

Company Information

Board of Directors:

1. Dr. J.M. Phatak
2. Shri P.J. Thakkar
3. Shri Sanjiv Garg
4. Shri Rakesh Kumar Arora

Statutory Auditors:

M/s Satyendra Jain & Associates.
Chartered Accountants
D-1, Second Floor,
Defence Colony
New Delhi-110024

Bankers:

State Bank of Hyderabad

Registered Office:

Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi-110003

To,

1. All the Directors/Members of the Company
2. Statutory Auditors of REC Power Distribution Company Limited

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not to be a Member of the Company. The proxy, in order to be effective, must be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the meeting.
2. Consent of all the Members is being obtained for calling the AGM and the circulation of Notice of the Meeting and other requisite documents at a shorter notice than 21 days.
3. An explanatory statement pursuant to Section 173 of the Companies Act, 1956, relating to the Special Business to be transacted at the Meeting is annexed hereto.



REC POWER DISTRIBUTION COMPANY LIMITED

DIRECTORS' REPORT

Your Directors have pleasure in presenting the Third Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2010.

FINANCIAL PERFORMANCE

A summary of financial performance of the Company for the financial year ended 31st March, 2010 is as under:

(Figures in Rupees)

Particulars	For the year ended 31 st March, 2010	For the year ended 31 st March, 2009
Gross Income	100,186,853	52,704,793
Profit Before Tax	15,705,122	22,285,540
Provisions for Taxation	5,340,093	8,071,043
Profit After Tax	10,365,029	14,214,497

A. CAPITAL STRUCTURE

Capital	Amount in Rupees
Authorized Capital	200,000,000
Issued, Subscribed and Paid up Capital	500,000

B. TRANSFER TO RESERVES

The Company proposes to transfer Rs 7,500,000 to General Reserve out of the amount available for appropriations.

C. PAYMENT OF DIVIDEND

The Board of Directors are pleased to recommend for approval of the Members a Final Dividend of Rs 10/- per share (100% on par value of Rs. 10/- per share) for the financial year ended March 31, 2010.

REVIEW OF OPERATIONS

Your Directors are pleased to state that the Company continued to do profitable business in the financial year 2009-10 and earned total income of Rs 100,186,853/- and Net Profit after tax of Rs. 10,365,029/-.

During the year the Company has completed third party inspection of about 15000 villages and 990 Nos. of feeders. Further, your Company succeeded in execution of existing projects, as well as getting new business of more than Rs. 33 Crores.

The Company has also secured orders for third party inspection for 24755 villages in 30 districts of 4 states, with a cumulative project cost of Rs. 1337 crores, which will accrue approximately Rs. 21 crores

Shri Rakesh Kumar Arora was appointed in place of Shri D.S. Ahluwalia as an Additional Director. According to the provisions of Section 260 of the Companies Act, 1956, Shri Rakesh Kumar Arora retires in the ensuing Annual General Meeting and being eligible, offers himself for re-appointment, whose period of office will be liable to determination by retirement by rotation.

STATUTORY AUDITORS

M/s Satyendra Jain & Associates Chartered Accountants were appointed by the Comptroller & Auditor General of India as Statutory Auditors of the Company for the third financial year ended 31st March, 2010. The Statutory Auditors have audited the Accounts of the Company for the above said period.

Para-wise replies of the Management of REC, to the qualifications/observations made by the auditors in their Audit Report, as required under Section 217(3) of the Companies Act, 1956 are appended to this report.

PARTICULAR OF EMPLOYEES

There being no employee in the Company with earning over specified amount, the particular of employees as prescribed under section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are not required to be given.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION ADAPTATION AND INNOVATION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

During the year, there are no significant particulars, relating to conservation of energy, technology absorption under the Companies (Disclosures of Particulars in the Report of Board of Directors) Rules, 1988. During the year the Company had no earnings or outgo in foreign exchange.

DEPOSIT

Your Company has not accepted any public deposit during the period under review.

DIRECTORS' RESPONSIBILITY STATEMENT U/S 217 (2AA)

Pursuant to Section 217 (2AA) of the Companies Act, 1956, the Directors based on the representation received from the operative management, confirm:

- a) that in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same;
- b) that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true fair view of the state of affairs of the Company at the end of financial year and of the profit or loss of the Company for that period;
- c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and preventing and detecting fraud and other irregularities;
- d) that they have prepared the annual accounts on a going concern basis.

HUMAN RESOURCES

Human Resources is the backbone of RECPDCL since the assignments being handled by the RECPDCL is manpower oriented. In an effort to augment manpower RECPDCL recruited 9 Fixed Tenure Engineers during this fiscal and deployed them in various business activities. Committed and motivated work force including pool of good quality Engineers has become innate strength of the Company. The work

ADDENDUM TO DIRECTOR'S REPORT

Para-wise replies of Management to the Observation in the Auditors Report

Clause reference	Auditors Observations	Management's Reply
Auditors Report Para (2 a)	We report that considering the point no. 4 of Schedule no. 9 on the Notes on the Accounts in respect of small scale industrial undertakings and section 22 of the "THE MICRO SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006" respectively, company does not possess sufficient information to establish whether any creditor is covered under the same or not.	The letters were issued to the suppliers for identification of those who falls under the Act with a note that in case of no information within 15 days, it will presume that the party has not covered under the Act. No supplier informed about their coverage under the Act. In view of above, no disclosure required in Annual Accounts on this account.
Auditors Report Para (2 b)	The debit/credit balances appearing in the debtors and creditors are subject to confirmation and reconciliation. Impact on it on financial statements could not be ascertained and provided by the company.	The letters were issued for confirmation of balances to debtors and creditors. One debtor conformed out of fifteen parties. Another three parties have paid the outstanding bills (approximately 20%). Other debtors are being pursued for payments / confirmations.
Annexure to Auditor Reports (i)(b)	It has been explained by the management that minor discrepancies noticed have not been accounted for in the books because value of such short items are to be recovered from the responsible employees.	Reconciliation of physical verification reports with Books of Accounts have been carried out. Recovery action for small discrepancies / approval of competent authority for waiver is being initiated.
Annexure to Auditor Reports (ix)	The Provident Fund of Rs. 96536/- of fresh employee has not been deposited in the view of request made to REC PF Trust to make the fresh employee their members. After confirmation from Trust this amount will be deposited with REC PF Trust or in case no confirmation received the same shall be deposited with Regional PF Commissioner.	The registration of the company under Provident Fund Act 1952 is under progress and would be completed within a month. Thereafter, the amount would be deposited as per provisions of the Act.

REC Power Distribution Company Limited
(A Wholly owned Subsidiary of Rural Electrification Corporation Limited)

Profit & Loss Account
FOR THE PERIOD ENDED 31st March 2010

Figures in Rupees

Description	Schedule No.	As at 31.03.2010	As at 31.03.2009
INCOME			
Consultancy Income		97,477,656	50,343,225
Other Income		2,709,197	2,361,568
Total Income		100,186,853	52,704,793
EXPENDITURE			
Project Expenses	6	73,366,982	25,441,213
Establishment & Administrative Expenses	7	10,897,215	3,723,192
Depreciation		225,019	91,471
Preliminary Expenses Written Off		-	1,168,074
Total expenses		84,489,216	30,423,950
Profit for the Year		15,697,637	22,280,843
Prior Period Adjustment (net)		7,485	4,697
Profit before Tax		15,705,122	22,285,540
Provision for Taxation			
- Current Tax		5,265,742	7,969,215
- Deferred tax	9(11)	74,351	2,669
- Fring benefit tax		-	99,159
Profit after Tax		10,365,029	14,214,497
APPROPRIATIONS			
Transfer to General Reserve		7,500,000	10,000,000
Proposed Dividend		500,000	500,000
Divident tax		84,976	84,975
Net Balance of Profit & Loss Account		2,280,053	3,629,522

Earning per share (basic & diluted of Rs.10/ (in Rupees) 207 284

Schedule 1 to 9 form an integral part of Accounts

In terms of our report of even date

Satyendra Jain & Associates

Chartered Accountants

For and on behalf of the Board

Anil Kumar Jain

M. No. 072783

Place : New Delhi

Date :



B.P. Yadav
CEO

Rakesh K Arora
Director

Sanjiv Garg
Director

REC Power Distribution Company Limited : NEW DELHI

Schedule -3

Figures in Rupees

Fixed Assets Schedule for the year ending 31.03.2010

FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Opening	Additions during the year	Sales/ adjustment during the year	Closing	Opening	Dep during the year	Disp / Written off	Closing	As at 31.03.10	As at 31.03.09
Camera	500300	704575	21750	1183125	12080	43151	1176	54055	1129070	488220
Computer Softwere	34200	31890	0	66090	5130	11092	0	16222	49868	29070
Furniture & Fitting	82363	64646	0	147009	68267	65558	0	133825	13184	14096
Computer	0	168734	0	168734	0	54836	0	54836	113898	0
GPS	444904	858147	0	1303051	5994	40517	0	46511	1256540	438910
Equipment	0	102964	0	102964	0	9865	0	9865	93099	0
Grand Total	1061767	1930956	21750	2970973	91471	225019	1176	315314	2655659	970296
Capital WIP	0	0	0	0	0	0	0	0	0	0
Previous Years	0	1061767	0	1061767	0	91471	0	91471	970296	0



REC Power Distribution Company Limited
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SCHEDULE '5' - CURRENT LIABILITIES & PROVISIONS

Description	Details	Figures in Rupees	
		As at 31.03.2010	As at 31.03.2009
(A) Current Liabilities			
(i) Creditors for Expenses			
Dues to Smal Scale Ind. Undertakings			
Others		5,482,378	1862306
(ii) Earnest money Deposits		2,973,200	617200
(iii) Other Liabilities		10,704,285	1880242
(iv) Payble to REC		-	377786
(v) TDS payable		953,728	61556
(vi) Service tax due but not payable		6,206,318	4612670
(vii) Advances from customer's		63,958,381	-
Total A		90,278,290	9,411,760
(B) Provisions			
Income Tax		5,265,742	7969215
FBT Payable		-	74742
Proposed Dividend		500,000	500000
Dividend tax payable		84,976	84975
Total B			
		5,850,718	8,628,932
Total (A+B)		96,129,009	18,040,692

SCHEDULE '6' - Project Expenses

Description	Details	Figures in Rupees	
		As at 31.03.2010	As at 31.03.2009
Fee for consultancy obtained		15,809,101	4,292,547
Manpower hiring cost for TPI		36,614,768	11,582,432
Salary allocated for REC deployment		6,394,496	5,246,568
Administration Overhead allocated by REC		1,437,045	1,245,989
Hiring of Vehicle and Diesel Charges		3,609,446	608,834
TA/DA		3,538,515	156,511
Hiring of Computer		1,304,470	497,013
Printing and Stationery Charges		1,271,442	125,258
Other project expenses		3,387,699	1,686,061
Total		73,366,982	25,441,213

SCHEDULE '7' - Establishment & ADMINISTRATION EXPENSES

Description	Details	Figures in Rupees	
		As at 31.03.2010	As at 31.03.2009
Administration Overhead allocated by REC		1,461,306	904,233
Salary allocated for REC deployment		6,519,181	1,743,702
Payment to Statutory Auditors			
-Statutory Audit Fees	40000		
-Tax Audit Fee	15000	55,000	65,000
Meeting & Confrence Exp.		124,296	90,748
Consultancy charges		1,931,250	96,000
Loss on sale of Fixed Assets		314	0
Other Misc Expenses		805,868	823,509
Total		10,897,215	3,723,192



REC POWER DISTRIBUTION COMPANY LIMITED
(A wholly owned subsidiary of Rural Electrification Corporation Limited)

(ii) As per proportionate revenue for works completed but invoices not raised.

6.4 Consultancy fees are taken as income excluding the amount of Service Tax collected as payable under the Service Tax Act 1994.

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REC POWER DISTRIBUTION COMPANY LIMITED
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8. Information regarding foreign currency transactions disclosure as required under Schedule VI of the Companies Act, 1956 is nil.
9. Figures have been rounded off to the nearest rupee.
10. The disclosure as per AS18-Related Party Disclosure:-

The REC Power Distribution Company Limited is a wholly owned Subsidiary of Rural Electrification Corporation Limited. All key decisions are taken by the Board of REC Power Distribution Company Limited where the REC nominees exercise the control. There is no related Party Transactions with Holding Company except reimbursement of expenses on account of services provided to the company as detailed below.

(Figures in Lacs Rupees)

Name of related party	Year ending 31.03.10		Year ending 31.3.09	
	Balance at year end	Maximum Balance during the period	Balance at period ending	Maximum Balance during the period
REC Ltd.	6.76	184.61	3.78	71.85

Transactions during the year with related parties:-

(Figures in Lacs Rupees)

Nature of transactions	2009-10	2008-09
Personnel Expenses allocated by REC Ltd	129.14	71.58
Administrative Overheads allocated by REC Ltd	28.98	17.18
TA/DA expenses allocated by REC Ltd.	18.34	0
Interest paid to REC	1.39	2.65
Total	177.85	91.40

11. In compliance to the Accounting Standard – 22 on “Accounting for taxes on income” issued by the Institute of Chartered Accountants of India, Deferred Tax Accounting has



REC Power Distribution Company Limited
(A Wholly Subsidiary of Rural Electrification Corporation Limited)

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st March 2010

Description	Figures in Rupees	
	Period ended 31.03.2010	Period ended 31.03.2009
A. Cash Flow from Operating Activities:		
Net profit before Tax and extraordinary Activities	15,705,122	22,285,540
Add: Provision for Taxation	5,265,742	7,969,215
Adjustment for		
Depreciation	225,019	91,471
Preliminary expenses written off	-	1,168,074
Loss on sale of Assets	314	-
Operating profit before working capital changes	21,196,197	31,514,300
Increase/(Decrease)		
Debtors	-58,264,554	-11,070,975
Other current assets	-296,302	-30,112
Other Loans & Advances	-1,776,299	4,518,632
Current Liabilities	78,162,668	881,367
Provisions	-11,190,811	-16,625,233
Cash Generated from Operation	27,830,898	9,187,979
Less : Income Tax Paid	9,530,000	10,199,319
Net Inflow from Operating Activities	18,300,898	-1,011,340
B. Cash Flow from Investing Activities:		
Sale of Fixed Assets	20,260	-
Purchase of fixed assets	-1,930,956	-1,061,767
Net Cash used in Investing Activity	-1,910,696	-1,061,767
C. Cash Flow from Financing Activities:		
Share capital	-	-
Net Cash used in Financing Activity	-	-
Net Increase/ Decrease in Cash & equivalents (A+B+C)	16,390,202	-2,073,107
Cash and Cash Equivalents at the beginning of the period	22,166,653	24,239,760
Cash and Cash Equivalents at the end of the period	38,556,855	22,166,653

In terms of our report of even dated.

Satyendra Jain & Associates
Chartered Accountants

Anil Kumar Jain
M. No. 072783
Partner

Place : New Delhi
Date : 07/04/2010



For and on behalf of the Board

B.P. Yadav
C.E.O.

Rakesh K Arora
Director

Sanjiv garg
Director

AUDITOR'S REPORT

**TO THE MEMBERS OF
REC Power Distribution Company Limited
1016-1023, 10th Floor,
Devica Tower, Nehru Place,
NEW DELHI 110019**

We have audited the attached Balance Sheet of **M/S REC Power Distribution Company Limited** as on 31st March 2010, the Profit and Loss Account for the year ended on that date and Cash Flow Statement for the year ended on that date annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 ("Order") and as amended by the Company's Auditors report (Amendment) Order, 2004 issued by the Central Government of India, in terms of sub-section (4A) of section 227 of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we enclose in the annexure a statement on the matters specified in Paragraphs 4 & 5 of the said Order to the extent applicable to the Company.

- a) We report that considering the point no. 4 of Schedule 9 on the **Notes on Accounts** in respect of small scale industrial undertakings and section 22 of the "THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006" respectively, company does not possess sufficient information to establish whether any creditor is covered under the same or not.

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○) We report that considering the point no. 6 of Schedule 9 on the **Notes on Accounts** stating that debit/credit balances appearing in Debtors and Creditors are subject to confirmation and reconciliation. Impact of it on financial statement could not be ascertained and provided by the company. The position of total balances, confirmed balances and percentage of unconfirmed balances are given below.

S.No.	Particulars	Amount as per Books.	Amount for which confirmation recd by Statutory Auditor/reconciled.	% of unconfirmed amount.
1	Bank balances	38,556,855	38,556,855	Nil
2	Account Receivables	69,335,529	Nil	100%
3	Account Payables	90,278,290	Nil	100%
4	Loans and Advances	5,200,183	676,295	87%
	Total	203,370,857	39,233,150	80.71%

Further to our comments as above and in the Annexure referred to above, we report that:

We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit;

In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;

The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the requirements of the Accounting Standards referred to in section 211(3C) of the Companies Act, 1956.

In our opinion, and based on the information and explanations given to us, none of the directors are disqualified as on 31st March 2010 from being appointed as a director in terms of clause (g) of the sub-section(1) of section 274 of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanation given to us, the said accounts read with the Accounting Policies and Notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India,

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF THE AUDITOR'S REPORT TO THE MEMBERS OF REC POWER DISTRIBUTION COMPANY LIMITED ON THE ACCOUNTS FOR THE YEAR ENDED ON 31.03.2010.

This is the Annexure referred to in our report on the balance sheet of REC POWER DISTRIBUTION COMPANY LIMITED, as at 31st March 2010.

- (i) (a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets on the basis of available information.
(b) As explained to us, the fixed assets have been physically verified by the management during the year, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification. It has been explained by the management that minor discrepancies noticed have not been accounted for in the books because value of such short items are to be recovered from the responsible employees.
(c) Since a substantial part of fixed assets have not been disposed off during the year so as to affect the going concern principle, paragraph 4(i)(c) of the Companies (Auditor's Report) Order, 2003 (hereinafter referred to as the Order) is not applicable.
- (ii) The company does not have any stock accordingly provisions of clause ii(a),ii(b),ii(c) of the order are not applicable.
(a) The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register covered under section 301 of the Companies Act, 1956. However a debit balance in current account with Rural Electrification Corpn. Ltd (Holding Company) of Rs. 676295 is outstanding as on 31.03.2010. The number of such party is one and the maximum amount involved is Rs. 184.61 lacs.
(b) The rate of interest and other terms and conditions are not prejudicial to the interest of the company.
(c) As explained to us the balance is repayable on demand.
- (iii) The company has not taken any loan from other parties covered under section 301 of the Companies Act, 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business.
- (v) (a) Based upon the audit procedures applied by us and according to the information and explanations given to us we are of the opinion that the transactions required to be entered into the register maintained under section 301 of the Companies Act 1956 have been so entered.
(b) In our opinion, and according to the information and explanations given to us the transactions made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act 1956 aggregating during the year to Rs. 5,00,000/- or more in respect of each party have been made at prices which are reasonable having regard to market price for such transactions, prevailing at the relevant time, where such market price are available.

- (xvii) On the basis of our examination, the funds raised on short- term basis have not been used for long- term investments and vise-versa.
- (xviii) The Company has not made any preferential allotments of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- (xix) Since the Company has not issued any debentures, paragraph 4(xix) of the Order is not applicable.
- (xx) Since the company has not raised any money by way of public issue, paragraph 4(xx) of the Order is not applicable.
- (xxi) As informed to us, there has not been any fraud on or by the Company noticed or reported during the year.

**FOR SATYENDRA JAIN & ASSOCIATES
CHARTERED ACCOUNTANTS**


**(Anil Kumar Jain)
PARTNER
M. NO. 072783**

**Place: NEW DELHI
Dated: 06.05.2010**