatives

9.1 In furtherance of one of its objectives, i.e. to promote and finance rural electric cooperative in the country, the Corporation has decided to finance the five pilot rural electric cooperatives set up in the country, one each in the States of Andhra Pradesh, Gujarat, Maharashtra, Mysore and Uttar Pradesh. The Cooperatives have been established as a pilot experiment, with the following principal objectives ; viz. to--

- (a) furnish electricity to the rural people at a reasonable cost in order to increase agricultural production, stimulate small agro-industry, and improve the standard of living for the rural population.
- (b) increase the responsible action of the people by giving them some degree of control of their electricity supply.
- (c) establish local organisations for the financing, procurement, installation, repair and proper use of electrical appliances and equipment such as pumpsets.
- (d) provide the basis for a rapid and standardised pattern of construction and operation for rural electric system.

These cooperatives are :—

- (1) The Kodinar Rural Electricity Cooperative Society Ltd., Gujarat, registered on July 30, 1969.
- (2) The Hukeri Taluka Cooperative Rural Electricity Society Ltd., Mysore, registered on July 31, 1969.
- (3) The Mula-Prawara Electric Cooperative Society Ltd., Rahuri, Maharashtra, registered on October 2, 1969.
- (4) The Cooperative Electric Supply Society Ltd. Lucknow, Uttar Pradesh, registered on October 15, 1969.
- (5) The Cooperative Electric Supply Society Ltd., Sircilla, Andhra Pradesh, registered on 30th October, 1969.

9.2 In pursuance of an agreement on an operational work plan which had been executed between the Government of India in the Ministry of Irrigation & Power and the U.S. Agency for International Development, the services of five specialists were made available by the US AID with the collaboration of National Rural Electric Cooperative Association and the Cooperative League of USA, to advise the five rural electric cooperatives in India. These specialists arrived at their respective posts during September-October, 1969.

During the period from September, 1969 till the end of the year under report, steps were taken in all the five societies for the constitution of their committees of management, for the recruitment of some of the essential staff for the preliminary work connected with the preparation of detailed project estimates, and generally to prepare the societies for the implementation of the cooperative projects. In January 1970, the Corporation reviewed the progress of these cooperatives and as a first step sanctioned a preconstruction loan of Rs. 1.00 lakh to each of them to provide funds for meeting their initial organisational expenses. This loan is to be repaid by the societies in lumpsum after five years and will carry interest at 4% per annum, the interest being payable at six-monthly intervals every year.

9.3 In March 1970, an agreement for operational work plan for 1971-72 was signed by the Corporation, the GOI and US AID, providing, inter-alia, for the continued collaboration of US specialists in the programme.

Advisory Committee on Pilot Project Rural Electric Cooperatives

9.4 To advise and assist the Corporation on matters relating to pilot rural electric cooperatives, an Advisory Committee has been set up. The Chairman of the Corporation is the Chairman of the Advisory Committee. It has seven other members including five Directors of the Corporation and a representative each from the Union Department of Cooperative and the Union Department of Industrial Development. The functions of the Committee are to advise and assist the Corporation in—

- (i) coordinating matters in the various interested agencies involved in the working of the pilot project rural electric cooperative societies ;
- (ii) reviewing from time to time the financial requirements of the societies; and
- (iii) providing necessary guidance in regard to the successful implementation of the programme of these societies.

Financial Position and Accounts

10.1 The Balance Sheet of the Corporation as at 31st March, 1970 as well as the Company Auditor's Report and the comments of the Comptroller & Auditor General are enclosed as Annexures II, III and IV. During the year 1969-70, the Corporation received Rs. 3 crores from the Government of India by way of equity capital and Rs. 7 crores as grant from the US AID. The income of the Corporation by way of interest on investments and fixed

deposits was Rs. 7.63 lakhs. After meeting the expenditure on account of salaries and allowances, rent, contingencies, depreciation, etc., the total surplus for the period amounted to Rs. 5.74 lakhs. The preliminary expenses amounting to about Rs. 0.78 lakhs are proposed to be written off during this year itself the profit for the period thus being Rs. 4.97 lakhs (before taxation). As on 31st March, 1970, the total investment of the Corporation in the special non-negotiable Government of India securities stood at Rs. 9.95 crores and the amount held in cash and bank balances was about Rs. 8.9 lakhs.

10.2 The profit of Rs. 4.97 lakhs would be appropriated as follows :

Provision for taxation :	Rs. 2.40 lakhs
Transfer to Special reserve :	Rs. 1.45 lakhs
Balance carried forward :	Rs. 1.12 lakhs
	Rs. 4.97 lakhs

Since the balance available for distribution is not substantial, and in view of the contingent liabilities, no dividend is recommended to be declared.

10.3 It is necessary in this connection to refer briefly to the commitments as well as significant developments in the resources position of the Corporation since the close of the year under report.

The Corporation has, since the close of the year under report, sanctioned in all 72 schemes sponsored by the State Electricity Boards involving a total loan assistance of Rs. 38.77 crores, bringing the total loan sanctioned by the Corporation from its inception to-date to Rs. 44.16 crores in respect of 83 schemes of State Electricity Boards (excluding one scheme since withdrawn by TNEB). These 83 schemes provide for extension of electrification to 6652 villages and energisation of 1,25,822 pumpsets, besides servicing 20,808 LT industrial connections and 2,66,842 domestic commercial connections. Of these schemes, 36 are for backward areas and the remaining 47 are for other areas. Besides, the Corporation has also sanctioned during the current financial year project loans to all the five pilot rural electric cooperatives involving a total loan assistance of Rs. 12.81 crores. These projects on completion would extend electricity to 809 villages, and energise 29,361 pumpsets, besides servicing 1796 LT industrial connections and 37,439 domestic/commercial connections. Thus inclusive of the project loans sanctioned to the pilot rural electric cooperatives the total number of schemes sanctioned so far is 88 involving loan assistance of the order of Rs. 56.97 crores. The Corporation's commitment for release of funds in respect of these schemes during the current

financial year 1970-71 is of the order of 25.49 crores. Against this the State Electricity Boards and pilot cooperatives have, as on 2.12.1970, availed themselves of Rs. 5.83 crores (inclusive of the pre-construction loan of Rs. 1 lakh for each of the five pilot cooperatives).

10.4 The Corporation received on 27.11.1970 a sum of Rs. 6 crores from the Central Government as contribution towards equity capital, thus bringing the total equity capital to Rs. 9 crores.

Board Meetings

11. During the year under review six meetings of the Board of Directors were held.

Changes among Directors

12.1 Shri K. G. R. Iyer, Joint Secretary to the Government of India, Ministry of Irrigation and Power, appointed on 25.7.1969 as a Director and Chairman of the first constituted Board of Directors of the Corporation, ceased to be Director and Chairman with effect from 26.8.1969. Shri B. Venkatappiah, Member (Agriculture), Planning Commission was appointed as a Director and Chairman of the Corporation in his place.

12.2 Shri S Rammohan, Director in the Ministry of Irrigation & Power, appointed on 25.7.1969 as a Director of the first constituted Board of Directors of the Corporation ceased to be a Director with effect from 30.9.1969. Shri A.F Couto, Director (FE&P) in the Ministry of Irrigation & Power, was appointed as a Director of the Corporation in his place.

12.3 Shri K. D. N. Singh, Joint Secretary to the Government of India, Ministry of Industrial Development & Company Affairs (Department of Industrial Development), appointed on 25.7.1969 as a Director of the first constituted Board of Directors of the Corporation, ceased to be a Director of the Corporation with effect from 24.10.1969.

Acknowledgements

13.1 The Directors wish to place on record their appreciation of the valuable services rendered by the outgoing Directors, Shri K.G.R. Iyer, Shri K.D.N. Singh and Shri S. Rammohan.

13.2 The Directors also take this opportunity to express their gratitude for the cooperation extended in various ways by the Ministry of Irrigation & Power, Ministry of Finance, Ministry of Food, Agriculture, Community Development & Cooperation, Planning Commission, Central Water & Power Commission, the State Governments, the State Electricity Boards and the Pilot Rural Electric Cooperatives.

The Directors gratefully acknowledge the valuable assistance given by the United States Agency for International Development, the Cooperative League of the U.S.A. and the National Rural Electric Cooperative Association.

13.3 The Directors thank the Company Auditors, M/s. Khanna & Annadhanam, Chartered Accountants, and also the Comptroller & Auditor General of India and his officers, for the advice, guidance and cooperation given in finalising the accounts of the Company.

13.4 The Directors also take this opportunity to place on record their appreciation of the devoted and efficient work done by the officers and staff of the Corporation during the year.

On behalf of the Directors

B. Venkatappiah
Chairman

ANNEXURE I

No. EL-II-26 (21)/68
Government of India
Ministry of Irrigation and Power

New Delhi, the July 26, 1969

To

The Rural Electrification Corporation Private Limited, New Delhi.

Dear Sirs,

The President is pleased to issue the following directives under Article 126 of the Articles of Association of Rural Electrification Corporation with regard to the conduct of business of the Company :

- (1) It shall be the responsibility of the Board of Directors of the Corporation to establish sound policies and procedures for the consideration, approval, and implementation of Rural Electrification Schemes which come up for assistance from the Corporation.
- (2) In formulating such policies and procedures, the Corporation will develop and apply criteria for, and establish priorities regarding, the choice of schemes on the basis of consideration of economic viability of the schemes. Such criteria and priorities will be developed prior to the commencement of lending operations and will be based on suitable economic and financial standards. The Corporation will lay down appropriate stipulations in regard to the technical, economic, financial and managerial soundness of each scheme, as a condition of providing financial assistance for the scheme.
- (3) In choosing the projects for which loans may be provided to the State Electricity Boards :
 - (a) A 'project approach' will be generally adopted so that extension of electricity along with other investments and inputs results in increased agricultural production and reasonable returns on agricultural investments.
 - (b) Economic viability shall be understood to entail the prospect of sufficient revenue from sales of electricity to rural users to cover (i) operating costs and (ii) an appropriate return on investments provided that in selected categories of cases, e.g., economically backward areas with future agricultural potential, requirement (iii) may be waived for a short initial period not exceeding five years.
 - (c) The loans advanced should carry such terms as may be comparable to the terms advanced by the Govt. of India to public sector financing institutions.
 - (d) The willingness of farmers to invest their own resources in rural electrification should be a factor in consideration of schemes to be financed.

- (4) The Corporation should support efforts of the State Electricity Boards to raise resources in the form of debentures from the rural areas. In so far as the effective rate of interest paid by State Electricity Boards to cultivators may be higher than that on loans from the Corporation, the Corporation may accept a lower rate of interest on its special corporate debentures so that the overall rate of interest on debentures paid by State Electricity Boards is comparable with the interest paid by them on loans from the Corporation.
- (5) The Corporation may use its finances to make loans to Rural Electric Cooperatives for construction costs plus operation and maintenance costs until the schemes become self-supporting. Five Pilot cooperatives are now being developed and it is expected that others will be organised on similar lines. The Corporation will consider providing loans on suitable terms to these cooperatives with a view to encouraging the cooperative type of organisation for distribution of electricity in rural areas.
- (6) The Corporation will help State Electricity Boards and Cooperatives in identifying likely areas for projects, in preparing project proposals, and in improving the quality of their project appraisal and presentation.
- (7) In seeking appropriate security or guarantees for its loans to State Electricity Boards, the Corporation shall ensure that the ability of the Boards to raise loans from the State Governments, the Life Insurance Corporation of India, and other substantial sources is not jeopardised thereby.
- (8) The initial principal of the Corporation and all other funds received by the Corporation will be invested in Government of India securities to the extent not required for current operations.

These directives shall be given immediate effect to by the Directors of the Company.
Kindly acknowledge receipt.

Yours faithfully,
Sd/- C. Chakraburti,
Deputy Secretary to the Govt. of India
for and on behalf of the President of India.

ANNEXURE II

Statement of Accounts

1969 - 70

BALANCE SHEET AS AT

LIABILITIES

Rs.

Share Capital

Authorised

1,00,000 Equity Shares of Rs. 1,000 each 10,00,00,000

Issued Subscribed and Paid Up

30,000 Equity Shares of Rs. 1,000 each fully paid 3,00,00,000

Reserves and Surplus (Annexure 'A')

7,02,56,521

Current Liabilities & Provisions

(A) Current Liabilities

Sundry Creditors 57,598

(B) Provisions

For Taxation 2,40,000 2,97,598

Total

10,05,54,119

- Note : (i) As this is the first Balance Sheet and Profit and Loss a/c no comparative figures for previous year are indicated.
- (ii) No provision has been made in regard to Bonus to Employees pending clarification of entitlement.
- (iii) Provision for Taxation has been made on the assumption that the Corporation will be approved by the Central Government for the purpose of Sec 36 (viii) of the Income Tax Act.

New Delhi
September 19, 1970

Sd/-
(C. V. Nair)
Secretary

Sd/-
(V. S. Bhir)
Financial Adviser & Chief Accounts Officer

Auditors' Report
As per our report to the
Members attached separately.

Sd/-
Khanna & Annadhanam
Chartered Accountants

Akash Deep,
New Delhi : 28th Oct. 1970

PROFIT AND LOSS ACCOUNT

EXPENDITURE

Rs.

Salaries and Allowances (Annexure 'E')	80,368
Stationary and Printing	3,149
Travelling and Conveyance (Including Directors' Travelling Rs. 3,403)	11,206
Rent	37,942
Electricity and Water Charges	943
Postage, Telegram and Telephones	34,312
Miscellaneous Expenditure	13,548
Audit Fees	1,000
Repairs and Maintenance	43
Depreciation	6,325
Provision for taxation	2,40,000
Balance carried down	3,34,237
	<u>7,63,073</u>
Preliminary Expenses written off	77,716
Transfer to Special Reserve	1,45,000
Balance carried to Balance Sheet	1,11,521
	<u>3,34,237</u>
TOTAL	3,34,237

New Delhi
September 19, 1970

Sd/-
(C.V. Nair)
Secretary

Sd/-
(V.S. Bhir)
Financial Adviser
& Chief Accounts Officer

As per our report to the
Members attached separately.

Akash Deep,
New Delhi : 28th Oct. 1970

Sd/-
Khanna & Annadhanam
Chartered Accountants

CORPORATION LTD.

Undertaking)

31st MARCH, 1970

ASSETS		Rs.
Fixed Assets	(Annexure 'B')	23,411
Investment (at cost-unquoted)	(Annexure 'C')	
4% Special Non-negotiable Government of India Securities		9,95,00,000
Current Assets Loans and Advances	(Annexure 'D')	10,30,708

		10,05,54,119

Sd/-B. Venkatappiah, *Chairman*
Sd/-A. C. Bandyopadhyay, *Managing Director*
Sd/-A. T. Bambawale
Sd/-B. B. Vohra
Sd/-A. F. Couto
Sd/-P. A. Raman

} *Directors*

CORPORATION LTD.
Undertaking)

FOR THE PERIOD FROM 25.7.1969 TO 31.3.1970

	INCOME	Rs.
Interest		
On Investments	3,57,266	
On Fixed Deposits Gross		
(Tax deducted at source Rs. 81,162/-)	<u>4,05,807</u>	7,63,073
		<u>7,63,073</u>
Balance Brought Down		3,34,237
		<u>3,34,237</u>

Sd/-B. Venkatappiah, : *Chairman*

Sd/-A.C. Bandyopadhyay, : *Managing
Director*

Sd/-A.T. Bambawale
Sd/-B.B. Vohra
Sd/-A.F. Couto
Sd/-P.A. Raman } *Directors*

ANNEXURE 'A'

RURAL ELECTRIFICATION CORPORATION LTD.

(A Govt. of India Undertaking)

SCHEDULE OF RESERVES & SURPLUS

Rs.

I. Capital Reserve

Grant received from U.S. Agency
for International Development
during the year as per agreement
dated July 26, 1969.

7,00,00,000

II. Special Reserve

(Created under section
36 (viii) of the Income
Tax Act 1961)

Transferred from profit & Loss A/C

1,45,000

III. Profit and Loss Account

Balance as per annexed account

1,11,521

Total7,02,56,521

New Delhi
Sept. 19, 1970

Sd/-
(C.V. Nair)
Secretary

Sd/-
(V.S. Bhir)
Financial Adviser
& Chief Accounts Officer.

Sd/-B. Venkatappiah : Chairman
Sd/-A.C. Bandyopadhyay : Managing
Director
Sd/-A.T. Bambawale }
Sd/-B.B. Vohra } Directors
Sd/-A.F. Couto }
Sd/-P.A. Raman }

ANNEXURE 'B'

RURAL ELECTRIFICATION CORPORATION LIMITED
(A Govt. of India Undertaking)

SCHEDULE OF FIXED ASSETS.

Particulars	Additions during the year	Depreciation for the year	Written down value as at 31.3.1970
	Rs.	Rs.	Rs.
Furniture and fixtures	16,219	1,622	14,597
Office Equipments	10,178	1,527	8,651
Vehicles (Cycle)	203	40	163
Temporary Constructions	3,136	3,136	—
Total	29,736	6,325	23,411

New Delhi
September, 19, 1970

Sd/-
(C.V. Nair)
Secretary

Sd -
(V.S. Bhir)
Financial Advisor
& Chief Accounts Officer

Sd/-B. Venkatappiah : Chairman
Sd/-A.C. Bandyopadhyay : Managing
Director
Sd/-A.T. Bambawale }
Sd/-B.B. Vohra } Directors
Sd/-A.F. Couto }
Sd/-P.A. Raman }

ANNEXURE 'C'

RURAL ELECTRIFICATION CORPORATION LIMITED
(A Govt. of India Undertaking)

SCHEDULE OF INVESTMENTS

	Investment made during the year	Encashed during the year	Balance as on 31.3.1970
	Cost. Rs.	Rs.	Rs.
In Government Securities			
Government Treasury Bills	12,40,625	12,40,625	
-do-	7,00,20,875	7,00,20,875	
-do-	12,40,625	12,40,625	
-do-	2,79,88,500	2,79,88,500	
Special Non Negotiable 4% Government of India Securities	9,95,00,000	...	9,95,00,000
Total	<u>19,99,90,625</u>	<u>10,04,90,625</u>	<u>9,95,00,000</u>

New Delhi
September 19, 1970

Sd/-
(C.V. Nair)
Secretary

Sd/-
(V.S. Bhir)
Financial Advisor
& Chief Accounts Officer.

Sd/-B. Venkatappiah, : Chairman
Sd/-A.C. Bandyopadhyay, : Managing
Director

Sd/-A.T. Bambawale
Sd/-B.B. Vohra
Sd/-A.F. Couto
So/-P.A. Raman } Directors

ANNEXURE 'D'

RURAL ELECTRIFICATION CORPORATION LIMITED
(A Govt. of India Undertaking)

SCHEDULE OF CURRENT ASSETS, LOANS AND ADVANCES

	Rs.	Rs.
(A) Current Assets		
(i) Interest accrued on investments		10,904
(ii) Cash and Bank Balances		
Cash on hand (including postage imprest)	376	
Balance with Reserve Bank of India on Current Account	91,987	
Balance with Scheduled Bank on Current Account	7,97,756	
	8,90,119	
(B) Loans and Advances : (Considered Good—Unsecured unless otherwise stated)		
(i) Advance to staff—secured	2,820	
(ii) Advances recoverable in cash or in kind or for value to be received	45,703	
(iii) Tax deducted at source	81,162	
	1,29,685	
Total		10,30,708

<p><i>Note</i> : Maximum balances due at any time during the year from</p> <p> Managing Director — Rs. 950/-</p> <p> Other Directors — Rs. 216/-</p>	<p>Balance on 31.3.70.</p> <p>(Rs. 53/- credit)</p> <p>(Rs. 91/- credit)</p>
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New Delhi
September 19, 1970

Sd/-
(C.V. Nair)
Secretary

Sd/-
(V.S. Bhir)
Financial Advisor
& Chief Accounts Officer.

Sd/-B. Venkatappiah,	: Chairman
Sd/-A.C. Bandyopadhyay,	: Managing Director
Sd/-A.T. Bambawale	}
Sd/-B.B. Vohra	
Sd/-A.F. Couto	
Sd/-P.A. Raman	
	: Directors

RURAL ELECTRIFICATION CORPORATION LIMITED
(A Govt. of India Undertaking)

SCHEDULE OF SALARIES & ALLOWANCES

	Managing Director	Other Directors	Employees	Total
	Rs.	Rs.	Rs.	Rs.
Salaries & Allowances	7,976	5,339	47,394	60,709
House Rent Allowance	692	—	6,444	7,136
Leave Salary and Pension Contribution	1,462	—	7,210	8,672
House Rent	849	1,130	1,414	3,393
Provident Fund Contribution	—	—	458	458
Total	10,979	6,469	62,920	80,368

New Delhi
September 19, 1970

Sd/-
(C.V. Nair)
Secretary

Sd/-
(V.S. Bhir)
Financial Adviser
& Chief Accounts Officer

Sd/-B. Venkatappiah, : Chairman
Sd/-A.C. Bandyopadhyay, : Managing Director
Sd/-A.T. Bambawale }
Sd/-B.B. Vohra } Directors
Sd/-A.F. Couto }
Sd/-P.A. Raman }

ANNEXURE III

Khanna & Annadhanam
Chartered Accountants

706-707 Akash Deep,
26-A, Barakhamba Road,
P. B. 648, New Delhi

AUDITORS' REPORT

We have audited the attached Balance Sheet of Rural Electrification Corporation Limited, New Delhi as at 31st March, 1970 and also the annexed Profit & Loss Account for the year ended on that date: and report that :

1. we have obtained all information and explanations which to the best of our knowledge and belief were necessary for purposes of audit;
2. in our opinion, proper books of accounts as required by law have been kept by the Corporation so far as appears from examination of the books;
3. the Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account ;
4. in our opinion and to the best of our information and according to the explanations given to us as aforesaid, the said accounts, subject to and read with the notes appearing thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:
 - (a) in the case of Balance Sheet, of the state of affairs of the Corporation as at 31st March, 1970; and
 - (b) in the case of Profit & Loss Account, of the Profit of the Corporation for the year ended on that date.

Sd/-

(KHANNA & ANNADHANAM)
CHARTERED ACCOUNTANTS

AKASH DEEP,
NEW DELHI : 28th October, 1970.

ANNEXURE IV

**COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA
UNDER SECTION 619 (4) OF THE COMPANIES ACT, 1956.**

I am to state that there are no Comments upon the Auditor's Report under Section 619 (4) of the Companies Act, 1956 on the accounts of the Rural Electrification Corporation Limited for the period ended 31st March, 1970.

Sd/-

(A. C. BHATLA)

*Member, Audit Board & Ex-Officio Director of
Commercial Audit
Northern Region,
NEW DELHI*

NEW DELHI
the 30th October, 1970