Dear Shareholders,

It is my privilege to present the 49th Annual Report of REC. I am delighted to share the happy news that our Company has entered the 50th year of service in the nation’s development and continues its march as the leading public financial and development institution of India, playing a key role in holistic development of the power sector across the nation. Having contributed successfully to the green revolution through energization of irrigation systems during early decades of its existence, REC has grown from strength to greater strength as the major financier and accelerator of power sector development in the country. We have the unique distinction of having made significant contribution to the historical landmark of electrification of all villages in our country on April 28, 2018. We continue to consolidate and strengthen our unique positioning in the Indian power sector not only as a financier but also as the facilitator and enabler of access to quality power for all citizens of India and work closely with the national and state governments, power utilities and the private sector.

The past financial year has been a challenging but historic for the economy with the roll-out of the much-awaited Goods and Services Tax (GST), implementation of Insolvency and Bankruptcy Code (IBC) and launch of the Pradhan Mantri Sahaj Bijli Har Ghar Yojana - Saubhagya - that seeks to electrify all households of the country. The second half of the 2017-18 financial year witnessed overall improvement in macro-economic parameters with the economic growth gathering momentum along with credit uptake. Major step-up in government spending played an important role in boosting the overall growth and demand. The turnaround in industrial production and the capital goods sector has set in motion a virtuous cycle. Introduction of GST has dispensed multiple and varied levies and ushered in a uniform tax regime across the nation, thus heralding the creation of a giant national market.

The economic outlook for the Asia and the Pacific region remains strong, with the region being the most dynamic in the global economy, accounting for nearly two-thirds of the global growth. The economic growth for Asia in 2018 and 2019 is expected to be robust, around 5.6 per cent. The World Bank, IMF and the Reserve Bank of India have reposed confidence in India's growth prospects and have predicted a higher growth trajectory in the years ahead, which could be around 7.5% in the 2018-19 financial year in the backdrop of improved global demand, prospects of good monsoon, credit uptick and continued reforms by the Government. This makes India the fastest growing economy amongst the emerging economies. At the same time, rise of oil prices could have implications for inflation, current account deficit and external sector parameters. Hardening of interest rates also represents reversal of the declining interest rate environment of recent years. The power sector growth, however, should remain robust in the coming years.

POWER SECTOR SCENARIO

The power sector has witnessed transformational momentum during the past four years on account of a series of decisive steps taken by the government across the power value chain that have contributed to surplus power availability, improved fiscal discipline, greater operational efficiency of the state utilities and unprecedented growth in the clean energy market.

Further, proactive action has been initiated to effect transition from a fossil fuel centric system to energy efficient and renewable centric paradigm on an accelerated mode. Government of India has affirmed its commitment to rapid implementation of the
covenants of Paris Agreement and has set a target of 175 GW of additional power from renewable energy sources by 2022 and increase the share of green energy to 40% of the total installed capacity by the year 2030, apart from rapid transition to Electric Mobility (EVs), energy saving devices and adoption of new & emerging energy technologies.

In addition, the government has launched a series of programmes – Deen Dayal Upadhyay Gram Jyotijan (DDUGJY), Integrated Power Development Scheme (IPDS), Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagyaj), etc. – to transform its vision of Power for All (PFA) into reality well ahead of the schedule. Recognising that DISCOMs continue to be the Achilles heel of the power sector, Government has launched Ujwal DISCOM Assurance Yojana (UDAY) to reform and revitalise the DISCOMs across the nation, which has brought the central and state governments and the DISCOMs on the same platform with a commitment to transform the operational efficiency and effectiveness of the DISCOMs. In addition, government is vigorously promoting energy efficiency systems through the joint venture of our Company, the Energy Efficiency Services Limited (EESL). It is a matter of pride that our Company has been integral part of several important government initiatives to engineer accelerated transformation of the power sector. We have played a major role in electrification of all villages in the country, a landmark achievement in the history of independent India.

On March 31, 2018, the total installed power generating capacity in the country was 344 GW. Of this, thermal power accounted for 65%, followed by renewable, hydro and nuclear at 20%, 13% and 2%, respectively. In tune with the Government’s ‘One Nation One Grid’ initiative, the total length of transmission lines in the country aggregated to about 3.90 Lakh circuit kilometres. The aggregate substation transformation capacity at 765 kV, 400 kV and 220 kV has reached 8.25 Lakh MVA, at the end of the FY 2017-18.

The aggregate Power Supply Deficit for FY 2017-18 was 0.7%. In order to address the issues of shortage of coal supply, the Government undertook a slew of proactive efforts and initiatives, such as allocation of coal mines through transparent auction route, augmenting indigenous coal production, domestic supply of gas to gas-based stranded projects and efforts to improve the operational efficiency of State generation utilities. Government of India has launched a Scheme for Harnessing and Allocating Koyala (coal) Transparently in India (SHAKTI) for allocation of coal in a transparent manner for power sector. This policy is an important initiative in alleviating one key challenge in the power sector, viz. lack of coal linkage. This initiative has contributed positively to the revitalisation of some stressed power assets.

Overall, your Company has been playing a central role in facilitating, supporting, trouble shooting and building the capacity of the power sector across the country and throughout the value-chain by financing and providing value-added services through its subsidiaries, REC Power Distribution Company Limited (RECPDCL) and REC Transmission Projects Company Limited (RECTPCL); and the training institute, REC-Institute of Power Management and Training (REC-IPMAT).

**PERFORMANCE HIGHLIGHTS**

Year after year, our Company has played an important role in the development of the power sector across the value chain. It has financed the development of power generation projects, in conventional as well as the renewable energy space. The Company has played active role in modernisation and creation of additional capacity of Transmission & Distribution (T & D) infrastructure across the country. In addition, we have financed the development of energy efficient and solar-based irrigation systems and such other value-added activities. As the nodal agency for the DDUGJY scheme of the Government of India, your Company has facilitated accelerated electrification of the entire country and improved capacity and performance of the distribution system. With the electrification of the last village living in darkness, ‘Leisang’ in Manipur State on April 28, 2018, we have contributed to a historical landmark, electrification of all villages in our country. As the nodal agency for Saubhagyaj, we are proactively facilitating electrification of all households in the country ahead of the scheduled deadline of December 31, 2018.

During the financial year 2017-18, your Company became the first Indian PSU to launch Green Bonds denominated in US Dollars and raised USD 450 million for a tenor of ten years, which attracted overwhelming response from investors across the globe, with the issue getting oversubscribed 6.7 times. These Bonds are listed on the International Securities Market (ISM) segment of London Stock Exchange and Singapore Stock Exchange. It was affirmation of our commitment to promotion of green energy and a step towards realization of the national goal of harnessing the enormous green energy potential in the country to achieve the targeted capacity of 175 GW by 2022.

The domestic debt instruments of REC continued to enjoy “AAA” rating – the highest rating assigned by CRISIL, CARE, India Ratings & Research & ICRA. The Company enjoys international credit rating from International Agencies i.e. Moody’s and FITCH of “Baa3” and “BBB-”, respectively.

We have further refined and diversified the range of products to finance the emerging needs of the power sector across the value-chain in the state and central as well as the private sector domain. During the FY 2017-18, the Company sanctioned a total loan assistance of ₹107,534 crore, which included ₹53,224 crore for Generation projects; ₹36,326 crore towards Transmission and Distribution (T&D) sector strengthening; ₹7,034 crore for renewable energy projects i.e. solar, small hydro and wind energy; and ₹10,950 crore for other investments. Your Company is poised for a major leap in financing renewable projects in the coming days.
Further, during the 2017-18 financial year, the Company disbursed a total loan amount of ₹61,712 crore, which included ₹26,676 crore for T&D projects, ₹18,086 crore towards generation projects, ₹5,403 crore towards renewable energy projects, ₹10,860 crore towards other loans and ₹687 crore as counterpart financing for DDUGJY. In addition, we administered a grant of ₹10,569 crore provided by Government of India, under DDUGJY and Saubhagya schemes, that was disbursed to different states/implementing agencies.

During the FY 2017-18, the operating income of REC on a standalone basis was ₹22,358 crore. The Profit Before Tax and Profit After Tax for the financial year was ₹6,852 crore and ₹4,647 crore, respectively. REC’s Net Worth on March 31, 2018 was ₹35,491 crore, which was 6.50% higher than the net worth of ₹33,326 crore, a year earlier.

**ASSET QUALITY**

After addition of loan assets of ₹37,520 crore during the financial year 2017-18, gross Loan book of your Company stood at ₹2,39,449 crore on March 31, 2018. Of this, State Sector accounted for 78%, 8% towards Joint Sector, followed by 14% to the Private Sector.

It is pertinent to mention that the Reserve Bank of India (RBI) notified ‘Revised Framework for Resolution of Stressed Assets’, which per se was not applicable to REC, being a Non-Banking Financial Company (NBFC). However, as a matter of abundant prudence, loans amounting to ₹9,591 crore were classified as non-performing assets during the year, in line with the above circular. Accordingly, as on March 31, 2018, the Gross NPAs stood at ₹17,128 crore (7.15% of Loan Assets) and the Net NPAs were ₹13,612 crore (5.68% of Loan Assets). It is important to note that without the impact of the above circular, the Gross NPAs were ₹7,537 crore (3.14% of Loan Assets) and the Net NPAs were ₹4,980 crore (2.07% of Loan Assets). The Company did not reschedule any doubtful loans during the FY 2017-18.

We have initiated several measures to ensure high quality of project assets that include, *inter-alia*, robust entity and project appraisal, diligent administration of loan, effective monitoring of the project implementation through Lenders’ Engineers and Project Management Consultants. Consequently, your Company continues to own high quality assets and has the lowest Non-Performing Assets (NPAs) in the league.

**CAPITAL STRUCTURE**

Being an Infrastructure Finance Company, your Company is required to maintain a Capital to Risk Weighted Assets Ratio (CRAR) of 15%, with a minimum Tier I Capital of 10%. Notwithstanding the higher provisioning that has been made as a matter of abundant prudence and reduction in the net interest margin, the Company was able to maintain CRAR of 19.39%, which is well above the regulatory requirements.

During the year under review, the President of India acting through the Ministry of Power divested/sold 1,08,25,689 equity shares i.e. 0.54% of total paid up capital of the Company. Accordingly, as on March 31, 2018, the President of India held 58.32% of the paid-up equity share capital of the Company. Further, 64,73,244 equity shares i.e. 0.33% of total paid up capital of the Company were divested/sold in June, 2018 and as on date, the President of India holds 57.99% of the paid-up equity share capital of the Company.

**DIVIDEND**

The Board of Directors of your Company has recommended final dividend of ₹1.75 per share for the financial year 2017-18, subject to approval of the Shareholders in this annual general meeting, which is in addition to the interim dividend of ₹7.40 per share paid in February, 2018. Total dividend for the financial year 2017-18 will work out to ₹9.15 per share, representing 91.50% of the paid-up equity share capital.

**POLICY INITIATIVES**

During the financial year 2017-18, your Company has adopted / amended various policies and guidelines, such as policy for advancing Short Term Loans to private sector borrowers; updation of Appraisal Guidelines in respect of Private Sector Conventional & Renewable projects; rationalization of Post-COD interest rate and modification of interest rate reset period for Renewable Energy projects; Comprehensive Risk Management Policy along with project and other risk categorization frameworks; REC policy for investment of Short Term Surplus funds; Succession Planning for key positions; Modification of REC Long Term Investment Policy; New Grading Model and Exposure Norms for State Power Utilities; etc. The new/modified guidelines shall make the Company more competitive and provide a thrust for the business.

Considering that ‘REC’ has become a Brand that is recognized by public at large in India and abroad, your Company has initiated the process for aligning its name to reflect its current mandate and activities. Accordingly, we have initiated the process for changing the name of our Company from “Rural Electrification Corporation Limited” to “REC Limited”, subject to the requisite approvals. Your Company is also in the process of widening the scope of its Objects, for harnessing new business opportunities emerging in the Power sector.
Further, in order to secure improved operational efficiency and to reap the benefits of higher capital base and pooled resources, we have initiated the process to effect merger of REC Power Distribution Company Limited (RECPDCL) and REC Transmission Projects Company Limited (RECTPCL), wholly owned subsidiary companies of your Company.

**FLAGSHIP GOVERNMENT PROGRAMMES**

**Pradhan Mantri Sahaj Bijli Har Ghar Yojana (Saubhagya):** During the financial year 2017-18, the Government of India notified Saubhagya with the objective of achieving universal household electrification in the country by providing last mile distribution network and electricity connections to all households. On the date of launching the scheme, October 11, 2017, around 3.50 crore households that had remained un-electrified, are targeted for providing electricity connections by December 31, 2018. The Government of India has designated our Company as the Nodal Agency for the Saubhagya scheme. In this context, our Company is supporting the Ministry of Power, State Governments and the implementing agencies with planning, facilitation, coordination, capacity development, monitoring and reporting to ensure timely completion of the programme.

To expedite and monitor the electrification of households under Saubhagya, a dedicated web portal (www.saubhagya.gov.in) has been developed, which disseminates information about the status of household electrification across the country in real-time. With the active support and cooperation of State governments, Power Utilities and other stakeholders, 40.45 Lakh households were electrified upto March 31, 2018, which have crossed the figure of 1.00 crore on August 5, 2018 and the remaining will be electrified by December 31, 2018. During the year under review, grant/subsidy provided by Government of India amounting to ₹1,541 crore was disbursed to the States/ Implementing Agencies under the scheme.

**Deen Dayal Upadhaya Gram Jyoti Yojana (DDUGJY):** is the flagship scheme of Government of India covering all aspects of rural power distribution, supplementing the overall management of rural power distribution for achieving ‘24x7 Power for All’ in the country through defined project components that include inter-alia distribution infrastructure strengthening, feeder separation, village and habitation electrification. REC has been the nodal agency for operationalization of the scheme. During the year under review, grant/ subsidy provided by Government of India of ₹9,028 crore was disbursed to the States/ Implementing Agencies under the scheme.

**Village Electrification:** The Hon’ble Prime Minister in his address on Independence Day – August 15, 2015, announced that the remaining 18,452 Un-Electrified (UE) villages, however, remote and inaccessible they might be, would be electrified within 1,000 days. Accordingly, the Ministry of Power had taken up the task of electrification of all un-electrified villages and assigned the task of coordination and monitoring of electrification work to REC.

Your Company has devised rigorous intensive monitoring mechanism under which the entire village electrification process was divided into 12 milestones and an online web-portal (www.garv.gov.in) viz. ‘GARV App’ was developed for transparent and accountable monitoring of the progress of village electrification. For the successful and fast completion of assigned task electrical engineers viz. ‘Gram Vidyut Abhiyantas’ (GVA) were appointed at block/district level.

During the financial year, 3,736 un-electrified villages were electrified and free electricity connections were provided to 50.41 Lakh households. Further, April 28, 2018 has been marked as a historic day in the Indian Power Sector on achieving electrification of all inhabited census villages in the country.

**Ujwal DISCOM Assurance Yojana (UDAY):** The Government of India, in financial year 2015-16, announced ‘Ujwal DISCOM Assurance Yojana’ that aims at financial turnaround and revival of Power Distribution Companies and to ensure sustainable solution to the financial constraints of DISCOMs, through defined initiatives viz. improving operational efficiencies of DISCOMs; reduction of cost of power; reduction in interest cost of DISCOMs; and enforcing financial discipline on DISCOMs through alignment with state finances.

Your Company has been supporting the Ministry of Power (MoP) for effective monitoring of UDAY scheme and has established a state-of-the-art web-portal and an online App for monitoring the performance of State DISCOMs. This has resulted in transparency and accountability leading to improvement in the operational efficiency and cost-effectiveness of DISCOMs.

As on March 31, 2018, 16 comprehensive and 16 operational MoUs have been signed amongst Power Utilities, States/UTs and the Ministry of Power, Government of India. Under the scheme, the States/DISCOMs have issued bonds for ₹2.32 Lakh crore and DISCOMs have saved more than ₹20,000 crore of interest cost. The other significant positive results are declining gap between ACS and ARR and reduction in average AT&C losses of UDAY States.

**HUMAN RESOURCES MANAGEMENT**

Our Company has been according highest importance to capacity building and well-being of its employees. It is well equipped with high-value human resources that is sine qua non for meeting the emerging challenges and harness the opportunities. During the year, there was no loss of man-days because of industrial unrest. Further, there have been regular interactions and open-house
sessions between the management and the employees, which has helped in building an atmosphere of trust and cooperation, thereby contributing to a motivated work force and consistent growth in organizational performance. REC also endeavours to recruit fresh talent with requisite skills and competencies as may be required for future.

INFORMATION TECHNOLOGY INITIATIVES

During the financial year 2017-18, your Company has implemented digital office solution across all offices of the Company since January 2018. Further, your Company has also migrated to the latest version of Business ERP in July 2018. Your Company is fully compliant with the RBI Master Directions - IT Framework for NBFC sector and also facilitates & promotes the IT initiatives of Government of India like MyGov, e-Governance, DPE guidelines on digital mode of payments, etc., within the Company. Other initiatives of your Company during the year include revamping of the entire network and communication infrastructure, corporate website and development of various in-house applications including for effective monitoring of implementation of DDUGJY, Saubhagya and other schemes. In addition, information technology based management information system is being implemented in REC Foundation.

REC INSTITUTE OF POWER MANAGEMENT AND TRAINING

REC Institute of Power Management and Training (REC-IPMAT) continues to cater to the training and development needs of engineers and managers of Power Sector. It has conducted numerous training programmes on Power Generation, Transmission, Distribution, Renewable energy and other industry relevant subjects. Further, the National Institute of Solar Energy (NISE) has empanelled REC-IPMAT as the partner-training institute for conducting Solar Energy Programmes. REC-IPMAT has been training power sector professionals from the Africa and Middle East regions in the spirit of south-south co-operation.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

As a responsible corporate citizen, REC has been actively pursuing various initiatives on the CSR front for Sustainable Development of the regions and communities in need of economic and financial support. During the financial year 2017-18, the Company has sanctioned total financial assistance of ₹167 crore towards CSR activities/projects in the fields of skill development, education, environmental sustainability, health care (including persons of old age and persons with disabilities), drinking water and sanitation facilities, etc., against allocated CSR budget of ₹162 crore and total amount of ₹49 crore was disbursed.

Our Company has established REC Foundation to channel CSR funds and has strengthened the human resources capacity of the Foundation for effective management of the social and economic development initiatives. The Foundation has collaborated with the United Nations Population Fund (UNFPA), North East Council (NEC) and International Fund for Agricultural Development (IFAD) financed North East Resource Management Project to leverage their knowledge, capacity and presence in the community to maximise development impact. The Foundation has stepped up its efforts to promote holistic sustainable development in the North East India and the Aspirational Districts of other States. REC Foundation has been in discussions with other national and international development agencies like Global Innovation Fund (GIF), WISH Foundation, etc., for supporting innovation in social and economic development arena.

Besides, your Company has organized various programmes to spread awareness among the general public about Swachh Bharat and socio-economic development. All employees of REC have been participating with great enthusiasm and zeal in various social development activities and have taken proactive action in promoting cleanliness drive. Your Company has organized Nukkad Nataks in different locations across Delhi to spread awareness about hygiene and sanitation and waste management by encouraging people to participate in ‘Swachhta Hi Seva’ campaign.

CORPORATE GOVERNANCE

Your Company is committed to the highest standards of Corporate Governance and believes in adopting and adhering to the best corporate governance practices. All measures are 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. As a listed Public-Sector Enterprise, your Company has been complying with all the applicable provisions related to Corporate Governance as stipulated under Companies Act, SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, DPE Guidelines and other applicable laws.

MoU RATING AND AWARDS

REC’s performance has been rated “Excellent” against the Memorandum of Understanding (MoU) signed with the Ministry of Power, Government of India, for the FY 2016-17. This is the 24th year in succession that REC has received “Excellent” rating.

During the year under review, the Company has been conferred with the ‘Certificate of Recognition for Excellence in Corporate Governance’ by the Institute of Company Secretaries of India (ICSI), at the “17th ICSI National Awards for Excellence in Corporate
Governance’, in recognition of its continuous efforts and innovative practices in promoting good corporate governance. Further, REC has also received the ‘Governance Now 5th PSU Award’, ‘CBIP Award for Best Power Financing Company’ and ‘SCOPE Award for Excellence and Outstanding Contribution to the Public Sector Management’ for the year 2016-17.

SUBSIDIARY COMPANIES AND JOINT VENTURES

The Company has the following two wholly owned subsidiaries for consultancy services in the areas of transmission, distribution, bid process transaction advisory services, project management, project implementation, quality assurance, project monitoring, etc.:

- 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 and State Governments and has established six Project Specific Special Purpose Vehicles (SPVs) for such transmission projects, by the end of the year. During the financial year 2017-18, RECTPCL generated an income of ₹53 crore and earned a Net Profit of ₹35 crore. It’s Net worth on March 31, 2018 was ₹177 crore.

RECPDCL’s core business includes preparation of detailed project reports, third party inspection, material inspection and project management consultancy services, technical assistance, technology transfer, capacity development, etc. RECPDCL is also monitoring the village electrification works under DDUGJY. During the financial year 2017-18, RECPDCL achieved a total revenue of ₹207 crore and earned net profit of ₹37 crore. Further, it’s Net worth as on March 31, 2018 was ₹180 crore.

Your Company, along with three other power sector PSUs, as partners, has a Joint Venture Company by the name Energy Efficiency Services Limited (EESL), Super Energy Service Company (ESCO). EESL acts as the resource centre for capacity building for State DISCOMs, Energy Regulatory Commissions, State Development Authorities, upcoming ESCOs, financial institutions, etc. and 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. As on date, REC holds 21.70% of the paid-up equity share capital of Energy Efficiency Services Limited. Presently, EESL is implementing world’s largest non-subsidy-based LED lighting programme i.e. UJALA for distribution of LED bulbs, LED tube lights and energy-efficient fans to domestic consumers, besides many other programmes/initiatives. The performance of EESL during the financial year 2017-18 is on the growth path, as the company has generated total revenue from operations of ₹1,411 crore and earned Net Profit of ₹39 crore.

FUTURE STRATEGY

The Power sector scenario in the country is poised for a paradigm shift with increased focus on renewable energy power generation, energy conservation, energy efficiency, efficiency in transmission and strengthening of the distribution sector and overall reform of the power sector management in order to make it more responsive and responsible to the consumer demand. As a result, newer business opportunities are emerging in the Power sector, albeit with increased competition from banks, financial institutions and other NBFCs. With a view to effectively meet the challenges/competition and to harness the opportunities in India and abroad, your Company is actively scouting for viable participatory avenues.

Retiring the old thermal generation plants, tailoring the existing thermal plants in compliance with the new environmental regulations, massive expansion in the renewable energy space, harnessing hydropower potential in the North East and Himalayan regions, investment in strengthening transmission and distribution infrastructure, automation of the distribution network through establishment of smart distribution management systems will provide further business opportunities to your Company. The state/power utilities being one of the major stakeholders of REC’s business are also taking new initiatives in developing renewable energy sector like solar roof top programmes, electric vehicles, charging infrastructure, smart city projects, energy efficiency devices, etc. Your Company is closely working with all the stakeholders to harness these investment opportunities. Further, our Company also intends to partner with various other power sector participants to diversify and achieve synergies in business operations.

THE PATH AHEAD

The Indian Power Sector is poised for major transformation with notification of National Electricity Policy, National Tariff Policy, Renewable Energy Policy, National Hydro Policy, implementation of SHAKTI, rationalization of coal linkages, etc. To translate its vision of Power for All (PFA), the Government has launched major flagship programmes – Deen Dayal Upadhyay Gram Jyoti Yojana, Integrated Power Development Scheme, Pradhan Mantri Sahaj Bijli Har Ghar Yojana, etc. These programmes are under vigorous implementation in mission mode to ensure access to affordable quality power to all citizens.
In addition, the Government has undertaken a slew of reforms such as emphasis on village and household electrification, promotion of renewable sources of energy, specific measures for grid stability and scheduling, establishment of green corridors, operational and financial turnaround of DISCOMs through UDAY, specific measures for scheduling and grid stability and digital interventions through various apps such as URJA MITRA, GARV, TARANG etc. Rationalization of tariffs under GST and restructuring of stressed assets under Insolvency and Bankruptcy Code, setting up of dedicated freight corridors and increased public investment in infrastructure hold great potential for future of power sector in the country.

Besides, a plethora of newer business opportunities are also coming up in the power sector with emerging role of new technologies such as electric vehicles, energy saving devices, power storage devices, smart metering, smart T&D systems, smart city projects and/or other projects involving integration of Information and Communication Technology (ICT) and Internet of Things (IoT) technology. Further, the focus on renewable energy and massive investment in the strengthening of transmission and distribution infrastructure are likely to increase the penetration of electricity in the country, thereby driving the demand upwards.

With the increasing emphasis of the Government to ensure affordable and quality power for all citizens of the country, there is a vast potential for increase in power consumption not only in the domestic segment but also because of expansion in rural enterprise development, employment creation and overall dynamism in the economy. Further, REC plans to collaborate with all stakeholders to diversify its business and foray into newer and related avenues across the segment.

However, there has been some stress in the conventional power generation capacity in the country due to various reasons such as lack of Power Purchase Agreements/Fuel Supply Arrangements/ transmission connectivity, regulatory issues, promoter inefficiencies and weak financial health of DISCOMs. Due to sectoral issues of power sector, the resolution plans under IBC framework are likely to be sub-optimal. Accordingly, your Company has finalised advanced action plan to collaborate with other power sector players to warehouse such assets, set up an Asset Management and Revitalization Company (PARIWARTAN) to takeover and revive such assets, in order to optimize the value for the lenders.

With the magnitude of funds being provided to the States under the ongoing Central Government schemes for strengthening their power infrastructure and the proactive steps taken to remove the bottlenecks, the scenario for the Power Sector looks highly optimistic. REC plans to enter the newer avenues not just as a funding partner but would also like to play a larger role as an implementing agency and provider of products/services. REC is closely following the market to identify and analyse the ongoing and upcoming challenges in order to launch appropriate measures to maximize its shareholders’ value. Our Company is also exploring financing and development opportunities in the overseas market.

ACKNOWLEDGEMENTS

I take this opportunity to thank the Hon’ble Minister of State (Independent Charge) for Power and New & Renewable Energy, 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 of the NITI Aayog, Ministry of Finance, Ministry of Corporate Affairs, DIPAM, DPE, RBI, SEBI, Stock Exchanges and Depositories for their continued cooperation. Further, I am also grateful to the Comptroller and Auditor General of India, Statutory Auditors, Secretarial Auditors, Registrars and other professionals associated with the Company. Above all, I wish to thank our investors, lenders and borrowers, especially the State Governments, power utilities and the private entrepreneurs, for reposing their trust in REC.

Last but not the least, I am grateful to my esteemed colleagues on the Board and to all employees of REC, for their untiring efforts. I am confident that with your cooperation and with the dedicated efforts of Team REC, we will grow from strength to strength, in the times ahead.

With warm wishes,

P V Ramesh
Chairman and Managing Director
(DIN: 02836069)

August 23, 2018