RED HERRING PROSPECTUS
January 25, 2010
Please read Section 60B of the Companies Act, 1956
Book Built Issue under the Alternate Book Building Process

आरईसी REC
असीमित ऊर्जा, अनन्त संभावनाएं
Endless energy. Infinite possibilities.

RURAL ELECTRIFICATION CORPORATION LIMITED

Our Company was incorporated under the Companies Act, 1956, as amended on July 25, 1969 at New Delhi as "Rural Electrification Corporation Private Limited". Presently, the name of our Company is "Rural Electrification Corporation Limited", upon conversion into a public limited company pursuant to a special resolution passed by our shareholders dated September 27, 2002. Our Company received a fresh certificate of incorporation consequent to change of its name from the Registrar of Companies, National Capital Territory of Delhi and Haryana, at New Delhi, on July 18, 2003. For further details in relation to the corporate history of our Company, see the section titled "***History and Certain Corporate Matters***" on page 92.

Registered Office and Corporate Office: Core 4, SCOPE Complex, 7, Lodhi Road, New Delhi 110 003, India.
Telephone: +91 11 2436 5161; **Facsimile:** +91 11 2436 0644; **E-mail**: fpo@recl.nic.in; **Website**: www.recindia.nic.in
For further details in relation to the changes in our registered office, see the section titled ***"History and Certain Corporate Matters"*** on page 92.

Company Secretary and Compliance Officer: Mr. B. R. Raghunandan, **Telephone**: +91 11 2436 7305; **Facsimile**: +91 11 2436 2039; **E-mail**: complianceofficer@recl.nic.in

PROMOTER OF THE COMPANY: THE PRESIDENT OF INDIA, ACTING THROUGH THE MINISTRY OF POWER, GOVERNMENT OF INDIA

PUBLIC ISSUE OF 171,732,000 EQUITY SHARES OF FACE VALUE OF RS. 10 EACH ("EQUITY SHARES") OF RURAL ELECTRIFICATION CORPORATION LIMITED (THE "COMPANY" OR THE "ISSUER") FOR CASH AT PRICES DETERMINED THROUGH THE ALTERNATE BOOK BUILDING METHOD UNDER PART D OF SCHEDULE XI OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, AS AMENDED (THE "SEBI REGULATIONS") AGGREGATING UP TO RS. [●] MILLION (THE "ISSUE") CONSISTING OF A FRESH ISSUE OF 128,799,000 EQUITY SHARES BY THE COMPANY ("FRESH ISSUE") AND AN OFFER FOR SALE OF 42,933,000 EQUITY SHARES ("OFFER FOR SALE") BY THE PRESIDENT OF INDIA, ACTING THROUGH THE MINISTRY OF POWER, GOVERNMENT OF INDIA (THE "SELLING SHAREHOLDER"). THE ISSUE COMPRISES A NET ISSUE OF 171,382,000 EQUITY SHARES TO THE PUBLIC ("NET ISSUE") AND A RESERVATION OF 350,000 EQUITY SHARES FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES (THE "EMPLOYEE RESERVATION PORTION"). THE ISSUE SHALL CONSTITUTE 17.39% OF THE FULLY DILUTED POST-ISSUE CAPITAL OF THE COMPANY AND THE NET ISSUE SHALL CONSTITUTE 17.36% OF THE FULLY DILUTED POST-ISSUE CAPITAL OF THE COMPANY.

THE FLOOR PRICE AND THE MINIMUM BID LOT WILL BE DECIDED BY THE COMPANY AND THE SELLING SHAREHOLDER IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND ADVERTISED AT LEAST ONE WORKING DAY PRIOR TO THE ISSUE OPENING DATE.

Our Company and the Selling Shareholder, in consultation with the Book Running Lead Managers, reserve the right to revise the Bidding Period, subject to the Bidding Period not exceeding a total of 10 Working Days. Any revision in the Bidding Period, if applicable, will be widely disseminated by notification to the Bombay Stock Exchange Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**"), by issuing a press release, and also by indicating the change on the website of the Book Running Lead Managers and at the terminals of the Syndicate.

This Issue is being made through the Alternate Book Building Process wherein up to 50% of the Net Issue shall be allocated on a 'price priority' basis to Qualified Institutional Buyers ("**QIBs**" and such portion, the "**QIB Portion**"). 5% of the QIB Portion shall be available for allocation on a 'price priority' basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a 'price priority' basis to QIBs (including Mutual Funds), subject to valid Bids being received from them above the Floor Price. However, if the aggregate demand from Mutual Funds is less than 4,284,550 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and allocated on a 'price priority' basis to the QIBs. Not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received from them at the Floor Price. Further, 350,000 Equity Shares shall be available for allocation on a proportionate basis to the Eligible Employees, subject to valid Bids being received from them at the Floor Price. Investors, except QIBs, may participate in this Issue through the ASBA process by providing the details of their respective bank accounts in which the corresponding Bid Amounts will be blocked by the Self Certified Syndicate Banks ("**SCSBs**"). Specific attention of investors is invited to the section titled "Issue Procedure" on page 244.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the 'risk factors' carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and this Issue, including the risks involved. The Equity Shares have not been recommended or approved by the Securities and Exchange Board of India ("**SEBI**"), nor does SEBI guarantee the accuracy or adequacy of the contents of this Red Herring Prospectus. Specific attention of the investors is invited to the section titled ***"Risk Factors"*** on page xii.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Company and the Selling Shareholder, having made all reasonable inquiries, accept responsibility for and confirm that this Red Herring Prospectus contains all information with regard to the Issuer and this Issue, which is material in the context of this Issue, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions, misleading, in any material respect.

LISTING

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the NSE and the BSE. Our Company has received in-principle approvals from the NSE and the BSE for listing of the Equity Shares pursuant to their letters dated December 11, 2009. For the purposes of this Issue, NSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS					REGISTRAR TO THE ISSUE
kotak® Investment Banking	BofA Merrill Lynch	ICICI Securities	JM FINANCIAL	RBS The Royal Bank of Scotland	KARVY Karvy Computershare Private Limited
Kotak Mahindra Capital Company Limited 1st Floor, Bakhtawar 229, Nariman Point Mumbai 400 021, India Telephone: +91 22 6634 1100 Facsimile: +91 22 2284 0492 Email: rec.fpo@kotak.com Website: www.kmcc.co.in Investor Grievance ID: kmccredressal@kotak.com Contact Person: Mr. Chandrakant Bhole SEBI registration number: INM000008704	**DSP Merrill Lynch Limited*** Mafatlal Centre 10th Floor Nariman Point Mumbai 400 021, India Telephone: +91 22 6632 8761 Facsimile: +91 2204 8518 Email: rec.fpo@baml.com Website: www.dspml.com Investor Grievance ID: India_merchantbanking@ml.com Contact Person: Mr. N.S. Shekhar SEBI Registration No.: INM000002236	**ICICI Securities Limited*** ICICI Centre H.T. Parekh Marg Churchgate Mumbai 400 020, India Telephone: +91 22 2288 2460 Facsimile: +91 2282 6580 Email: rec.fpo@icicisecurities.com Website: www.icicisecurities.com Investor Grievance ID: customercare@icicisecurities.com Contact Person: Mr. Rajiv Poddar SEBI registration number: INM000011179	**JM Financial Consultants Private Limited*** 141, Maker Chambers III Nariman Point Mumbai 400 021, India Telephone: +91 22 6630 3030 Facsimile: +91 22 2204 7185 Email: recfpo@jmfinancial.in Website: www.jmfinancial.in Investor Grievance ID: grievance.ibd@jmfinancial.in Contact Person: Ms. Naazneen Yazdani SEBI registration number: INM000010361	**RBS Equities (India) Limited*** (formerly known as ABN AMRO Asia Equities (India) Limited) 83/84, Sakhar Bhavan, Behind Oberoi Towers, 230 Nariman Point Mumbai 400 021, India Telephone: +91 22 6632 5535 Facsimile: +91 22 6632 5541 Email: rec.fpo@rbs.com Website: www.abnamro.co.in Investor Grievance ID: customercare.ecm@in.abnamro.com Contact Person: Mr. Amit Prasad SEBI registration number: INM000010551	**Karvy Computershare Private Limited** Plot no 17 to 24 Vithal rao Nagar, Madhapur Hyderabad 500 086, India Telephone: +91 40 2342 0815 Toll Free Number: 1-800-345 4001 Facsimile: +91 40 2342 0814 Email: rec.fpo@karvy.com Website: www.karvy.com Investor Grievance ID: einward.ris@karvy.com Contact Person: Mr. M Murali Krishna SEBI registration number: INR000000221

**Sequenced in alphabetical order of logos*

ISSUE PROGRAMME	
ISSUE OPENS ON : FRIDAY, FEBRUARY 19, 2010	**ISSUE CLOSES ON : TUESDAY, FEBRUARY 23, 2010**

TABLE OF CONTENTS

SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates, requires or implies, the following terms shall have the following meanings in this Red Herring Prospectus.

Company Related Terms

Term	Description
The "Company" or "our Company" or "REC" or the "Issuer"	Rural Electrification Corporation Limited, a public limited company incorporated under the Companies Act, on an unconsolidated basis.
"We" or "us" or "our"	Our Company together with its Subsidiaries, on a consolidated basis.
"Articles" or "Articles of Association" or "our Articles"	The articles of association of our Company, as amended.
Auditors	The joint statutory auditors of our Company, being Bansal & Co., Chartered Accountants and K.G. Somani & Company, Chartered Accountants.
"Board" or "Board of Directors" or "our Board"	The board of directors of our Company, as constituted from time to time, or committees thereof.
Director(s)	The director(s) of our Company.
"Memorandum" or "Memorandum of Association" or "our Memorandum"	The memorandum of association of our Company, as amended from time to time.
Promoter	The promoter of our Company, being the President of India, acting through the Ministry of Power, Government of India.
Registered and Corporate Office	The registered and corporate office of our Company, presently situated at Core 4, SCOPE Complex, 7, Lodhi Road, New Delhi 110 003, India.
"Subsidiaries" or "our Subsidiaries"	REC Transmission Projects Company Limited, REC Power Distribution Company Limited, North Karanpura Transmission Company Limited, Talcher II Transmission Company Limited and Raichur Sholapur Transmission Company Limited.

Issue Related Terms

Term	Description
"Allot" or "Allotment" or "Allotted"	The allotment or transfer of Equity Shares pursuant to this Issue.
Allottee	A successful Bidder to whom Allotment is made.
Alternate Book Building Process	The alternate method of book building as described in Part D of Schedule XI of the SEBI Regulations.
ASBA	"Application Supported by Blocked Amount" as detailed in the section titled "***Issue Procedure–Issue Procedure for ASBA Bidders***" on page 276.
ASBA Form	The application form, whether physical or electronic, in terms of which an ASBA Bidder shall make a Bid pursuant to the terms of this Red Herring Prospectus.
ASBA Account	Account maintained by an ASBA Bidder with a SCSB which will be blocked by such SCSB to the extent of the appropriate Bid Amount.
ASBA Bidder	A prospective investor in this Issue, except QIBs, who intends to apply through ASBA.
ASBA Revision Form	The form used by the ASBA Bidders to modify the quantity of Equity Shares or the Bid Amount in any of their ASBA Forms (if submitted in physical form).
"Bankers to the Issue" or "Escrow Collection Banks"	The banks which are clearing members and registered with the SEBI and with whom the Escrow Account will be opened, in this case being ABN AMRO Bank N.V., Axis Bank Limited, Bank of America N.A, HDFC Bank Limited, IDBI Bank Limited, Kotak Mahindra Bank Limited, State Bank of India, The Hongkong and Shanghai Banking Corporation Limited and Yes Bank Limited
Basis of Allocation	The basis on which our Equity Shares will be allocated as described in the section titled "***Issue Procedure–Basis of Allocation***" on page 267.
Bid	a) In relation to a Bidder, an indication to make an offer during the Bidding Period, pursuant to submission of a Bid cum Application Form to subscribe to our Equity Shares at a price at or above the Floor Price, as applicable. b) In relation to ASBA Bidders, an indication to make an offer during the Bidding Period, pursuant to the submission of an ASBA Form to subscribe to

Term	Description
	the Equity Shares at the Floor Price.
Bidder	A prospective investor, including an ASBA Bidder, in this Issue.
Bid Amount	Except with respect to QIBs, the value of the Bid in terms of the number of Equity Shares indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue. With respect to QIBs, the value of each option specified by the respective QIB in the Bid cum Application Form, each such option being treated as an independent Bid, with a corresponding Bid Amount.
Bid cum Application Form	The form in terms of which the Bidder (other than an ASBA Bidder) makes a Bid and which will be considered as the application for Allotment.
Bidding Centre	A centre for acceptance of the Bid cum Application Form.
Bidding Period	The period between the Issue Opening Date and the Issue Closing Date (inclusive of both days) and during which Bidders can submit their Bids, inclusive of any revision thereof.
"Book Running Lead Managers" or "BRLMs"	Book running lead managers to this Issue, being Kotak Mahindra Capital Company Limited, DSP Merrill Lynch Limited, ICICI Securities Limited, JM Financial Consultants Private Limited and RBS Equities (India) Limited (formerly known as ABN AMRO Asia Equities (India) Limited).
"CAN" or "Confirmation of Allocation Note"	The note or advice or intimation sent to the successful Bidders, including any revisions thereof, confirming the number of Equity Shares allocated to such Bidders in accordance with the Alternate Book Building Process.
Clearing Prices	The price at or above which Bidders shall be allocated Equity Shares in the QIB Portion and the Mutual Fund Portion.
Controlling Branches	Such branches of the SCSBs which co-ordinate Bids under this Issue by the ASBA Bidders with the Registrar to the Issue and the Stock Exchanges and a list of which is available at http://www.sebi.gov.in.
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, as amended.
"Depository Participant" or "DP"	A depository participant as defined under the Depositories Act.
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Forms and a list of which is available on http://www.sebi.gov.in.
Designated Date	The date on which the Escrow Collection Banks and the SCSBs transfer the funds from the Escrow Accounts and the ASBA Accounts, respectively, to the Public Issue Account, in terms of this Red Herring Prospectus.
"Designated Stock Exchange" or "DSE"	NSE.
"Draft Red Herring Prospectus" or "DRHP"	The draft red herring prospectus dated December 2, 2009 filed with SEBI and issued in accordance with the SEBI Regulations.
Eligible NRI	An NRI from such a jurisdiction outside India where it is not unlawful to make an offer or invitation under this Issue and in relation to whom this Red Herring Prospectus constitutes an invitation to Bid on the basis of the terms thereof.
Eligible Employee	A permanent and full-time employee of our Company (excluding Directors and such persons not eligible under applicable laws, rules, regulations and guidelines), as on the date of filing of this Red Herring Prospectus with the RoC, who are Indian nationals and are based, working and present in India as on the date of submission of the Bid cum Application Form or the ASBA Form, as applicable, and who continue to be in the employment of our Company until submission of the Bid cum Application Form or the ASBA Form, as applicable. An employee who is recruited against a regular vacancy but is on probation as on the date of submission of the Bid cum Application Form or the ASBA Form, as applicable, will also be deemed a 'permanent employee' of our Company.
Employee Reservation Portion	The portion of the Issue reserved for allocation to Eligible Employees on a proportionate basis, subject to a maximum of 350,000 Equity Shares.
Equity Shares	The equity shares of our Company of face value of Rs. 10 each.
Escrow Account(s)	Accounts opened with the Escrow Collection Banks for this Issue to which cheques or drafts of the Margin Amount are issued by a Bidder (excluding the ASBA Bidders), when submitting a Bid and the remainder of the Bid Amount, if any.
Escrow Agreement	An agreement to be entered into among our Company, the Registrar, the Escrow Collection Banks, the Book Running Lead Managers and the Syndicate Members for the collection of Bid Amounts and for remitting refunds, if any, to the Bidders (excluding the ASBA Bidders) on the terms and conditions thereof.
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or the

Term	Description
	Revision Form or the ASBA Form.
Floor Price	The minimum price below which no Bids will be accepted.
Fresh Issue	The issue of 128,799,000 Equity Shares by our Company offered for subscription pursuant to the terms of this Red Herring Prospectus.
Issue	Public issue of 171,732,000 Equity Shares for cash at prices determined through the Alternate Book Building Process aggregating up to Rs. [●] million consisting of the Fresh Issue and Offer for Sale.
Issue Agreement	The agreement entered into on December 1, 2009, amongst our Company, the Selling Shareholder and the Book Running Lead Managers, pursuant to which certain arrangements are agreed to in relation to the Issue.
Issue Closing Date	The date after which the Syndicate and SCSBs will not accept any Bids, which shall be notified in an English national daily newspaper and a Hindi national daily newspaper, each with wide circulation and in case of any revision, the extended Issue Closing Date also to be notified on the website and terminals of the Syndicate and SCSBs, as required under the SEBI Regulations.
Issue Opening Date	The date on which the Syndicate and SCSBs shall start accepting Bids, which shall be the date notified in an English national daily newspaper and a Hindi national daily newspaper, each with wide circulation and in case of any revision, the extended Issue Opening Date also to be notified on the website and terminals of the Syndicate and SCSBs, as required under the SEBI Regulations.
Issue Proceeds	Gross proceeds to be raised by our Company through the Fresh Issue.
Key Managerial Personnel	The personnel listed as key managerial personnel of our Company in the section titled "***Our Management***" on page 112.
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid and which may range between 10% and 100% of the Bid Amount.
Mutual Fund Portion	5% of the QIB Portion or 4,284,550 Equity Shares, available for allocation to Mutual Funds only, out of the QIB Portion.
Net Proceeds	Net proceeds of the Issue after deducting the Issue related expenses from the Issue Proceeds.
Non-Institutional Bidders	All Bidders (including ASBA Bidders and Sub-Accounts which are foreign corporates or foreign individuals) that are not Qualified Institutional Buyers or Retail Individual Bidders or Eligible Employees bidding under the Employee Reservation Portion.
Non-Institutional Portion	The portion of this Issue being not less than 15% of the Net Issue consisting of 25,707,300 Equity Shares, available for allocation to Non-Institutional Bidders.
Offer for Sale	The offer for sale of 42,933,000 Equity Shares by the Selling Shareholder, pursuant to the terms of this Red Herring Prospectus.
Pay-in Date	Except with respect to ASBA Bidders, the Issue Closing Date with respect to the Bidders whose Margin Amount is 100% of the Bid Amount or the last date specified in the CAN sent to the Bidders with respect to the Bidders whose Margin Amount is less than 100% of the Bid Amount.
Pay-in Period	(i) With respect to Bidders, excluding ASBA Bidders, whose Margin Amount is 100% of the Bid Amount, the period commencing on the Issue Opening Date and extending until the Issue Closing Date; and (ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Issue Opening Date and extending until the last day specified in the CAN.
Payment through electronic transfer of funds	Payment through ECS, Direct Credit or RTGS, as applicable.
Pricing Date	The date on which the Clearing Prices are finalised by our Company and the Selling Shareholder, in consultation with the Book Running Lead Managers.
Prospectus	The prospectus of our Company to be filed with the RoC for this Issue post the Pricing Date in accordance with Sections 56, 60 and 60B of the Companies Act and the SEBI Regulations.
Public Issue Account	The bank account opened with the Bankers to the Issue by our Company under Section 73 of the Companies Act to receive money from the Escrow Accounts on the Designated Date and where the funds shall be transferred by the SCSBs from the ASBA Accounts.
"QIBs" or "Qualified Institutional Buyers"	Public financial institutions as defined in Section 4A of the Companies Act, FIIs and Sub-Accounts (other than Sub-Accounts which are foreign corporates or foreign individuals), VCFs, FVCIs (subject to receipt of appropriate approvals by the FVCI from the appropriate regulatory authority), multilateral and bilateral financial institutions, scheduled commercial banks, Mutual Funds, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds (subject to applicable

Term	Description
	law) with a minimum corpus of Rs. 250 million, pension funds with a minimum corpus of Rs. 250 million and the NIF and insurance funds set up and managed by the Army, Navy or Air Force of the Union of India, eligible for bidding in this Issue.
QIB Margin Amount	An amount representing at least 10% of the Bid Amount that the QIBs are required to pay at the time of submitting a Bid, which shall be payable at each Bid option specified in the Bid cum Application Form.
QIB Portion	The portion of the Net Issue being a minimum 85,691,000 Equity Shares to be allocated to QIBs.
"Red Herring Prospectus" or "RHP"	This red herring prospectus to be issued by our Company in accordance with Sections 56, 60 and 60B of the Companies Act and the SEBI Regulations.
Refund Account(s)	The account opened with the Refund Banker(s), from which refunds of the whole or part of the Bid Amount (excluding the ASBA Bidders), if any, shall be made.
Refunds through electronic transfer of funds	Refunds through ECS, NEFT, direct credit or RTGS, as applicable.
Refund Banker(s)	The bank(s) which is a/ are clearing members and registered with the SEBI as Bankers to the Issue, at which the Refund Accounts will be opened, in this case being HDFC Bank Limited and Axis Bank Limited.
Registrar to the Issue	Karvy Computershare Private Limited.
Retail Individual Bidders	Bidders, including HUFs (applying through their *Karta*), NRIs and ASBA Bidders, who have Bid for an amount less than or equal to Rs. 100,000.
Retail Portion	The portion of this Issue being not less than 35% of this Issue, consisting of 59,983,700 Equity Shares, available for allocation to Retail Individual Bidders on a proportionate basis.
Revision Form	The form used by the Bidders, except the ASBA Bidders, to modify the quantity of their Bids or the Bid Amount, as applicable.
Self Certified Syndicate Bank or SCSB	The banks which are registered with SEBI under the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994 and offers services in relation to ASBA, including blocking of bank account and a list of which is available on http://www.sebi.gov.in.
Selling Shareholder	Our Promoter or the President of India, acting through the MoP.
Stock Exchanges	The BSE and the NSE.
Syndicate Agreement	The agreement to be entered into among our Company, the Selling Shareholder and members of the Syndicate, in relation to the collection of Bids (excluding Bids from the ASBA Bidders).
Syndicate Members	Intermediaries registered with the SEBI and permitted to carry out activities as an underwriter, in this case being JM Financial Services Private Limited and Kotak Securities Limited.
"Syndicate" or "members of the Syndicate"	The Book Running Lead Managers and the Syndicate Members.
"Transaction Registration Slip" or "TRS"	The slip or document issued by any of the members of the Syndicate, or the SCSBs upon demand as the case may be, to a Bidder or an ASBA Bidder, as applicable, as proof of registration of the Bid.
Underwriters	The Book Running Lead Managers and the Syndicate Members.
Underwriting Agreement	The agreement to be entered into between the Underwriters, our Company and the Selling Shareholder, on or after the Pricing Date.
Working Day (s)	All days except Saturday, Sunday and any public holiday on which commercial banks in Mumbai are open for business.

Conventional/General Terms, Abbreviations and References to Other Business Entities

Abbreviation	Full Form
AAR	Authority for Advance Ruling.
A/c	Account.
AGM	Annual general meeting.
AS	Accounting Standards as issued by the ICAI.
Assessment Year	The period of twelve months commencing from the first day of April every year.
BPLR	Benchmark Prime Lending Rate.
BSE	Bombay Stock Exchange Limited.
CAGR	Compounded Annual Growth Rate.
CBDT	Central Board of Direct Taxes.
CDSL	Central Depository Services (India) Limited.
CIN	Corporate identification number.

Abbreviation	Full Form
CIT	Commissioner of Income Tax.
Companies Act	The Companies Act, 1956, as amended.
CRISIL	CRISIL Limited.
CST	The Central Sales Tax Act, 1956.
Depositories	NSDL and CDSL.
Depositories Act	The Depositories Act, 1996, as amended.
DIN	Director's identification number.
DIPP	Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India.
DP ID	Depository Participant's Identity.
DRAT	Debt Recovery Appellate Tribunal.
DVC	Damodar Valley Corporation.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
ECB	External commercial borrowings.
ECS	Electronic Clearing System or the National Electronic Clearing System.
EGM	Extraordinary general meeting.
EPS	Earnings per share i.e., profit after tax for a Fiscal/period divided by the weighted average number of equity shares/potential equity shares during that Fiscal/period.
ESI	Employee's state insurance.
ESIC	Employee's state insurance corporation.
FCNR Account	Foreign currency non-resident account.
FDI	Foreign direct investment, as understood under applicable Indian regulations.
FEMA	The Foreign Exchange Management Act, 1999, together with rules and regulations framed thereunder, as amended.
FEMA Regulations	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 and amendments thereto.
FII	Foreign Institutional Investor, as defined in and registered under the FII Regulations.
FII Regulations	Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended.
FVCI	Foreign venture capital investor as defined in and registered under the FVCI Regulations.
FVCI Regulations	Securities and Exchange Board of India (Foreign Venture Capital Investors) Regulations, 2000, as amended.
FIPB	The Foreign Investment Promotion Board of the Government of India.
"Fiscal" or "Financial Year" or "FY"	A period of twelve months ended March 31 of that particular year, unless otherwise stated.
GDP	Gross domestic product.
GDR	Global depository receipts.
GIR Number	General index registry number.
GoI	Government of India.
GRICL	Gujarat Road and Infrastrucutre Company Limited.
G-Sec	Government security.
HUDCO	Housing and Urban Development Corporation Limited.
HUF	Hindu undivided family.
IRR	Internal rate of return.
Indian GAAP	Generally accepted accounting principles in India.
ICAI	The Institute of Chartered Accountants of India, New Delhi.
ICSI	The Institute of Company Secretaries of India, New Delhi.
IFRS	International financial reporting standards.
IPO	Initial public offering.
IRDA	The Insurance Regulatory and Development Authority constituted under the Insurance Regulatory and Development Authority Act, 1999, as amended.
IIFCL	India Infrastructure Finance Company Limited.
IIM	Indian Institute of Management.
IIT	Indian Institute of Technology.
IT	Information technology.
IT Act	The Income Tax Act, 1961, as amended.
ITAT	Income Tax Appellate Tribunal.
ITCL	IL&FS Trust Company Limited.
IT Department	Income tax department.
ITSL	IDBI Trusteeship Services Limited.

Abbreviation	Full Form
JICA	Japan International Cooperation Agency
LA Act	Land Acquisition Act, 1894.
LIC	Life Insurance Corporation of India.
Ltd.	Limited.
Merchant Banker	Merchant banker as defined under the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992.
Merchant Banker Regulations	Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992, as amended.
MIBOR	Mumbai Inter-Bank Offer Rate.
MICR	Magnetic ink character recognition.
MoP	Ministry of Power, Government of India.
MoU	Memorandum of Understanding.
Mutual Funds	Mutual funds registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended.
NBFC	Non Banking Financial Company.
N.A.	Not applicable.
NAV	Net asset value being paid-up equity share capital plus free reserves (excluding reserves created out of revaluation, preference share capital and share application money) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of 'profit and loss account', divided by number of issued equity shares outstanding at the end of Fiscal.
Net Worth	The aggregate of the paid up share capital, share premium account, and reserves and surplus (excluding revaluation reserve) as reduced by the aggregate of miscellaneous expenditure (to the extent not adjusted or written off) and the debit balance of the profit and loss account.
NEFT	National electronic fund transfer service.
NHPC	NHPC Limited.
NIF	National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India, including any amendments thereto.
"Non Residents" or "NRs"	Persons resident outside India, as defined under FEMA, including Eligible NRIs and FIIs.
"Non Resident Indian" or "NRI"	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, such term as defined under the Foreign Exchange Management (Deposit) Regulations, 2000, as amended.
NRE Account	Non-resident external account.
NRO Account	Non-resident ordinary account.
NSDL	The National Securities Depository Limited.
NSE	The National Stock Exchange of India Limited.
NTPC	National Thermal Power Corporation Limited.
"Overseas Corporate Body" or "OCB"	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under FEMA.
p.a.	Per annum.
PAN	Permanent Account Number allotted under the IT Act.
P/E Ratio	Price/earnings ratio.
PFC	Power Finance Corporation Limited.
PGCIL	Power Grid Corporation of India Limited.
PLR	Prime lending rate.
PTC(s)	Pass through certificate/s.
Pvt.	Private.
PWD	Public Works Department.
RAP	Resettlement Action Plan.
RBI	Reserve Bank of India.
Regulation S	Regulation S under the U.S. Securities Act.
RoC	The Registrar of Companies, National Capital Territory of Delhi and Haryana at New Delhi, India.
RoNW	Return on Net Worth.
"Rs." or "Rupees"	Indian Rupees.
RTGS	Real time gross settlement.

Abbreviation	Full Form
SAT	Securities Appellate Tribunal.
SBI	The State Bank of India Limited.
SCRA	The Securities Contracts (Regulation) Act, 1956, as amended.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended.
SEBI Regulations	The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended.
U.S. Securities Act	The U.S. Securities Act of 1933, as amended.
Sec	Section.
SEZ	Special Economic Zone.
SICA	The Sick Industrial Companies (Special Provisions) Act, 1985, as amended.
SPV	Special purpose vehicle.
Sub-Account	Sub-accounts of FIIs registered with SEBI under the Securities and Exchange Board of India (Foreign Institutional Investor) Regulations, 1995, as amended from time to time.
TAN	Tax Deduction Account Number.
Takeover Code	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended.
"U.S." or "US" or "U.S.A."	The United States of America, including its territories and possessions, any state of the Unites States of America and the District of Columbia.
U.S. GAAP	Generally accepted accounting principles in the United States of America.
VCFs	Venture Capital Funds as defined in and registered with SEBI under the VCF Regulations.
VCF Regulations	The Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996, as amended.

Industry/ Project Related Terms and Abbreviations

Term	Description
ADB	Asian Development Bank.
AG&SP	Accelerated Generation and Supply Programme.
ALCO	Asset Liability Management Committee.
ALM	Asset Liability Management.
APDRP	Accelerated Power Development Reform Programme.
AT&C	Aggregate technical and commercial losses.
BPLR	Benchmark Prime Lending Rate.
Bps	Basis points.
BPL	Below Poverty Line.
BPC	Bid Process Coordinator
CEA	Central Electricity Authority.
CERC	Central Electicity Regulatory Commission.
CIRE	Central Institute for Rural Electrification Corporation, Hyderabad.
Ckm	Circuit kilo meter.
CPSU	Central Public Sector Undertaking.
CTU	Central Transmission Utility.
DDG projects	Decentralised Distributed Generation
Discom	Distribution Company.
DPE	Department of Public Enterprises, GoI.
DRUM	Distribution Reforms Upgrades and Management Project.
DDG	Decentralized Distributed Generation.
ED	Electricity Department.
Electricity Act	The Electricity Act, 2003.
Eleventh Plan	The Eleventh Five Year Plan.
ERP	Enterprise Resource Planning
FDI	Foreign Direct Investment.
Fitch	Fitch Ratings India Limited.
Five Year Plan	One series of five-year plans adopted by the GoI that sets out, among other things, targets for economic development in various sectors, including the power sector.
GW	Giga Watts.
Genco	Generation Company.
HVDS	High Voltage Distribution Systems.
IPP	Independent Power Provider.

Term	Description
IREDA	Indian Renewable Energy Development Agency.
KV	Kilo volts.
KW	Kilo Watts.
kWh	Kilo Watt hour.
LIBOR	London Inter Bank Offered Rate.
LVDS	Low Voltage Distribution Systems.
MoF	Ministry of Finance, Government of India.
Moody’s	Moody's Investor Service Limited.
MU	Million Units.
MW	Mega Watts.
Ninth Plan	The Ninth Five Year Plan.
NPA	Non Performing Assets.
R-APDRP	Restructured APDRP
RGGVY	Rajiv Gandhi Grameen Vidyutikaran Yojana.
SEB	State Electricity Board.
SERC	State Electicity Regulatory Commission.
SLR	Statutory Liquidity Ratio.
SPSU	State Public Sector Undertaking.
SPU	State Power Utility.
STU	State Transmission Utility.
T&D	Transmission and Distribution.
Transco	Transmission Company.
Tenth Plan	The Tenth Five Year Plan.
Unit	Kilo Watt hour.

The words “Lakh” or “Lac” mean “100 thousand” and the word “million” means “10 Lakh” and the word “crore” means “10 million” or “100 Lakhs” and the word “billion” means “1,000 million” or “100 crores”.

The words and expressions used but not defined herein shall have the same meaning as is assigned to such terms under the Companies Act, the SCRA, the Depositories Act and the rules and regulations made thereunder.

Notwithstanding the foregoing, terms in sections titled “Main Provisions of the Articles of Association”, “Statement of Tax Benefits” and “Financial Statements” on pages 290, 40 and F-1, respectively, have the meanings given to such terms in these respective sections.

CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION AND MARKET DATA AND CURRENCY OF PRESENTATION

Certain Conventions

All references in this Red Herring Prospectus to "India" are to the Republic of India. All references in this Red Herring Prospectus to the "US", "USA" or "United States" are to the United States of America.

Financial Data

The financial statements provided in this Red Herring Prospectus are prepared in accordance with Indian GAAP which differs in certain respects from IFRS and US GAAP. We have not attempted to quantify the impact of US GAAP or IFRS on the financial data included in this Red Herring Prospectus, nor do we provide a reconciliation of our financial statements to those of US GAAP or IFRS. Accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. In making an investment decision, investors must rely upon their own examination of our Company, the terms of the Issue and the financial information relating to our Company. Potential investors should consult their own professional advisers for an understanding of these differences between Indian GAAP and IFRS or US GAAP, and how such differences might affect the financial information contained herein.

For more information on the differences between Indian GAAP, US GAAP and IFRS, see the section titled "***Summary of Significant Differences between Indian GAAP, US GAAP and IFRS***" on page 142.

Certain discussions in this Red Herring Prospectus are based on our unconsolidated restated financial statements, which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Regulations and do not include the consolidated financial position or results of operation of our Subsidiaries. We principally conduct our operations through our Company. Consequently, we do not believe the results of operation or financial position of our Subsidiaries on a consolidated basis has had a material impact on the unconsolidated financial position or results of operation of our Company for any period presented herein. Our consolidated restated financial statements, which have been prepared in accordance with Indian GAAP, the Companies Act, and the SEBI Regulations, for the six months ended September 30, 2009, Fiscal 2009 and Fiscal 2008 are included in this Red Herring Prospectus.

Our Fiscal commences on April 1 and ends on March 31, so all references to a particular Fiscal are to the twelve-month period ended March 31 of that year. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

Currency of Presentation

All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$", "U.S. Dollar" or "US Dollars" are to United States Dollars, the official currency of the United States of America. All references to "€" or "EURO" are to Euros, the single currency of the participating Member States in the Third Stage of European Economic and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. All references to "Yen" or "Japanese Yen" or "JPY" are to the Japanese Yen, the official currency of Japan.

Market Data

Unless stated otherwise, industry data used throughout this Red Herring Prospectus has been obtained from publicly available documents prepared by various sources including officially prepared materials from the GoI and its various ministries and various multilateral institutions including:

- Website of the Central Electricity Authority of India (www.cea.nic.in as on January 15, 2010);
- Website of the MoP (www.powermin.nic.in as on January 15, 2010);
- Website of the Planning Commission of India (www.planningcommission.nic.in as on January 15, 2010);
- Website of the Central Intelligence Agency, United States of America (www.cia.gov as on

January 15, 2010)

- Website of Power Finance Corporation Limited (http://pfc.gov.in as on January 15, 2010)
- Annual Report of MoP, 2005-06;
- Annual Report of MoP, 2006-07;
- Annual Report of MoP, 2007-08;
- Annual Report of MoP, 2008-09;
- RBI Second Quarter Review of Monetary Policy 2009-2010
- RBI Annual Policy Statement for the Year 2008-09
- RBI Annual Policy Statement for the Year 2007-08
- RBI Annual Policy Statement for the Year 2005-06
- Report of the Working Group on Power for Eleventh Plan (2007-12), Volume II, Main Report, MoP, February 2007;
- Agenda for Discussion, Conference of Chief Secretaries/Power Secretaries of States/UTs on Power Sector Issues, MoP, 23-24 April 2007;
- Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for 11th Plan and Beyond, New Delhi, MoP and Central Electricity Authority, 4-5 July 2007;
- Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for 12th Plan and Beyond, New Delhi, MoP and Central Electricity Authority, August 18-19, 2009;
- RGGVY, Scheme for Rural Electricity Infrastructure and Household Electrification, MoP, April 2005;
- Towards Faster and More Inclusive Growth, An Approach to the 11th Five Year Plan, Planning Commission, GoI, December 2006; and
- Integrated Energy Policy, Expert Committee on Power, Planning Commission, GoI, August 2006.

Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although, we believe industry data used in this Red Herring Prospectus is reliable, it has not been verified by any independent sources.

Exchange Rates

Except as otherwise stated, the exchange rates of the respective foreign currencies for the periods mentioned below are as follows:

Currency	Exchange Rate as on (in Rs.)						
	December 31, 2009	September 30, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006	March 31, 2005
1 USD	46.68	48.04	50.95	39.97	43.59	44.61	43.75
100 JPY	50.51	53.35	51.87	40.08	37.00	38.01	40.84
1 Euro	67.07	70.24	67.48	63.09	58.14	54.20	56.58

Source: *www.rbi.org.in*

Conversion Table

Term	Description
1 Acre	4,840 square yards.
	4,046.85 square meters.
	0.405 hectares.
	43,560 square feet.
	8 kanals.
	160 marlas.
	100 cents.
	1.6 bighas.
	32 biswas.

FORWARD-LOOKING STATEMENTS

We have included statements in this Red Herring Prospectus which contain words or phrases such as "will", "aim", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "project", "should", and similar expressions or variations of such expressions, that are "forward-looking statements".

Actual results may differ materially from those suggested by the forward looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to:

- changes in the policies or support of the GoI to our business or industry;
- the performance of our loan assets and our ability to secure payment thereon;
- our ability to finance our indebtedness as it comes due and to obtain the additional financing necessary to grow our business;
- our ability to maintain low cost of funds and the continued availability to us of low cost borrowings;
- changes in Indian and international interest rates;
- the continued availability to us of tax benefits;
- our ability to implement our strategy and manage our growth effectively;
- possible contingent liabilities and uninsured losses;
- our ability to grow our asset portfolio;
- our ability to comply with restrictive covenants under our indebtedness and manage our business within those restrictions;
- the outcome of legal proceedings in which we are or may become involved;
- our ability to compete effectively;
- our dependence on our management team and skilled personnel;
- risks associated with the projects we finance;
- general economic and business conditions in the Indian power sector or the Indian economy;
- changes to the regulations that govern us and our borrowers;
- our ability to obtain, renew or comply with regulatory licenses;
- our ability to respond to competitive conditions;
- our ability to successfully implement our strategy;
- our ability to anticipate trends in our current business lines and respond suitably;
- changes in political conditions in India and internationally;
- governmental and regulatory actions that may affect our business or our industry.

For further discussion of factors that could cause our actual results to differ, see the section titled "***Risk Factors***" on page xii. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company, nor the Selling Shareholder, nor the members of the Syndicate, nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company, the Selling Shareholder and the Book Running Lead Managers will ensure that investors in India are informed of material developments until such time as the grant of trading permission by the Stock Exchanges for our Equity Shares Allotted pursuant to the Issue.

SECTION II – RISK FACTORS

An investment in equity shares involves a high degree of risk. You should carefully consider all of the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding, you should read this section in conjunction with the sections entitled "Our Business" on page 57 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 147 as well as the other financial and statistical information contained in this Red Herring Prospectus. Any of the following risks as well as the other risks and uncertainties discussed in this Red Herring Prospectus could have a material adverse effect on our business, financial condition and results of operations and could cause the trading price of our Equity Shares to decline, which could result in the loss of all or part of your investment. Unless otherwise stated in the relevant risk factors set forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein.

Internal Risk Factors

1. One of our independent Directors is involved in certain prosecution proceedings initiated by the Securities and Exchange Board of India

Mr. Venugopal N. Dhoot, one of our independent Directors, is involved in certain prosecution proceedings initiated by the SEBI. In 2001, SEBI issued an order that prohibited the erstwhile Videocon International Limited (now amalgamated with Videocon Industries Limited), a company promoted by Mr. Dhoot and of which Mr. Dhoot was a director, from accessing the capital markets for three years and instituted prosecution proceedings against Videocon International Limited through Videocon International Limited's directors, including Mr. Dhoot under the provisions of the SEBI Act for violation of Regulation 4(a) and 4(d) of the Securities Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations 1995, as amended. Videocon International Limited and its directors filed an appeal before the Securities Appellate Tribunal (**"SAT"**) which set aside the SEBI order restraining Videocon International Limited from raising money from the public. However, the SAT ruled that it was beyond its jurisdiction to set aside the prosecution proceedings. Accordingly, the prosecution proceedings instituted by SEBI are currently pending. Mr. Dhoot and others filed a petition before the Mumbai High Court to quash or grant a stay of the prosecution proceedings which are currently pending.

The Mumbai High Court by order dated January 16, 2008 held that the complaints filed before or after October 29, 2002 but in respect of the alleged offence that have taken place prior to the said date are required to be tried by the court to which they were presented (i.e. the Magistrate Court) and they are not required to be committed/ transferred to the Court of Sessions. The Mumbai High Court accordingly quashed and set aside the committal/ transfer orders by the Magistrate Court in the complaints filed by SEBI and the Sessions Court was directed to return the concerned complaints to respective Magistrates Court where they were originally filed by SEBI.

Being aggrieved by the said order of the Mumbai High Court, SEBI preferred petitions for special leave before the Supreme Court of India. The Supreme Court of India has granted stay of further proceedings while the special leave petitions are pending.

For further details of these proceedings, see the section titled "***Outstanding Litigation and Material Developments***" on page 197.

2. Our business and our industry are dependent on the policies and support of the Government of India which makes us susceptible to changes to such policies and the level of support we receive

We are a GoI-owned company operating in a regulated industry. Our business and our industry are dependent, directly and indirectly, on the policies and support of the GoI in many significant ways, including with respect to the cost of our capital, the financial strength of our borrowers, the management and growth of our business and our industry and our overall profitability.

Historically, we have been able to reduce our cost of capital and reliance on commercial borrowings because of various forms of assistance received from GoI. Currently, we receive tax concessions with respect to certain types of our bonds that enable us to price such bonds at a lower rate of interest than would otherwise be available to us. We also benefit from direct tax benefits provided by the GoI.

The GoI also impacts the nature of our business in a number of ways. In particular, the GoI establishes the schemes in which we and our borrowers participate. Like any other public sector undertaking, the GoI can also influence or determine key decisions about our Company, including with respect to dividends and the appointment of members of our Board. Additionally, the GoI may implement policies that are inconsistent with our business objectives. For example, although we intend to continue to diversify our asset portfolio and continue to increase generation-related lending activity, our lending capacity is not unlimited and the GoI could seek refocus of our lending capacity on transmission and distribution projects or rural areas.

Our borrowers are also significantly impacted by the policies and support of the GoI in a variety of ways, as the GoI regulates the industry in which our borrowers operate. For example, the GoI has established a number of schemes and provides incentives that provide benefits to power projects that have enhanced the financial viability of the projects and the financial position of our borrowers. Additionally, the GoI has in the past assisted us in procuring the repayment of our loans from our borrowers.

Furthermore, the growth of our business is dependent upon the continued growth of the power sector and the overall Indian economy, which are significantly impacted by the policies of the GoI. Changes in the policies of, or in the level of direct or indirect support to us provided by, the GoI in these or other areas could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

3. We have a significant concentration of outstanding loans to certain borrowers and if the loans to these borrowers become non-performing, the quality of our asset portfolio may be adversely affected

We are a power sector-specific public financial institution. This sector has a limited number of borrowers and our past exposure has been, and future exposure is anticipated to be, large with respect to these borrowers. In addition, many of these borrowers are public sector utilities that are loss-making and therefore may not have liquidity to repay their borrowings.

As on September 30, 2009, the individual borrower to whom we had the greatest amount of outstanding loans accounted for 7.57% of our total outstanding loans and the borrower group to which we had the greatest amount of outstanding loans in the aggregate accounted for 12.66% of our total outstanding loans. As on September 30, 2009, the ten individual borrowers to whom we had the greatest amount of outstanding loans in the aggregate accounted for 44.97% of our total outstanding loans and the ten borrower groups to which we had the greatest amount of outstanding loans in the aggregate accounted for 77.89% of our total outstanding loans. For further details, see the section titled "***Selected Statistical Information***" on page 133. In addition to our exposure to borrowers resulting from our outstanding loans, we may also have exposures to borrowers, including the ten individual borrowers and borrower groups referred to above, in the form of unfunded loan sanctions.

In particular, we have significant exposure to, and derive most of our income from various SEBs and SPUs. As on September 30, 2009, we had aggregate loans outstanding to state sector borrowers of Rs. 485,547 million, which constituted 83.87% of our total loans outstanding. Historically, state sector utilities have had relatively weak financial position and have in the past defaulted on their indebtedness. Consequently, we have had to restructure loans sanctioned to certain SEBs, which resulted in our having to reschedule their loans and waive part of their interest dues on account of such restructuring. There can be no assurances that the applicable SEBs and SPUs will be able to perform under the terms of the rescheduled loans.

Any negative trends or financial difficulties, particularly among the borrowers and borrower groups to whom we have the greatest exposure, including SEBs and SPUs, could increase the level of NPAs in our portfolio and make us unable to service our outstanding indebtedness. For the foreseeable future, we expect to continue to have a significant concentration of loans to certain borrowers, including SEBs and SPUs.

Furthermore, as we continue to increase our exposure to generation projects, our individual loan size will likely increase in size, thereby increasing our exposure with respect to individual projects.

Credit losses on the individual borrowers and borrower groups to whom, as well as the projects in respect of which, we have the greatest exposure could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

4. Our ability to compete effectively will be dependent on our ability to maintain a low effective cost of funds; if we are unable to do so it would have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares

Our ability to compete effectively is dependent on our ability to maintain a low effective cost of funds. Historically, our access to funds has been enhanced and our cost of funds reduced by equity financing and loans received directly from GoI, as well as tax concessions with respect to, and guarantees of, certain types of our bonds and borrowings that enable us to price such borrowings at a lower rate of interest than would otherwise be available to us. For further details, see the section titled "***Our Business-Resource Mobilization***" on page 73.

There can be no assurances as to the level of direct or indirect support to us provided by the GoI and negative changes in the policies of the GoI could materially increase the cost of funds available to us. In particular, the GoI has not provided us any direct funding since 2001. Similarly, the GoI has not allowed us to issue SLR bonds since Fiscal 1999, tax-free bonds since Fiscal 2002 and infrastructure bonds since Fiscal 2006. In addition, since January 2007 the GoI has limited the amount of our bonds that an individual investor can utilize to offset capital gains to Rs. 5 million, which has reduced the amount of bonds we have been able to offer for subsequent periods. Consequently, we are increasingly reliant on funding from the debt capital markets and commercial borrowings. As a result of these and other factors, our Company's cost of funds has risen from 6.25% for Fiscal 2006 to 7.52% for the six months ended September 30, 2009 (based on our unconsolidated restated financial statements). While we generally have been able to pass the increased cost of funds onto our customers over this period, we may not continue to be able to do so. In particular, financially stronger SPUs and private sector borrowers may seek to source their funds directly from the market if our loan products are not competitively priced and our ability to price our products depends on our cost of capital.

Our ability to continue to obtain funds from the debt capital markets and through commercial borrowings on acceptable terms will depend on various factors including, in particular, our ability to maintain our credit ratings, which are based upon several factors, many of which are outside our control, including the economic conditions in the power sector and the Indian economy, and the liquidity in the domestic and global debt markets, which has been severely restricted during the recent financial crisis and may be in the future. There can be no assurances as to whether we will be able to maintain our existing ratings and downgrades of our ratings could materially increase the cost of funds available to us, particularly from the debt capital markets and commercial borrowings. Furthermore, certain of our existing commercial borrowings require us to pay increased rates of interest in the event of a ratings downgrade and/or to repay the loan in its entirety.

If we are not able to maintain a low effective cost of funds, we may not be able to competitively price our loans and, accordingly, we may not be able to maintain the profitability or growth of our business, which could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

5. We currently fund our business in significant part through use of borrowings that have shorter maturities than the maturities of substantially all of our new loan assets and we may be required to obtain additional financing in order to repay our indebtedness and grow our

business

We currently fund our business in significant part through the use of borrowings that have shorter maturities than the maturities of substantially all of our new loan assets. In particular, in recent years we have obtained funding through the issuance of 54EC long term tax exemption bonds. These bonds are subject to tax concessions for the benefit of bondholders that enable us to price such bonds at a lower rate of interest than would otherwise be available to us and thereby reduce our cost of capital. However, these bonds require a holding period of only three years from the date of allotment in order for bondholders to receive the benefit of these tax concessions and therefore these bonds typically have put dates or maturity dates at three years from allotment. For additional information with respect to our issuances of 54EC long term tax exemption bonds, see the section titled "***Our Business-Resource Mobilization***" on page 73. However, our terms loans, which constitute the largest component of our loan assets, typically have a maturity of more than ten years. As on September 30, 2009, we had long-term loans outstanding of Rs. 546,719 million, which constituted 94.43% of our outstanding loan assets. Additionally, our other financial products may have maturities that exceed the maturities of our borrowings.

To the extent we fund our business through the use of borrowings that on the whole have shorter maturities than the loan assets we disburse, our loan assets will not timely generate sufficient liquidity to enable us to repay our borrowings as they become due, and we will be required to obtain new borrowings to repay our existing indebtedness. There can be no assurances that new borrowings will be available on favourable terms or at all. In particular, we are increasingly reliant on funding from the debt capital markets and commercial borrowings. The market for such funds is competitive and our ability to obtain funds on acceptable terms will depend on various factors including, in particular, our ability to maintain our credit ratings, which are based upon several factors, many of which are outside our control including the economic conditions in the power sector and the Indian economy, and the liquidity in the domestic and global debt markets, which has been severely restricted during the recent financial crisis and may be in the future.

Any inability to obtain new borrowings, on favourable terms or otherwise, may negatively impact the profitability and growth of our business, which could have an adverse affect on our business, financial condition, results of operations and the trading price of our Equity Shares.

6. Our statutory auditors have qualified their reports on our financial statements for Fiscal 2005, Fiscal 2006, Fiscal 2007, Fiscal 2008, Fiscal 2009 and the six months ended September 30, 2009. In connection with the preparation of the summary restated financial statements appearing in this Red Herring Prospectus, some of the qualifications contained in our statutory auditor's reports were deemed to be continuing by our current joint statutory auditors

Our statutory auditors have qualified their reports on our audited financial statements for Fiscal 2005, Fiscal 2006, Fiscal 2007, Fiscal 2008, Fiscal 2009 and the six months ended September 30, 2009. Neither those audited financial statements nor our statutory auditors' reports thereon are included in this Red Herring Prospectus.

Our joint statutory auditors for six months ended September 30, 2009, M/s. Bansal & Co., Chartered Accountants, and M/s. K.G. Somani & Co., Chartered Accountants, have examined the restated summary financial statements included in this Red Herring Prospectus, and have included in their report thereon those qualifications that they deem to be continuing. See the section titled "***Financial Statements***" on page F-1.

The qualifications that were deemed to be continuing as of September 30, 2009 are as follows:

"However in certain areas internal control needs further strengthening like financial accounting; loan pricing being linked to rating linked policy; review of transmission and distribution lending norms prescribing appropriate debt equity ratios; adoption of control records regarding status of loan documents; receipt, disbursement and utilization of grants received under various schemes; monitoring of loans given to various SEB's / Discoms /

Transcoms / Gencos including obtaining search reports for charges created against the loan given."

"Corporation is having Internal Audit Department responsible for carrying out the internal audit of various departments at Head Office and at Project Offices at periodical intervals as per the approved audit plan. In our opinion internal audit needs to be further strengthened with identification of critical areas for risk based audit."

With respect to internal audit, the 'Internal Audit Division' of our Company has taken certain steps in the recent past to strengthen its working, namely, revision of the internal audit manual on the basis of changes in law and accounting standards, strengthening of the internal audit by incorporating various current practices in the industry, refining of the internal audit reporting structure, introduction of management committee of audit for better monitoring of issues and phased implementation of Enterprise Resource Planning. Such steps have resulted in the standardization of sanction letters for transmission and distribution schemes, a road map for recovery of long outstanding loans, standardization of procedures on appointment of mobilisers/arrangers for bonds, framing of entity appraisal guidelines for generation schemes and "know your customer" norms. However, there can be no assurances that our current or future statutory auditors will view such steps to be sufficient, and, consequently that the reports issued by such auditors will not contain similar qualifications in future periods. Further, our Company, has in the past, incurred expenditure of more than Rs. 1.5 million without GoI approval although at the time, it was restricted under its Articles to incur such expenditure. However, pursuant to a resolution dated August 30, 2005 passed by our Board, as approved by our shareholders at the AGM dated September 22, 2005, our Articles have been amended, consequent to which our Directors could now incur capital expenditure to the extent of Rs. 3,000 million or equal to our Net Worth, whichever is lower, without seeking the approval of the GoI. For further details, see the Risk Factor No. 42 "*We have historically incurred capital expenditure without the GoI approval as required under the then existing Articles of Association*" in the section titled "***Risk Factors***" on page xxx.

In addition, the report of the Auditors reproduces certain historical qualifications. Those qualifications related to matters such as timely payment of statutory dues to authorities, contribution to provident fund, records and verification of fixed assets, timely payment of taxes, issuance of bonds without RBI approval, raising of short-term funds for deployment on a long-term basis. Our Company has taken remedial action with respect to these qualifications and similar qualifications have not been included by our auditors since Fiscal 2007. However, there can be no assurances that our current or future statutory auditors will not include similar qualifications in future periods.

7. We currently engage in foreign currency borrowings and are likely to do so at increased levels in the future, which will expose us to fluctuations in foreign exchange rates, which could adversely affect our business, financial condition and results of operations and the price of our Equity Shares

As on September 30, 2009, we had foreign currency borrowings outstanding equal to Rs. 16,829 million, or 3.26%, of our total borrowings and we are likely to obtain additional foreign currency borrowings in the future. Although we believe that our foreign currency hedging with respect to our existing foreign currency borrowings is effective, there can be no assurances that it will remain effective or that we will enter into effective hedging with respect to any new foreign currency borrowings. We expect to increase our foreign currency borrowing in the future, and we therefore may be further exposed to fluctuations in foreign currency rates. Volatility in foreign exchange rates could adversely affect our business, financial condition and results of operations and the price of our Equity Shares.

8. We will continue to be controlled by the GoI following this Issue, and our other shareholders will be unable to affect the outcome of shareholder's voting

After the completion of this Issue, the GoI will own 66.80% of our paid up capital. Consequently, the GoI, acting through the MoP, will continue to control us and will have the power to elect and remove our directors and therefore determine the outcome of most proposals for corporate action requiring approval of our Board or shareholders, including with respect to the payment of dividends. In addition, the GoI influences our operations through its various departments and policies. Under our Articles of Association, the GoI may issue directives with respect to the conduct of our business or our affairs or impose other restrictions on us. In particular, given the importance of the power industry to the economy, the GoI could require us to take actions designed to serve the public interest in India and not necessarily to maximize our profits. For further details on our Articles of Association, see the section titled "***Main Provisions of the Articles of Association***" on page 290.

9. We will be impacted by volatility in interest rates in our operations and may be adversely affected by either declining or rising interest rates

We will be impacted by volatility in interest rates in our operations. Interest rates are highly sensitive to many factors beyond our control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political and other conditions and other factors. Due to these factors, interest rates in India have historically experienced and may continue to experience a relatively high degree of volatility.

A substantial portion of our loan assets, including substantially all of our long-term loans, typically permit the borrowers to seek repricing of their loans after three or ten years. As on September 30, 2009, we had long-term loans outstanding of Rs. 546,719 million, which constituted 94.43% of our outstanding loan assets. Additionally, other loan products we offer may permit the borrowers to obtain repricing of their loans from us. When interest rates decline, our borrowers may increasingly seek re-pricing of our loans to them based on the terms of their loan agreements or due to commercial considerations resulting from competitive conditions, which would result in us realizing a lower rate of return on our capital committed to the re-priced loans and adversely affect our profitability, particularly if we did not have the ability to reprice our borrowings. Additionally, if we are unable or unwilling to competitively re-price our loans, we are subject to greater levels of prepayments on our loans. In a decreasing interest rate environment, prepayments may also result in a lower rate of return because we may not be able to redeploy the capital in assets yielding similar rates of return, and any prepayment premium we receive may not fully offset these lower rates of return.

When interest rates rise, we may be more susceptible to such increases than our competitors that have access to lower cost funds, particularly if we have a higher portion of floating rate borrowings or borrowings with shorter durations than that of our competitors.

Further, most of our borrowings are linked to prevailing stated interest rates of LIBOR or MIBOR or such other benchmark interest rates, which are volatile in nature as against most of our loans which carry fixed interest rates. Any unusual fluctuation in such benchmark rates of interest may result in increase of interest rates for our borrowings and given our loans typically bear fixed interest rates, we may not be able to re-price the loans or increase the interest rates with respect to such loans, which could in turn have a material adverse effect on our results of operations and financial condition.

If our cost of borrowing is more susceptible to increases of interest rates than our competitors, we may not be able to competitively price our loans. Accordingly, we may not be able to maintain the profitability or growth of our portfolio in an increasing interest rate environment.

Our treasury operations are also susceptible to volatility in interest rates and any adverse movement in interest rates, though not quantifiable, may adversely impact the value of our treasury operations, and consequently may have an adverse effect on our business, prospects, financial condition and results of operations.

10. We take advantage of certain tax benefits available to us as a lending institution. If these tax benefits were reduced or no longer available to us it would adversely affect our results

We have received and currently receive tax benefits by virtue of our status as a lending institution, including as a result of our lending within the infrastructure sector, which have enabled us to reduce our effective tax rate. For Fiscal 2006, Fiscal 2007, Fiscal 2008 and Fiscal

2009, our Company's effective tax liability as a percentage (computed by dividing our Company's unconsolidated current tax liability by profit before tax, as per our Company's unconsolidated restated financial statements) was 20.59%, 21.17%, 28.42% and 26.44% respectively, compared to statutory corporate tax rates (including surcharge and cess) of 33.66%, 33.66%, 33.99% and 33.99% in Fiscal 2006, Fiscal 2007, Fiscal 2008 and Fiscal 2009, respectively. The availability of these tax benefits is subject to the policies of the GoI, among other things, and there can be no assurances as to the amount of tax benefits that we will receive in the future, if any.

For example, the Finance Act, 2006 revoked the tax benefits we historically received pursuant to Section 10 (23G) of the Income Tax Act, 1961 pursuant to which we received tax deductions for the amount of interest income derived from long-term lending to the infrastructure sector. The revocation of Section 10 (23G) has reduced the tax benefits we received from Fiscal 2007 onwards. As a result of the revocation of Section 10 (23G), our Company's effective tax rate has increased by approximately 0.38%, 0.36% and 0.25% for Fiscal 2007, Fiscal 2008 and Fiscal 2009, respectively. Additionally, the Finance Act of 2007 has amended Section 36(1)(viii) of the Income Tax Act to reduce the amount of long-term interest income that we were able to exempt from taxation from 40% to 20% for Fiscal 2008 and future periods. As a result of this reduction, our Company's effective tax rate has increased by approximately 5.84% and 5.62% for Fiscal 2008 and 2009, respectively.

If the laws or regulations regarding these or other tax benefits were to change further, our taxable income and tax liability may rise, which would adversely impact our financial condition and results of operations and the price of our Equity Shares.

11. If we are unable to manage our growth effectively, our business and financial results could be adversely affected

Our business has experienced meaningful growth in scope and size since we began operations in 1969. We began financing projects outside the area of rural transmission and distribution much later in our Company's history. Since 2001, funding for generation projects has constituted an increasingly larger portion of our business. Additionally, the size of the projects we finance has increased since 2002.

We intend to continue to grow our business in both scope and size, particularly with respect to generation projects, which could place significant demands on our operational, credit, financial and other internal risk controls. In addition, in September 2009, our mandate was further extended to include financing other activities with linkages to power projects, such as coal and other mining activities, fuel supply arrangements for the power sector and other power-related infrastructure. In the event we finance such activities, it would expose us to types of projects with which we have limited experience. The growth of our business may also exert pressure on the adequacy of our capitalization, making management of asset quality increasingly important.

We expect that our asset growth will be primarily funded by the issuance of new debt. We may have difficulty in obtaining funding on attractive terms. Adverse developments in the Indian credit markets, such as increases in interest rates, may increase our debt service costs and the overall cost of our funds and impair our ability to manage our recent growth or to continue to grow our business.

Any inability to manage our growth effectively could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares. Furthermore, because of our recent growth and the long gestation period for power sector investments, our historical financial statements may not be an accurate indicator of our future financial performance.

12. We may not have obtained sufficient security and collateral from our borrowers, or we may not be able to recover, or there may be a delay in recovering, the expected value from any security and collateral which could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares

We have historically granted certain loans to our borrowers where the value of the security for the loan may be less than the amount of the loan, where we have funded the loan prior to obtaining security or where the loans have been granted without security. As on September 30, 2009, we had total loans outstanding of Rs. 578,941 million, of which Rs. 331,973 million, or 57.34%, were secured by charges on assets, Rs. 217,695 million, or 37.60% were unsecured but have a state government guarantee as collateral and Rs. 29,273 million, or 5.06%, were unsecured loans made to public sector borrowers. Although legislation in India has become effective that is intended to strengthen the rights of creditors to obtain faster realization of collateral in the event of loan default, we may nonetheless not be able to realize the full value of our collateral due to certain factors, including delays occasioned by the fact that the loan was granted by us as a part of consortium of lenders or delays in us taking immediate action in bankruptcy foreclosure proceedings, market downturns that affect the value of the collateral, defects in the perfection of collateral and fraudulent transfers by borrowers. Further, upon the occurrence of certain events a specialized regulatory agency may obtain jurisdiction over the assets of our borrowers, which may delay actions on behalf of the borrower's creditors. Any failure to recover the expected value of collateral security could expose us to a potential loss.

In addition, the RBI has devised a corporate debt restructuring system that establishes an institutional mechanism for timely and transparent restructuring of corporate debt. The applicable RBI guidelines envisage that, with respect to corporate debts amounting to Rs. 200 million or more, lenders holding more than 75% of such debt and 60% of the creditors in number, in case of accounts where recovery suits have been filed can decide to restructure the debt and such a decision would be binding on the remaining lenders. In situations where other lenders own more than 75% of the debt of one of our borrowers, we could be required by the other lenders to agree to restructure the debt, regardless of our preferred method of settlement. We may also be a part of a syndicate of lenders wherein the majority elects to pursue a different course of action than the course of action favourable to us, whether or not such debt is subject to RBI guidelines. Any such debt restructuring could lead to an unexpected loss that could adversely affect our business, financial condition and results of operations and the price of our Equity Shares.

Furthermore, some of the rural cooperatives to whom we lend money are required to create a special fund in order to defer interest payments on their loans for a period of five years. As of September 30, 2009, there was a shortfall in the creation of such special funds of Rs. 44 million.

13. ***There are a number of legal proceedings involving our Company. Any unfavourable development in these proceedings or in other proceedings in which we become involved could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares***

Our Company is involved in certain legal proceedings. These proceedings are pending at different levels of adjudication before various courts, tribunals and appellate authorities. A summary of the pending proceedings involving our Company as on the date of filing of this Red Herring Prospectus is provided below:

S. No.	Nature of the cases/claims	No. of cases outstanding	Approximate amount involved (Rs. million)
1.	Income tax proceedings	3	174*
2.	Civil suits and consumer cases	47	4**
3.	Arbitration proceedings	3	48***
4.	Legal notice	3	Not ascertainable
5.	Miscellaneous proceedings	2	Not ascertainable

* *Quantified as of September 30, 2009; For further details, see the* ***section titled*** *"Risk Factors—We are involved in three tax-related legal proceedings that, if determined against us, could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares" on page xxii.*
** *Only seven civil suits are quantifiable.*
*** *In addition, our Company has filed for counter claims aggregating to Rs. 4.67 million.*

In addition, our Company has instituted 11 proceedings in relation to recovery of outstanding dues payable to us by our borrowers. The aggregate amount claimed by our Company in these cases is approximately Rs. 25,402.80 million. The aggregate amount claimed by our Company in these cases wherein recovery orders have been passed is approximately Rs. 7,327.78 million. The aggregate amount claimed against our Company is approximately Rs. 304.97 million.

For further details see the section titled "***Outstanding Litigation and Material Developments***" on page 197.

If any of our current cases or future cases are not resolved in our favour, and if our insurance coverage or any applicable indemnity is insufficient to cover the damages awarded, we may be required to make substantial payments or we may need to make provisions in our financial statements, which could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

14. The escrow account mechanism for the payment obligations of our state sector borrowers may not be effective, which would reduce our recourse in the event of defaulted loans and could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares

We have a mechanism of creating escrow accounts with most of our borrowers in the state sector. As on September 30, 2009, 72.90% of our outstanding loans to our state sector borrowers have an escrow mechanism in place. This mechanism provides that certain predetermined amounts from the payments received by such borrowers from their respective customers are deposited in an escrow account. The deposited amount is available for use by the borrower except in the case of a default on account of non-payment to us by the borrower. In such case, the escrow agent is to make the default amount available to us on demand.

The escrow agreement mechanism is effective only if the customers of our borrowers, including distribution companies and end users of power (such as power traders, industrial, commercial, household and agricultural consumers) make payment to our borrowers and such payment is deposited into the escrow facilities in an amount sufficient to repay the borrower's obligations to us. We do not have any arrangement in place to ensure that this occurs, which limits the effectiveness of the escrow mechanism. In the event the customers of our borrowers do not make payments to our borrowers, the escrow mechanism will not ensure the timely repayment of our loans, which may adversely affect our business, financial condition and results of operations and the price of our Equity Shares.

15. We have granted loans to the private sector on a non-recourse or limited recourse basis, which increases the risk of non-recovery and could expose us to significant losses

As on September 30, 2009, Rs. 38,396 million, or 6.63%, of our loans outstanding were to borrowers that are private sector power utilities (including project-specific special purpose vehicles). We expect to increase our exposure to private sector power utilities. The ability of private sector power utility borrowers and, in particular project-specific special purpose vehicles, to perform their obligations will depend primarily on the financial condition of the projects, which may be affected by many factors beyond the borrowers' control, including competition, as well as other risks such as those relating to operating costs and regulatory issues. If borrowers with non-recourse or limited recourse loans were to be adversely affected by these or other factors and were unable to meet their obligations, the value of the underlying assets available to repay the loans may be insufficient to pay the full principal and interest on the loans, which could expose us to significant losses. Any significant losses could have an adverse effect on our business, financial condition and results of operations and the trading price for our Equity Shares.

16. Our ability to borrow from various banks may be restricted by changes in guidelines issued by the RBI imposing restrictions on banks in relation to their exposure on NBFCs, including us, that may adversely affect our growth and margins

The RBI regulates on a continuous basis, the permitted exposure (both lending and investment, including off balance sheet exposures) that banks may hold with respect to NBFCs such as ourselves. Accordingly, banks may assume exposure limits of up to 15% of the bank's capital funds as per its last audited balance sheet for a NBFC engaged in businesses similar to our Company, provided the exposure in excess of 10%, is on account of funds on-lent by the NBFC to the infrastructure sector.

Presently, the ceiling on bank credit-linked to Net Owned Fund of NBFCs has been withdrawn in respect of all NBFCs registered with the RBI and engaged in principal business of loan and investment activities, among others. Accordingly, banks may extend need-based working capital facilities as well as term loans to all such NBFCs.

Furthermore, the RBI has suggested that banks consider fixing internal limits for their aggregate exposure to all NBFCs and may formulate suitable loan policies with the approval of their boards of directors within the prudential guidelines and exposure norms prescribed by the RBI to extend various kinds of credit facilities to NBFCs subject to certain conditions.

Although we do not believe such exposure limits has had any adverse effects on our own liquidity, we believe that certain individual lenders from whom we currently borrow may not be able to continue to provide us funds.

As we grow our business and increase our borrowings we may face similar limitations with other lenders, which could impair our growth and interest margins and could therefore have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

17. Certain SEBs that were our borrowers have been restructured and we may not have transferred the liabilities associated with our loans to newly formed entities

We have granted certain long-term loans to various SEBs, including Andhra Pradesh, Karnataka, Orissa, Uttar Pradesh, Rajasthan, Maharashtra, Madhya Pradesh, Gujarat and Haryana. The state governments of these states have restructured their SEBs into separate entities formed for generation, transmission and/or distribution, pursuant to amendments in the Electricity Act. As part of the restructuring, all liabilities and obligations of a restructured SEB were transferred via a notification process to the applicable state government, which in turn transferred them to the newly formed, state government owned transmission, distribution and/or generation companies. However, under the restructuring notification, the transfer of liabilities and obligations under loans granted by us is to be documented by a transfer agreement between our Company, the applicable state government and the applicable newly formed company. Although we have entered into transfer agreements with the separate entities formed as a result of the restructuring of the certain SEBs, we are yet to execute transfer agreements with the separate entities formed as a result of the restructuring of the SEBs of Uttar Pradesh, Andhra Pradesh and Gujarat. We cannot assure you that we will be able to enter into transfer agreements within a reasonable period to ensure that the terms of our original loan agreements will continue with the new entities.

Additionally, pursuant to the Madhya Pradesh Reorganisation Act, 2000, the State of Madhya Pradesh was divided into the states of Madhya Pradesh and Chhattisgarh. At the time of the creation of the state of Chattisgarh, we entered into a settlement agreement that allocated a portion of the liabilities outstanding under our existing loans to the Madhya Pradesh SEB and to the Chattisgarh SEB in a manner that the parties believed was consistent with the Reorganisation Act and we received repayment of full amount from the Chattisgarh SEB. However, a subsequent notification by the GoI allocated a greater portion of liabilities to Madhya Pradesh SEB than was provided in our settlement agreement. The Government of Madhya Pradesh has challenged the subsequent allocation in the Supreme Court of India. Although we are not a party to such proceedings, in the event the Government of Madhya Pradesh's challenge is unsuccessful, the Chattisgarh SEB will be entitled to a refund of a portion of its payment totalling Rs. 1,600 million under the settlement agreement. We believe that any refund due to Chhattisgarh SEB will be offset by a payment due to us from the Madhya Pradesh SEB as a result of its increased liabilities under the subsequent allocation. However, there can be no assurances that Madhya Pradesh SEB will make any such additional payment in a timely manner or at all. To the extent that Madhya Pradesh SEB does not make such additional payments, this could have an adverse affect on our business, financial condition and results of operations and the price of our Equity Shares.

18. We are involved in three tax-related legal proceedings that, if determined against us, could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares

We are involved in three income tax proceedings which are pending before various authorities in India. Two of these proceedings are appeals filed by us and one proceeding is an appeal filed by the Income Tax Department (the "**IT Department**"). The total amount claimed by the IT Department aggregates to approximately Rs.174 million and the total amount paid by our Company, against the demand raised by the IT Department aggregates to approximately Rs. 164 million. Brief details of such proceedings are as follows:

i. *Assessment year 2001-2002:* The IT Department, pursuant to its assessment order dated December 17, 2008 followed by an order dated January 7, 2009 has reopened the assessment disallowing the bond/ debt issue expenses and has demanded Rs. 10 million. We appealed to the CIT (Appeals), which allowed our appeal pursuant to its order dated June 29, 2009. We were not required to deposit the said amount, since the CIT (Appeals) has held that the re-assessment proceedings have become time barred. The IT Department has filed an appeal challenging the order of the CIT (Appeals) before the ITAT. The said appeal has, however, not been admitted.

ii. *Assessment year 2005-2006:* The IT Department, pursuant to its order dated January 31, 2006 demanded Rs. 128 million. Our Company deposited the said amount. However, our Company filed an appeal to CIT (Appeals), on the grounds of, *inter alia*, disallowance of certain deductions derived from consultancy, management fees, upfront fees and swapping premium for computation of deduction, deductions regarding provision for 'bad and doubtful debts', not allowing prior period expenses and initiating penalty proceedings. The CIT (Appeals) dismissed the appeal. We have filed an appeal before the ITAT, and the matter is currently pending before the ITAT.

iii. *Assessment year 2006-2007:* The IT Department, pursuant to its order dated January 30, 2009 demanded Rs. 36 million. Our Company deposited the said amount. Our Company, has however, appealed to the CIT (Appeals) on March 02, 2009 on the grounds of, *inter alia*, disallowance of deduction regarding provisions for 'bad and doubtful debts' in respect of swapping premium, disallowance of deduction and disallowance on account of prior period expenses. The matter is currently pending before CIT (Appeals).

For further details see the section titled "***Outstanding Litigation and Material Developments***" on page 197.

If any of our current cases or future cases are not resolved in our favour, we may be required to make substantial payments or we may need to make provisions in our financial statements, which could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

19. Future sale of Equity Shares by our principal shareholder and additional issuances of equity may dilute your holdings and may adversely affect the market price of our Equity Shares

Any future issuance of our Equity Shares may dilute the positions of investors in our Equity Shares, which could adversely affect the market price of our Equity Shares. Additionally, sales of a large number of our Equity Shares by the GoI, our principal shareholder, could adversely affect the market price of our Equity Shares. The perception that any such primary or secondary sale may occur could also adversely affect the market price of our Equity Shares.

20. Our contingent liabilities could adversely affect our financial condition

As on September 30, 2009, our Company had on an unconsolidated basis have non-funded contingent liabilities of Rs. 20,565 million, including claims against our Company and equity commitments with respect to our Company's joint venture investments.

Our Company's contingent liabilities not provided for and outstanding guarantees as of September 30, 2009 (as disclosed in our restated consolidated financial statements) are as follows:

Contingent liabilities	Amount (Rs. million)
Claim against our Company not acknowledged as debts	312
Estimated amount of the contracts remaining to be executed on capital account and not provided for	99
Future recourse on account of securitization of receivables covered by guarantee from the Government of Andhra Pradesh	Nil
Others	20,154

If these contingent liabilities were to fully materialize or materialize at a level higher than we expect, our financial condition could be adversely affected. In addition, as on the date of filing of this Red Herring Prospectus, our Company has an unfunded equity commitment of Rs. 468.75 million in relation to Energy Efficiency Services Limited. For further details on our contingent liabilities, see the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations-Off-Balance Sheet Arrangements and Financial Instruments" on page 171, "Financial Statements-Significant Notes on Accounts Attached to Restated Financial Statements" on page F-13 and "Consolidated Financial Statements-Consolidated Significant Notes on Accounts Attached to Restated Financial Statements" on page F-70.

21. We have negative cash flows from operations in recent periods. There is no assurance that such negative cash flows from operations shall not recur in future Fiscal periods.

Our outward cash flows relating to loans and advances we disburse (net of any repayments we receive) is reflected in our cash flow from operating activities whereas the inward cash flows from external funding we procure (net of any repayments of such funding) to disburse these loans and advances are reflected in our cash flows from financing activities. Consequently, our Company had unconsolidated negative net cash flow from operating activities of Rs. 65,254 million, Rs. 99,986 million, Rs. 62,027 million, Rs. 58,662 million and Rs. 31,265 million for the six months ended September 30, 2009 and the years ended March 31, 2009, 2008, 2007 and 2006, respectively, as a result of increases in its lending operations. For further details on our Company's unconsolidated cash flows, see the section titled "***Management's Discussion and Analysis of Financial Condition and Result of Operations-Liquidity and Capital Resources-Cash Flows***" on page 166.

22. Our success depends in large part upon our management team and skilled personnel and our ability to attract and retain such persons and departure of our key personnel could adversely affect our business and our ability to pursue our growth strategies

Our future performance depends on the continued service of our experienced management team and skilled personnel. We also face a continuous challenge to recruit and retain a sufficient number of suitably skilled personnel, particularly as we continue to grow our business. Additionally, some of our key managerial personnel are on deputation and may be transferred at any time. There is competition for management and other skilled personnel in our industry, and it may be difficult to attract and retain the personnel we need in the future. The loss of key personnel, or inability to attract and retain new personnel may have an adverse affect on our business, results of operations, financial condition and our ability to grow.

23. We may not have complied with the terms and conditions set forth in our NBFC registration certificate

We are registered as a NBFC with the RBI. We currently are a 'non-deposit accepting NBFC' and our registration requires us to accept public deposits only after obtaining specific approval from the RBI. The definition of the term 'public deposit' is broad under Section 2(1)(xii)(f) of the Non Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998 read with Section 45-I (bb) of the Reserve Bank of India Act, 1934 and excludes "any amount raised by issue of bonds secured by the mortgage of immovable property of the company, provided that the amount of bonds raised shall not exceed the market value of the immovable property". However, we have historically issued bonds that are not fully secured and therefore, an interpretation may be taken that we may have accepted public deposits without the prior permission of the RBI.

The RBI has, pursuant to its letter no. DNBS.PD.1105/03.02.005/2008-09 dated August 08, 2008 confirmed to our Company that such raising of funds would not be treated as 'public deposits'. Further, we have taken the necessary actions to secure our outstanding bonds such that all of our currently outstanding bonds do not constitute public deposits. However, we are exposed to the risk that the RBI could, notwithstanding its confirmation to our Company, take action against us, with respect to our historical issuance of bonds that were not fully secured, which could have a material adverse effect on our business, financial condition and results of operations.

24. Our borrowers' insurance of assets may not be adequate to protect them against all potential losses to which they may be subject, which could affect our ability to recover the loan amounts due to us

The terms and conditions of our loan agreements require our borrowers to maintain insurance on their charged assets as collateral for the loan granted by us. However, we have not historically monitored our borrower's compliance with their obligation to maintain insurance and our borrowers may not have the required insurance coverage or the amount of insurance coverage may be insufficient to cover all financial losses that our borrowers may suffer as a result of any uninsured event. In the event the assets charged in our favour are damaged or our borrowers otherwise suffer a loss and there is insufficient insurance to offset the borrower's losses, it may affect our ability to recover the loan amounts due to us.

25. We are subject to restrictive covenants under our credit facilities that limit our flexibility in managing our business

There are restrictive covenants in the agreements we have entered into with certain banks and financial institutions for our borrowings. These restrictive covenants require us to maintain certain financial ratios and our existing credit rating and seek the prior permission of these banks and financial institutions for various activities, including, among others, change in capital structure, issue of equity, preferential capital or debentures, raising any deposits, selling or transferring any part of our business, effecting any scheme of acquisition, merger, amalgamation or reconstitution, implementing a new scheme of expansion or creation of a subsidiary. Such restrictive covenants may restrict our operations or ability to expand and may adversely affect our business. Furthermore, these restrictive covenants may also affect some of the rights of our shareholders, including the payment of the dividends in case of any default in debt to such lenders. Additionally, these banks and financial institutions also have the powers to appoint a nominee director on our Board, with the prior approval of the GoI, in case of any default on our part in payment of interest or principal towards some of our borrowings. For details of these restrictive covenants, see the section titled "***Financial Indebtedness***" on page 179.

26. Our interest income and profitability is dependent on our ability to grow our asset portfolio; any failure to continue to grow our business could have an adverse affect on our business, financial condition and results of operations and the price of our Equity Shares

Our interest rate margins are determined by the cost of our funding relative to the pricing of our loan products. The cost of our funding and the pricing of our loan products are determined by a number of factors, many of which are beyond our control. Our cost of funding has risen from 6.25%. for Fiscal 2006 to 7.52% for the six months ended September 30, 2009. While we have generally been able to pass on the increased cost of funds to our customers over this period, we may not be able to continue to do so. In the event we were to suffer a decline in interest rate margins, we would be required to increase our lending activity in order to maintain our then current profit level. However, there can be no assurances that we will be able to do so and we may suffer reduced profitability or losses in the event our interest rate margins were to decrease, which may adversely affect our business, financial condition and results of operations and the price of our Equity Shares.

27. The power sector financing industry is becoming increasingly competitive and our profitability and growth will depend on our ability to compete effectively and maintain a low effective cost of funds

There is heavy competition among Indian public and private sector banks, foreign banks operating in India and financial institutions to lend to the power sector. These competitive pressures affect the Indian financial sector and our growth will depend in large part on our ability to respond in an effective and timely manner to competitive pressures. Competition in our industry depends on, among other things, the ongoing evolution of GoI and state government policies relating to the power and finance industries, the entry of new participants into the industry and the extent to which existing participants in our industry seek to expand their exposure to the power sector. In particular, the Electricity Act, provided opportunities for increased private sector involvement in the Indian power sector.

Many of our existing and future competitors may have greater and more inexpensive resources than we do. Therefore, our ability to compete effectively is dependent on our ability to maintain a low effective cost of funds. Our borrowing costs have been competitive in the past due to direct and indirect benefits, including financing we have received from the GoI and as a result of our strong credit ratings, which may also be dependent on our relationship with the GoI. If we are unable to access funds at an effective cost that is comparable to or lower than our competitors, whether due to a change in GoI policy or a reduction in our credit rating or due to other factors, we may not be able to offer competitive interest rates to our borrowers, which could adversely affect our profitability and growth, which would have an adverse affect on our business, financial condition and results of operations and on the price of our Equity Shares.

28. Power projects carry certain risks that, to the extent they materialise, could adversely affect our business, financial condition, results of operations and the price of our Equity Shares

Our business mainly consists of lending to power sector projects in India. Power sector projects carry project-specific as well as general risks. These risks are generally outside of our control and include:

- political, regulatory, fiscal, monetary and legal actions and policies that may adversely affect the viability of projects to which we lend;
- changes in government and regulatory policies relating to the power sector;
- delays in the construction and operation of projects to which we lend;
- adverse changes in demand for, or the price of, power generated or distributed by the projects to which we lend;
- the willingness and ability of consumers to pay for the power produced by projects to which we lend;
- shortages of, or adverse price developments for, raw materials and key inputs for power production such as coal and natural gas;
- increased project costs due to environmental challenges and changes in environmental regulations;
- potential defaults under financing arrangements of project companies and their equity investors;
- failure of co-lenders with us under consortium lending arrangements to perform on their contractual obligations;
- failure of third parties such as contractors, fuel suppliers, sub-contractors and others to perform on their contractual obligations in respect of projects to which we lend;
- adverse developments in the overall economic environment in India;
- adverse fluctuations in interest rates or currency exchange rates; and
- economic, political and social instability or occurrences such as natural disasters, armed conflict and terrorist attacks, particularly where projects are located or in the markets they are intended to serve.

To the extent these or other risks relating to the power projects we finance materialize, the quality of our asset portfolio and our profitability may be adversely affected. Furthermore, as we continue to increase our exposure to generation projects, our individual loan size will likely increase in size, thereby increasing our exposure with respect to individual projects and the potential for adverse affects on our business, financial condition and results of operations and on the price of our Equity Shares to arise in the event these risks relating to the power projects we finance were to materialize.

29. Negative trends in the Indian power sector or the Indian economy could adversely affect our business, financial condition and results of operations and performance and the price of our Equity Shares

We were founded with the objective of developing the power infrastructure in rural areas. For the foreseeable future, we expect to continue to be a sector-specific public financial institution with a focus on the Indian power sector. Any negative trends or financial difficulties in the Indian power sector could adversely affect our business and financial performance.

We believe that the further development of India's power sector is dependent on regulatory framework, policies and procedures that facilitate and encourage private and public sector investment in the power sector. Many of these policies are evolving and their success will depend on whether they properly address the issues faced and are effectively implemented.

Additionally, these policies will need continued support from stable and experienced regulatory regimes throughout India that not only stimulate and encourage the continued movement of capital into power development, but also lead to increased competition, appropriate allocation of risk, transparency and more efficient power supply and demand management to the end consumer.

The allocation of capital and the continued growth of the power sector are also linked to the continued growth of the Indian economy generally. In particular, the growth of the power industry will be impacted by consumers' income levels and the extent to which they would be willing to pay or can be induced to pay for power.

If the central and state governments' initiatives and regulations in the power sector do not proceed to improve the power sector as intended, or if there is any downturn in the macroeconomic environment in India or in the power sector, our business, financial condition and results of operations and the price of our Equity Shares could be adversely affected.

Additionally, it is generally believed that demand for power in India will increase in connection with expected increases in India's GDP. However, there can be no assurance that demand for power in India will increase to the extent we expect or at all. In the event demand for power in India does not increase as we expect, the extent to which we are able to grow our business by financing the growth of the power sector would be limited and this could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

30. Material changes in the regulations that govern us and our borrowers could cause our business to suffer and the price of our Equity Shares to decline

We are regulated by the Companies Act and some of our activities are subject to supervision and regulation by statutory authorities including the RBI, SEBI and Stock Exchanges. For details, see the section titled "***Regulations and Policies***" on page 83. Additionally, our borrowers in the power sector are subject to supervision and regulation by the CERC and SERC. Further, we are subject to changes in Indian law, as well as to changes in regulation and government policies and accounting principles. We also receive certain benefits and take advantage of certain exemptions available to our classification as a public financial institution under Section 4A of the Companies Act.

The statutory and regulatory framework for the Indian power sector has changed in many important ways in recent years and the impact of these changes is yet to be seen. The Electricity

Act puts in place a framework for reforms in the sector, but in many areas the details and timing are yet to be determined. It is expected that many of these reforms will take time to be implemented. Furthermore, there could be additional changes in the areas on tariff and other policies, the unbundling of the SPUs, restructuring of companies in the power sector, open access and parallel distribution, and licensing requirements for, and tax incentives applicable to, companies in the power sector. In 2007, the GoI reviewed the Electricity Act. We presently do not know what the nature or extent of review in future will be, and cannot assure that such review will not have an adverse impact on our business, financial condition and results of operations and performance and the price of our Equity Shares.

These and other laws and regulations governing our borrowers and us could change in the future and any such changes could adversely affect our business, financial condition and results of operations and performance and the price of our Equity Shares.

31. We may fail to obtain certain regulatory approvals in the ordinary course of our business in a timely manner or at all, or to comply with the terms and conditions of our existing regulatory approvals and licenses which may have a material adverse effect on the continuity of our business and may impede our effective operations in the future

We require certain regulatory approvals, sanctions, licenses, registrations and permissions (collectively, "approvals") for operating our businesses. We may not receive or be able to renew such approvals in the time frames anticipated by us or at all, which could adversely affect our business. For example, we have applied for, but are yet to receive grant of, certain registrations or renewals for some of our project offices. If we do not receive, renew or maintain the regulatory approvals required to operate our business it may have a material adverse effect on the continuity of our business and may impede our effective operations in the future. Additionally, any historical or future failure to comply with the terms and conditions of our existing regulatory or statutory approvals may cause us to lose or become unable to renew such approvals. For further details, see the section titled "***Government and Other Approvals***" on page 212.

32. We have yet to receive consents/renewals of certain statutory approvals required in the ordinary course of our businesses, and if we are unable to obtain these approvals, our business could be adversely affected

We have applied for grant of exemption from registration under the Madhya Pradesh Shops and Establishments Act, 1958 for our premises at Jabalpur. Further, applications for grant of renewal of registration under the Orissa Shops and Commercial Establishments Act, 1958 and the Bombay Shops and Establishments Act, 1948 for the Company's project offices at Bhubaneshwar and Mumbai are currently pending. If we are unable to obtain the requisite registrations in a timely manner, or at all, our operations may be affected. We have also applied to the Trademark Registry, New Delhi for grant of registration for our "" and "" logos (in English and bilingual form) under the Trade Marks Act, 1999. Consequently, we currently do not enjoy the statutory protections accorded to a registered trademark. We cannot assure you that the applications for registration of such trademarks will be granted by the relevant authorities or when these authorities will grant the registration. Any third party claim on any of our unprotected brands may lead to erosion of our business value and our operations could be adversely affected. We may not be able to detect any unauthorised use or take appropriate and timely steps to enforce or protect our intellectual property.

For further details, see the section titled "***Government and Other Approvals***" on page 212.

33. There is ambiguity as to whether we are subject to recent amendments of Reserve Bank of India regulations requiring us to adopt prudential norms

Under the regulatory framework governing NBFCs, "systemically important" non-deposit taking NBFCs ("**NBFC-ND-SIs**"), which are defined as NBFCs having assets of Rs. 1,000 million or more as per the last audited balance sheet, are required to comply with the RBI's prudential norms. The RBI has issued detailed directions on prudential norms, which, *inter alia*, prescribe guidelines on income recognition, asset classification and provisioning requirements applicable to NBFCs, exposure norms, constitution of audit committee, disclosures in the balance sheet, requirement of capital adequacy, restrictions and concentration of credits and investments.

However, the RBI vide its notification dated February 22, 2007 has exempt government companies, conforming to Section 617 of the Companies Act and not accepting/holding public deposit, from applicability of the prudential norms. Although we qualify as an NBFC-ND-SI, we believe that being a government company, we are not required to comply with the regulatory framework governing NBFC-ND-SIs. Further, the RBI vide notification dated July 2, 2007 has exempt government companies, conforming to Section 617 of the Companies Act, from the norms and conditions stipulated on NBFCs accepting public deposits.

In order to bring all "systemically important" government-owned NBFCs within the framework of the prudential norms, the RBI had advised our Company on December 12, 2006 to submit a 'road map' for compliance with various elements of the regulations governing NBFCs. However, the RBI had noted that the date from which our Company was required to comply with such regulations would be decided later. While our Company has not yet submitted the said 'road map', it has sought exemption from compliance with the regulations governing NBFCs till the period of the 12th Five Year Plan. Further, on December 13, 2006 and February 21, 2009, our Board of Directors approved our adoption of prudential norms that we believe comply with the extant regulations prescribed by the RBI in relation to the prudential norms, subject to certain identified variances.

Beginning April 1, 2007, we have instituted fully the prudential norms initially approved by our Board of Directors and have subsequently instituted the amendments. We therefore believe that we will be able to comply with the requirements of the amended regulatory framework if it becomes applicable to our Company. However, there can be no assurances that we will be able to do so.

Although the prudential norms that we have instituted are generally similar to the prudential norms prescribed by the RBI for NBFCs, the exposure limits and norms prescribed by our prudential norms may vary from such norms adopted by other strategically important NBFCs.

Specifically, the exposure norms prescribed by the RBI provide that systemically-important non-deposit accepting NBFCs are required to have a policy in respect of exposure to a single entity or group. In case of any extenuating circumstances, such NBFCs may apply to the RBI for an appropriate dispensation consistent with the spirit of the exposure limits.

Our prudential norms limit our exposure, separately, for private and state sector borrowers. For private sector borrowers, our exposure is restricted to any single borrower for up to 25% of our Company's owned funds and to a single group of companies for up to 50% of our Company's owned funds. In respect of loans to state sector borrowers, our maximum credit exposure varies from 100% to 250% of our Company's net worth, depending on entity appraisal and status of unbundling of the respective state utilities.

All financial data in this Red Herring Prospectus, including our Restated Financial Statements on page F-1, is presented giving effect to our prudential norms as currently implemented.

34. We are subject to stringent labour laws and trade union activity and any work stoppage could have an adverse affect on our business, financial condition and results of operations and the price of our Equity Shares

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for employee removal and dispute resolution and imposes financial obligations on employers upon employee layoffs. This makes it difficult for us to maintain flexible human resource policies, discharge employees or downsize, which though not quantifiable, may adversely affect our business and profitability.

Moreover, we are one of the few government enterprises that have a registered trade union under the Indian Trade Unions Act, 1926. Our revised pay scales with our unionized employees expired on December 31, 2006. We have constituted a wage negotiation committee to negotiate the terms and conditions of the wage revision with the unionized workers and wage negotiations are currently in progress. As of September 30, 2009, our Company has made provisions of Rs. 230 million (as per its unconsolidated restated financial statements) in respect of wage revision for unionised and non unionised staff. Although we consider our relations with our unionized employees to be stable and have till date not lost any time on account of strikes or labour unrest, our failure to effectively renegotiate wage revisions or other legitimate union activity could result in work stoppages. Any such work stoppage, though not quantifiable, could have an adverse affect on our business, financial condition and results of operations and the price of our Equity Shares.

35. Some of our immovable properties have certain irregularities in title, as a result of which our operations may be impaired

We own or lease properties for the purposes of our offices (registered office, corporate office and project offices) and for residential purposes for our employees. Certain of these properties may not have been constructed or developed in accordance with local planning and building laws and other statutory requirements. In addition, there may be certain irregularities in title in relation to some of our owned/leased properties. For example, some of the agreements for such arrangements may not have been duly executed and/or adequately stamped or registered in the land records of the local authorities or the lease deeds have expired and have not yet been renewed.

Further, the land allotted for purposes of constructing our staff colony at sector 57, Gurgaon, Haryana is not yet in our possession.

Our business may be adversely affected if we are unable to continue to utilize these properties as a result of any irregularity of title or otherwise.

36. Some of our records with respect to our financial indebtedness are not traceable

We are unable to trace documentation with respect to some of our long-term loans granted by the MoF. Specifically, we do not possess sanction letters in relation to loans of Rs. 150 million issued vide sanction letter dated December 15, 1981, Rs. 126 million issued vide sanction letter dated March 30, 1983, Rs. 100 million issued vide sanction letter dated January 13, 1983 and Rs. 150 million issued vide sanction letter dated January 30, 1984. Although we believe we are aware of the details pertaining to such loans, including with respect to interest rates, redemption period, amount outstanding from our records, we cannot assure you that we are not subject to any restrictive arrangements with the GoI pursuant to the loan agreements or that the GoI will not contest our beliefs as to the terms of these loans.

In addition, certain of our lenders may not provide timely confirmation of our outstanding balances to us when required, and consequently we cannot assure you that such lenders will not contest our beliefs as to the outstanding balances of the applicable loans.

37. The funding requirements of our Company and the deployment of a portion of the Net Proceeds are based on management estimates and have not been independently appraised by any bank or financial institution and may be revised from time to time

The funding requirements of our Company and the deployment of the Net Proceeds are based on management estimates and have not been appraised by any bank, financial institution or other independent institution. Our management will have discretion in the application of the Net Proceeds and investors will not have the opportunity, as part of their investment decision, to assess whether we are using the proceeds in a manner that they believe enhances our market value. In view of the highly competitive nature of the industry in which we operate, we may have to revise our management estimates from time to time and, consequently, our funding requirements may also change. For further details in this regard, see the section titled "***Objects of the Issue***" on page 33.

38. We have not entered into any definitive arrangements to utilise the Net Proceeds towards the

object of this Issue

We intend to utilize the Net Proceeds to augment our capital base to meet the future capital requirements arising out of growth in our assets, primarily our loan and investment portfolio due to the growth of the Indian economy and the Indian power sector, and for other general corporate purposes. Our Company has not entered into any definitive agreements for utilization of the Net Proceeds towards the object of this Issue. For further details in this regard, see the section titled "***Objects of the Issue***" on page 33.

39. We have invested in debt instruments that may carry interest at a lower rate than the prevailing market rate

As of September 30, 2009, our Company has made investments aggregating to an amount of approximately Rs. 10,038.44 million on an unconsolidated basis, of which Rs. 9,903.60 million is in debt instruments. While we believe that our debt investments carry interests at prevailing market rates, these rates can change due to various factors that may affect the value of our investments and consequently, at a particular point in time these instruments may carry interest at a lower rate than the prevailing market rate.

40. We may become liable for the acts or omissions of external consultants engaged by REC Power Distribution Company Limited

Our Company's wholly-owned subsidiary, RECPDCL, provides consultancy services and may undertake execution and valuation of projects in the power distribution sector on behalf of its clients. For these purposes, RECPDCL employs external consultants. In the event that any acts or omissions of these external consultants result in professional negligence or breach of contract, we could become liable to our clients or third parties for the acts or omissions of such external consultants which could have an adverse affect on our business, financial condition and results of operations and the price of our Equity Shares

41. Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures

The declaration, payment and amount of any future dividends of our Company is subject to the discretion of the Directors, and will depend upon, among other factors, on our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. There can be no assurance as to whether our Company will pay a dividend in the future and if so the level of such future dividends. For more information on our dividend policy, see the section titled "***Dividend Policy***" on page 132A.

42. We have historically incurred capital expenditure without the GoI approval as required under the then existing Articles of Association.

In Fiscal 2005, our Company incurred capital expenditure of Rs. 71.69 million for the creation of fixed assets for which we did not seek GoI approval, although, at the time the Articles of Association restricted our Company from incurring expenditure more than Rs. 1.5 million without the approval of the GoI. This is notwithstanding the fact that our Company was granted 'mini ratna I' status by the DPE pursuant to its letter dated September 20, 2002. In consonance with the powers that vested with 'mini ratna I' companies, our Company could incur capital expenditure of up to Rs. 3,000 million in a year without seeking GoI approval. The limit was further enhanced to Rs. 5,000 million or equal to the networth of our Company, whichever is less, pursuant to a notification bearing reference no. OM No. 18 (24)/ 2003-GM-GL.66 dated August 5, 2005 issued by the DPE. As a result however, pursuant to a resolution dated August 30, 2005 passed by the Board of Directors of our Company, as approved by its shareholders at the Annual General Meeting dated September 22, 2005, Article 84(2) of the Articles of Association of our Company was amended, consequent to which the Directors of our Company could incur capital expenditure to the extent of Rs. 3,000 million or equal to the net worth of our Company, whichever is lower, without seeking GoI approval.

External Risk Factors

We are an Indian company and all of our assets and customers are located in India. Consequently, our financial performance will be influenced by political, social and economic developments in India, as well as global conditions, and in particular by the policies of the GoI, which is our majority shareholder.

43. ***Significant differences exist between Indian GAAP and other accounting principles such as US GAAP and IFRS, which may be material to investors' assessment of our financial condition. Our failure to successfully adopt IFRS effective April 2011 could have a material adverse effect on the price of our Equity Shares***

Our financial statements, including the financial statements provided in this Red Herring Prospectus are prepared in accordance with Indian GAAP which differs in certain respects from IFRS and US GAAP. As a result, our standalone and consolidated financial statements and reported earnings could be different from those which would be reported under IFRS or US GAAP. Such differences may be material. We have not attempted to quantify the impact of US GAAP or IFRS on the financial data included in this Red Herring Prospectus, nor do we provide a reconciliation of our financial statements to those of US GAAP or IFRS. Each of US GAAP and IFRS differs in significant respects from Indian GAAP. Accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Had the financial statements and other financial information been prepared in accordance with IFRS or US GAAP, the results of operations and financial position may have been materially different. Because differences exist between Indian GAAP and IFRS or US GAAP, the financial information in respect of our Company contained in this Red Herring Prospectus may not be an effective means to compare us with other companies that prepare their financial information in accordance with IFRS or US GAAP. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. In making an investment decision, investors must rely upon their own examination of our Company, the terms of the Issue and the financial information relating to our Company. Potential investors should consult their own professional advisers for an understanding of these differences between Indian GAAP and IFRS or US GAAP, and how such differences might affect the financial information contained herein.

For more information on the differences between Indian GAAP, US GAAP and IFRS, see the section titled "***Summary of Significant Differences between Indian GAAP, US GAAP and IFRS***" on page 142.

The Institute of Chartered Accountants of India, the accounting body that regulates the accounting firms in India, has announced a road map for the adoption of, and convergence with, IFRS, pursuant to which all public companies in India, including ours, will be required to prepare their annual and interim financial statements under IFRS with the fiscal period commencing April 1, 2011. Because there is significant lack of clarity on the adoption of and convergence with IFRS and there is not yet a significant body of established practice on which to draw in respect of forming judgments regarding the implementation and application of IFRS, we have not determined with any degree of certainty the impact that such adoption will have on our financial reporting. There can be no assurance that our financial condition, results of operations, cash flows or changes in shareholder's equity will not appear materially worse under IFRS than under Indian GAAP. As we transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems and internal controls. Moreover, there is increasing competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements. There can be no assurance that our adoption of IFRS will not adversely affect our reported results of operations or financial condition and any failure to successfully adopt IFRS by April 2011 could have a material adverse effect on the price of our Equity Shares.

44. ***A slowdown in economic growth in India could adversely impact our business. Our performance and the growth of our business are necessarily dependent on the performance of the overall Indian economy***

Any slowdown in the Indian economy or in the growth of the industry to which we provide financing to or future volatility in global commodity prices could adversely affect our borrowers and the growth of our business, which in turn could adversely affect our business, results of operations and financial condition and the price of our Equity Shares.

India's economy could be adversely affected by a general rise in interest rates, currency exchange rates, adverse conditions affecting agriculture, commodity and electricity prices or various other factors. Further, conditions outside India, such as slowdowns in the economic growth of other countries could have an impact on the growth of the Indian economy, and government policy may change in response to such conditions.

The Indian economy and financial markets are also significantly influenced by worldwide economic, financial and market conditions. Any financial turmoil, especially in the United States of America, Europe or China, may have a negative impact on the Indian economy. Although economic conditions differ in each country, investors' reactions to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. A loss in investor confidence in the financial systems, particularly in other emerging markets, may cause increased volatility in Indian financial markets.

The recent global financial turmoil, an outcome of the sub-prime mortgage crisis which originated in the United States, led to a loss of investor confidence in worldwide financial markets. Indian financial markets also experienced the effect of the global financial turmoil, evident from the sharp decline in SENSEX, BSE's benchmark index. Any prolonged financial crisis may have an adverse impact on the Indian economy, thereby resulting in a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

45. Shortages in the supply of crude oil, natural gas or coal could adversely affect the Indian economy and the power sector projects to which we have exposure, which could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares

India imports approximately 75% of its requirements of crude oil. Crude oil prices are volatile and are subject to a number of factors such as the level of global production and political factors such as war and other conflicts, particularly in the Middle East, where a substantial proportion of the world's oil and natural gas reserves are located. Future increases in oil prices could affect the Indian economy, including the power sector, and the Indian banking and financial system. High oil prices could also add to inflationary pressures in the Indian economy. Additionally, increases in oil prices may have a negative impact on the power sector and related industries. This could adversely affect our business including our ability to grow, the quality of our asset portfolio, our financial performance, our ability to implement our strategy and the price of our Equity Shares.

In addition, natural gas is an important input for power projects. India has experienced interruptions in the availability of natural gas, which has caused difficulties in these projects. Continued difficulties in obtaining reliable, timely supply of natural gas could adversely affect some of the projects we finance and could impact the quality of our asset portfolio and our financial performance.

Furthermore, the Indian power sector has been suffering generation loss due to shortage of coal. Continued shortages of fuel could adversely affect some of the projects we finance and could impact the quality of our asset portfolio and could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

46. Political instability or changes in the government could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally, which could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares

We are incorporated in India, derive our revenues from operations in India and all of our assets are located in India. Consequently, our performance and the market price of our Equity Shares may be affected by interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India.

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Our business, and the market price and liquidity of our Equity Shares, may be affected by changes in the Government's policies, including taxation.

Since 1991, successive governments have pursued policies of economic liberalization and financial sector reforms. However, there can be no assurance that such policies will be continued and any significant change in the Government of India's policies in the future could affect business and economic conditions in India in general. In addition, any political instability in India or geo-political stability affecting India will adversely affect the Indian economy and the Indian securities markets in general, which could also affect the trading price of our Equity Shares.

47. Difficulties faced by other financial institutions or the Indian financial sector generally could cause our business to suffer and the price of our Equity Shares to decline

We are exposed to the risks resulting from our participation in the Indian financial sector. This sector in turn may be affected by financial difficulties and other problems faced by Indian financial institutions. Certain Indian financial institutions have experienced difficulties during recent years, and some banks have also faced serious financial and liquidity difficulties. Any major difficulty or instability experienced by the Indian financial sector could create adverse market perception, which in turn could adversely affect our business, financial condition and results of operations and the price of our Equity Shares.

48. Our ability to raise foreign capital may be constrained by Indian law. The limitations on foreign debt may have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares

As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources for our power projects under development and hence could constrain our ability to obtain financings on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that the required approvals will be granted to us without onerous conditions, or at all. The limitations on foreign debt may have an adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

49. Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect the financial markets and could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares

Terrorist attacks and other acts of violence or war may negatively affect the Indian markets in which our Equity Shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, make travel and other services more difficult and ultimately adversely affect our business.

Certain events that are beyond the control of our Company, such as terrorist attacks and other acts of violence or war, including those involving India, China, the United Kingdom, the United States or other countries, may adversely affect worldwide financial markets, which could adversely affect our business, results of operations, financial condition and cash flows, and more generally, any of these events could lower confidence in India's economy. South Asia has, from time to time, experienced instances of civil unrest and political tensions and hostilities among neighbouring countries. For example, on July 11, 2006, bombs exploded on commuter trains in Mumbai, India during the evening commute, killing and injuring hundreds of people, and, on November 25, 2008, terrorist attacks began in Mumbai and lasted until November 29, 2008. Such attacks may have a material adverse effect on the Indian and global financial markets.

Any deterioration in relations between India and its neighbouring countries may result in actual or perceived regional instability. Events of this nature in the future could have a material adverse effect on our ability to develop our operations. As a result, our business, prospects, results of operations and financial condition and price of our Equity Shares could be materially adversely affected by any such events.

50. Natural calamities could have a negative impact on the Indian economy and our business

India has experienced natural calamities such as earthquakes, tsunami, floods and droughts in the past few years. The extent and severity of these natural disasters determines their impact on the Indian economy. For example, in December 2004, Southeast Asia, including the eastern coast of India, experienced a massive tsunami and in October 2005, the state of Jammu and Kashmir experienced an earthquake, both of which events caused major loss of life and property damage. The erratic progress of the monsoon in 2004 and 2009 affected sowing operations for certain crops. Such unforeseen circumstances of below normal rainfall and other natural calamities, could have a negative impact on the Indian economy, especially on the rural areas, which could adversely affect our business, financial condition and results of operations and the price of our Equity Shares.

51. An outbreak of an infectious disease or any other serious public health concerns in Asia or elsewhere could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares

The outbreak of an infectious disease in Asia or elsewhere or any other serious public health concern such as swine influenza around the world could have a negative impact on economies, financial markets and business activities worldwide, which could have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares. Although, we have not been adversely affected by such outbreaks, we can give no assurance that a future outbreak of an infectious disease among humans or animals or any other serious public health concern will not have a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares.

52. Any downgrading of India's sovereign rating by a credit rating agency could have a negative impact on our business, financial condition and results of operations and the price of our Equity Shares

Any adverse revisions to India's sovereign credit ratings for domestic and international debt by credit rating agencies may adversely impact the interest rates and other commercial terms at which such financing is available to us. Consequently, if India's sovereign credit rating were to be downgraded, we may not be able to competitively price our loans and, accordingly, we may not be able to maintain the profitability or growth of our business. Additionally, if we are unable to competitively price our loans, we are subject to greater levels of prepayments on our loans as borrowers seek loans from our competitors that can offer lower priced loans resulting from their lower cost of capital. Accordingly, any adverse revisions to our credit rating or the India's sovereign credit rating could have a material adverse effect on our business, financial condition and results of operations, our ability to obtain financing for lending operations and the price of our Equity Shares.

53. Direct capital market access by our borrowers could adversely affect us

The Indian capital markets are developing and maturing and, as such, there may be a shift in the pattern of power sector financing. In particular, financially stronger SPUs might source their fund requirement directly from the market. We have a large exposure to SPUs and such changes may have an adverse impact on our profitability and growth, which would have a negative affect on our business, financial condition and results of our operations and the price of our Equity Shares.

54. You will not be able to immediately sell any of our Equity Shares you purchase in this Issue on the Stock Exchanges

In terms of the SEBI Regulations, our Company and the Selling Shareholder will ensure that the Allotment, dispatch of refund orders and/or demat credits is done within 15 days of the Issue Closing Date. Though our Company and the Selling Shareholder shall use best efforts to ensure this, our Equity Shares you purchase in this Issue may not be credited to your book or demat account, with Depository Participants within 15 days of the Issue Closing Date. If Allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors as per Section 73 of the Companies Act as prescribed, our Company and the Selling Shareholder shall pay interest as per Section 73 of the Companies Act (for any delay beyond the prescribed period). Specifically, if money is not repaid within eight days after our Company and the Selling Shareholder become liable to repay it, i.e., from the date of refusal or within 15 days from the Issue Closing Date, then our Company, the Selling Shareholder and every Director of our Company who is an officer in default shall, on and from such expiry of eight days, be jointly and severally liable to repay the money, with interest at the rate of 15% p.a. on application money, as prescribed under Section 73 of the Companies Act.

You can start trading in our Equity Shares only after they have been credited to your demat account and listing and trading permissions are received by us from the Stock Exchanges. Further, there can be no assurance that our Equity Shares allocated to you will be credited to your demat account, or that the trading in Equity Shares will commence within the specified time periods.

55. After this Issue, the price of our Equity Shares may be volatile

The price of our Equity Shares has historically fluctuated and may fluctuate after this Issue due to a wide variety of factors, including:

- Volatility in the Indian and global securities markets;
- Our operational performance, financial results and our ability to expand our business;
- Developments in India's economic liberalization and deregulation policies, particularly in the power sector;
- Changes in India's laws and regulations impacting our business;
- Changes in securities analysts' recommendations or the failure to meet the expectations of securities analysts;
- The entrance of new competitors and their positions in the market; and
- Announcements by our Company of its financial results.

We cannot assure that an active trading market for our Equity Shares will be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue.

56. Government regulation of foreign ownership of Indian securities may have an adverse effect on the price of our Equity Shares

Foreign ownership of Indian securities is subject to Government regulation. Under foreign exchange regulations currently in effect in India, the RBI must approve the sale of our Equity Shares from a non-resident of India to a resident of India if the sale does not meet the requirements of the relevant exchange control regulations and a RBI Circular dated October 4, 2004. The RBI must approve the conversion of the Rupee proceeds from any such sale into foreign currency and repatriation of that foreign currency from India unless the sale is made on a stock exchange in India through a stock broker at the market price. As provided in the foreign exchange controls regulations currently in effect in India, the RBI will approve the price at which our Equity Shares are transferred based on a specified formula, and a higher price per share may not be permitted. The approval from the RBI or any other government agency may not be obtained on terms favourable to a non-resident investor in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in our Equity Shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

57. Recent global economic conditions have been unprecedented and challenging and have had, and continue to have, an adverse effect on the Indian financial markets and the Indian

economy in general, which has had, and may continue to have, a material adverse effect on our business, financial condition and results of operations and the price of our Equity Shares

Recent global market and economic conditions have been unprecedented and challenging with tighter credit conditions and recession in most major economies continuing into 2009. Continued concerns about the systemic impact of potential long-term and wide-spread recession, energy costs, geopolitical issues, the availability and cost of credit, and the global housing and mortgage markets have contributed to increased market volatility and diminished expectations for western and emerging economies. In the second half of 2008, added concerns fuelled by the United States government conservatorship of the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association, the declared bankruptcy of Lehman Brothers Holdings Inc., the United States government financial assistance to American International Group Inc., Citigroup Inc., Bank of America and other federal government interventions in the United States financial system led to increased market uncertainty and instability in both United States and international capital and credit markets. These conditions, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have contributed to volatility of unprecedented levels.

As a result of these market conditions, the cost and availability of credit has been and may continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets generally and the strength of counterparties specifically has led many lenders and institutional investors to reduce, and in some cases, cease to provide credit to businesses and consumers. These factors have led to a decrease in spending by businesses and consumers alike and corresponding decreases in global infrastructure spending and commodity prices. Continued turbulence in the United States and international markets and economies and prolonged declines in business consumer spending may adversely affect our liquidity and financial condition, and the liquidity and financial condition of our customers, including our ability to refinance maturing liabilities and access the capital markets to meet liquidity needs. These global market and economic conditions have had, and continue to have, an adverse effect on the Indian financial markets and the Indian economy in general, which may continue have a material adverse effect on our business, our financial performance and may adversely affect the prices of our Equity Shares.

Notes to Risk Factors

- This is a public issue of 171,732,000 Equity Shares for cash at prices determined through the Alternate Book Building Process aggregating up to Rs. [●] million consisting of a fresh issue of 128,799,000 Equity Shares by our Company and an offer for sale of 42,933,000 Equity Shares by our Promoter, the Selling Shareholder. Further, this Issue comprises a net Issue of 171,382,000 Equity Shares to the public and a reservation of 350,000 Equity Shares for subscription by Eligible Employees. This Issue shall constitute 17.39% of the fully diluted post-Issue capital of our Company and the Net Issue shall constitute 17.36% of the fully diluted post-Issue capital of our Company.

- This Issue is being made through the Alternate Book Building Process under Part D of Schedule XI of the SEBI Regulations wherein up to 50% of the Net Issue shall be allocated on a ‘price priority’ basis to QIBs. 5% of the QIB Portion shall be available for allocation on a ‘price priority’ basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a ‘price priority’ basis to QIBs (including Mutual Funds), subject to valid Bids being received from them above the Floor Price. However, if the aggregate demand from Mutual Funds is less than 4,284,550 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and allocated on a ‘price priority’ basis to the QIBs.

- Not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received from them at the Floor Price.

- Under-subscription, if any, in the Non-Institutional Portion and Retail Portion would be met with spill-over from any other category, at the sole discretion of our Company and the Selling Shareholder, in consultation with Book Running Lead Managers.

- 350,000 Equity Shares, i.e., 0.04% of our post-Issue share capital, have been reserved for Eligible Employees on a proportionate basis, subject to valid Bids being received at the Floor Price. Under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting at least 10% of the post Issue paid-up share capital of our Company.

- In the event of an oversubscription in the QIB Portion, all QIBs bidding in the QIB Portion who have submitted Bids at or above the Clearing Prices shall be allocated Equity Shares on a 'price priority' basis for up to 95% of the QIB Portion. In the event of an oversubscription in the Non-Institutional Portion and Retail Portion, allocation shall be made on a proportionate basis.

- Our Company was incorporated under the Companies Act on July 25, 1969 at New Delhi as 'Rural Electrification Corporation Private Limited'. Subsequently, the word "Private" was deleted from the name of our Company, by the then RoC, Delhi on June 3, 1970. Our Company became a deemed public limited company with effect from July 1, 1975. Presently, the name of our Company is "Rural Electrification Corporation Limited" consequent to conversion into a public limited company pursuant to a special resolution passed by our shareholders dated September 27, 2002. Our Company received a fresh certificate of incorporation consequent to change of its name from the RoC, on July 18, 2003. The 'objects clause' of our Memorandum, however, was not required to be amended pursuant to the change in our name. For further details, see the section titled "***History and Certain Corporate Matters***" on page 92.

- Our Company has not issued any Equity Shares for consideration other than cash.

- The Net Worth of our Company as at September 30, 2009 was Rs. 77,306 million and Rs. 77,279 million as per the restated consolidated financial statements and the restated standalone financial statements of our Company, respectively.

- The NAV/book value per Equity Share, on a consolidated basis, was Rs. 90.03 and on a stand alone basis was Rs. 90.00 as at September 30, 2009, as per the restated consolidated financial statements and the restated standalone financial statements of our Company, respectively.

- The average cost of acquisition of Equity Shares by our Promoter is Rs. 10 per Equity Share which has been calculated on the basis of the average of amounts paid by it to acquire our Equity Shares currently held by it.

- Except as disclosed in this section and in sections titled "Our Management" on page 112, none of our Directors or Key Managerial Personnel have any interest in our Company except to the extent of remuneration, reimbursement of expenses and other benefits provided to them by our Company and to the extent of our Equity Shares held by them or their relatives and associates or held by the companies, firms and trusts in which they are interested as directors, members, partners or trustees and to the extent of the benefits arising out of such shareholding, if any, in our Company. For further details in relation to the interests of our Directors and Key Managerial Personnel, see the section titled "***Our Management***" on page 112.

- For details of transactions in the securities of our Company by our Promoter and our Directors in the last six months, see the section titled "***Capital Structure – Notes to the Capital Structure***" on page 23.

- Our Company has not made any loans and advances to any person(s)/ company in which the Directors are interested, except as disclosed in the section titled "***Financial Statements***" on page F-1.

- During the period of six months immediately preceding the date of filing of this Red Herring Prospectus, no financing arrangements existed whereby our Promoter, our Directors and their relatives may have financed the purchase of Equity Shares by any other person, other than in the normal course of the business of such financing entity.

- For details in relation to related party transactions during Fiscal 2009 (on a consolidated basis), and the nature of such transactions, see the notes on related party transactions in the section titled "***Financial Statements – Annexure XVII***" on page F-58.

- Any clarification or information relating to this Issue shall be made available by the Book Running Lead Managers and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever. The Book Running Lead Managers shall be obliged to provide any information or clarification relating to this Issue to any investor. Investors may contact the Syndicate Members for any complaints or comments pertaining to this Issue. The Syndicate Members undertake to attend to the same expeditiously and satisfactorily.

  All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the relevant SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for Bid Amount blocked, ASBA Account number and the Designated Branch of the SCSB where the ASBA Form was submitted by the ASBA Bidders.

- The RBI has, pursuant to its letter (FE.CO.FID. No. 17056/10.21.073/2009-10) dated January 1, 2010, accorded its 'no-objection' for (a) the issuance of Equity Shares forming part of the Fresh Issue to eligible non-residents, subject to, *inter alia,* the terms and conditions of Schedule I to Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended, and (b) transfer of Equity Shares forming part of the Offer for Sale. For further details regarding the requirement for the said approval and other ancilliary matters in this regard, see the sections titled "Regulations and Policies", "Government and Other Approvals" and "Issue Procedure" on pages 83, 212 and 244, respectively.

SECTION III – INTRODUCTION

SUMMARY OF INDUSTRY

It may be noted that this is only a summary and does not contain all information that you should consider before investing in our Equity Shares. You should read this entire Red Herring Prospectus, including information in the sections titled "Risk Fators" and "Financial Statements" and related notes on pages xii and F-1, respectively, before deciding to invest in our Equity Shares.

India is the fifth largest economy in the world after the European Union, United States of America, China and Japan in purchasing power parity terms. *(Source: CIA World Factbook website)*. India is also among the fastest growing economies globally and has grown at an average rate of 8.2% per annum during the last five years. *(Source: RBI Second Quarter Review of Monetary Policy 2009-2010, RBI Annual Policy Statement for the Year 2008-09, RBI Annual Policy Statement for the Year 2007-08, RBI Annual Policy Statement for the Year 2005-06).*

The per capita energy consumption in India is relatively low in comparison to most other parts of the world, including other developing nations. According to data "Selected Indicators for 2007" from Key World Energy Statistics (2009), India's per capita electricity consumption was 543 units per year, as compared to a world average of 2,752 units per year and yearly per capita consumption of 3,252 units in Middle Eastern countries, 1,838 units in Latin America countries, 2,346 units in China, 705 units in Asian countries and 578 units in African countries. According to the CEA, as per it's report in March 2009, India's annual per capita electricity consumption for 2007- 2008 was 704.2 units.

The power industry in India has historically been characterized by energy shortages. In the period from April 2009 to June 2009, peak energy deficit was estimated at 12.3% and normative energy deficit was estimated at 9.8%.

As India's economy continues to grow, it is expected that India's energy consumption will grow as well. A key risk to the continued growth of the Indian economy is inadequate power infrastructure. Growth in power infrastructure investment in India may be constrained without further improvements. In order to sustain a GDP growth rate of 8-9%, India would require additional capacity of about 66-79 GW by 2012, 152-183 GW by 2017 and 271-334 GW by 2022 based on normative powers. *(Source: Integrated Energy Policy, Expert Committee on Power, August 2006, issued by the Planning Commission).*

The GoI has adopted a system of successive five year plans that set out targets for economic development in various sectors, including the power sector. In order to match the increasing demand for power within India, substantial increases in generation capacity will require additional improved transmission and distribution systems, all of which will require significant investment.

According to the Report of the Working Group on Power for Eleventh Plan of the GoI, the overall requirement of funds in the Eleventh Plan of the GoI for the power sector has been estimated at Rs. 10,316,000 million. For the Twelfth Plan, CEA estimates that in order to meet the projected demand requirement by 2017, the total fund requirement for the plan period would be about Rs. 11,000,000 million. The total fund requirement for generation projects, during the Twelfth Plan period is estimated at approximately Rs. 4,950,830 million, with approximately Rs. 1,266,490 million being required for the hydro sector, approximately Rs. 3,306,680 million being required for the thermal sector and approximately Rs. 377,660 million being required for the nuclear sector. (*Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for Twelfth Plan and Beyond, 18-19 August 2009, MoP and CEA*). The total fund requirement for transmission system development and related schemes during the Twelfth Plan period is estimated at Rs. 2,400,000 million, with Rs. 1,400,000 million being required for the central sector and Rs. 1,000,000 million being required for the state sector. (*Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for Twelfth Plan and Beyond, 18-19 August 2009, MoP and CEA*). The total fund requirement for the Distribution sector, during the Twelfth Plan period is estimated at Rs. 3,710,000 million. (*Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for Twelfth Plan and Beyond, 18-19 August 2009, MoP and CEA*).

In light of India's persistent power shortages, the GoI has taken various measures in recent years to restructure the power sector to improve its commercial and financial viability and to attract investments in this sector. The most significant reform package has been the introduction of the Electricity Act, which has modified the legal framework governing the electricity sector and has been designed to address systemic deficiencies in the Indian power sector and to attract capital for large-scale power projects. The GoI has also undertaken a number of initiatives over the years for rural electrification, including RGGVY, a comprehensive programme with the aim to further strengthen the pace of rural electrification and with the initial objective to electrify all villages and provide access to electricity to all rural households.

SUMMARY OF BUSINESS

We are a public financial institution in the Indian power infrastructure sector. We are engaged in the financing and promotion of transmission, distribution and generation projects throughout India. We believe our organization occupies a key position in the GoI's plans for the growth of the Indian power sector.

We assist our clients in formulating and implementing a broad array of power projects and finance those projects. Our clients primarily include Indian public sector power utilities at the central and state levels and private sector power utilities. We service our clients through a network of project offices spread across India and one national level training centre at Hyderabad. Our project offices play an integral role in the development of our relationships with our clients, the operation and promotion of our business and in our loan appraisal, loan sanction and post-sanction monitoring processes. Our primary financial product is project-based long-term loans. We fund our business with market borrowings of various maturities, including bonds and term loans. Because our sources enable us to raise funds at competitive costs, we are able to price our financial products competitively.

We commenced our operations in 1969 for the purpose of developing the power infrastructure in rural areas. We have contributed to the development of rural India and India's agriculture through our funding of transmission and distribution projects in rural areas. Our mandate has evolved in accordance with the development priorities of the GoI and, since Fiscal 2003, permits us to finance all segments of the power sector, including generation, throughout the country. For Fiscal 2009, more than half of our loan sanctions related to generation projects and generation-related loan assets currently comprise more than a third of our total loan assets. In September 2009, our mandate was further extended to include financing other activities with linkages to power projects, such as coal and other mining activities, fuel supply arrangements for the power sector and other power-related infrastructure.

As of September 30, 2009, we are one of only 18 India public sector undertakings to be granted "Navratna" status by the Department of Public Enterprise by virtue of our operational efficiency and financial strength. The GoI has rated our performance as "Excellent" continuously since Fiscal 1994. We have also been ranked among the top ten public sector undertakings in India by the Ministry of Heavy Industries and Public Enterprises for Fiscal 2000, Fiscal 2001, Fiscal 2002 , Fiscal 2004 and Fiscal 2005.

Domestically, we hold the highest long-term borrowing domestic credit rating from each of CRISIL Limited, ICRA Limited, Fitch and CARE Limited. On an international basis, we hold long-term borrowing ratings from Fitch and Moody's that are on par with sovereign ratings for India.

The President of India, acting through nominees from the MoP, currently holds 81.82% of the issued and paid up equity capital of our Company. After the Issue, the GoI's shareholding will be 66.80% of the diluted post issue paid up equity capital of our Company. The GoI, acting through the MoP, oversees our operations and has power to appoint Directors to our Board.

We have experienced growing demand for our financial products, and therefore have demonstrated consistent growth in our business.

- Our loan sanctions and loan disbursements have grown at a CAGR of 25.71% and 23.23%, respectively, between Fiscal 2005 and Fiscal 2009.
- For Fiscal 2009, we sanctioned Rs. 407,459 million of loans, including Rs. 217,083 million relating to generation projects, Rs. 169,376 million relating to transmission and distribution projects and Rs. 21,000 million under short-term loans. For the six months ended September 30, 2009, we sanctioned Rs. 315,003 million of loans, including Rs. 191,025 million of loans relating to generation projects, Rs. 101,578 million of loans relating to transmission and distribution projects and Rs. 22,400 million under short-term loans.
- For Fiscal 2009, we disbursed Rs. 171,573 million of loans, including Rs. 78,506 million relating to generation projects, Rs. 72,667 million relating to transmission and distribution projects and Rs. 20,400 million under short-term loans. For the six months ended September 30, 2009, our loan disbursements amounted to Rs. 91,224 million, including Rs. 40,217 million relating to generation projects, Rs. 35,207 million relating to transmission and distribution projects and Rs. 15,800 million under short-term loans.

- Our Company’s loan assets have grown at a CAGR of 24.07% from Rs. 216,844 million in Fiscal 2005 to Rs. 513,814 million in Fiscal 2009 as per its unconsolidated restated financial statements. As of September 30, 2009, our Company’s loan assets were Rs. 586,653 million as per its unconsolidated restated financial statement.
- Our Company’s profit after tax as per its unconsolidated restated financial statements for Fiscal 2005, 2006, 2007, 2008, 2009 and for the six months ended September 30, 2009 was Rs. 7,788 million, Rs. 6,471 million, Rs. 7,969 million, Rs. 9,584 million, Rs. 13,847 million and Rs. 9,281 million, respectively. Our Company’s profit after tax as per its consolidated restated financial statements for Fiscal 2008, 2009 and for the six months ended September 30, 2009 was Rs. 9,587 million, Rs. 13,865 million and Rs. 9,289 million, respectively.
- As on September 30, 2009, our Company had total assets of Rs. 635,612 million and a net worth of Rs. 77,279 million as per its unconsolidated restated financial statement. As on September 30, 2009, our Company had total assets of Rs. 635,703 million and a net worth of Rs. 77,306 million as per its consolidated restated financial statement.

OUR STRENGTHS

We believe that the following are our primary strengths:

- *Our financial position is strong and our business is profitable*
- *We are uniquely positioned to access and appraise borrowers in the Indian power sector*
- *We occupy a key strategic position in the GoI's plans for growth of the power sector*
- *We have an experienced management team with sector expertise*

OUR STRATEGY

The key elements of our business strategy are as follows:

- *Continue to fund the increased investment in the Indian power sector*
- *Maintain the diversity of our asset portfolio and seek higher yielding loan assets*
- *Increase our involvement in consortium lending and private sector participation in the Indian power sector*
- *Increase our fee-based income*
- *Implement technological innovation to manage our growth and remain a dynamic organisation*

For details in relation to risks faced by our Company in its business, see the section titled “***Risk Factors***” on page xii.

SUMMARY FINANCIAL INFORMATION

*The following tables set forth the summary financial information derived from the restated audited standalone financial statements of our Company for Fiscals 2005, 2006, 2007, 2008 and 2009 and the six month periods ended September 30,2009 and the restated audited consolidated financial statements of our Company for Fiscals 2008 and 2009 and the six months periods ended September 30, 2009, each prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI Regulations as described in the Auditors' report included in the section titled "**Financial Statements**" on page F-1.*

The summary financial information of our Company presented below should be read in conjunction with the respective financial statements and the notes (including accounting polices) thereto included in sections titled "Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages F-1 and 148, respectively.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

The consolidated statement of restated Assets and Liabilities of our Company as at March 31, 2008 and 2009 and for the six months ended September 30, 2009 is set forth below:

(Rs. million)

	As at 31st March		As at September 30, 2009
	2008	2009	
ASSETS			
A. Fixed Assets			
Gross Block	838.34	712.15	742.29
Less: Depreciation	135.78	144.85	152.12
Capital Work in Progress	78.51	265.27	300.29
Net Block	781.07	832.57	890.46
Net Block after adjustment of Revaluation Reserve	**781.07**	**832.57**	**890.46**
B. Investments	**11,472.97**	**10,047.64**	**10,037.44**
C. Loans	**3,93,165.12**	**5,13,814.46**	**5,86,653.28**
D. Deferred Tax Asset	**319.26**	**78.85**	**64.90**
E. Current Assets, Loan & Advances			
Cash and Bank Balances	12,556.62	18,882.70	17,836.11
Loans & Advances	6,203.51	11,462.18	15,204.08
Other Current Assets	5,400.91	4,964.46	5,016.91
Total Current Assets	**24,161.04**	**35,309.34**	**38,057.10**
Total Assets (A)	**4,29,899.46**	**5,60,082.86**	**6,35,703.18**
LIABILITIES			
A. Loan Funds			
Secured Loans	2,94,219.51	3,76,136.52	4,29,909.37
Unsecured Loans	48,608.35	73,223.05	86,114.56
Total Loan Fund	3,42,827.86	4,49,359.57	5,16,023.93
B. Deferred Tax Liability	-	-	0.05
C. Current Liabilities and Provisions			
Current Liabilities	14,889.35	24,396.88	22,819.87
Provisions	9,603.66	14,379.61	15,616.91
Total current Liabilities and Provisions	24,493.01	38,776.49	38,436.78
Total Liabilities (B)	**3,67,320.87**	**4,88,136.06**	**5,54,460.76**
Net Assets (A-B)	**62,578.59**	**71,946.80**	**81,242.42**
Represented by			
	As at 31st March		**As at September 30, 2009**
	2008	**2009**	
1. Share Capital	8,586.60	8,586.60	8,586.60
2. Reserves	51,355.08	59,923.28	68,719.64
Reserves (Net of Revaluation Reserve)	51,355.08	59,923.28	68,719.64
Net Worth	**59,941.68**	**68,509.88**	**77,306.24**
Add: Reserve for Bad & Doubtful Debts u/s 36(1)(viia) of I.T. Act,1961 (As per Audited Accounts)	**2,636.91**	**3,436.91**	**3,936.18**
Total Shareholders Fund	**62,578.59**	**71,946.79**	**81,242.42**

*Note: The above statement should be read with the notes on adjustment and significant accounting policies and notes to the accounts for restated financial statements as appearing in the annexures to the report included in the section titled "**Financial Statements**" on page F-1.*

CONSOLIDATED STATEMENT OF PROFITS AND LOSSES, AS RESTATED

The consolidated statement of restated profit & loss of our company for the financial years ended March 31, 2008 and 2009 and for the six months ended September 30, 2009 is set forth below.

(Rs. million)

	For the Year ended 31st March		September 30, 2009
	2008	2009	
Income			
Income from operations	33,804.59	47,549.30	30,444.84
Profit on Sale of Assets	0.04	0.11	0.02
Other income	1,606.18	1,683.65	922.28
Total Income	**35,410.81**	**49,233.06**	**31,367.14**
Expenditure			
Interest and other Charges	20,540.56	28,873.50	18,040.57
Establishment Expenses (Staff costs)	927.39	890.81	553.74
Administrative expenses	183.35	238.69	122.63
Loss on Sale of assets	0.12	-	-
Resource mobilization Expenses (Bonds/debts instrument Issue expenses)	91.04	97.95	105.25
Provision for Bad and Doubtful debts	399.93	23.70	2.22
Depreciation	13.86	13.71	7.27
Provision for Decline in value of investment	-	10.53	-
Total Expenditure	**22,156.25**	**30,148.89**	**18,831.68**
Profit Before Tax and Extra ordinary items	**13,254.56**	**19,084.17**	**12,535.51**
Less: Provision for Taxation-Current Year	3,766.46	5,048.13	3,230.98
Less: Provision For Taxation- Earlier Years	-1.83	0.22	-
Less: Provision for Deferred Tax Liability	-176.60	240.41	13.96
Less: Provision for Fringe Benefit Tax	10.66	15.27	-
Profit after Tax and before Extra-ordinary items (A)	**9,655.87**	**13,780.14**	**9,290.57**
Extra Ordinary Items:			
Exchange Gain/(Loss)	-95.95	114.22	-2.25
Total Extra Ordinary Items	**-95.95**	**114.22**	**-2.25**
Less: Taxes On Extra-Ordinary Items	-26.87	29.70	-0.61
Extra Ordinary Items (net of taxes) (B)	**-69.08**	**84.52**	**-1.64**
Profit After Tax available for Appropriations (A) + (B)	**9,586.79**	**13,864.66**	**9,288.93**

*Note: The above statement should be read with the notes on adjustment and significant accounting policies and notes to the accounts for restated financial statements as appearing in the annexures to the report included in the section titled "**Financial Statements**" on page F-1.*

STANDALONE STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

The standalone statement of restated Assets and liabilities of our company as at March 31, 2005, 2006, 2007, 2008 and 2009 and September 30, 2009 is set forth below.

(Rs. million)

	As at 31st March					As at September 30, 2009
	2005	2006	2007	2008	2009	
ASSETS						
A. Fixed Assets						
Gross Block	341.84	348.09	675.54	838.34	711.09	740.19
Less: Depreciation	100.38	110.56	121.85	135.78	144.76	151.91
Capital Work in Progress	14.05	406.38	82.60	76.45	242.70	270.53
Net Block	255.51	643.91	636.29	779.01	809.03	858.81
Net Block after adjustment of Revaluation Reserve	**255.51**	**643.91**	**636.29**	**779.01**	**809.03**	**858.81**
B. Investments	**14,168.93**	**13,249.91**	**11,945.39**	**11,473.97**	**10,048.64**	**10,038.44**
C. Loans	**2,16,844.07**	**2,53,256.09**	**3,20,991.01**	**3,93,165.12**	**5,13,814.46**	**5,86,653.28**
D. Deferred Tax Asset	**15.15**	**154.22**	**142.66**	**319.26**	**78.85**	**64.90**
E. Current Assets, Loan						

	As at 31st March					As at September 30, 2009
	2005	2006	2007	2008	2009	
& Advances						
Cash and Bank Balances	4,854.54	19,136.45	22,972.69	12,530.38	18,860.41	17,818.81
Loans & Advances	7,981.64	9,973.74	2,364.90	6,203.83	11,447.84	15,160.78
Other Current Assets	3,333.75	3,473.56	3,501.77	5,400.91	4,964.46	5,016.91
Total Current Assets	**16,169.93**	**32,583.75**	**28,839.36**	**24,135.12**	**35,272.71**	**37,996.50**
Total Assets (A)	**2,47,453.59**	**2,99,887.88**	**3,62,554.71**	**4,29,872.48**	**5,60,023.69**	**6,35,611.93**
LIABILITIES						
A. Loan Funds						
Secured Loans	1,74,493.82	2,17,495.88	2,65,339.72	2,94,219.51	3,76,136.52	4,29,909.37
Unsecured Loans	19,290.13	22,896.27	37,470.29	48,608.35	73,223.05	86,114.56
Total Loan Fund	**1,93,783.95**	**2,40,392.15**	**3,02,810.01**	**3,42,827.86**	**4,49,359.57**	**5,16,023.93**
B. Deferred Tax Liability	-	-	-	-	-	-
C. Current Liabilities and Provisions						
Current Liabilities	5,307.50	5,965.61	7,144.70	14,865.70	24,367.10	22,761.05
Provisions	10,506.38	11,383.82	4,555.37	9,602.08	14,369.96	15,611.96
Total current Liabilities and Provisions	**15,813.88**	**17,349.43**	**11,700.07**	**24,467.78**	**38,737.06**	**38,373.01**
Total Liabilities (B)	**2,09,597.83**	**2,57,741.58**	**3,14,510.09**	**3,67,295.64**	**4,88,096.63**	**5,54,396.94**
	As at 31st March					**As at September 30, 2009**
	2005	**2006**	**2007**	**2008**	**2009**	
Net Assets (A-B)	**37,855.76**	**42,146.30**	**48,044.62**	**62,576.84**	**71,927.06**	**81,214.99**
Represented by						
1. Share Capital	7,806.00	7,806.00	7,806.00	8,586.60	8,586.60	8,586.60
2. Reserves	28,607.85	32,623.39	38,181.71	51,353.33	59,903.55	68,692.21
Reserves (Net of Revaluation Reserve)	28,607.85	32,623.39	38,181.71	51,353.33	59,903.55	68,692.21
Net Worth	**36,413.85**	**40,429.39**	**45,987.71**	**59,939.93**	**68,490.15**	**77,278.81**
Add: Reserve for Bad & Doubtful Debts u/s 36(1)(viia) of I.T. Act,1961 (As per Audited Accounts)	**1,441.91**	**1,716.91**	**2,056.91**	**2,636.91**	**3,436.91**	**3,936.18**
Total Shareholders Fund	**37,855.76**	**42,146.30**	**48,044.62**	**62,576.84**	**71,927.06**	**81,214.99**

*Note: The above statement should be read with the notes on adjustment and significant accounting policies and notes to the accounts for restated financial statements as appearing in the annexures to the report included in the section titled "**Financial Statements**" on page F-1.*

STANDALONE STATEMENT OF PROFITS AND LOSSES, AS RESTATED

The standalone statement of restated profit & loss of our company for the financial years ended March 31, 2005, 2006, 2007, 2008 and 2009 and for the six months ended September 30, 2009 is set forth below.

(Rs. million)

	For the Year ended 31st March					
	2005	2006	2007	2008	2009	September 30, 2009
Income						
Income from operations	21,892.72	20,583.59	26,516.96	33,804.59	47,549.30	30,444.84
Profit on Sale of Assets	-	-	0.38	0.04	0.11	0.02
Other income	1,022.78	1,737.53	1,892.13	1,592.54	1,626.75	873.71
Total Income	**22,915.50**	**22,321.12**	**28,409.47**	**35,397.17**	**49,176.16**	**31,318.57**
Expenditure						
Interest and other Charges	12,059.49	13,403.30	17,155.03	20,540.56	28,873.50	18,040.57
Establishment Expenses (Staff costs)	338.93	353.82	498.67	923.00	872.24	533.54

	For the Year ended 31st March					
	2005	2006	2007	2008	2009	September 30, 2009
Administrative expenses	115.58	120.38	149.05	178.76	226.93	106.01
Loss on Sale of assets	0.15	0.03	-	0.12	-	-
Resource mobilization Exps.(Bonds/debts instrument Issue expenses)	152.03	166.40	220.63	91.04	97.95	105.25
Provision for Bad and Doubtful debts	-	-	210.45	399.93	23.70	2.22
Depreciation	11.48	10.99	11.29	13.86	13.62	7.15
Provision for Decline in value of investment	3.30	1.80	-	-	10.53	-
Total Expenditure	**12,680.96**	**14,056.72**	**18,245.12**	**22,147.27**	**30,118.47**	**18,794.74**
Profit Before Tax and Extra ordinary items	**10,234.54**	**8,264.40**	**10,164.35**	**13,249.90**	**19,057.69**	**12,523.83**
Less: Provision for Taxation-Current Year	2,327.04	1,699.82	2,152.07	3,764.88	5,039.13	3,227.05
Less: Provision For Taxation-Earlier Years	192.84	326.67	10.94	(1.83)	0.22	-
Less: Provision for Deferred Tax Liability	7.78	(139.07)	11.57	(176.60)	240.41	13.92
Less: Provision for Fringe Benefit Tax	-	7.53	6.72	10.66	15.17	-
Profit after Tax and before Extra-ordinary items (A)	**7,706.88**	**6,369.45**	**7,983.06**	**9,652.79**	**13,762.76**	**9,282.86**
Extra Ordinary Items:						
Reversal of DTL (Earlier years)						-
Interest Swapping Premium	105.39	129.50	-	-	-	
	For the Year ended 31st March					**September 30, 2009**
	2005	**2006**	**2007**	**2008**	**2009**	
Exchange Gain/(Loss)	-	-	(18.27)	(95.95)	114.22	(2.25)
Total Extra Ordinary Items	**105.39**	**129.50**	**(18.27)**	**(95.95)**	**114.22**	**(2.25)**
Less: Taxes On Extra-Ordinary Items	24.15	28.24	(3.84)	(26.87)	29.70	(0.61)
Extra Ordinary Items (net of taxes) (B)	**81.24**	**101.26**	**(14.43)**	**(69.08)**	**84.52**	**(1.64)**
Profit After Tax available for Appropriations (A) + (B)	**7,788.12**	**6,470.71**	**7,968.62**	**9,583.71**	**13,847.28**	**9,281.22**

*Note: The above statement should be read with the notes on adjustment and significant accounting policies and notes to the accounts for restated financial statements as appearing in the annexures to the report included in the section titled "**Financial Statements**" on page F-1.*

THE ISSUE

The following table summarises the Issue details:

Issue*	171,732,000 Equity Shares
Of which:	
Employee Reservation Portion#	350,000 Equity Shares
Net Issue	171,382,000 Equity Shares
Offer for Sale	42,933,000 Equity Shares
Fresh Issue	128,799,000 Equity Shares
QIB Portion	Up to 85,691,000 Equity Shares
Of which:	
Mutual Fund Portion	4,284,550 Equity Shares
Balance for all QIBs including Mutual Funds	81,406,450 Equity Shares
Non-Institutional Portion(1)	Not less than 25,707,300 Equity Shares
Retail Portion(1)	Not less than 59,983,700 Equity Shares
Pre and post-Issue Equity Shares	
Equity Shares outstanding prior to the Issue	858,660,000 Equity Shares
Equity Shares outstanding after the Issue	987,459,000 Equity Shares
Use of proceeds of this Issue	
For details in relation to use of the Issue Proceeds, see the section titled "***Objects of the Issue***" on page 33. Our Company will not receive any proceeds of the Offer for Sale.	

This Issue has been authorized by resolutions of our Board dated October 16, 2009 and November 24, 2009, and by a special resolution passed pursuant to Section 81(1A) of the Companies Act, at the EGM of the shareholders of our Company held on November 24, 2009. The MoP has, through its letter no. 44/20/2009- RE dated November 9, 2009 granted approval for this Issue.

 # Under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion, subject to the Net Issue constituting at least 10% of the post Issue paid-up share capital of our Company.

(1) Under-subscription in any category, excluding Employee Reservation Portion, would be allowed to be met with spill-over from other categories or a combination of categories, at the sole discretion of our Company and the Selling Shareholder, in consultation with Book Running Lead Managers.

GENERAL INFORMATION

Our Company was incorporated under the Companies Act on July 25, 1969 at New Delhi as 'Rural Electrification Corporation Private Limited'. Presently, the name of our Company is "Rural Electrification Corporation Limited" consequent to conversion into a public limited company pursuant to a special resolution passed by our shareholders dated September 27, 2002. For further details in relation to the corporate history of our Company, see the section titled "***History and Certain Corporate Matters***" on page 92.

Registered and Corporate Office

Our registered and corporate office is presently situated at Core 4, SCOPE Complex, 7, Lodhi Road, New Delhi 110 003, India.

Changes in our Registered Office

The table below encapsulates changes in registered office of our Company.

Date of shareholders' resolution	Change in address of the Registered Office
September 5, 1969	No. 3, Jeevan Vihar, Parliament Street, New Delhi 110 001, India.
March 3, 1970	D-5, NDSE, Part-II, New Delhi 110 049, India.
November 30, 1976	2nd and 3rd Floor, DDA Building, Nehru Place, New Delhi 110 019, India.
November 28, 1995	Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi 110 003, India.

Registration Number: 055 – 5095

Corporate Identity Number: L40101DL1969GOI005095

Address of the RoC

The RoC is situated at the following address:

The Registrar of Companies
National Capital Territory of Delhi and Haryana
4th Floor, IFCI Tower,
61, Nehru Place,
New Delhi- 110 019, India

Board of Directors

Our Board comprises the following:

Name, Designation and Occupation	Age (years)	DIN	Residential Address
Mr. P. Uma Shankar Chairman and Managing Director *Non-Independent Director* Occupation: Service	56	00130363	B-326, Asiad Games Village Complex, New Delhi 110 049, India
Mr. Hari Das Khunteta Director (Finance) Executive Director *Non-Independent Director* Occupation: Service	57	00061925	A-3, Jal Vidyut Apartments Sector 21-C, Part-III, Faridabad 121001, Haryana, India.
Mr. Guljit Kapur Director (Technical) Executive Director *Non-Independent Director*	58	01120089	49-B, Sukhdev Vihar, Pocket-A, DDA Flats, New Delhi-110025, India

Name, Designation and Occupation	Age (years)	DIN	Residential Address
Occupation: Service			
Mr. Devender Singh Government Nominee Director Non-Executive Director Occupation: Service	47	01792131	L-32, Nivedita Kunj, Sector-10, R.K. Puram, New Delhi 110 022, India.
Mr. Venugopal N. Dhoot Non-Executive Director *Independent Director* Occupation**:** Industrialist	58	00092450	90, Manav Mandir, Napean Sea Road, Mumbai 400 006, India.
Dr. M. Govinda Rao Non-Executive Director *Independent Director* Occupation: Service	62	01982343	1, Academic Staff Quarters, NIPFP, 18/2 Satsang Vihar Marg, Special Institutional Area, New Delhi 110 067, India.
Mr. P.R. Balasubramanian Non-Executive Director *Independent Director* Occupation: Retired professional	65	01993392	229, 9A Main, 1st Block, H.R.B.R. Layout, Kalyan Nagar, Bangalore 560 043, Karnataka, India.
Dr. Devi Singh Non-Executive Director *Independent Director* Occupation: Service	57	00015681	Directors Bungalow, IIM Campus, Praband Nagar, Off Sitapur Road, Lucknow 226 103, India.

For profile of our Directors and further details in relation to our Directors, see the section titled "***Our Management***" on page 112.

Company Secretary and Compliance Officer

Our Company Secretary and Compliance Officer is Mr. B.R. Raghunandan. His contact details are as follows:

Mr. B.R. Raghunandan
Rural Electrification Corporation Limited
Core-4, SCOPE Complex
7, Lodhi Road, New Delhi 110 003, India
Telephone: +91 11 2436 7305
Facsimile: +91 11 2436 2039
E-mail: complianceofficer@recl.nic.in

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, credit of Allotted Equity Shares in the respective beneficiary account or refund orders.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the SCSBs, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked, ASBA Account number and the Designated Branch of the SCSBs where the ASBA Form was submitted by the ASBA Bidders.

For all Issue related queries and for redressal of complaints, investors may also write to the Book Running Lead Managers. All complaints, queries or comments received by SEBI shall be forwarded to the Book Running Lead Managers, who shall respond to the same.

Book Running Lead Managers

Kotak Mahindra Capital Company Limited 1st Floor, Bakhtawar 229, Nariman Point Mumbai 400 021, India Telephone: +91 22 6634 1100 Facsimile: +91 22 2284 0492 Email: rec.fpo@kotak.com Website: www.kmcc.co.in Investor Grievance ID: kmccredressal@kotak.com Contact Person: Mr. Chandrakant Bhole SEBI registration number: INM000008704	**DSP Merrill Lynch Limited** Mafatlal Centre, 10th Floor Nariman Point Mumbai 400 021, India Telephone: +91 22 6632 8761 Facsimile: +91 2204 8518 Email: rec.fpo@baml.com Website: www.dspml.com Investor Grievance ID: India_merchantbanking@ml.com Contact Person: Mr. N.S. Shekhar SEBI Registration No.: INM000002236
ICICI Securities Limited ICICI Centre H.T. Parekh Marg Churchgate Mumbai 400 020, India Telephone: +91 22 2288 2460 Facsimile: +91 2282 6580 Email: rec.fpo@icicisecurities.com Website: www.icicisecurities.com Investor Grievance ID: customercare@icicisecurities.com Contact Person: Mr. Rajiv Poddar SEBI registration number: INM000011179	**JM Financial Consultants Private Limited** 141, Maker Chambers III Nariman Point Mumbai 400 021, India Telephone: +91 22 6630 3030 Facsimile: +91 22 2204 7185 Email: recfpo@jmfinancial.in Website: www.jmfinancial.in Investor Grievance ID: grievance.ibd@jmfinancial.in Contact Person: Ms. Naazneen Yazdani SEBI registration number: INM000010361
RBS Equities (India) Limited (formerly known as "*ABN AMRO Asia Equities (India) Limited*") 83/84, Sakhar Bhavan Behind Oberoi Towers 230, Nariman Point Mumbai 400 021, India Telephone: +91 22 6632 5535, Facsimile: +91 22 6632 5541 Email: rec.fpo@rbs.com Website: www.abnamro.co.in Investor Grievance ID: customercare.ecm@in.abnamro.com Contact Person: Mr. Amit Prasad SEBI registration number: INM000010551	

For further details in relation to registration of RBS Equities (India) Limited as a Book Running Lead Manager with the SEBI, see the section titled "***Other Regulatory and Statutor Disclosures***" on page 220.

Syndicate Members

JM Financial Services Private Limited	**Kotak Securities Limited**

Apeejay House, 3rd Floor 3 Dinshaw Vachha Road, Churchgate Mumbai 400 020 Telephone: +91 22 6704 3184/3185 Facsimile: +91 22 6654 1511 Website: www.jmfinancial.in Email: Deepak.vaidya@jmfinancial.in, tn.kumar@jmfinancial.in Contact Person: Mr Deepak Vaidya/ Mr T N Kumar SEBI Registration Nos.: BSE INB/F 011054831, NSE INB/F231054835	2nd Floor, Nirlon House Dr. Annie Besant Road Near Passport Office, Worli Mumbai 400 025 Telephone: +91 22 6740 9708 Facsimile: +91 22 6662 7330 E-mail: umesh.gupta@kotak.com Website: www.kotak.com Contact Person: Mr. Umesh Gupta SEBI Registration Nos.: BSE: INB010808153, NSE: INB230808130

Legal Counsels

Domestic Legal Counsel to the Company (as to Indian law)
Luthra and Luthra Law Offices 103, Ashoka Estate 24, Barakhamba Road New Delhi 110 001, India Telephone: +91 11 4121 5100 Facsimile: +91 11 2372 3909

Domestic Legal Counsel to the Underwriters (as to Indian law)
Amarchand & Mangaldas & Suresh A. Shroff & Co. 216, Amarchand Towers Okhla Industrial Estate, Phase III New Delhi 110 020, India Telephone: +91 11 2692 0500 Facsimile: +91 11 2692 4900

International Legal Counsel to the Issue (as to US federal law)
Ashurst LLP Broadwalk House 5 Appold Street London EC2A 2HA United Kingdom Telephone: +44 20 7638 1111 Fascimile: +44 20 7638 1112

Registrar to the Issue

Karvy Computershare Private Limited
Plot no 17 to 24
Vithal rao Nagar, Madhapur
Hyderabad 500 086, India
Telephone: +91 40 2342 0815
Toll Free Number: 1-800-345 4001
Facsimile: +91 40 2342 0814
Email: rec.fpo@karvy.com
Website: www.karvy.com
Investor Grievance ID: einward.ris@karvy.com
Contact Person: Mr. Murali Krishna
SEBI registration number: INR000000221

Bankers to the Issue/Escrow Collection Banks

ABN AMRO Bank N.V. Brady House, 14 Veer Nariman Road, Hornimon Circle, Fort, Mumbai 400 023 Telephone: +91 22 6658 5858 Fascimile: +91 22 2204 2673 Email: chaitali.nandi@in.abnamro.com Contact Person: Mr. Manish B. Bhatia SEBI Registration Number: INB100000968	***Axis Bank Limited*** New Delhi Main Branch, 148, Barakhamba Road, Ground Floor, Statesman House, New Delhi 110 001 Telephone: +91 11 2331 1013 Fascimile: +91 11 2331 1054 Email: amit.mishra@asixbank.com Contact Person: Mr. Amit Mishra SEBI Registration Number: INB100000017
Bank of America N.A. Express Towers, Nariman Point, Mumbai 400 021 Telephone: +91 22 2285 2882 Facsimile: +91 22 2282 5217 Email: nanditta.halady@bankofamerica.com Contact Person: Ms. Nanditta Halady SEBI Registration Number: INBI00000039	***HDFC Bank Limited*** FIG – OPS Department, HDFC Bank Limited, Lodha – I Think Techno Campus, O-3 Level, Next to Kanjurmarg Railway Station, Kanjurmarg (East), Mumbai 400 042 Telephone: +91 22 3075 2928 Fascimile: +91 22 2579 9801 Email: Deepak.rane@hdfcbank.com Contact Person: Mr. Deepak Rane SEBI Registration Number: INB100000063
IDBI Bank Limited Unit No. 2, Corporate Park, Sion Trombay Road, Chembur, Mumbai 400 071 Telephone: +91 22 6690 8402 Fascimile: +91 22 2528 6173 Email: mn.kamat@idbi.co.in Contact Person: Mr. M.N. Kamat SEBI Registration Number: INBI00000076	***Kotak Mahindra Bank Limited*** Kotak Mahindra Bank, 5th Floor, Dani Corporate Park 158, CST Road, Kalina, Mumbai 400 098 Telephone: +91 22 6759 5336 Fascimile: +91 22 6759 5374 Email: amit.kr@kotak.com Contact Person: Mr. Amit Kumar SEBI Registration Number: INBI00000927
State Bank of India Capital Market Branch, Mumbai Main Branch Building, Mumbai Samachar Marg, Fort, Mumbai 400 023. Telephone: +91 22 2266 2133 Fascimile: +91 22 2266 4959 Email: sbi.11777@sbi.co.in Contact Person: Mrs. Surekha Shinde SEBI Registration Number: INBI00000038	***The Hongkong and Shanghai Banking Corporation Limited*** HSBC, Securities Services Department, Shiv Building, 2nd Floor, Plot No. 139-140B, Western Expressway Highway Sahar Road Junction, Vile Parle (East), Mumbai 400 057. Telephone: +91 98217 80250 Fascimile: +91 22 4035 7657 Email: mustafasanchawalla@hsbc.co.in Contact Person: Mr. Mustafa Sanchawalla SEBI Registration Number: INBI00000027
Yes Bank Limited 2nd Floor, Tiecicon House, Dr. E. Moses Road, Mahalaxmi, Mumbai 400 011. Telephone: +91 22 6622 9031 Fascimile: +91 22 2497 4875 Email: dlbtiservices@yesbank.in Contact Person: Mr. Mahesh Shirali SEBI Registration Number: INBI00000935	

Self Certified Syndicate Banks

The list of banks who have been notified by SEBI to act as SCSBs are provided at http://www.sebi.gov.in. For details on designated branches of SCSBs collecting the ASBA Form, please refer the above mentioned SEBI link.

Refund Banker

Axis Bank Limited New Delhi Main Branch, 148, Barakhamba Road, Ground Floor, Statesman House, New Delhi 110 001 Telephone: +91 11 2331 1013 Fascimile: +91 11 2331 1054 Email: amit.mishra@asixbank.com Contact Person: Mr. Amit Mishra SEBI Registration Number: INB100000017	***HDFC Bank Limited*** FIG – OPS Department, HDFC Bank Limited, Lodha – I Think Techno Campus, O-3 Level, Next to Kanjurmarg Railway Station, Kanjurmarg (East), Mumbai 400 042 Telephone: +91 22 3075 2928 Fascimile: +91 22 2579 9801 Email: Deepak.rane@hdfcbank.com Contact Person: Mr. Deepak Rane SEBI Registration Number: INB100000063

Auditors

Bansal & Co., Chartered Accountants A-6, Maharani Bagh New Delhi 110 065, India. Telephone: +91 11 4162 7470 Fascimile: +91 11 4132 8425 Email: info@bansalco.com Contact Person: Mr. D.S. Rawat Firm Registration No.: 001113N	***K.G. Somani & Company, Chartered Accountants*** 3/15 Asaf Ali Road 4th Floor, Near Delite Cinema New Delhi 110 002, India. Telephone: +91 11 2456 1456 Fascimile: -+ 91 2326 0086 Email: kgsomani2@gmail.com Contact Person: Mr. Bhuvnesh Maheshwari Firm Registration No.: 006591N

Bankers to our Company

Axis Bank Limited Statesman House, 148, Barakhamba Road, New Delhi 110 001, India Telephone: +91 11 2331 1159 Fascimile: +91 11 2331 1054 Email: depender.bishnoi@axisbank.com Contact Person: Mr. Depender Bishnoi	***Corporation Bank*** CGO Complex, Lodhi Road, New Delhi 110 003, India. Telephone: +91 11 2436 1469 Fascimile: +91 11 2436 3542 Email: cb371@corpbank.co.in Contact Person: Mr. C.K. Gopal
Dena Bank SCOPE Complex, 7, Lodhi Road, New Delhi 110 003, India. Telephone: +91 11 2436 0455 Fascimile: +91 11 2436 3767 Email: scopec@denabank.co.in Contact Person: Mr. Sunil Tewari	***HDFC Limited*** K.G. Marg, New Delhi 110 001, India. Telephone: +91 11 41392152 Fascimile: +91 11 4165 2283 Email: figdelhi@hdfcbank.com Contact Person: Mr. Anand Somaiya
ICICI Bank Limited NBCC Place, Pragati Vihar, New Delhi 110 003, India. Telephone: +91 11 4221 8456 Fascimile: +91 11 2439 0070 Email: satish.mohan@icicibank.com Contact Person: Mr. Satish Mohan	***IDBI Bank Limited*** 3rd Floor, India Red Cross Society Building, 1, Red Cross Road, New Delhi 110 001, India. Telephone: +91 11 2346 1900 Fascimile: +91 11 2375 2730 Email: mn.kamat@idbi.co.in Contact Person: Mr. M. N. Kamat

Punjab National Bank Nagpur Road, Madan Mahal, Jabalpur 482 001, Madhya Pradesh, India. Telephone: +91 0761 2425 613 Fascimile: +91 0761 2422 764 Email: B00708@pnb.co.in Contact Person: Mr. Manoj Tirki	***State Bank of Hyderabad*** SCOPE Complex, 7, Lodhi Road, New Delhi 110 003, India. Telephone: +91 11 2436 5640 Fascimile: +91 11 2436 2566 Email: scopecomplex@sbhyd.co.in Contact Person: Mr. N. Reddy
State Bank of India Main Branch, Parliament Street, New Delhi 110 001, India. Telephone: +91 11 2337 4140 Fascimile: +91 11 2337 4145 Email: vidya.krishnan@sbi.co.in Contact Person: Ms. Vidya Krishnan	***Union Bank of India*** F-1, New Khanna Market, Lodhi Colony, New Delhi 110 003, India. Telephone: +91 11 2461 6901 Fascimile: +91 11 2460 3379 Email: lodhicolony@unionbankofindia.com Contact Person: Mr. V.K. Jain
Vijaya Bank Defence Colony, New Delhi 110 024, India Telephone: +91 11 2465 8127 Fascimile: +91 11 2462 3775 Email: del.defencecolony6005@vijayabank.co.in Contact Person: Mr. Harideesh Kumar. B	***Indusind Bank Limited*** International Trade Tower, GF, F-Block, Nehru Place, New Delhi 110 019, India Telephone: +91 11 4603 2020 Fascimile: +91 11 4603 2682 Email: rajiv.malik@indusind.com Contact Person: Mr. Rajiv Malik
Yes Bank Limited 48, Nayaya Marg, Chanakyapuri, New Delhi 110 021, India Telephone: +91 11 6656 9040 Fascimile: +91 11 4168 0144 Email: deepak.gaddhyan@yesbank.in Contact Person: Mr. Deepak Kumar Gaddhyan	

Statement of inter-se allocation of responsibility of the Book Running Lead Managers

The following table sets forth the *inter se* allocation of responsibilities for various activities in relation to this Issue among the Book Running Lead Managers:

S. No.	Activity	Responsibility	Designated Coordinating Book Running Lead Manager
1.	Capital structuring with relative components and formalities such as type of instruments., etc.	Kotak Mahindra Capital Company Limited ("**Kotak**"), DSP Merrill Lynch Limited ("**BofA ML**"), ICICI Securities Limited ("**I-Sec**"), JM Financial Consultants Private Limited ("**JM**"), RBS Equities (India) Limited ("**RBS**")	Kotak
2.	Due-diligence of our Company including its operations/management/business plans/legal, etc. Drafting and design of the Draft Red Herring Prospectus, this Red Herring Prospectus including memorandum containing salient features of the Prospectus. The Book Running Lead Managers shall ensure compliance with stipulated requirements and completion of prescribed	Kotak, BofA ML, I-Sec, JM, RBS	Kotak

S. No.	Activity	Responsibility	Designated Coordinating Book Running Lead Manager
	formalities with the Stock Exchanges, the RoC and SEBI, including finalisation of Prospectus and the RoC filing		
3.	Drafting and approving all statutory advertisements	Kotak, BofA ML, I-Sec, JM, RBS	Kotak
4.	Drafting and approving non-statutory advertisements including corporate advertisements	Kotak, BofA ML, I-Sec, JM, RBS	BofA ML
5.	Preparation and finalization of the road-show presentation and frequently asked questions for the road-show team	Kotak, BofA ML, I-Sec, JM, RBS	BofA ML
6.	Appointment of intermediaries, *viz.*, i. Printer(s) ii. Registrar iii. Advertising agency and iv. Bankers to the Issue	Kotak, BofA ML, I-Sec, JM, RBS	a) Printer(s) - Kotak b) Registrar – I-Sec c) Advertising agency - RBS d) Bankers to the Issue - Kotak
7.	Non-institutional and retail marketing of the Issue, which will cover, *inter alia*, ▪ Formulating marketing strategies, preparation of publicity budget ▪ Finalizing media and public relations strategy ▪ Finalizing centers for holding conferences for brokers, etc. ▪ Follow-up on distribution of publicity and Issuer material including application form, prospectus and deciding on the quantum of the Issue material ▪ Finalizing collection centres	Kotak, BofA ML, I-Sec, JM, RBS	JM
8.	International Institutional marketing International Institutional marketing of the Issue, which will cover, *inter alia*, Institutional marketing strategy Finalizing the list and division of investors for one to one meetings, and Finalizing road show schedule and investor meeting schedules	Kotak, BofA ML, I-Sec, JM, RBS	BofA ML
9.	Domestic Institutional marketing Domestic Institutional marketing of the Issue Finalizing the list and division of investors for one to one meetings	Kotak, BofA ML, I-Sec, JM, RBS	Kotak
10.	Co-ordination with Stock Exchanges for Alternate Book Building Processsoftware, bidding terminals and mock trading	Kotak, BofA ML, I-Sec, JM, RBS	RBS
11.	Managing the book and finalisation of pricing in consultation with the Company	Kotak, BofA ML, I-Sec, JM, RBS	BofA ML
12.	Post bidding activities including management of escrow accounts, co-ordination of allocation, finalization of basis of allotment / weeding out of multiple applications, intimation of allocation and dispatch of refunds to bidders, dealing with the various agencies connected with the work such as	Kotak, BofA ML, I-Sec, JM, RBS	I-Sec

S. No.	Activity	Responsibility	Designated Coordinating Book Running Lead Manager
	registrars to the issue, bankers to the issue, Self Certified Syndicate Banks and the bank handling refund business etc. The designated coordinating Book Running Lead Manager shall be responsible for ensuring that the intermediaries fulfil their functions and enable him to discharge this responsibility through suitable agreements with our Company.		

Even if any of these activities are handled by other intermediaries, the Book Running Lead Managers shall be responsible for ensuring that these agencies fulfil their functions and enable them to discharge this responsibility through suitable agreements with our Company and for ensuring compliance with the SEBI Regulations and other requirements and formalities specified by the RoC, the SEBI and the Stock Exchanges.

Credit Rating

As the Issue is of equity shares, credit rating is not required.

Trustees

As the Issue is of equity shares, appointment of trustees is not required.

Issue Grading

As the Issue is a further public offering, grading of this Issue is not required.

Monitoring Agency

As our Company has been declared a 'public financial institution' under Section 4A of the Companies Act, we have not appointed a monitoring agency for this Issue, in accordance with Regulation 16(1) of the SEBI Regulations.

Expert

We have not obtained any expert opinions.

Project Appraisal

None of the objects of this Issue have been appraised.

Alternate Book Building Process

This Issue is being made through the Alternate Book Building Process, under which QIBs shall submit their Bids at any price above the Floor Price and Non-Institutional Bidders, Retail Individual Bidders and Bidders applying under the Employee Reservation Portion shall submit their Bids at the Floor Price.

The Floor Price shall be determined by our Company and the Selling Shareholder, in consultation with the Book Running Lead Managers. The principal parties involved in the Alternate Book Building Process are:

(1) our Company;
(2) the Selling Shareholder;
(3) the Book Running Lead Managers;
(4) Syndicate Members who are intermediaries registered with SEBI or registered as brokers with any of the Stock Exchanges and eligible to act as underwriters, and are appointed by the Book Running Lead Managers;
(5) Registrar to the Issue;

(6) Escrow Collection Banks; and
(7) SCSBs.

This Issue is being made through the Alternate Book Building Process wherein up to 50% of the Net Issue shall be allocated on a 'price priority' basis to QIBs. 5% of the QIB Portion shall be available for allocation on a 'price priority' basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a 'price priority' basis to QIBs (including Mutual Funds), subject to valid Bids being received from them above the Floor Price. However, if the aggregate demand from Mutual Funds is less than 4,284,550 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and allocated on a 'price priority' basis to the QIBs.

Further, not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received from them at the Floor Price. Further, 350,000 Equity Shares shall be available for allocation on a proportionate basis to our Eligible Employees, subject to valid Bids being received at the Floor Price. Under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion, subject to the Net Issue constituting at least 10% of the post Issue paid-up share capital of our Company.

In accordance with the SEBI Regulations, QIBs bidding in the QIB Portion are not allowed to withdraw their Bids after the Issue Closing Date. QIBs bidding in the QIB Portion are required to pay Margin Amount of at least 10% upon submission of their Bid and allocation to QIBs will be on a 'price priority' basis.

Our Company and the Selling Shareholder will comply with the SEBI Regulations and any other ancillary directions issued by SEBI for this Issue. In this regard, our Company and the Selling Shareholder have appointed the Book Running Lead Managers to manage this Issue and procure subscriptions to this Issue.

The Alternate Book Building Process is subject to change. Investors are advised to make their own judgment about an investment through this process prior to submitting a Bid.

Steps to be taken by the Bidders for making a Bid:

1. Check eligibility for making a Bid. For further details, see the section titled "***Issue Procedure***" on page 244. Specific attention of ASBA Bidders is invited to the section titled "***Issue Procedure – Issue Procedure for ASBA Bidders***" on page 276;
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form or the ASBA Form, as the case may be;
3. Ensure that the Bid cum Application Form or ASBA Form is duly completed as per the instructions given in this Red Herring Prospectus and in the respective forms;
4. Except for Bids on behalf of the Central or State Government and the officials appointed by the courts, for Bids of all values, ensure that you have mentioned your PAN in the Bid cum Application Form or ASBA Form (see the section titled "***Issue Procedure***" on page 244). However, Bidders residing in the State of Sikkim are exempted from the mandatory requirement of PAN. The exemption is subject to the 'Depository Participants' verifying the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address;
5. Ensure the correctness of your Demographic Details (as defined in the section titled "***Issue Procedure–Bidder's Depository Account and Bank Details***" on page 256), given in the Bid cum Application Form or ASBA Form, with the details recorded with your Depository Participant;
6. Bids by ASBA Bidders will only have to be submitted to the SCSBs at the Designated Branches. ASBA Bidders should ensure that their bank accounts have adequate credit balance at the time of submission to the SCSB to ensure that their ASBA Form is not rejected; and
7. Bids by QIBs will only have to be submitted to members of the Syndicate.

Withdrawal of the Issue

Our Company and the Selling Shareholder, in consultation with the Book Running Lead Managers, reserve the right not to proceed with this Issue any time after the Issue Opening Date, but before Allotment. In the event of withdrawal of this Issue, the reasons therefor shall be disclosed in a public notice which shall be published within two days of the Issue Closing Date in English and Hindi national newspapers, where the pre-Issue advertisement was published, each with wide circulation and the Stock Exchanges shall be informed promptly. Further, in the event of withdrawal of the Issue and subsequently, plans of a further public offer by our Company, a fresh draft red herring prospectus will be submitted again for observations of SEBI.

Notwithstanding the foregoing, this Issue is also subject to obtaining the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment, and the final RoC approval of the Prospectus after it is filed with the Stock Exchanges.

In terms of the SEBI Regulations, QIBs shall not be allowed to withdraw their Bids after the Issue Closing Date.

Issue Programme

ISSUE OPENING DATE	**Friday, FEBRUARY 19, 2010**
ISSUE CLOSING DATE	**Tuesday, FEBRUARY 23, 2010**

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the Bidding Centres mentioned on the Bid cum Application Form or, in case of Bids submitted through ASBA, the Designated Branches of the SCSBs **except that on the Issue Closing Date, Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time)** and uploaded until (i) 4.00 p.m. in case of Bids by QIBs bidding in the QIB Portion and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000 and by Eligible Employees Bidding under the Employee Reservation Portion; and (ii) until 5.00 p.m in case of Bids by Retail Individual Bidders where the Bid Amount is up to Rs. 100,000 which may be extended up to such time as deemed fit by the Stock Exchanges after taking into account the total number of applications received up to the closure of timings and reported by Book Running Lead Managers to the Stock Exchanges within half an hour of such closure. Due to limitation of the time available for uploading the Bids on the Issue Closing Date, the Bidders, are advised to submit their Bids one Working Day prior to the Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Issue Closing Date, as is typically experienced in public offerings in India, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under this Issue. If such Bids are not uploaded, our Company, the Selling Shareholder, the Book Running Lead Managers and the Syndicate Members shall not be responsible. Bids will only be accepted on Working Days. On the Issue Closing Date, extension of time may be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms and ASBA Form as stated herein and reported by the Book Running Lead Managers to the Stock Exchange within half an hour of such closure.

In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical Bid form, for a particular Bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of Allotment. In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical or electronic ASBA Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask the relevant SCSB for rectified data.

Underwriting Agreement

After the determination of the Clearing Prices and allocation of our Equity Shares, but prior to filing of the Prospectus with the RoC, our Company and the Selling Shareholder intend to enter into an Underwriting Agreement with the Underwriters for our Equity Shares to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the Underwriters shall be responsible for bringing in the amount devolved to fulfil their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein.

The Underwriting Agreement is dated [●]. The Underwriters have indicated their intention to underwrite the following number of Equity Shares:

(This portion has been intentionally left blank and will be completed before filing of the Prospectus with the RoC.)

Details of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. million)
[●]	[●]	[●]
[●]	[●]	[●]
Total	[●]	[●]

The above-mentioned amount is indicative and will be finalised after after the pricing and actual allocation.

In the opinion of our Board (based on a certificate given by the Underwriters), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges. Our Board, at its meeting held on [●], has accepted and entered into the Underwriting Agreement with the Underwriters.

Allocation among the Underwriters may not necessarily be in the proportion of their underwriting commitments set forth in the table above. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to our Equity Shares allocated to investors procured by them. Subject to the SEBI Regulations, in the event of any default in payment, the respective Underwriters, in addition to other obligations defined in the Underwriting Agreement, will also be required to procure/subscribe for Equity Shares to the extent of the defaulted amount in accordance with the Underwriting Agreement. The underwriting arrangement shall not apply to the subscription by the ASBA Bidders in this Issue.

In case of under-subscription in the Issue, the Book Running Lead Manager as described in the section tited "General Information–Statement of inter-se allocation of responsibility of the Book Running Lead Managers" on page 16, responsible for underwriting arrangements shall be responsible for invoking underwriting obligations and ensuring that the notice for devolvement containing the obligations of the Underwriters is issued in terms of the SEBI Regulations.

CAPITAL STRUCTURE

The equity share capital of our Company, as on the date of this Red Herring Prospectus, before and after the Issue, is set forth below:

(Rs. million, except share data)

		Aggregate Value at nominal value	Aggregate Value at Floor Price
A)	**AUTHORISED SHARE CAPITAL[(a)]**		
	1,200,000,000 Equity Shares	12,000.00	
B)	**ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL BEFORE THE ISSUE**		
	858,660,000 Equity Shares	8,586.60	
C)	**PRESENT ISSUE IN TERMS OF THIS RED HERRING PROSPECTUS [(b)]**		
	Public issue of 171,732,000 Equity Shares	1,717.32	[●]
	Which comprises		
	(a) Employee Reservation Portion[#] of 350,000 Equity Shares	3.50	[●]
	Net Issue to public		
	(a) Fresh Issue of 128,799,000 Equity Shares[(b)]	1,287.99	[●]
	(b) Offer for Sale of 42,933,000 Equity Shares by the Selling Shareholder[(c)]	429.33	[●]
	QIB Portion of up to 85,691,000 Equity Shares[(d)], of which the:	856.91	[●]
	Mutual Fund Portion is 4,284,550 Equity Shares		
	Other QIBs, including Mutual Funds is 81,406,450 Equity Shares		
	Non-Institutional Portion of not less than 25,707,300 Equity Shares*[(e)]	257.07	[●]
	Retail Portion of not less than 59,983,700 Equity Shares*[(e)]	599.84	[●]
D)	**PAID-UP EQUITY CAPITAL AFTER THE ISSUE**		
	987,459,000 Equity Shares	9,874.59	[●]
E)	**SECURITIES PREMIUM ACCOUNT**		
	Before the Issue	7,228.37	
	After the Issue**	[●]	

[#] *Under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion, subject to the Net Issue constituting at least 10% of the post Issue paid-up share capital of our Company.*

****** *The securities premium account will be determined after completion of the Alternate Book Building Process and determination of the Clearing Prices.*

(a) The authorised share capital of our Company was increased from Rs. 100 million comprising 100,000 equity shares of Rs. 1,000 each to Rs. 250 million comprising 250,000 equity shares of Rs. 1,000 each, through a resolution of the shareholders of our Company dated December 26, 1970.

The authorised share capital of our Company was increased from Rs. 250 million comprising 250,000 equity shares of Rs. 1,000 each to Rs. 500 million comprising 500,000 equity shares of Rs. 1,000 each, through a resolution of the shareholders of our Company dated February 28, 1973.

The authorised share capital of our Company was increased from Rs. 500 million comprising 500,000 equity shares of Rs. 1,000 each to Rs. 1,000 million comprising 1,000,000 equity shares of Rs. 1,000 each, through a resolution of the shareholders of our Company dated December 2, 1974.

The authorised share capital of our Company was increased from Rs. 1,000 million comprising 1,000,000 equity shares of Rs. 1,000 each to Rs. 1,500 million comprising 1,500,000 equity shares of Rs. 1,000 each, through a resolution of the shareholders of our Company dated September 21, 1979.

The authorised share capital of our Company was increased from Rs. 1,500 million comprising 1,500,000 equity shares of Rs. 1,000 each to Rs. 3,000 million comprising 3,000,000 equity shares of Rs. 1,000 each, through a resolution of the shareholders of our Company dated September 30, 1985.

The authorised share capital of our Company was increased from Rs. 3,000 million comprising 3,000,000 equity shares of Rs. 1,000 each to Rs. 4,000 million comprising 4,000,000 equity shares of Rs. 1,000 each, through a resolution of the shareholders of our Company dated September 28, 1990.

The authorised share capital of our Company was increased from Rs. 4,000 million comprising 4,000,000 equity shares of Rs. 1,000 each to Rs. 6,000 million comprising 6,000,000 equity shares of Rs. 1,000 each, through a resolution of the shareholders of our Company dated December 31, 1992.

The authorised share capital of our Company was increased from Rs. 6,000 million comprising 6,000,000 equity shares of Rs. 1,000 each to Rs. 8,000 million comprising 8,000,000 equity shares of Rs. 1,000 each, through a resolution of the shareholders of our Company dated August 8, 1997.

The authorised share capital of our Company was increased from Rs. 8,000 million comprising 8,000,000 equity shares of Rs. 1,000 each to Rs. 12,000 million comprising 12,000,000 equity shares of Rs. 1,000 each, through a resolution of the shareholders of our Company dated December 19, 2001.

The authorised share capital of our Company was altered to Rs. 12,000 million divided into 1,200,000,000 Equity Shares by way of split of 12,000,000 equity shares of Rs. 1,000 each to 1,200,000,000 Equity Shares, through a resolution of the shareholders of our Company dated September 27, 2002.

(b) This Issue has been authorized by resolutions of our Board dated October 16, 2009 and November 24, 2009, and by a special resolution passed pursuant to Section 81(1A) of the Companies Act, at the EGM of the shareholders of our Company held on November 24, 2009.

(c) The MoP has, through its letter no. 44/20/2009- RE dated November 9, 2009 granted approval for this Issue. The MoP has through its letter no. 44/20/2009- RE dated November 30, 2009, granted approval for disinvestment of 42,933,000 Equity Shares (i.e., 5% of the existing paid up share capital of our Company) through the Offer for Sale in this Issue.

The Equity Shares constituting the Offer for Sale have been held by the Selling Shareholder for a period of at least one year as on the date of filing of the Draft Red Herring Prospectus with SEBI and hence are eligible for being offered for sale in this Issue. The Equity Shares held by the Selling Shareholder are in dematerialised form.

The RBI has, pursuant to its letter (FE.CO.FID. No. 17056/10.21.073/2009-10) dated January 1, 2010, accorded its ‘no-objection’ for (a) the issuance of Equity Shares forming part of the Fresh Issue to eligible non-residents, subject to, inter alia, the terms and conditions of Schedule I to Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended, and (b) transfer of Equity Shares forming part of the Offer for Sale. For further details regarding the requirement for the said approval and other ancilliary matters in this regard, see the sections titled “Regulations and Policies”, “Government and Other Approvals” and “Issue Procedure” on pages 83, 212 and 244, respectively.

(d) 5% of the QIB Portion shall be available for allocation on a ‘price priority’ basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a ‘price priority’ basis to QIBs (including Mutual Funds), subject to valid Bids being received from them above the Floor Price. However, if the aggregate demand from Mutual Funds is less than 4,284,550 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and allocated on a ‘price priority’ basis to the QIBs in proportion to their Bids. Further, attention of all QIBs bidding under the QIB Portion is specifically drawn to the following: (a) QIBs will not be allowed to withdraw their Bid cum Application Forms after 3.00 p.m. on the Issue Closing Date; and (b) each QIB, including a Mutual Fund is required to deposit a Margin Amount of at least 10% with its Bid cum Application Form. In the event of under-subscription in the Mutual Fund Portion, the unsubscribed portion would be added to the balance of the QIB Portion for allocation on a ‘price priority’ basis to the QIBs bidding in the QIB Portion.

(e) Under-subscription in any category, excluding Employee Reservation Portion, would be allowed to be met with spill-over from other categories or a combination of categories, at the sole discretion of our Company and the Selling Shareholder, in consultation with the Book Running Lead Managers.

Notes to the Capital Structure

1. Share Capital History

The following is the history of the equity share capital of our Company:

Date of Issue/ allotment	No. of equity shares of our Company	Face Value (Rs.)	Issue price (Rs.)	Nature for allotment	Consideration in Cash/ other than cash	Cumulative Share Premium	Equity Share Capital (Rs.)	Cumulative Equity Share Capital (Rs.)
October 7, 1969	2,000	1,000	1,000	Initial subscription[(1)]	Cash	Nil	2,000,000	2,000,000
January 30, 1970	28,000	1,000	1,000	Further issue	Cash	Nil	28,000,000	30,000,000
December 2, 1970	60,000	1,000	1,000	Further issue	Cash	Nil	60,000,000	90,000,000
April 30, 1971	20,000	1,000	1,000	Further issue	Cash	Nil	20,000,000	110,000,000
January 28, 1972	10,000	1,000	1,000	Further issue	Cash	Nil	10,000,000	120,000,000
August 28, 1972	80,000	1,000	1,000	Further issue	Cash	Nil	80,000,000	200,000,000
September 27, 1973	70,000	1,000	1,000	Further issue	Cash	Nil	70,000,000	270,000,000
March 23, 1974	40,000	1,000	1,000	Further issue	Cash	Nil	40,000,000	310,000,000
October 31, 1974	100,000	1,000	1,000	Further issue	Cash	Nil	100,000,000	410,000,000
February 20, 1975	90,000	1,000	1,000	Further issue	Cash	Nil	90,000,000	500,000,000
March 8, 1976	50,000	1,000	1,000	Further issue	Cash	Nil	50,000,000	550,000,000
August 17, 1976	50,000	1,000	1,000	Further issue	Cash	Nil	50,000,000	600,000,000
July 30, 1977	70,000	1,000	1,000	Further issue	Cash	Nil	70,000,000	670,000,000
September 4, 1978	100,000	1,000	1,000	Further issue	Cash	Nil	100,000,000	770,000,000
July 25, 1979	100,000	1,000	1,000	Further issue	Cash	Nil	100,000,000	870,000,000
April 23, 1980	40,000	1,000	1,000	Further issue	Cash	Nil	40,000,000	910,000,000
August 23, 1980	15,000	1,000	1,000	Further issue	Cash	Nil	15,000,000	925,000,000
September 22, 1980	75,000	1,000	1,000	Further issue	Cash	Nil	75,000,000	1,000,000,000
July 27, 1981	100,000	1,000	1,000	Further issue	Cash	Nil	100,000,000	1,100,000,000
May 10, 1982	16,600	1,000	1,000	Further issue	Cash	Nil	16,600,000	1,116,600,000
August 16, 1982	83,400	1,000	1,000	Further issue	Cash	Nil	83,400,000	1,200,000,000
May 28, 1983	16,600	1,000	1,000	Further issue	Cash	Nil	16,600,000	1,216,600,000
August 3, 1983	83,400	1,000	1,000	Further issue	Cash	Nil	83,400,000	1,300,000,000
August 17, 1984	110,000	1,000	1,000	Further issue	Cash	Nil	110,000,000	1,410,000,000
May 29, 1985	30,000	1,000	1,000	Further issue	Cash	Nil	30,000,000	1,440,000,000
August 6, 1985	60,000	1,000	1,000	Further issue	Cash	Nil	60,000,000	1,500,000,000
December 17, 1985	110,000	1,000	1,000	Further issue	Cash	Nil	110,000,000	1,610,000,000
May 21, 1986	40,000	1,000	1,000	Further issue	Cash	Nil	40,000,000	1,650,000,000
July 16, 1986	220,000	1,000	1,000	Further issue	Cash	Nil	220,000,000	1,870,000,000
June 8, 1987	47,000	1,000	1,000	Further issue	Cash	Nil	47,000,000	1,917,000,000
August 6, 1987	239,000	1,000	1,000	Further issue	Cash	Nil	239,000,000	2,156,000,000
May 27, 1988	53,300	1,000	1,000	Further issue	Cash	Nil	53,300,000	2,209,300,000
July 30, 1988	266,700	1,000	1,000	Further issue	Cash	Nil	266,700,000	2,476,000,000
June 14, 1989	58,300	1,000	1,000	Further issue	Cash	Nil	58,300,000	2,534,300,000
July 20, 1989	291,700	1,000	1,000	Further issue	Cash	Nil	291,700,000	2,826,000,000
November 15, 1990	300,000	1,000	1,000	Further issue	Cash	Nil	300,000,000	3,126,000,000
January 28, 1991	70,000	1,000	1,000	Further issue	Cash	Nil	70,000,000	3,196,000,000
May 27, 1991	30,000	1,000	1,000	Further issue	Cash	Nil	30,000,000	3,226,000,000
August 21, 1991	200,000	1,000	1,000	Further issue	Cash	Nil	200,000,000	3,426,000,000
November 27, 1991	200,000	1,000	1,000	Further issue	Cash	Nil	200,000,000	3,626,000,000
June 11, 1992	65,000	1,000	1,000	Further issue	Cash	Nil	65,000,000	3,691,000,000
September 17, 1992	210,000	1,000	1,000	Further issue	Cash	Nil	210,000,000	3,901,000,000

Date of Issue/ allotment	No. of equity shares of our Company	Face Value (Rs.)	Issue price (Rs.)	Nature for allotment	Consideration in Cash/ other than cash	Cumulative Share Premium	Equity Share Capital (Rs.)	Cumulative Equity Share Capital (Rs.)
June 18, 1993	190,000	1,000	1,000	Further issue	Cash	Nil	190,000,000	4,091,000,000
September 10, 1993	295,000	1,000	1,000	Further issue	Cash	Nil	295,000,000	4,386,000,000
February 23, 1994	40,000	1,000	1,000	Further issue	Cash	Nil	40,000,000	4,426,000,000
August 23, 1994	200,000	1,000	1,000	Further issue	Cash	Nil	200,000,000	4,626,000,000
November 22, 1994	240,000	1,000	1,000	Further issue	Cash	Nil	240,000,000	4,866,000,000
August 25, 1995	240,000	1,000	1,000	Further issue	Cash	Nil	240,000,000	5,106,000,000
September 13, 1995	240,000	1,000	1,000	Further issue	Cash	Nil	240,000,000	5,346,000,000
August 27, 1996	370,000	1,000	1,000	Further issue	Cash	Nil	370,000,000	5,716,000,000
November 21, 1996	110,000	1,000	1,000	Further issue	Cash	Nil	110,000,000	5,826,000,000
July 31, 1997	170,000	1,000	1,000	Further issue	Cash	Nil	170,000,000	5,996,000,000
September 5, 1997	310,000	1,000	1,000	Further issue	Cash	Nil	310,000,000	6,306,000,000
June 29, 1998	160,000	1,000	1,000	Further issue	Cash	Nil	160,000,000	6,466,000,000
September 4, 1998	340,000	1,000	1,000	Further issue	Cash	Nil	340,000,000	6,806,000,000
December 14, 2000	500,000	1,000	1,000	Further issue	Cash	Nil	500,000,000	7,306,000,000
March 13, 2002	500,000	1,000	1,000	Further issue	Cash	Nil	500,000,000	7,806,000,000
The face value of equity shares of our Company were split from a face value of Rs. 1,000 per equity share to Rs.10 per equity share pursuant to a resolution of our shareholders dated September 27, 2002.								
March 5, 2008**	78,060,000	10	105	Initial public offering	Cash	7,228,370,000***	780,600,000	8,586,600,000

(1) Initial allotment of 1,997 equity shares of Rs. 1,000 each to our Promoter, one equity share of Rs. 1,000 in favour of Mr. K.G.R. Iyer, one equity share of Rs. 1,000 in favour of Mr. A.T. Bambawale and one equity share of Rs. 1,000 in favour of Mr. A.P. Seethapathy, each such individual being the nominee of our Promoter.
*** Allotment pursuant to the IPO of our Company comprising of a fresh issue of 78,060,000 Equity Shares and an offer for sale of 78,060,000 Equity Shares by the President of India, acting through the Ministry of Power, Government of India (the "**MoP**"), at an issue price of Rs. 105 per Equity Share.*
**** An amount of Rs. 187.33 million was deducted towards the IPO related expenses. The cumulative share premium of our Company, consequent to its IPO is Rs. 14,831.40 million, which includes amount received from sale of 78,060,000 Equity Shares as part of the 'offer for sale' by the President of India, acting through the MoP, at an issue price of Rs. 105 per Equity Share.*

Our Company has not made any issue of Equity Shares during the preceding one year from the date of this Red Herring Prospectus. Further, none of our Equity Shares have been issued for consideration other than cash.

2. Build up, Contribution and Lock-in of Promoter

a) *Details of build up of the Promoter's shareholding in our Company:*

Set forth below are the details of the build up of our Promoter's shareholding:

Date of allotment/ transfer	No. of equity shares of our Company	Issue/ Acquisition Price per Equity Share (Rs.)**	Date when the Equity Shares were made fully paid up	Nature of Consideration	Nature of Transaction
October 7, 1969	2,000*	1,000	October 7, 1969	Cash	Initial subscription
January 30, 1970	28,000	1,000	January 30, 1970	Cash	Further issue
December 2, 1970	60,000	1,000	December 2, 1970	Cash	Further issue
April 30, 1971	20,000	1,000	April 30, 1971	Cash	Further issue
January 28, 1972	10,000	1,000	January 28, 1972	Cash	Further issue
August 28, 1972	80,000	1,000	August 28, 1972	Cash	Further issue
September 27, 1973	70,000	1,000	September 27, 1973	Cash	Further issue

Date of allotment/ transfer	No. of equity shares of our Company	Issue/ Acquisition Price per Equity Share (Rs.)**	Date when the Equity Shares were made fully paid up	Nature of Consideration	Nature of Transaction
March 23, 1974	40,000	1,000	March 23, 1974	Cash	Further issue
October 31, 1974	100,000	1,000	October 31, 1974	Cash	Further issue
February 20, 1975	90,000	1,000	February 20, 1975	Cash	Further issue
March 8, 1976	50,000	1,000	March 8, 1976	Cash	Further issue
August 17, 1976	50,000	1,000	August 17, 1976	Cash	Further issue
July 30, 1977	70,000	1,000	July 30, 1977	Cash	Further issue
September 4, 1978	100,000	1,000	September 4, 1978	Cash	Further issue
July 25, 1979	100,000	1,000	July 25, 1979	Cash	Further issue
April 23, 1980	40,000	1,000	April 23, 1980	Cash	Further issue
August 23, 1980	15,000	1,000	August 23, 1980	Cash	Further issue
September 22, 1980	75,000	1,000	September 22, 1980	Cash	Further issue
July 27, 1981	100,000	1,000	July 27, 1981	Cash	Further issue
May 10, 1982	16,600	1,000	May 10, 1982	Cash	Further issue
August 16, 1982	83,400	1,000	August 16, 1982	Cash	Further issue
May 28, 1983	16,600	1,000	May 28, 1983	Cash	Further issue
August 3, 1983	83,400	1,000	August 3, 1983	Cash	Further issue
August 17, 1984	110,000	1,000	August 17, 1984	Cash	Further issue
May 29, 1985	30,000	1,000	May 29, 1985	Cash	Further issue
August 6, 1985	60,000	1,000	August 6, 1985	Cash	Further issue
December 17, 1985	110,000	1,000	December 17, 1985	Cash	Further issue
May 21, 1986	40,000	1,000	May 21, 1986	Cash	Further issue
July 16, 1986	220,000	1,000	July 16, 1986	Cash	Further issue
June 8, 1987	47,000	1,000	June 8, 1987	Cash	Further issue
August 6, 1987	239,000	1,000	August 6, 1987	Cash	Further issue
May 27, 1988	53,300	1,000	May 27, 1988	Cash	Further issue
July 30, 1988	266,700	1,000	July 30, 1988	Cash	Further issue
June 14, 1989	58,300	1,000	June 14, 1989	Cash	Further issue
July 20, 1989	291,700	1,000	July 20, 1989	Cash	Further issue
November 15, 1990	300,000	1,000	November 15, 1990	Cash	Further issue
January 28, 1991	70,000	1,000	January 28, 1991	Cash	Further issue
May 27, 1991	30,000	1,000	May 27, 1991	Cash	Further issue
August 21, 1991	200,000	1,000	August 21, 1991	Cash	Further issue
November 27, 1991	200,000	1,000	November 27, 1991	Cash	Further issue
June 11, 1992	65,000	1,000	June 11, 1992	Cash	Further issue
September 17, 1992	210,000	1,000	September 17, 1992	Cash	Further issue
June 18, 1993	190,000	1,000	June 18, 1993	Cash	Further issue
September 10, 1993	295,000	1,000	September 10, 1993	Cash	Further issue
February 23, 1994	40,000	1,000	February 23, 1994	Cash	Further issue
August 23, 1994	200,000	1,000	August 23, 1994	Cash	Further issue
November 22, 1994	240,000	1,000	November 22, 1994	Cash	Further issue
August 25, 1995	240,000	1,000	August 25, 1995	Cash	Further issue
September 13, 1995	240,000	1,000	September 13, 1995	Cash	Further issue
August 27, 1996	370,000	1,000	August 27, 1996	Cash	Further issue
November 21, 1996	110,000	1,000	November 21, 1996	Cash	Further issue
July 31, 1997	170,000	1,000	July 31, 1997	Cash	Further issue
September 5, 1997	310,000	1,000	September 5, 1997	Cash	Further issue
June 29, 1998	160,000	1,000	June 29, 1998	Cash	Further issue
September 4, 1998	340,000	1,000	September 4, 1998	Cash	Further issue
December 14, 2000	500,000	1,000	December 14, 2000	Cash	Further issue

Date of allotment/ transfer	No. of equity shares of our Company	Issue/ Acquisition Price per Equity Share (Rs.)**	Date when the Equity Shares were made fully paid up	Nature of Consideration	Nature of Transaction
March 13, 2002	500,000	1,000	March 13, 2002	Cash	Further issue
The equity shares of our Company were split from a face value of Rs. 1,000 per equity share to Rs.10 per equity share pursuant to a resolution of our shareholders dated September 27, 2002.					
March 5, 2008	(78,060,000)	105	March 5, 2008	Cash	Transfer***
Total	**702,540,000**				

* *Includes one equity share of Rs. 1,000 allotted to Mr. K.G.R. Iyer, one equity share of Rs. 1,000 allotted to Mr. A.T. Bambawale and one equity share of Rs. 1,000 allotted to Mr. A.P. Seethapathy, each such individual being the nominee of our Promoter.*

** *The cost of acquisition excludes the stamp duty paid.*

*** *Offer for sale in the IPO of our Company.*

b) Details of Promoter's Contribution locked-in for three years:

All Equity Shares, which are being locked-in are eligible for computation of promoter's contribution and are being locked in accordance with the SEBI Regulations. The lock-in for Equity Shares towards Promoter's Contribution would be created as per applicable law and procedure and details of the same shall also be provided to the Stock Exchanges before listing of our Equity Shares.

In order to comply with the requirements under Regulation 36 of the SEBI Regulations and in absence of applicability of Regulation 34 (b) of the SEBI Regulations, our Promoter has, pursuant to a letter no. 44/20/2009- RE dated November 30, 2009 granted its consent to include 197,491,800 Equity Shares held by it, constituting 20% of the post-Issue paid up share capital of our Company, to be considered as promoter's contribution and locked-in for a period of three years from the date of Allotment (the "**Promoter's Contribution**"). Out of the 197,491,800 Equity Shares mentioned above towards Promoter's Contribution, 171,732,000 Equity Shares which have been locked-in since March 5, 2008, the date of allotment pursuant to the IPO of our Company shall be locked in for an additional period of three years from the date of Allotment. In addition, 25,759,800 Equity Shares held by our Promoter shall be locked in for a period of three years from the date of Allotment.

Details of Equity Shares locked-in pursuant to Promoter's Contribution are as provided below:

Name of the Promoter	No. of Equity Shares locked-in pursuant to this Issue	% of pre-Issue Capital	% of post-Issue Capital
The President of India, acting through the MoP	197,491,800	23	20

All our Equity Shares held by our Promoter are held in dematerialised form.

Our Promoter has, pursuant to a letter no. 44/20/2009- RE dated November 30, 2009 agreed not to sell or transfer or otherwise dispose off in any manner, the Promoter's Contribution from the date of filing of the Draft Red Herring Prospectus until the commencement of the lock-in period specified above, save and except as may be permitted under the SEBI Regulations.

The Promoter's Contribution has been brought in to the extent of not less than the specified minimum lot. All Equity Shares which are to be locked-in are eligible for computation of 'Promoter's contribution', in accordance with the SEBI Regulations. Our Company has not been formed by the conversion of a partnership firm into a company. The Equity Shares proposed to be included as part of the minimum Promoter's Contribution:

(a) have not been subject to pledge or any other form of encumbrance; or

(b) have not been issued out of revaluation reserves or capitalization of intangible assets and have not been issued against shares, which are otherwise ineligible for Promoter's Contribution; or

(c) have not been acquired in the last three years for consideration other than cash and revaluation of assets or capitalization of intangible assets or bonus shares out of revaluation reserves, or unrealised profits of our Company or from a bonus issue against Equity Shares which are otherwise ineligible for computation of Promoter's Contribution; or

(d) are not arising out of securities acquired during the preceding one year and are not acquired by the Promoter during the period of one year immediately preceding the date of filing of Draft Red Herring Prospectus at a price lower than the Floor Price; or

(e) does not consist of Equity Shares for which specific written consent has not been obtained from our Promoter for inclusion of their subscription in the minimum Promoter's contribution subject to lock-in.

The minimum Promoter's Contribution can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, in the event the pledge of our Equity Shares is one of the terms of the sanction of the loan. The Promoter's Contribution may be pledged only if in addition to the above stated, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the objects of this Issue. For further details regarding the objects of this Issue, see the section titled "***Objects of the Issue***" on page 33.

The Equity Shares held by our Promoter may be transferred to new promoters or persons in control of our Company, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the Takeover Code, as applicable.

3. *Details of share capital locked in for one year*

In addition to the lock-in of the Promoter's Contribution and other than those Equity Shares which are proposed to be transferred under the Offer for Sale, the remaining Equity Shares held by our Promoter prior to this Issue, shall be locked in for a period of one year from the date of Allotment. The Equity Shares subject to lock-in will be transferable subject to compliance with the SEBI Regulations, as amended from time to time. The Equity Shares held by our Promoter and locked in for a period of one year from the date of Allotment may be pledged with any scheduled commercial bank or public financial institution as collateral security for loan granted by such bank or institution, subject to the pledge being one of the terms of the loan.

4. Our shareholding pattern

The table below represents the shareholding pattern of our Company, as on January 15, 2010 prior to this Issue and as adjusted for this Issue:

Description	**Pre-Issue**		**Post-Issue***	
Category of Shareholder	**Total number of Equity Shares**	**Total shareholding as a percentage of total number of Equity Shares**	**Total number of Equity Shares**	**Total shareholding as a percentage of total number of Equity Shares**
Shareholding of Promoter (A)				
President of India, acting through the MoP	702,540,000	81.82	659,607,000	66.80
Total Promoter Shareholding (A)	*702,540,000*	*81.82*	*659,607,000*	*66.80*
Public shareholding (B)				
Institutions (B1)				
Mutual Funds	35,842,474	4.17	[●]	[●]
Financial Institutions	17,639,894	2.05	[●]	[●]
Banks	292,723	0.03	[●]	[●]
Foreign Institutional Investors	53,451,965	6.23	[●]	[●]
Clearing members	975,769	0.11	[●]	[●]
Sub-Total (B)(1)	*108,202,825*	*12.59*	[●]	[●]
Non-institutions (B2)				
Bodies Corporate	18,099,415	2.11	[●]	[●]
Non Resident Indians	425,923	0.05	[●]	[●]
OCBs	121	*Negligble*	[●]	[●]
Trust	175,357	0.02	[●]	[●]
Individuals	27,808,422	3.24	[●]	[●]
HUF	1,407,937	0.17	[●]	[●]
Sub-Total (B)(2)	47,917,175	*5.59*	*[●]*	*[●]*

Description	Pre-Issue		Post-Issue*	
Category of Shareholder	Total number of Equity Shares	Total shareholding as a percentage of total number of Equity Shares	Total number of Equity Shares	Total shareholding as a percentage of total number of Equity Shares
Total Public Shareholding (B) = (B)(1)+(B)(2)	*156,120,000*	*18.18*	*327,852,000*	*33.20*
GRAND TOTAL (A)+(B)	**858,660,000**	**100.00**	987,459,000	**100.00**

assuming that the Issue is fully subscribed.

5. Except as set forth below, none of our Directors or Key Managerial Personnel hold any Equity Shares as on January 15, 2010:

S. No.	Name of shareholder	Number of Equity Shares held	Pre Issue %	Post Issue %*
1.	Mr. P. Uma Shankar	121	*Negligible*	*Negligible*
2.	Mr. Hari Das Khunteta	14,000	*Negligible*	*Negligible*
3.	Mr. Vinod Behari	350	*Negligible*	*Negligible*
4.	Mr. Vijay Kumar Arora	5,000	*Negligible*	*Negligible*
5.	Mr. Prakash Jaswant Rai Thakkar	4,020	*Negligible*	*Negligible*
6.	Mr. B.R. Raghunandan	1,920	*Negligible*	*Negligible*
7.	Mr. Rama Raman	81	*Negligible*	*Negligible*
8.	Mr. A.K. Agarwal	242	*Negligible*	*Negligible*
9.	Mr. Rakesh Kumar Arora	400	*Negligible*	*Negligible*
Total		**22,114**	**Negligible**	**Negligible**

Assuming that the Director/ Key Managerial Personnel does not Bid in this Issue.

6. Details of major shareholders

As on January 15, 2010, our Company had 266,508 shareholders. The list of the top ten shareholders of our Company and the number of Equity Shares held by them as on January 15, 2010 is provided below:

(a) Our top ten shareholders and the number of Equity Shares held by them, as on January 15, 2010, are as follows:

S. No.	Shareholder	No. of Equity Shares Held	Mode of acquisition	Pre Issue %
1.	President of India, acting through the MoP	702,540,000	Allotment on private placement basis	81.82
2.	HDFC Standard Life Insurance Company Limited	9,376,228	Subscription to IPO	1.09
3.	FID Funds (Mauritius) Limited	8,779,039	Subscription to IPO	1.02
4.	Life Insurance Corporation of India	6,710,340	Subscription to IPO	0.78
5.	Reliance Capital Trustee Company Limited	5,540,928	Subscription to IPO	0.65
6.	Tata Trustee Company Private Limited	3,139,600	Subscription to IPO	0.37
7.	HDFC Trustee Company Limited	3,115,000	Subscription to IPO	0.36
8.	DSP Blackrock India T.I.G.E.R. Fund	2,669,117	Subscription to IPO	0.31
9.	Aviva Life Insurance Company India Limited	2,608,142	Subscription to IPO	0.30
10.	The GMO Emerging Illiquid (Mauritius) Fund	2,432,600	Subscription to IPO	0.28

(b) Our top ten shareholders and the number of Equity Shares held by them ten days prior to January 15, 2010 were as follows:

S. No.	Shareholder	No. of Equity Shares Held	Mode of acquisition	Pre Issue %
1.	President of India, acting through the MoP	702,540,000	Allotment on private	81.82

S. No.	Shareholder	No. of Equity Shares Held	Mode of acquisition	Pre Issue %
			placement basis	
2.	HDFC Standard Life Insurance Company Limited	9,376,228	Subscription to IPO	1.09
3.	FID Funds (Mauritius) Limited	8,779,039	Subscription to IPO	1.02
4.	Life Insurance Corporation of India	6,709,394	Subscription to IPO	0.78
5.	Reliance Capital Trustee Company Limited	5,540,928	Subscription to IPO	0.65
6.	Tata Trustee Company Private Limited	3,139,600	Subscription to IPO	0.37
7.	HDFC Trustee Company Limited	3,115,000	Subscription to IPO	0.36
8.	DSP Blackrock India T.I.G.E.R. Fund	2,669,117	Subscription to IPO	0.31
9.	Aviva Life Insurance Company India Limited	2,608,142	Subscription to IPO	0.30
10.	The GMO Emerging Illiquid (Mauritius) Fund	2,432,600	Subscription to IPO	0.28

(c) We had eight shareholders two years prior to the filing of this Draft Red Herring Prospectus. These shareholders and the number of Equity Shares held by them two years prior to filing of this Red Herring Prospectus were as follows:

S. No.	Shareholder	No. of Equity Shares Held	Mode of acquisition	Pre Issue %*
1.	President of India, acting through the MoP	780,599,300	Allotment on private placement basis	99.99
2.	Mr. Anil Kumar Lakhina**	100	Transfer from Promoter	*Negligible*
3.	Mr. Hari Das Khunteta**	100	Transfer from Promoter	*Negligible*
4.	Mr. Bal Mukand**	100	Transfer from Promoter	*Negligible*
5.	Mr. Rajesh Verma**	100	Transfer from Promoter	*Negligible*
6.	Mr. Devender Singh**	100	Transfer from Promoter	*Negligible*
7.	Mr. Kapil Mohan**	100	Transfer from Promoter	*Negligible*
8.	Ms. Vandana Jain**	100	Transfer from Promoter	*Negligible*

* *The paid-up equity share capital of our Company two years prior to the date of filing of this Red Herring Prospectus was 780,600,000 Equity Shares. The pre-Issue percentage calculated herein is based on the then existing paid up share capital of our Company.*

** *As nominee of the President of India, acting through the MoP.*

7. Our Company, the Selling Shareholder, our Directors, the Book Running Lead Managers have not entered into any buy-back and/or standby and/or any other similar arrangements for the purchase of Equity Shares being offered through this Issue.

8. Except for the 97,433 Equity Shares held by DSP Merrill Lynch Limited along its associates and two Equity Shares held by an associate of RBS Equities (India) Limited (formerly known as ABN AMRO Asia Equities (India) Limited), none of the Book Running Lead Managers or their associates hold any Equity Shares as on January 14, 2010.

9. Our Company has not issued any Equity Shares at a price less than the Floor Price in the last one year preceding the date of filing of this Red Herring Prospectus.

10. There will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI until our Equity Shares have been listed.

11. Our Company has not raised any bridge loans against the Net Proceeds.

12. Our Company has not issued any Equity Shares out of its revaluation reserves.

13. Our Company has not issued any Equity Shares for consideration other than cash.

14. Our Company does not have any scheme of employee stock option or employee stock purchase.

15. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.

16. The Equity Shares are fully paid-up and there are no partly paid-up Equity Shares as on the date

of filing this Red Herring Prospectus.

17. Except for the IPO of our Company which closed on February 22, 2008, our Company has not made any public issue or rights issue of any kind or class of securities since its incorporation.

18. Except as stated in this section, our Company does not have any intention, proposal, negotiations or consideration to alter its capital structure by way of split /consolidation of the denomination of our Equity Shares, or issue of Equity Shares on a preferential basis or issue of bonus or rights or further public issue of shares or any other securities, within a period of six months from the Issue Opening Date.

19. Our Company will not, without the prior written consent of the Book Running Lead Managers during the period of six months from the Issue Opening Date, alter its capital structure by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue securities convertible into or exchangeable, directly or indirectly, for our Equity Shares), whether preferential or otherwise. If we enter into acquisitions or joint ventures for the purposes of our business, we may, subject to necessary approvals and consents, consider raising additional capital to fund such activities or use our Equity Shares as currency for acquisition or participation in such joint ventures.

20. There are certain restrictive covenants in the facility agreements entered into by our Company with certain lenders. For details, see the section titled "***Financial Indebtedness***" on page 179. All the lenders of our Company have consented to this Issue and have confirmed that they have no objection to the Issue under the terms of their respective loan arrangements with our Company.

21. Except as mentioned below, our Directors or Promoter and their immediate relatives have not purchased or sold any securities of our Company during a period of six months preceding the date of filing this Red Herring Prospectus with the SEBI.

S. No.	Name of Director	No. of Equity Shares Purchased	No. of Equity Shares Sold	Date of Purchase/Sale
1.	Mr. Guljit Kapur	--	700	June 16, 2009
		--	3,000	June 24, 2009
		--	1,600	July 2, 2009
		--	1,000	July 6, 2009
		--	1,200	July 30, 2009
		--	200	July 31, 2009
		--	750	August 25, 2009
		--	350	November 9, 2009
		--	360	November 11, 2009
		--	100	November 12, 2009
2.	Mr. Hari Das Khunteta	--	3,000	August 3, 2009
		--	1,000	December 2, 2009
		--	785	December 3, 2009
		--	975	December 14, 2009

22. During the period of six months immediately preceding the date of filing of this Red Herring Prospectus, no financing arrangements existed whereby our Promoter, our Directors and their relatives may have financed the purchase of Equity Shares by any other person, other than in the normal course of the business of such financing entity.

23. Our Promoter will not participate in this Issue.

24. This Issue is being made through the Alternate Book Building Process under Part D of Schedule XI of the SEBI Regulations wherein up to 50% of the Net Issue shall be allocated on a 'price priority' basis to QIBs. 5% of the QIB Portion shall be available for allocation on a 'price priority' basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a 'price priority' basis to QIBs (including Mutual Funds), subject to valid Bids being received from them above the Floor Price. However, if the aggregate demand from

Mutual Funds is less than 4,284,550 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and allocated on a 'price priority' basis to the QIBs.

Not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received from them at the Floor Price. 350,000 Equity Shares, i.e., 0.04% of our post-Issue share capital, have been reserved for Eligible Employees on a proportionate basis, subject to valid Bids being received at the Floor Price.

25. Subject to valid Bids being received at or above the Floor Price, under-subscription in any category, excluding Employee Reservation Portion, would be met with spill-over from any other category, at the sole discretion of our Company and Selling Shareholder, in consultation with Book Running Lead Managers. Under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting at least 10% of the post Issue paid-up share capital of our Company. Such inter-se spillover, if any, would be effected in accordance with applicable laws, rules, regulations and guidelines.

26. Any oversubscription to the extent of 10% of this Issue can be retained for the purpose of rounding off and making allotments in minimum lots, while finalising the 'Basis of Allocation'. Consequently, the Allotment may increase by a maximum of 10% of this Issue, as a result of which the post-Issue paid-up capital would also increase by the excess amount of Allotment so made. In such an event, our Equity Shares to be locked-in towards the Promoter's Contribution shall be suitably increased, so as to ensure that 20% of the post-Issue paid-up capital is locked in.

27. A Bidder cannot bid for more than the number of Equity Shares offered through this Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidders.

28. The Equity Shares issued pursuant to this Issue shall be fully paid-up at the time of Allotment, failing which no Allotment shall be made.

29. There shall be only one denomination of our Equity Shares, unless otherwise permitted by law.

30. Our Company shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

31. None of our sundry debtors are related to our Directors or our Promoter or us.

OBJECTS OF THE ISSUE

The Issue comprises the Fresh Issue and the Offer for Sale.

Offer for Sale

The object of the Offer for Sale is to carry out disinvestment of 42,933,000 Equity Shares by the Selling Shareholder. Our Company will not receive any proceeds from the Offer for Sale.

Object of the Fresh Issue

We intend to utilise the funds being raised by our Company through the Fresh Issue to augment our capital base to meet our future capital requirements arising out of growth in our business (the "**Object**").

Furthermore, we believe that listing of the additional Equity Shares through this Issue will also enhance our brand name and provide liquidity to our existing shareholders and to our Employees who will be allotted Equity Shares under the Employee Reservation Portion.

The main objects clause of our Memorandum enables our Company to undertake its existing activities and the activities for which funds are being raised by our Company through this Issue. The activities which have been carried out until now by our Company are valid in terms of the objects clause of our Memorandum.

Issue Proceeds and Net Proceeds

The details of the proceeds of the Fresh Issue are summarized below:

Particular	Estimated Amount (Rs. million)
Gross proceeds to be raised through the Fresh Issue ("**Issue Proceeds**")	[●]*
Issue related expenses**	[●]*
Net proceeds of the Fresh Issue after deducting the Issue related expenses from the Issue Proceeds ("**Net Proceeds**") **	[●]*

* *Will be incorporated at the time of filing of the Prospectus.*
** *Excluding portion of the Issue related expenses to be shared by the Selling Shareholder.*

Utilization of Net Proceeds and Means of Finance

On the basis of our current business plans, the intended use of the Net Proceeds is set forth below:

Particulars	Net Proceeds (Rs. million)
Augment our capital base to meet our future capital requirements arising out of growth in our business*	[•]

* *Will be incorporated at the time of filing of the Prospectus.*

We propose to meet all the requirement of funds for the Object entirely from the Net Proceeds. No amount is required to be raised through means other than this Issue for financing the Object. Accordingly, the requirement of firm arrangements of finance through verifiable means for 75% of the stated means of finance excluding the Issue Proceeds does not arise.

We propose to deploy the Net Proceeds during Fiscal 2010.

Our funding requirements and the deployment of the Net Proceeds are currently based on estimates of our management. Our funding requirements are dependent on a number of factors which may not be in the control of our management, including variations in interest rate structures, changes in our financial condition and current commercial conditions, and are subject to change in light of changes in external circumstances or in our financial condition, business or strategy. In certain cases, the delays may be caused due to external factors such as change in prevailing economic conditions or applicable regulatory requirements, which consequently, may change our fund requirements.

Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time. Our funding requirements and deployment of the Net Proceeds may accordingly change, in light of changes in external circumstances or in our financial condition, business or strategy. This may also include rescheduling the proposed utilization of Net Proceeds. Any such change in our plans may require rescheduling of our current plans or discontinuing existing plans and an increase or decrease in the fund requirements for the Object, is at the discretion of our management. In the event that estimated utilization out of the Net Proceeds in a Fiscal is not completely met, the same shall be utilized in the next Fiscal.

Details of the Object to be financed from the Net Proceeds

Augment our capital base to meet our future capital requirements arising out of growth in our business

As part of our business, we provide loans for transmission and distribution-related and generation-related projects throughout India. Further, we currently administer grants and provide loans in pursuance of the RGGVY, APDRP and the R-APDRP schemes.

As the Indian economy continues to grow, the country's power requirements and need for power infrastructure are expected to grow substantially as well. In order to address the power supply shortage in India and match the increasing demand for power, the substantial increases in generation capacity will require additional improved transmission and distribution systems, all of which will require significant investment. For further details in this regard, see the section titled "***Industry Overview***" on page 48. We occupy a key strategic position in the GoI's plans for growth of the power sector and believe that huge opportunities are available for financing power infrastructure projects in the future. In view the above mentioned growth we expect that, as a lending institution dedicated to the power sector, we would continue to play a significant role in financing power sector growth. Further, details in relation to loans sanctioned by us and disbursements made in Fiscal 2007, 2008 and 2009, and during the six months period ended September 30, 2008 and 2009 are provided under the sections titled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 57 and 147, respectively.

We typically meet our financial requirements through domestic borrowings (including private placement/public issue of bonds), external commercial borrowings and from loan repayments and interest receipts from our borrowers. These resources are used for our various financial activities, including replacement of matured debt and general corporate purposes. We are seeking to strengthen our capital base through infusion of further equity capital. This will reduce our debt to equity ratio and help us in improving our borrowing capacity in order to support the future growth in our assets.

In view of the above mentioned, we intend to utilise the entire Net Proceeds during Fiscal 2010 to augment our capital base to meet the future capital requirements arising out of growth in our assets, primarily our loan and investment portfolio due to the growth of the Indian economy and the Indian power sector, and for other general corporate purposes.

Issue Related Expenses

The expenses for this Issue forming part of Issue Proceeds include lead management fees, underwriting commission and selling commission (including commission to SCSBs for ASBA applications), registrar's fees, advertisement and marketing expenses, printing and distribution expenses, legal fees, SEBI filing fees, bidding software expenses, depository charges and listing fees to the Stock Exchanges.

The expenses relating to lead management fees, underwriting commission and selling commission, bidding software expenses, registrar's fees, bankers to the Issue's fees, printing and distribution expenses, depository charges and legal expenses, out of the Issue related expenses mentioned above will be borne by our Company and the Selling Shareholder in proportion of our Equity Shares contributed to the Issue. All other expenses, including expenses for listing, marketing and advertisement, will be borne by our Company. The MoP, acting on behalf of the President of India, in its capacity as the Selling

Shareholder, has through its letter no. 44/20/2009- RE dated November 30, 2009, authorised our Company to seek reimbursement from the Department of Disinvestment, GoI, for expenses of the Issue initially incurred by it, expenses required to be borne by our Company, in proportion to our Equity Shares offered by the Selling Shareholder.

The estimated Issue related expenses are as under:

Activity	Amount (Rs. million)	% of the Issue Expenses	% of total Issue Size
Lead management fees*	[●]	[●]	[●]
Underwriting commission and selling commission (including commission to SCSBs for ASBA applications)*	[●]	[●]	[●]
Registrar's fees*	[●]	[●]	[●]
Advertisement and marketing expenses*	[●]	[●]	[●]
Printing and distribution expenses*	[●]	[●]	[●]
Advisors*	[●]	[●]	[●]
Bankers to the Issue*	[●]	[●]	[●]
Others (SEBI filing fees, bidding software expenses, depository charges, listing fees, etc.)*	[●]	[●]	[●]
Total	**[●]**	**[●]**	**[●]**

**Will be incorporated at the time of filing of the Prospectus.*

Interim use of funds

Our management, in accordance with the policies established by our Board from time to time, will have flexibility in deploying the Net Proceeds. Pending utilization for the purposes described above, we intend to invest the funds in high quality interest bearing liquid instruments including money market Mutual Funds, deposits with banks for the necessary duration or for reducing overdrafts. Such investments would be in accordance with investment policies approved by our Board from time to time. We confirm that, pending utilization of the Net Proceeds, we shall not use the funds for any investments in the equity markets.

Monitoring Utilization of Funds

As we have been declared a 'public financial institution' under Section 4A of the Companies Act, we have not appointed a monitoring agency for this Issue, in accordance with Regulation 16(1) of the SEBI Regulations.

As required under the listing agreements with the Stock Exchanges, the Audit Committee appointed by our Board will review the utilisation of the Net Proceeds. We will disclose the details of the utilization of the Gross Proceeds, including interim use, under a separate head in our financial statements for Fiscal 2010, specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements of our listing agreements with the Stock Exchanges.

Pursuant to Clause 49 of the listing agreement entered into with the Stock Exchanges, we shall on a quarterly basis, disclose to the Audit Committee the uses and applications of the Net Proceeds as part of our quarterly declaration of results. On an annual basis, we shall prepare a statement of funds utilised for purposes other than those stated in this Red Herring Prospectus and place it before the Audit Committee. Such disclosure shall be made only until such time that the Issue Proceeds have been utilized in full. The statement shall be certified by the statutory auditors of our Company. Furthermore, in accordance with Clause 43A of the listing agreement entered into with the Stock Exchanges, we shall furnish to the Stock Exchanges on a quarterly basis, a statement including material deviations if any, in the utilization of the Net Proceeds from the Object. Further, this information shall be furnished to the Stock Exchanges along with the interim or annual financial results and be published in the newspapers simultaneously, after placing the same before the Audit Committee.

Appraisal

No bank or financial institution or any other independent third party organization has appraised the Object.

Bridge Financing Facilities

We have not raised any bridge loan against the Issue Proceeds.

Other confirmations

There are no material existing or anticipated transactions with our Promoter, Directors or Key Managerial Personnel in relation to the utilisation of the Net Proceeds. No part of the Net Proceeds will be paid by our Company as consideration to our Promoter, our Directors, or Key Managerial Personnel.

No funds have been brought in as Promoter's contribution.

BASIS FOR THE FLOOR PRICE

The Floor Price will be determined by our Company and the Selling Shareholder in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for our Equity Shares through the Alternate Book Building Process and on the basis of the following qualitative and quantitative factors. The face value of our Equity Shares is Rs. 10 and the Floor Price is [●] times the face value.

Specific attention of the investors is drawn to the sections titled "Risk Factors" and "Financial Statements" on pages xii and F-1, respectively, to have a more informed view about the investment proposition.

Qualitative Factors

We believe the following are our primary strengths:

- Strong financial position and profitable business.
- Uniquely positioned to access and appraise borrowers in the Indian power sector.
- Occupy a key strategic position in the GoI's plans for growth of the power sector.
- Experienced management team with sector expertise.

For detailed discussion on the above factors, see the section titled "***Our Business***" on page 57.

Quantitative Factors

The information presented below relating to the Company is based on the unconsolidated restated financial statements for Fiscals 2007, 2008 and 2009, and the six months period ended September 30, 2009 prepared in accordance with Indian GAAP. For details, see the section titled "***Financial Statements***" on page F-1

1. Earning Per Share (EPS)

Year ended	Basic EPS (in Rs.)	Diluted EPS (in Rs.)	Weight
March 31, 2007	10.23	10.23	1
March 31, 2008	12.28	12.28	2
March 31, 2009	16.03	16.03	3
Weighted Average	**13.81**	**13.81**	

For the six months period ended September 30, 2009, the Basic EPS was Rs. 10.81 and diluted EPS was Rs. 10.81.

Notes:

1) *Basic EPS has been computed by dividing proft/(loss) after tax and before extraordinary items, by the weighted average number of Equity Shares outstanding during the period/ year.*
2) *Diluted EPS has been computed by dividing proft/(loss) after tax and before extraordinary items, by the weighted average number of diluted Equity Shares outstanding during the period/ year.*

2. Price/Earning (P/E) ratio in relation to the Floor Price

a) P/E based on the Basic EPS

Particulars	P/E at the Floor Price (no. of times)
P/E based on the Basic EPS for the year ended March 31, 2009 of Rs. 16.03	[●]
P/E based on weighted average Basic EPS of Rs. 13.81	[●]

b) P/E based on the Diluted EPS

Particulars	P/E at the Floor Price (no. of times)
P/E based on the diluted EPS for the Fiscal 2009 of Rs. 16.03	[●]
P/E based on weighted average Diluted EPS for the Fiscal 2009 of Rs. 13.81	[●]

c) Industry P/E

Our Company is a listed public financial institution in the Indian power infrastructure financing sector, engaged in the financing and promotion of transmission, distribution and generation projects throughout India. Power Finance Corporation Limited ("**PFC**") is the only other listed company in the Indian power sector finance industry. Hence, the industry P/E Ratios are taken as equal to the P/E Ratio of PFC.

The P/E Ratio of PFC is 11.7.

Source: "Capital Market" magazine Vol. no. XXIV/18 dated November 02 - 15, 2009.

3. Return on Net Worth ("RONW")

Year ended	RONW (%)	Weight
March 31, 2007	17.36	1
March 31, 2008	16.10	2
March 31, 2009	20.09	3
Weighted Average	**18.31**	

For the six months period ended September 30, 2009, the RONW was 12.01%.

Note:

Return on net worth has been computed by dividing proft/(loss) after tax and before extraordinary items, by the net worth after adjustment of miscellaneous expenditures, to the extent not written off and before revaluation reserve.

4. The Minimum Return on Total Net Worth after Issue needed to maintain pre-Issue EPS for the year ended March 31, 2009 is [●]% at the Floor Price.

5. Net Asset Value per Equity Share

a) Net Asset Value per Equity Share as on March 31, 2009: Rs. 79.76
b) Net Asset Value per Equity Share as on September 30, 2009: Rs. 90.00
c) Net Asset Value per Equity Share after the Issue: Rs. [●]*
d) Floor Price: Rs. [●]

* *Will be determined on conclusion of the Alternate Book Building Process.*

Note:

Net asset value per equity share has been computed by dividing net worth after adjustment of miscellaneous expenditures, to the extent not written off and before revaluation reserve by the number of equity shares outstanding at the end of the period/ year.

6. Comparison with Industry Peers

Our Company is a listed public financial institution in the Indian power infrastructure financing sector, engaged in the financing and promotion of transmission, distribution and generation projects throughout India. PFC is the only other listed company in the Indian power sector finance industry. Hence, the PFC has been included as part of the "Peer Group" of our Company.

Name of the Company	Face Value	EPS	Book Value per	Return on	P/E Multiple

	(Rs.)	(Rs.)	Share (Rs.)	Net Worth (%)	(no. of times)
Rural Electrification Corporation Limited [(1)]	10	16.03 [(2)]	79.76	20.22	[●] [(3)]
Peer Group					
Power Finance Corporation Limited	10	16.50	108.20	17.30	11.7

Notes:

1) *EPS, Book Value per Equity Share and Return on Net Worth of our Company are based on the unconsolidated Restated Summary Statements of our Company for the year ended March 31, 2009.*
2) *Diluted EPS of the Company for the year ended March 31, 2009.*
3) *Based on the Floor Price to be determined on conclusion of Alternate Book Building Process and the diluted EPS of our Company.*
4) *All figures for the Peer Group are from Capital Market" magazine Vol. no. XXIV/18 dated November 02 - 15, 2009*

STATEMENT OF TAX BENEFITS

To,

The Board of Directors
Rural Electrification Corporation Limited
Core-4, Scope Complex,
Lodhi Road,
New Delhi.

Sub: Statement of Possible Tax benefits

Dear Sir,

We hereby report that the enclosed annexure states the probable tax benefits that may be available to **Rural Electrification Corporation Limited** (the "Company") and to the shareholders of the Company under the provision of the Income Tax Act, 1961 and other allied direct tax laws presently prevailing and in force in India.

The contents of this annexure are based on the information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company and the interpretation of current tax laws in force in india.

Several of these benefits are subject to the Company or its Shareholders fulfilling the conditions prescribed under the relevant tax laws and their interpretations. Hence, the ability of the Company or its Shareholders to derive tax benefits is subject to fulfilment of such conditions.

The benefits discussed in the annexure are not exhaustive. The information being furnished by us is general in nature and it is neither designed nor intended to be a substitute for professional tax advice. Investors are advised to consult their own tax consultants with respect to the specific tax implication arising out of their participation in the Issue.

We do not express any opinion or provide any assurance as to whether the Company or its Shareholders will continue to obtain these benefits in future or the conditions prescribed for availing the benefits have been / would be met with. The revenue authorities / courts will concur with the views expressed herein.

This report is intended solely for information and for the inclusion in the Offer Document in connection with the proposed FPO of the Company and is not to be used, referred to or distributed for any other purpose.

For Bansal & Co.
Chartered Accountants

D.S.Rawat
Partner
M. No. 83030
Registration No. 001113N

For K.G. Somani & Company
Chartered Accountants

Bhuvnesh Maheshwari
Partner
M. No. 88155
Registration No. 006591N

Place: New Delhi
Date: January 23, 2010

STATEMENT OF TAX BENEFITS

The following are the possible direct tax benefits available to the company and its prospective Shareholders:

1. Benefits available to the Company under the Income Tax Act, 1961:

A. Specific Tax Benefits available to the Company being a public financial institution and engaged in long term finance for industrial or agricultural development or development of infrastructure facility in India:

Subject to fulfilment of conditions, the company will be eligible, inter alia, for the following specified deductions in computing it's business income:-

1.1 According to Section 36(1)(viia)(c) of the Act, deduction in respect of any provision for bad and doubtful debts made by the company will be allowed @ 5% of the total income (computed before making any deduction under this clause and Chapter VIA).

1.2 According to Section 36(1)(viii) of the Act, the company being a government company engaged in the business of providing long term finance for the development of Power Sector, will be eligible for deduction upto 20% of the profits derived from the aforesaid business. However the aggregate amount of the reserve as carried in the books cannot exceed twice the amount of the Paid up share capital and general reserves. The amount withdrawn from such a Special reserve account will be chargeable to income tax in the year of withdrawal, in accordance with the provisions of Section 41(4A) of the Act.

B. General tax Benefits available to the Company

Subject to fulfilment of conditions, the company will be eligible, inter alia, for the following general specified deductions in computing it's business income, as are available to Companies under the Act: -

1.3 **Dividends exempt under Section 10(34):**

The Company will be eligible for exemption of Dividend income in accordance with and subject to the provisions of Section 10(34) of the Act.

1.4 Under Section 35D of the Act, the Company shall be eligible for amortization of preliminary expenditure as specified in said section including the expenditure on proposed public issue of shares subject to meeting the conditions and limits specified in that Section.

1.5 According to Section 43D of the Act, interest on certain categories of bad and doubtful debts as specified in Rule 6EA of the Income Tax Rules, 1962, will be chargeable to tax only in the year of receipt or credit to the Company's profit and Loss account, whichever is earlier.

1.6 Under Section 115 JAA of the Act, the Company can claim credit for the difference of tax paid for any assessment year under sub-Section (1) of Section 115 JB and the amount of tax payable by the Company on its total income computed in accordance with the other provisions of the Act. Such credit shall be allowed to be carried forward and set off in accordance with the provisions of said Section. From Assessment year 2010-11, the carried forward tax credit shall not be allowed beyond 10^{th} assessment year – immediately succeeding the assessment year in which tax credit becomes allowable. Till assessment year 2009-10, the carried forward tax credit shall not be allowed beyond 7^{th} assessment year – immediately succeeding the assessment year in which tax credit becomes allowable

2. General Tax Benefits available to Resident Shareholders:

2.1 **Dividends exempt under Section 10(34):**

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

2.2 **Computation of Capital Gains:**

2.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

2.2.2 Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of Cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement by a cost inflation index as prescribed from time to time.

2.2.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under Section 10(38) of the Act would be subject to tax @ 20% (plus applicable surcharge and education cess). However, as per proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated @ 20% with indexation benefits exceeds the tax on long term capital gains computed @ 10% without indexation benefit, then such gains without indexation benefit are chargeable to tax at a concessional rate of 10% (plus applicable surcharge and education cess).

2.2.4 As per the provisions of Section 111A of the Act, short term capital gains on sale of equity shares where the transaction of sale is chargeable to securities transaction tax shall be subject to tax @ 15% (plus applicable surcharge and education cess.)

2.2.5 Short-term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance short term capital loss, if any, could be carried forward for eight assessment years immediately succeeding the assessment year for which the loss was first computed for claiming set-off against subsequent year's short-term as well as long-term capital gains.

2.2.6 Under Section 54EC of the Act and subject to the conditions and to the extent specified therein, Long term capital gains not exempt under Section 10(38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds subject to ceiling of Rupees fifty lakhs within six months from the date of transfer. If only part of the capital gain is so invested, the exemption shall be proportionately reduced. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Where the benefit of Section 54EC of the Act has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under Section 80C of the Act.

2.2.7 Under Section 54 ED of the Act and subject to the conditions and to extent specified therein, long-term capital gains not exempt under Section 10(38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in acquiring equity shares forming part of an 'Eligible issue of capital' within a period of six months after the date of such transfer and held for a period of at least one year.

'Eligible issue of capital' means an issue of equity shares which satisfies the following conditions namely:

a. the issue is made by a public company formed and registered in India;
b. the shares forming part of the issue are offered for subscription to the public. If only a part of the capital gain is so invested, the exemption shall be proportionately reduced. Where the benefit of Section 54ED of the Act has been availed of on investments in specified equity shares, a deduction from the income with reference to such cost shall not be allowed under Section 80C of the Act.

2.2.8 As per the provisions of Section 54F of the Act and subject to conditions specified therein, any long-term capital gains (not being residential house) which are not exempt under Section 10(38) of the Act, arising to shareholder who is an individual or Hindu Undivided Family are exempt from capital gains tax if the entire net sales consideration is utilized, within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three years from the date of transfer. If part of such net sales consideration is invested within the prescribed period in a residential house, then such gains would be chargeable to tax on a proportionate basis. Under proviso to the said Section the shareholder should not own more than one residential house, other than the new asset, on the date of transfer of the original asset. If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house (other than the new residential house referred above),then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

2.2.9 **Exemption of Capital gain from Income Tax**

According to Section 10(38) of the Act, long term capital gains on sale of equity shares where the transaction of sale is chargeable to securities transaction tax shall be exempt from tax.

3. General Tax Benefits available to Non residents/Non resident Indian Shareholders

3.1 Dividends exempt under Section 10(34)

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

3.2 Computation of Capital Gains

3.2.1 Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as ''short term capital gains".

3.2.2 Section 48 of the Act contains special provisions in relation to computation of Capital Gains on transfer of an Indian Company's share by non-residents. Computation of Capital gains arising on transfer of shares in case of non-residents has to be done in original foreign currency, which was used to acquire the shares. The Capital Gain computed in the original foreign currency is then converted into Indian rupees at the prevailing rate of exchange.

In case investment is made in Indian Rupees, the long term capital gains are to be computed after indexing the cost.

3.2.3 As per the provisions of Section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax @ 20% (plus applicable surcharge and education cess). However, as per proviso to Section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units, calculated @ 20% with indexation benefits exceeds the tax on long term capital gains computed @ 10% without indexation benefits, then such gains without indexation benefit are chargeable to tax at a concessional rate of 10% (plus applicable surcharge and education cess).

3.2.4 As per the provisions of Section 111A of the Act, short term capital gains on sale of equity shares where the transaction of sale is chargeable to securities transaction tax shall be subject to tax @ 15% (plus applicable surcharge and education cess).

3.2.5 Short term capital loss suffered during the year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance short term capital loss, if any, could be carried forward for eight years for claiming set-off against subsequent year's short term as well as long term capital gains.

3.2.6 Under Section 54EC of the Act and subject to the conditions and to the extent specified therein, Long term capital gains not exempt under Section 10(38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds subject to ceiling of Rupees fifty lakhs within six months from the date of transfer. If only part of the capital gain is so invested, the exemption shall be proportionately reduced. However, if the said bonds are transferred or converted into money within a period of three years from their date of acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money. Where the benefit of Section 54EC of the Act has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under Section 80C of the Act.

3.2.7 Under Section 54 ED of the Act and subject to the conditions and to extent specified therein, long-term capital gains not exempt under Section 10(38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in acquiring equity shares forming part of an 'Eligible issue of capital' within a period of six months after the date of such transfer and held for a period of at least one year.

'Eligible issue of capital' means an issue of equity shares which satisfies the following conditions namely:

a. the issue is made by a public company formed and registered in India;
b. the shares forming part of the issue are offered for subscription to the public.

If only a part of the capital gain is so invested, the exemption shall be proportionately reduced. Where the benefit of Section 54ED of the Act has been availed of on investments in specified equity shares, a deduction from the income with reference to such cost shall not be allowed under Section 80C of the Act.

3.2.8 As per the provisions of Section 54F of the Act and subject to conditions specified therein, any long-term capital gains (not being residential house) which are not exempt under Section 10(38) of the Act, arising to shareholder who is an individual or Hindu Undivided Family are exempt from capital gains tax if the entire sales consideration is utilized, within a period of one year before, or two years after the date of transfer, in purchase of a new residential house, or for construction of residential house within three years from the date of transfer. If part of such net sales consideration is invested within the prescribed period in a residential house, then such gains would be chargeable to tax on a proportionate basis. Provided that, the said shareholder should not own more than one residential house at the time of such transfer. If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house (other than the new residential house referred above),then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

3.2.9 **Exemption of Capital gain from Income Tax:**

According to Section 10(38) of the Act, long term capital gains on sale of equity shares where the transaction of sale is chargeable to securities transaction tax shall be exempt from tax.

3.3 **Tax -Treaty Benefits:**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident/non-resident Indian shareholder. Thus, a non-resident/non-resident Indian shareholder can opt to be governed by the beneficial provisions of an applicable tax treaty.

3.4 **Capital gains tax-options available to a non resident Indian under the Act:**

Non-resident Indian:

As per Section 115-C(e) of the Act, a 'non-resident Indian' means an individual, being a citizen of India or a person of Indian origin who is not a 'resident'. As per the explanation to the said clause, a person shall be deemed to be of Indian origin if he, or either of his parents or any of his grand-parents, was born in undivided India.

Where shares have been subscribed in convertible foreign exchange, the non-resident Indians (as defined in Section 115C (e) of the Act), being shareholders of the company, have the option of being governed by the provisions of chapter XII-A of the Act, which, inter alia, entitles them to the following benefits in respect of income from shares of the company acquired, purchased or subscribed to in convertible foreign exchange.

As per the provisions of Section 115D read with Section 115E of the Act and subject to conditions specified therein, long term capital gains (in cases not covered under Section 10(38) of the Act) arising on transfer of the Company's shares, will be subject to tax at the rate of 10%(plus applicable surcharge on tax and education cess on tax and surcharge), without indexation benefit.

As per the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a foreign exchange assets (in cases not covered under Section 10(38) of the Act) being shares in the company, shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset or savings certificates referred to in Section 10(4B) of the Act. If part of such net consideration is invested within the prescribed period of six month in any specified asset or saving certificates referred to in Section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose net consideration means full value of the consideration received or accrued as a result of the transfer of the capital assets as reduced by any expenditure incurred wholly and exclusively in connection with such transfer. Further, if the specified asset or savings certificates in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or saving certificates are transferred.

As per the provisions of Section 115G of the Act, non-resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their only source of income is income from investments or long term capital gains earned on transfer of such investments or both, provided tax has been deducted at source from such income as per the provisions chapter XVII-B of the Act.

Under Section 115H of the Act, where the non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the assessing officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are converted into money.

As per the provisions of Section 115I of the Act, a non-resident Indian may elect not to be governed by the provisions of chapter XII-A for any assessment year by furnishing the return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

4. General Tax Benefits available to Foreign Institutional Investors (FIIs):

4.1 **Dividends exempt under Section 10(34):**

Dividends (whether interim or final) declared, distributed or paid by the Company are exempt in the hands of shareholders as per the provisions of Section 10(34) of the Act.

4.2 **Taxability of capital gains:**

As per the provisions of Section 115AD of the Act, FIIs will be taxed on Capital Gains that are not exempt under Section 10(38) of the Act at the following rates:

Nature of Income	Rate of Tax (%)
Long-term capital gains	10
Short-term capital gains	30

The above tax rates would be increased by the applicable surcharge and education cess. The benefits of indexation and foreign currency fluctuation protection as provided by Section 48 of the Act are not available to an FII.

According to Section 111A of the Act, short term capital gains on sale of equity shares where the transaction of sale is chargeable to securities transaction tax shall be subject to tax @ 15% (plus applicable surcharge and education cess).

4.3 **Exemption of capital gains from income-tax:**

Long term capital gains arising on transfer of equity shares in the company, which is held for the period exceeding twelve months and where such transactions is chargeable to securities transaction tax ,shall be exempt from tax under Section 10(38) of the Act.

Under Section 54EC of the Act and subject to the conditions and to the extent specified therein, Long term capital gains not exempt under Section 10(38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in certain bonds subject to ceiling of Rupees fifty lakhs within six months from the date of transfer. If only part of capital gain is so invested, the exemption shall be proportionately reduced. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition ,the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

Under Section 54 ED of the Act and subject to the conditions and to extent specified therein, long term capital gains not exempt under Section 10(38) of the Act and arising to the shareholders on transfer of their shares in the company shall not be chargeable to tax to the extent such capital gains are invested in acquiring equity shares forming part of an 'Eligible issue of capital' within a period of six months after the date of such transfer and held for a period of at least one year.

'Eligible issue of capital' means an issue of equity shares which satisfies the following conditions namely:

a. the issue is made by a public company formed and registered in India;
b. the shares forming part of the issue are offered for subscription to the public.

If only a part of the capital gain is so invested, the exemption shall be proportionately reduced.

4.4 **Tax -Treaty Benefits:**

As per Section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the FIIs. Thus, an FII can opt to be governed by the beneficial provisions of an applicable tax treaty.

5. General Tax Benefits available to Mutual Funds:

As per the provisions of Section 10(23D) of the Act, any income of Mutual Funds registered under the Securities and Exchange Board of India Act, 1992 or Regulations made there under, Mutual Funds set up by the Public sector banks or public financial institutions and Mutual Funds authorized by Reserve Bank of India would be exempt from tax, subject to the conditions as the Central Government may by the notification in the Official Gazette specify in this behalf.

6. General Tax Benefits available to Venture capital Companies/Funds:

In case of a shareholder being a Venture Capital Company/Fund, any income of Venture Capital Companies/Funds registered with the Securities and Exchange Board of India, are exempt from income-tax, subject to the conditions specified in Section 10(23FB) of the Act.

7. General Tax Benefits available under the Wealth Tax Act, 1957:

Asset as defined under Section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

The above statement of possible direct tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares. The statements made above are based on the tax laws in force and as interpreted by the relevant taxation authorities as on date. Investors are advised to consult their tax advisors with respect to the tax consequences of the purchase, ownership and disposal of equity shares.

Notes:

1. All the above benefits are as per the current tax law and will be available to the sole/first named holder in case the shares are held by joint holders.

2. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the shares of the company.

In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the country in which the non-resident has fiscal domicile.

SECTION IV – ABOUT THE COMPANY

INDUSTRY OVERVIEW

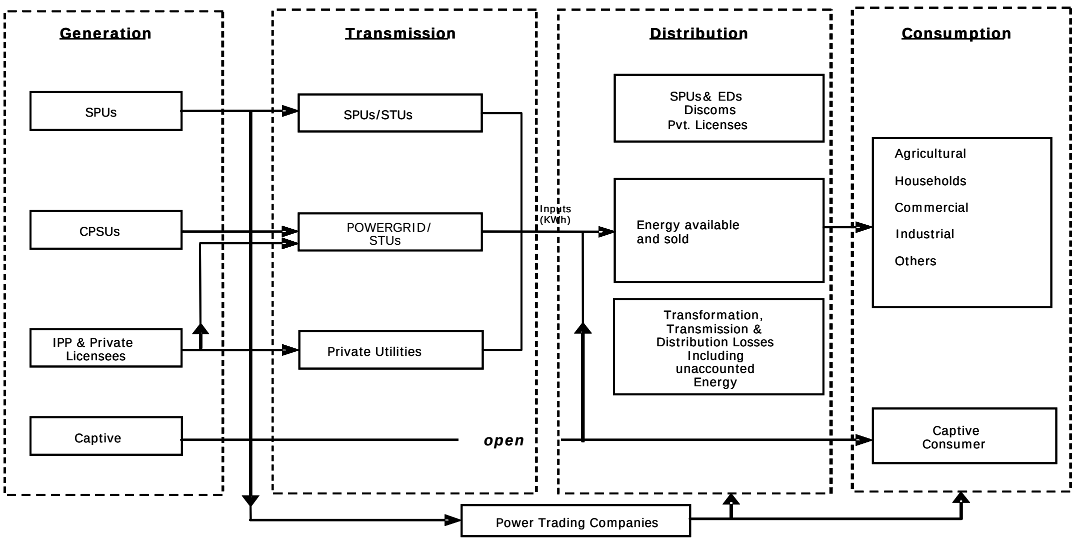
Certain information in this section has been extracted from publicly available documents prepared by various sources, including officially prepared materials from the GoI and its various ministries and various multilateral institutions. Such information has not been prepared or independently verified by us or any of our advisors. Unless otherwise indicated, the data presented excludes captive capacity and generation.

OVERVIEW OF THE INDIAN ECONOMY

India is the fifth largest economy in the world after the European Union, United States of America, China and Japan in purchasing power parity terms *(Source: CIA World Factbook website)*. India is also among the fastest growing economies globally and has grown at an average rate of 8.2% per annum during the last five years *(Source: RBI Second Quarter Review of Monetary Policy 2009-2010, RBI Annual Policy Statement for the Year 2008-09, RBI Annual Policy Statement for the Year 2007-08, RBI Annual Policy Statement for the Year 2005-06)*. However, the Indian economy slowed down significantly during the third and fourth quarters of Fiscal 2009, largely due to the knock-on effect of the global financial crisis, but has since begun to stabilize. The Indian economy posted a growth of 6.1% for the first quarter of Fiscal 2010. This is higher than the expansion of 5.8% in the fourth quarter of Fiscal 2009, but lower than the expansion of 7.8% in the corresponding first quarter of Fiscal 2009 *(Source: RBI Second Quarter Review of Monetary Policy 2009-2010)*.

STRUCTURE OF THE INDIAN POWER SECTOR

The following diagram depicts the structure of the Indian power industry for generation, transmission and distribution and consumption:



REGULATORY, LEGAL AND POLICY ENVIRONMENT IN THE POWER SECTOR

In light of India's persistent power shortages, the GoI has taken various measures in recent years to restructure the power sector to improve its commercial and financial viability and to attract investments in this sector.

General

Electricity Act. The most significant reform package has been the introduction of the Electricity Act, which has modified the legal framework governing the electricity sector and has been designed to address systemic deficiencies in the Indian power sector and to attract capital for large-scale power projects. The Electricity Act is a central unified legislation and replaces the multiple legislations that previously governed the Indian electricity sector. Some of the key objectives of the Electricity Act are to consolidate laws relating to generation, transmission, distribution, trading and use of electricity, promoting competition, protecting consumer's interests and providing universal power. Under the regulatory regime established by the Electricity Act, the Central Electricity Regulatory Commission has been granted certain powers and functions including the regulation of tariff generating companies owned or controlled by the GoI, regulation of tariff of generating companies other than those owned or controlled by the GoI if such generating companies enter into or otherwise have a composite scheme for generation and sale of electricity in more than one state in India and regulation of inter-state transmission of electricity. Additionally, the Electricity Act also provides for rural electrification, open access in power transmission and distribution.

National Electricity Policy. The GoI notified the National Electricity Policy on February 12, 2005. This policy aims at laying guidelines for accelerated development of the power sector, providing supply of electricity to all areas and protecting interests of consumers and other stakeholders. The National Electricity Policy focuses on the availability of energy resources, technology available to exploit these resources, economics of generation using different resources and energy security issues. The salient features of the National Electricity Policy include:

- access to electricity for all households within five years from the date of National Electricity Policy;
- availability of power to fully meet demand by 2012;
- supply of reliable and quality power in an efficient manner and at reasonable rates;
- increase of per capita availability of electricity to over 1,000 units by 2012;
- minimum lifeline consumption of 1 Unit per household per day as a merit good by year 2012;
- financial turnaround and commercial viability of the electricity sector; and
- protection of consumer interests.

National Tariff Policy. The GoI notified the National Tariff Policy on January 6, 2006. The objectives of the National Tariff Policy are to:

- ensure availability of electricity to consumers at reasonable and competitive rates;
- ensure financial viability of the power sector and to attract investments;
- promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimise perceptions of regulatory risks; and
- promote competition, efficiency in operations and improvement in quality of supply.

Rural

RGGVY and Rural Electrification Policy. The GoI has undertaken a number of initiatives over the years for rural electrification, including the Kutir Jyoti Yojana, Minimum Needs Programme, Pradhan Mantri Gramodaya Yojana, Accelerated Rural Electrification Program, Accelerated Electrification of One Lakh Villages and One Crore Households. In April 2005, the GoI launched the RGGVY, a comprehensive programme merging within it all the ongoing schemes with the aim to further strengthen the pace of rural electrification and with the initial objective to electrify all villages and provide access to electricity to all rural households by year 2009.

In order to achieve the electrification of villages, the scheme envisages the creation of a rural electricity distribution backbone with at least one 33/11KV or 66/11 KV sub-station of adequate capacity in geographical blocks where these do not exist, a village electrification infrastructure with distribution transformers of appropriate capacity in villages and other habitations and decentralised distribution generation systems based on conventional/non-conventional sources where grid electricity supply is not feasible or cost effective. This infrastructure may also indirectly facilitate the requirements of agriculture and other activities in rural areas including irrigation pump sets, small and medium industries, local industries, warehousing, healthcare, education and information technology which, in turn would facilitate overall rural development, generate employment opportunities and alleviate rural poverty.

The GoI approved the continuation of the RGGVY scheme in the Eleventh Plan period with a capital subsidy of Rs. 280,000 million. Under the scheme, 90% capital subsidy is provided towards overall cost of the projects under the scheme.

The GoI also notified the Rural Electrification Policy on August 23, 2006. This policy aims at improving the access and quality of electricity supply in rural areas. The salient features of the policy are:

- provision of access to electricity to all households by year 2009;
- supply of reliable and quality power at reasonable rates;
- minimum lifeline consumption of 1 Unit per household per day as a merit good by year 2012.

Our Company is the nodal agency at the GoI level to implement the rural electrification programme. For further details see the section titled "***Our Business***" on page 57

Accelerated Power Development and Reforms Programme ("APDRP"). During the Tenth Plan period, GoI launched APDRP programme with 25% GoI grant (90% for special category states), 25% GoI loan (10% for special category states) and the remaining 50% for non-special category states was to be arranged by the utilities as counterpart funding. The objective of the programme was to improve the financial viability of SPUs, reduce AT&C losses, improve customer satisfaction and increase the reliability and quality of power supply.

Restructured APDRP ("R-APDRP"). The APDRP programme has been revised from March 31, 2009 and the GoI has proposed to continue the programme as R-APDRP during the Eleventh Plan with revised terms and conditions as a Central Sector Scheme. The focus of the programme shall be on actual, demonstrable performance in terms of sustained loss reduction. Part A of the programme, which involves establishment of reliable and automated systems for sustained collection of accurate base line data, and the adoption of Information Technology in the areas of energy accounting will be essential before taking up the regular distribution strengthening projects, which is Part B of the programme. The estimated size of the programme is Rs. 500,000 million, with Rs. 100,000 million for Part A and Rs. 400,000 million for Part B.

The R-APDRP programme proposes to cover urban areas including towns and cities with population of more than 30,000 (10,000 in case of special category states). In addition, in certain high-load density rural areas with significant loads, works of separation of Agricultural feeders from Domestic and Industrial ones, and of High Voltage Distribution System (11KV) will also be taken up.

GoI will provide 100% of the loan for part A of the R-APDRP schemes, which shall be converted into a grant after establishment of the required Base-Line data system within a stipulated time frame and duly verified by Third Party Independent Evaluating Agencies (TPIEA). For Part B, GoI will provide up to 25% of the loan (90% for special category states), 50% of which will be converted into a grant in five equal tranches on achieving 15% Aggregate Technical and Commercial loss in the project area duly verified by TPIEA on a sustainable basis for a period of five years.

INDIAN ELECTRICITY CONSUMPTION AND DEMAND

The per capita energy consumption in India is relatively low in comparison to most other parts of the world, including other developing nations. According to data "Selected Indicators for 2007" from Key World Energy Statistics (2009), India's per capita electricity consumption was 543 units per year, as compared to a world average of 2,752 units per year and yearly per capita consumption of 3,252 units in Middle Eastern countries, 1,838 units in Latin America countries, 2,346 units in China, 705 units in Asian countries and 578 units in African countries. According to the CEA, as per it's report in March 2009, India's annual per capita electricity consumption for 2007- 2008 was 704.2 units.

The power industry in India has historically been characterized by energy shortages. In the period from April 2009 to June 2009, peak energy deficit was estimated at 12.3% and normative energy deficit was estimated at 9.8%. The following table sets forth the peak and normative shortages of power in India from 2003 to June 2009.

Fiscal Year	Peak				Normative			
	Requirement (MW)	Availability (MW)	Shortage		Requirement (MW)	Availability (MW)	Shortage	
			(MW)	%			(MW)	%
2003	81,492	71,547	9,945	12.2	545,983	497,890	48,093	8.8
2004	84,574	75,066	9,508	11.2	559,264	519,398	39,866	7.1
2005	87,906	77,652	10,254	11.7	591,373	548,115	43,258	7.3
2006	93,255	81,792	11,463	12.3	631,757	578,819	52,938	8.4
2007	100,715	86,818	13,897	13.8	690,587	624,495	66,092	9.6
2008	108,866	90,793	18,073	16.6	739,345	666,007	73,338	9.9
2008-09	109,809	96,685	13,124	12.0	774,324	689,021	85,303	11.0
April-June 2009	111,066	97,355	13,711	12.3	202,238	182,412	19,826	9.8

Source: CEA, "Power Scenario at a Glance", July 2009

GROWTH, CAPACITY ADDITIONS AND FUNDING REQUIREMENTS

As India's economy continues to grow, it is expected that India's energy consumption will grow as well. A key risk to the continued growth of the Indian economy is inadequate power infrastructure. Growth in power infrastructure investment in India may be constrained without further improvements. In order to sustain a GDP growth rate of 8-9%, India would require additional capacity of about 66-79 GW by 2012, 152-183 GW by 2017 and 271-334 GW by 2022 based on normative powers *(Source: Integrated Energy Policy, Expert Committee on Power, August 2006, issued by the Planning Commission).* The following table sets forth the additional total electricity generation capacity required by 2012, 2017 and 2022 under different GDP growth rate scenarios.

	Assumed GDP Growth (%)	Electricity Generation Required (Billion Units)	Projected Peak Demand (GW)	Installed Capacity Required (GW)	Capacity Addition Required (1) (GW)
By Fiscal 2012	8.0	1,097	158	220	66
	9.0	1,167	168	233	79
By Fiscal 2017	8.0	1,524	226	306	152
	9.0	1,687	250	337	183
By Fiscal 2022	8.0	2,118	323	425	271
	9.0	2,438	372	488	334

(1) Based on installed capacity of approximately 154 GW in India as of October 31, 2009.
Source: Integrated Energy Policy, Expert Committee on Power, August 2006, issued by the Planning Commission

The GoI has adopted a system of successive five year plans that set out targets for economic development in various sectors, including the power sector. In order to match the increasing demand for power within India, substantial increases in generation capacity will require additional improved transmission and distribution systems, all of which will require significant investment.

According to data from the CEA, as on October 31, 2009, India's power generation systems had a total installed capacity of 153,694 MW. To fulfil the objectives of the National Electricity Policy, a capacity addition of 78,700 MW has been proposed for the Eleventh Plan; which is expected to provide a growth of 9.5% to the power sector. (*Source: Report of the Working Group on Power for Eleventh Plan, MoP, February 2007*). According to the Report of the Working Group on Power for Eleventh Plan of the GoI, the overall requirement of funds in the Eleventh Plan of the GoI for the power sector has been estimated at Rs. 10,316,000 million. As per latest assessment made by the CEA, 15,036 MW capacity (18.7%) has already been commissioned and a capacity of 65,574 MW (81.3%) is under construction for which orders have been placed and work is in progress (*Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for Twelfth Plan and Beyond, 18-19 August 2009, MoP and CEA*). For the Twelfth Plan period, CEA estimates that in order to meet the projected demand requirement by 2017, capacity addition of 100,000 MW would be required; and including additions required in expanding transmission and distribution systems, the total fund requirement for the plan period would be about Rs. 11,000,000 million.

Generation

Out of India's total installed capacity of approximately 153,694 MW as on October 31, 2009, the installed capacity of central power sector utilities, state sector entities and private sector companies accounted for approximately 32.25%, 50.82% and 16.93% respectively.

The table below shows total installed generation capacity by sector and type of generation as on October 31, 2009.

(MW)

Sector	Hydro	Thermal	Nuclear	R.E.S [(1)]	Total
State	27,087	48,703	0	2,315	78,106
Central	8,565	36,877	4,120	0	49,563
Private	1,233	13,798	0	10,995	26,026
Total	**36,885**	**99,379**	**4,120**	**13,310**	**153,694**

(1) Renewable Energy Sources, which include small hydro projects, biomass gas, biomass power, urban and industrial waste power and wind energy.
Source: CEA, http://www.cea.nic.in/power_sec_reports/executive_summary/2009_10/9-10.pdf

Each successive five year plan of the GoI has had increased targets for the addition of power generation capacity. The Ninth Plan of the GoI targeted a capacity addition of 40,245 MW of which 73.41% was to come from thermal capacity, 24.39% was to come from hydro capacity and 2.19% was to come from nuclear capacity. (*Source: http://planningcommission.gov.in/plans/planrel/fiveyr/9th/vol2/v2c6-2.htm*) According to the MoP, approximately 47.5% of the planned capacity was added during the Ninth Plan. The Tenth Plan for Fiscal years 2002 to 2007 targeted a capacity addition of 41,110 MW, which was subsequently revised to 30,641 MW; however at the end of the Tenth Plan period, only 21,180 MW of capacity was added. (*Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for Twelfth Plan and Beyond, 18-19 August 2009, MoP and CEA*)

According to data from the MoP, the additional capacity required to meet the projected demand during the Eleventh Plan is estimated at 78,700 MW. Of this estimated capacity addition of 78,700 MW during the Eleventh Plan, the estimated contribution by the central, state and private sector is provided as follows:

Sector	Capacity Addition (MW)	Percentage
State	26,783	34%
Central	36,874	47%
Private	15,043	19%
Total	**78,700**	**100%**

Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for Twelfth Plan and Beyond, 18-19 August 2009, MoP and CEA

Public sector. In India, control over the development of the power industry is shared between the central and the state governments. Central sector utilities were created in 1975 under administrative control of the MoP. State governments have set up state utilities that are responsible for ensuring the supply, transmission and distribution of electricity in the most economical and efficient manner.

One of the key changes introduced by the Electricity Act is the elimination of the legal basis for the continuation of SEBs. It is intended that SEBs will be completely restructured and their assets unbundled into separate generation, transmission, and distribution companies. The SEBs of Orissa, Haryana, Andhra Pradesh, Karnataka, Uttar Pradesh, Uttaranchal Rajasthan, Delhi, Maharashtra, Gujarat, Assam and Madhya Pradesh have been unbundled as on Sep 30, 2009.

Private sector. In 1991 the GoI began to encourage private sector participation in the power industry.

The Electricity Act allows for private involvement in power sector development. In particular it has introduced important changes in the industry, notably by moving the sector from a single-buyer market to a multi-buyer and multi-seller system. The aim is to give the private sector access to the state electricity board transmission grids thereby allowing private power producers to sell directly to large industrial consumers.

Investments in generation. The total fund requirement for generation projects, during the Twelfth Plan period is estimated at approximately Rs. 4,950,830 million, with approximately Rs. 1,266,490 million being required for the hydro sector, approximately Rs. 3,306,680 million being required for the thermal sector and approximately Rs. 377,660 million being required for the nuclear sector. (*Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for Twelfth Plan and Beyond, 18-19 August 2009, MoP and CEA*)

Transmission

In order to accomplish the GoI's stated mission of "Power for all by 2012", there must be significant expansion of the regional transmission network and inter-regional capacity to transmit power.

The transmission of electricity is typically defined as the bulk transfer of power over a long distance at a relative high voltage. A reliable transmission and distribution system is important for the proper and efficient transfer of power from generation facilities to sub-stations or between substations. A transmission and distribution system is typically comprised of transmission lines, sub-stations, switching stations, transformers and distribution lines.

Demand for electric power transmission and distribution services is largely dependent on levels of electric power demand, and on the ability of the electric power generation and distribution sectors to service that demand. In order to ensure reliable supply of power, efficient utilization of generating capacity and effective exploitation of unevenly distributed generating resources in the country so as to optimize their potential, a strong interconnected transmission grid is required, which interconnects various generating stations and load centres.

In India, the transmission and distribution system is a 3-tier structure comprising distribution networks, state grids, and regional grids. These distribution networks and state grids are principally owned and operated by SEBs or other state utilities, or state governments (through state electricity departments). At present there are five regional grids operating in India, in the Northern, Eastern, Western, Southern and North eastern regions. Regional or interstate grids facilitate the transfer of power from a region with surplus to one with deficit. Most of the inter-state transmission links are owned and operated by PGCIL. These regional grids also facilitate the scheduling of maintenance outages and coordination between power plants.

In Fiscal 2007, the GoI launched a scheme under the Electricity Act to invite private sector investments in major transmission projects pursuant to which private developers are proposed to become transmission service providers on a "build, own and operate" basis. The GoI has identified a number of transmission-related projects to be implemented on a build, own and operate basis.

National grid. In order to optimize the utilization of generation capacity through the exchange of power between surplus and deficit regions and to exploit the uneven distribution of hydroelectric potential across various regions, the GoI in 1981 approved a plan to establish a national grid. The plan envisaged high-voltage transmission links across various regions in order to enable the transfer of power from surplus to deficit regions. The process of establishing the national grid was initiated with the formation of central sector power generating and transmission companies.

The fast pace of development in the Indian power sector necessitates the need for the accelerated implementation of a national power grid in India in order to enable scheduled/unscheduled exchange of power as well as for providing open access to encourage competition in the power market. Formation of such a national power grid has been envisaged in a phased manner. The existing inter-regional power transfer capacity of 19,150 MW as of March 31, 2009 is to be further enhanced to 38,050 MW by Fiscal 2012 through creation of "Transmission Super Highways". (*Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for Twelfth Plan and Beyond, 18-19 August 2009, MoP and CEA*)

Investments in transmission. The total fund requirement for transmission system development and related schemes during the Twelfth Plan period is estimated at Rs. 2,400,000 million, with Rs. 1,400,000 million being required for the central sector and Rs. 1,000,000 million being required for the state sector.

(*Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for Twelfth Plan and Beyond, 18-19 August 2009, MoP and CEA*)

In 1998, the GoI enacted the Electricity Laws (Amendment) Act, which recognized transmission as an independent activity, distinct from generation and distribution, and allowed private investment in the transmission sector.

In April 2006, the MoP issued guidelines for tariff based competitive bidding for transmission services with the objective of developing competition in the transmission sector. These guidelines, framed under the provisions of the Electricity Act aim to promote competitive procurement of transmission services and encourage private investment in transmission lines. As per these guidelines, the selection of developer for identified projects would be through tariff based competitive bidding. Any GoI organisation/ "Central Public Sector Unit" may be appointed as the "Bid Process Coordinator" (BPC) in case of inter-state transmission projects. The BPC would be responsible for coordinating the bid process for procurement of the required transmission services.

Distribution

Power distribution is a critical link between generation, transmission and the end users of power. As a result of high transmission, distribution and commercial losses and the poor financial health of bulk power purchasers (SEBs and SPUs), investments in the distribution sector have been relatively low and the growth and maintenance of distribution systems in India has been poor. The poor financial health of SEB's and SPU's historically affects their ability to invest in new generation capacity, to update their transmission and distribution network and to undertake any system improvement. With distribution being the weakest link in the chain of power supply, distribution reforms have been identified as a key area of focus in the power sector reform process.

As regards the structure, in India, the distribution network and the state grids are mostly owned and operated by SEBs or state governments through SEBs. Delhi and Orissa are two states where private companies oversee power distribution. Additionally, Tata Power Limited, CESC Limited, Reliance Energy Limited, AEC Torrent Power Limited, SEC Torrent Power Limited and Noida Power Company Limited own and operate distribution networks in their respective license areas.

Investments in distribution. The total fund requirement for the Distribution sector, during the Twelfth Plan period is estimated at Rs. 3,710,000 million. (*Source: Base Paper, International Conclave on Key Inputs for Accelerated Development of Indian Power Sector for Twelfth Plan and Beyond, 18-19 August 2009, MoP and CEA*).

Rural Electrification

Village electrification. According to data available from the CEA, as on September 30, 2009, out of estimated 593,732 inhabited villages in India, as per 2001 Census, approximately 96,393 are yet to be electrified. As on September 30, 2009, 83.8% of the estimated total inhabited villages in India have been electrified.

The table below shows the status of rural electrification of villages in selected states in the country, as on September 30, 2009:

State	Villages to be electrified	Percentage of Villages to be electrified
Jharkhand	20,235	68.9%
Orissa	17,794	37.4%
Bihar	15,101	38.7%
Rajasthan	12,085	30.4%
Uttar Pradesh	11,492	11.7%
Assam	5,383	21.4%
Maharashtra	4,799	11.7%
Meghalaya	2,354	40.7%

Source: CEA, http://www.cea.nic.in/

Development of the power sector requires large investment that cannot be met solely by public finance. The pace of reforms in the distribution sector would need to be accelerated in order to attract private investments. Therefore, the GoI is seeking a public private partnership model for resource mobilization and efficiency gains. An example of public private partnerships is already emerging in the form of franchisees in rural areas where electrification of villages has been achieved under the RGGVY.

PROVIDERS OF FINANCE TO THE POWER SECTOR IN INDIA

The primary providers of power sector financing in India are power sector specific government companies, financing institutions, public sector banks and other public sector institutions, multilateral development institutions and private banks.

Power-Sector Specific Government Companies

Besides our Company, the other sector-specific companies owned by GoI and engaged in power sector financing are as follows:

Power Finance Corporation Limited. In order to provide funds for the power projects in India and to act as developmental financial institution for the power sector in India, PFC was incorporated on July 16, 1986. PFC is a Public Sector Undertaking and its main objective is to raise resources from international and domestic sources at competitive rates and terms and conditions and on-ward lend these funds on optimum basis to the power projects in India. PFC has been actively persuading State Governments to initiate reform and restructuring of their power sector in order to make them commercially viable and in this regard, is providing financial assistance to reform-minded States under relaxed lending criteria/exposure limit norms. It is also providing funds based services like Term Loans, Equipment Leasing, Bill Discounting, Buyers Line of Credit and also non funds based services like Guarantee Services and Consultancy Services. (*Source: http://pfc.gov.in*)

Indian Renewable Energy Development Agency Limited. The Indian Renewable Energy Development Agency Limited ("IREDA") was incorporated on March 11, 1987 as a public sector NBFC under the administration of the Ministry of Non-Conventional Energy Sources with the objective of promoting, developing and extending financial assistance for renewable energy and energy efficiency, and energy conservation projects. IREDA plays a key role in the development of renewable energy in India.

Financial Institutions

Financial institutions were established to provide medium-term and long-term financial assistance to various industries for setting up new projects and for the expansion and modernization of existing facilities. These institutions provide fund based and non-fund based assistance in the form of loans, underwriting, direct subscription to shares, debentures and guarantees. The primary long-term lending institutions include IDFC Limited, IIFC Limited, IFCI Limited, Industrial Investment Bank of India Limited and Small Industries Development Bank of India.

State Level Financial Institutions

State financial corporations operate at the state level and form an integral part of the institutional financing system. State financial corporations were set up to finance and promote small and medium-sized enterprises. At the state level, there are also state industrial development corporations, which provide finance primarily to medium-sized and large-sized enterprises.

Public Sector Banks and other Public Sector Institutions

Public sector banks make up the largest category of banks in the Indian banking system. The primary public sector banks providing finance to the power sector include the IDBI Bank Limited, State Bank of India Limited, Punjab National Bank and the Bank of Baroda. Other public sector entities such as the Life Insurance Corporation of India, India Infrastructure Finance Company Limited, etc. are also provide financing to the power sector.

Private Sector Banks

After the first phase of bank nationalization was completed in 1969 the majority of Indian banks were public sector banks. Some of the existing private sector banks, which showed signs of an eventual default, were merged with state owned banks. In July 1993, as part of the banking reform process and as a measure to induce competition in the banking sector, the RBI permitted entry by the private sector into the banking system. This resulted in the introduction of nine private sector banks. These banks are collectively known as the "new" private sector banks. These institutions also provide fund based and non-fund based assistance in the form of loans, underwriting, direct subscription to shares, debentures and guarantees and also compete in the power sector.

International Development Financial Institutions

International development financial institutions are supportive of power sector reform and of more general economic reforms aimed at mobilizing investment and increasing energy efficiency. The primary international development financial institutions involved in power sector lending in India include several international banking institutions such as Japan International Cooperation Agency, Kreditanstalt fur Wiederaufbau, the World Bank, the Asian Development Bank and the International Finance Corporation.

In the early 1990s, the World Bank decided to finance mainly projects in states that "demonstrate a commitment to implement a comprehensive reform of their power sector, privatise distribution, and facilitate private participation in generation and environment reforms". Recent loans from the World Bank have gone to support the restructuring of SEBs. In general, the loans are for rehabilitation and capacity increase of the transmission and distribution systems, and for improvements in metering the power systems in states that have agreed to reform their power sector.

The overall strategy of the Asian Development Bank for the power sector is to support restructuring, especially the promotion of competition and private sector participation. Like the World Bank, the ADB also provides loans for restructuring the power sector in the states and improving transmission and distribution.

Other Provisions for Power Sector Finance

There also exist several short term and long-term financing measures by the GoI to facilitate the financial viability of the power sector, such as by the implementation of the Electricity Act. As a long-term financing measure, the process has been initiated for institutionalising mechanism for facilitating and accelerating private and foreign direct investment into the power sector.

OUR BUSINESS

OVERVIEW

We are a public financial institution in the Indian power infrastructure sector. We are engaged in the financing and promotion of transmission, distribution and generation projects throughout India. We believe our organization occupies a key position in the GoI's plans for the growth of the Indian power sector.

We assist our clients in formulating and implementing a broad array of power projects and finance those projects. Our clients primarily include Indian public sector power utilities at the central and state levels and private sector power utilities. We service our clients through a network of project offices spread across India and one national level training centre at Hyderabad. Our project offices play an integral role in the development of our relationships with our clients, the operation and promotion of our business and in our loan appraisal, loan sanction and post-sanction monitoring processes. Our primary financial product is project-based long-term loans. We fund our business with market borrowings of various maturities, including bonds and term loans. Because our sources enable us to raise funds at competitive costs, we are able to price our financial products competitively.

We commenced our operations in 1969 for the purpose of developing the power infrastructure in rural areas. We have contributed to the development of rural India and India's agriculture through our funding of transmission and distribution projects in rural areas. Our mandate has evolved in accordance with the development priorities of the GoI and, since Fiscal 2003, permits us to finance all segments of the power sector, including generation, throughout the country. For Fiscal 2009, more than half of our loan sanctions related to generation projects and generation-related loan assets currently comprise more than a third of our total loan assets. In September 2009, our mandate was further extended to include financing other activities with linkages to power projects, such as coal and other mining activities, fuel supply arrangements for the power sector and other power-related infrastructure.

As of September 30, 2009, we are one of only 18 Indian public sector undertakings to be granted "Navratna" status by the Department of Public Enterprise by virtue of our operational efficiency and financial strength. The GoI has rated our performance as "Excellent" continuously since Fiscal 1994. We have also been ranked among the top ten public sector undertakings in India by the Ministry of Heavy Industries and Public Enterprises for Fiscal 2000, Fiscal 2001, Fiscal 2002, Fiscal 2004 and Fiscal 2005.

Domestically, we hold the highest long-term borrowing domestic credit rating from each of CRISIL Limited, ICRA Limited, Fitch and CARE Limited. On an international basis, we hold long-term borrowing ratings from Fitch and Moody's that are on par with sovereign ratings for India.

The President of India, acting through nominees from the MoP, currently holds 81.82% of the issued and paid up equity capital of our Company. After the Issue, the GoI's shareholding will be 66.80% of the diluted post issue paid up equity capital of our Company. The GoI, acting through the MoP, oversees our operations and has power to appoint Directors to our Board.

We have experienced growing demand for our financial products, and therefore have demonstrated consistent growth in our business.

- Our loan sanctions and loan disbursements have grown at a CAGR of 25.71% and 23.23%, respectively, between Fiscal 2005 and Fiscal 2009.

- For Fiscal 2009, we sanctioned Rs. 407,459 million of loans, including Rs. 217,083 million relating to generation projects, Rs. 169,376 million relating to transmission and distribution projects and Rs. 21,000 million under short-term loans. For the six months ended September 30, 2009, we sanctioned Rs. 315,003 million of loans, including Rs. 191,025 million of loans relating to generation projects, Rs. 101,578 million of loans relating to transmission and distribution projects and Rs. 22,400 million under short-term loans.

- For Fiscal 2009, we disbursed Rs. 171,573 million of loans, including Rs. 78,506 million relating to generation projects, Rs. 72,667 million relating to transmission and distribution projects and Rs. 20,400 million under short-term loans. For the six months ended September 30, 2009, our loan disbursements amounted to Rs. 91,224 million, including Rs. 40,217 million relating to generation projects, Rs. 35,207 million relating to transmission and distribution projects and Rs. 15,800 million under short-term loans.

- Our Company's loan assets have grown at a CAGR of 24.07% from Rs. 216,844 million in Fiscal 2005 to Rs. 513,814 million in Fiscal 2009 as per its unconsolidated restated financial statements. As of September 30, 2009 , our Company's loan assets were Rs. 586,653 million.

- Our Company's profit after tax as per its unconsolidated restated financial statements for Fiscal 2005, 2006, 2007, 2008, 2009 and for the six months ended September 30, 2009 was Rs. 7,788 million, Rs. 6,471 million, Rs. 7,969 million, Rs. 9,584 million, Rs. 13,847 million and Rs. 9,281 million, respectively. Our Company's profit after tax as per its consolidated restated financial statements for Fiscal 2008, 2009 and for the six months ended September 30, 2009 was Rs. 9,587 million, Rs. 13,865 million and Rs. 9,289 million, respectively.

- As on September 30, 2009, our Company had total assets of Rs. 635,612 million and a net worth of Rs. 77,279 million as per its unconsolidated restated financial statement. As on September 30, 2009, our Company had total assets of Rs. 635,703 million and a net worth of Rs. 77,306 million as per its consolidated restated financial statement.

OUR STRENGTHS

We believe that the following are our primary strengths:

Our financial position is strong and our business is profitable

Our loan asset portfolio is becoming increasingly diversified by sector and customer base. For the six months ended September 30, 2009, 60.64% of our loan sanctions related to generation projects and 31.83% of our loan sanctions were for the benefit of private sector borrowers. As of September 30, 2009, non-performing loans constituted only 0.04% of our gross loan assets; and, as of September 30, 2009, we have reduced our exposure in the form of outstanding loans to our top ten borrowers to less than 50% of our total outstanding loans, with no single borrower holding more than 7.57% of our outstanding loans. As of September 30, 2009, our loans outstanding by sector included 54.73% relating to transmission and distribution, 37.77% relating to generation, and 7.50% relating to other types of financing.

We fund our business with market borrowings of various maturities, including bonds and term loans. Our relationship with the GoI currently provides us with access to lower cost funding and has additionally enabled us to source foreign currency loans from bi-lateral and multi-lateral agencies, such as the Japan International Cooperation Agency (JICA) and Kreditanstalt fur Wiederaufbau (KfW). Domestically, we hold the highest long-term borrowing domestic credit rating from each of CRISIL Limited, ICRA Limited, Fitch and CARE Limited. On an international basis, we hold long-term borrowing ratings from Fitch and Moody's that are on par with sovereign ratings for India. For the six months ended September 30, 2009, our Company's overall cost of funds as per its unconsolidated restated financial statement was 7.52%. Because our sources enable us to raise funds at competitive costs, we believe we are able to price our financial products competitively. We have increased our net interest margins from 3.08% in Fiscal 2006 to 4.54% for the six months ended September 30, 2009.

We have operated our financing business profitably for fifteen consecutive years, including a profit after tax on an unconsolidated restated basis of Rs. 13,847 million for Fiscal 2009 and Rs. 9,281 million for the six months ended September 30, 2009. We have paid dividends each year since Fiscal 1998, including a total dividend of Rs. 3,864 million for Fiscal 2009. As on September 30, 2009, our Company had a net worth of Rs. 77,279 million as per its unconsolidated restated financial statement. Our Company's annualized return on net worth for the six months ended September 30, 2009 was 24.02% as per its unconsolidated restated financial statement. As on September 30, 2009, our Company had a net worth of Rs. 77,306 million as per its consolidated restated financial statement. Our Company's annualized return on net worth for the six months ended September 30, 2009 was 24.04% as per its consolidated restated financial statement.

We are uniquely positioned to access and appraise borrowers in the Indian power sector

We have been involved in Indian power sector finance since 1969 and were the first financial institution to exclusively focus on financing the Indian power sector. Since our inception in 1969, we have developed extensive power sector knowledge, relationships with power sector borrowers and the ability to appraise and extend financial assistance for a wide variety of projects.

Our knowledge of the India power sector drives our client relationships and the marketing of our financial products. Our clients seek our involvement in their power projects to obtain the benefit of the technical knowledge we can provide for the design and implementation of their power projects. Our 40 years of experience and knowledge enables us to provide solutions to various problems faced by power sector borrowers by providing technical guidance from project design through completion. To help ensure that our loan products remain an integral part of our clients' financing plans, we also assist our clients in developing detailed five-year plans addressing their anticipated technical and financial needs. We service our clients through a network of 18 project offices spread across India. Our project offices play a critical role in the development of our relationship with our clients, operation and promotion of our business and our loan appraisal, loan sanctioning and post-sanction monitoring processes. Our proximity to our clients enables us to service our clients on a local level, keep abreast of local issues and to monitor closely the projects we finance.

We occupy a key strategic position in the GoI's plans for growth of the power sector

We are one of a limited number of government-owned companies that focus exclusively on financing the development of the power sector in India. We have consistently benefited from the GoI's power infrastructure plans since 1969 and the GoI has ensured that our mandate has evolved in accordance with its development priorities. We believe we will continue to occupy a key strategic position in the GoI's ongoing plans to develop the Indian power sector.

Historically, we were primarily focused on the electrification of rural India, consistent with the objective of GoI objective to electrify all rural villages under a variety of schemes that were ultimately merged into RGGVY in Fiscal 2006. We remain the nodal agency for RGGVY and derive benefits from that scheme, and we continue to finance rural electrification and transmission and distribution projects. The GoI has a number of stated priorities in the areas of rural electrification and transmission and distribution, including feeder separation and reduction of aggregate technical and commercial losses; and we believe we will be strategically central to these priorities.

Additionally, over the past decade, the GoI has become increasingly focused on the power supply shortage in India and the need for increased investment in power generation. In Fiscal 2003, the GoI enacted the Electricity Act which, among other things, aims at creating a sufficient power supply in India to meet demand through private sector investment in the power generation sector. In that same year, the GoI broadened our mandate to permit us to finance all segments of the power sector throughout India, which has enabled us to also occupy a key strategic position in the growth of the power generation sector.

Annually, we enter into an MOU with the GoI that provides guidelines for our activities that are closely aligned with the GoI's own five-year policy initiatives. Under our current MOU, the GoI has agreed to a number of important measures that we believe will facilitate the development of our business, reduce the risks we face and provide for our continued involvement in the GoI's power sector development plans. The objectives of the current MOU include promoting and financing projects aimed at integrated system improvement, power generation, promotion of decentralised and non-conventional energy sources, energy conservation, renovation and maintenance and power distribution. The MOU also aims at mobilizing funds from various sources including domestic and international agencies.

Because of our strategic importance to the GoI, we receive direct and indirect benefits, including tax concessions for some of our bonds that enable us to maintain low cost of funds. We also benefit from direct tax benefits provided by the GoI.

We have an experienced management team with sector expertise

We are managed by experienced and highly qualified professionals. Our key managerial personnel have an established track record in managing public financial institutions in India and bear a considerable knowledge of the power sector in India. For example, most of our key managerial personnel have over 30 years of relevant experience in India and have been employed with prominent companies in the power sector. For further details in relation to our Company's management, see the section titled "***Our Management***" on page 112

OUR STRATEGY

The key elements of our business strategy are as follows:

Continue to fund the increased investment in the Indian power sector

India has long suffered from a shortage of power supply, as well as low per capita power consumption, which will be exacerbated by, and ultimately constrain, the growth of the Indian economy unless met by substantially increased investment. Consequently, the GoI has prioritized investment into the power sector in a number of ways, including through the implementation of the Electricity Act in June 2003 in order to address systemic deficiencies in the Indian power sector and attract capital for large-scale power projects, the notification of the National Electricity Policy in February 2005 in order to accelerate the development of the power sector, the launch of RGGVY in April 2005 in order to increase the pace of rural electrification and provide access to electricity to all rural households and the revision of the APDRP in March 2009 to provide sustained loss reduction to India's transmission and distribution infrastructure. The continued prioritization of the power sector will need to be met by increased funding to the sector. The Eleventh Plan, which came into effect from Fiscal 2008, was then estimated to require funds in excess of Rs. 10,000,000 million for investment in transmission, distribution and generation. For the Twelfth Plan, which will come into effect from Fiscal 2013, it is estimated that funds in excess of Rs. 11,000,000 million will be required. As a consequence of the GoI's focus on increased funding for the power sector, our loan sanctions and loan disbursements have grown at a CAGR of 25.71% and 23.23%, respectively, between Fiscal 2005 and Fiscal 2009. We intend to continue to provide the funding necessary for the GoI to meet its policy goals for the power sector and believe our business will continue to be a prime beneficiary from the increased growth of, and investment into, the Indian power sector.

Maintain the diversity of our asset portfolio and seek higher yielding loan assets

Our mandate permits us to finance all types of power projects, including transmission, distribution and generation throughout the country, irrespective of size or location. As on September 30, 2009, our loan assets were comprised of 54.73% transmission and distribution-related loans. We have utilized our broad mandate to capture the higher rates of return available in the generation sector and diversify our loan asset portfolio. As on September 30, 2009, 37.77% of our loan asset portfolio was comprised of generation-related loans and for the six months ended September 30, 2009, 60.64% of our new loan sanctions were generation-related. Going forward, we believe that the breadth of our mandate will continue to afford us flexibility to manage our business and our asset portfolio in a manner that enables us to diversify the risk associated with any one area of the power sector, as well as to focus on higher yielding loan assets in response to market conditions.

Increase our involvement in consortium lending and private sector participation in the Indian power sector

From Fiscal 2005 to Fiscal 2009, our loan sanctions relating to consortium lending increased from Rs. 5,797 million to Rs. 37,504.40 million and our overall loan sanctions to the private sector increased from Rs. 5,835.30 million to Rs. 38,698 million. We aim to continue to capitalise on the increasing private sector participation in the Indian power sector. We believe we are well-positioned to continue to benefit from increased private participation in a number of ways. We believe broad-based public and private and overseas lenders look to us as a key member of lending consortia in order to capitalise on our industry-specific knowledge and experience. To this end, we have entered into a memorandum of understanding with other financial institutions to ensure that we are well positioned to provide speedy consortium financing for large power infrastructure projects.

We believe our participation in consortium lending will continue to involve us in financing increasingly larger and more complex power projects that accompany private sector involvement, and our industry experience and knowledge, as well as our broad mandate, will enable us to do so successfully, which will further diversify our asset portfolio.

In particular, we believe we will be well-positioned to benefit from the GoI's intention to replicate in the transmission and distribution sector the success it has had in drawing private investment into the generation sector. Specifically, in Fiscal 2007, the GoI initiated a scheme to invite private sector investments in major transmission projects pursuant to which private developers are proposed to become transmission service providers on a "build, own and operate" basis. The GoI has identified 14 transmission-related projects to be implemented on a build, own and operate basis. We have been appointed as coordinator for three of the six projects that have been allocated under the scheme, and we have issued letters of intent to the successful bidders with respect to two of them. There are an additional eight major transmission projects that remain unallocated and we will seek to become the coordinator for a number of them. We believe our early involvement in the large scale transmission projects for which we are appointed coordinator, coupled with our extensive knowledge of the Indian power transmission sector will well-position us to remain involved in the financing plans for those projects.

Increase our fee-based income

We intend to continue to seek high margin income streams that do not require balance sheet fund commitment. For example, in order to capitalize commercially on our specialized knowledge, we have incorporated REC Transmission Projects Company Limited and REC Power Distribution Company Limited for the purpose of providing consultancy services with respect to transmission and distribution systems, respectively. In addition, under RGGVY, we currently receive a fee equal to 1% of the project cost from the GoI for administering the scheme and under the GoI's transmission-related "build, own and operate" scheme we receive a professional fee of Rs. 150 million for each project successfully assigned to a private sector bidder.

Implement technological innovation to manage our growth and remain a dynamic organisation

In Fiscal 2007, we initiated the implementation of a major enterprise resource planning system to enable us to manage our growth effectively, increase our revenues and profits and remain a dynamic organisation. Our ERP system has been implemented in all major client-facing business functions. Our new system will enable us to quickly access and process information relating to our borrowers, our products and the market conditions we face. In particular, our system will enable us to reduce the time it takes us to make our first disbursement under any given loan application which we believe will give us a competitive advantage and the benefit of more quickly converting our funds to interest-bearing assets. Additionally, the ERP system will enable us to fully leverage the role of our project offices in the promotion of our business and in our loan appraisal, sanction and post-sanction monitoring process. As our business and our organisation continues to grow, we intend to remain committed to technological innovation to ensure our ability to respond to our increasingly sophisticated and competitive market and to mitigate the risks we face as a financial institution.

THE PROJECTS WE FUND

The table below shows our loan sanctions by type of project and the percentage such amount represented of our total loan sanctions for all projects for the periods indicated.

(Rs. million, except percentages)

Sector	Fiscal						For the six months ended September 30, 2009	
	2007		2008		2009			
	Amount	%	Amount	%	Amount	%	Amount	%
Transmission and distribution	158,136	55.24	168,101	35.89	169,376	41.57	101,578	32.25
Generation	103,644	36.20	273,370	58.37	217,083	53.28	191,025	60.64

Other [(1)]	24,519	8.56	26,850	5.73	21,000	5.15	22,400	7.11
Total	286,299	100.00	468,321	100.00	407,459	100.00	315,003	100.00

[(1)] *Includes short-term loans, debt refinancing and bridge loans.*

The table below shows our loan disbursements by type of project and the percentage such amount represented of our total loan disbursements for all projects for the periods indicated.

(Rs. million, except percentages)

Sector	**Fiscal**						**For the six months ended September 30, 2009**	
	2007		**2008**		**2009**			
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Transmission and distribution	47,840	44.57	70,628	54.53	72,667	42.35	35,207	38.59
Generation	42,910	39.98	43,081	33.26	78,506	45.76	40,217	44.09
Other [(1)]	16,579	15.45	15,820	12.21	20,400	11.89	15,800	17.32
Total	107,329	100.00	129,529	100.00	171,573	100.00	91,224	100.00

[(1)] *Includes short-term loans, debt refinancing and bridge loans.*

The table below shows our loan amount outstanding by the type of project and the percentage such amount represented of our total loan amounts outstanding for all projects as on the respective dates indicated.

(Rs. million, except percentages)

Sector	**As on March 31**						**As on September 30, 2009**	
	2007		**2008**		**2009**			
	Amount [(1)]	**%**	**Amount** [(1)]	**%**	**Amount** [(1)]	**%**	**Amount** [(1)]	**%**
Transmission and distribution	182,674	58.43	244,199	63.24	287,804	56.82	316,851	54.73
Generation	73,054	23.37	100,956	26.14	182,300	35.99	218,692	37.77
Other [(2)]	56,894	18.20	40,993	10.62	36,424	7.19	43,398	7.50
Total	312,622	100.00	386,148	100.00	506,528	100.00	578,941	100.00

[(1)] *Excludes provisions for contingencies and interest accrued and due.*
[(2)] *Includes short-term loans, debt refinancing, bridge loans, loans to equipment manufacturers, equipment leasing finance.*

Transmission and Distribution Projects

Within transmission, the principal projects we finance are for the evacuation of power from new power generation stations and the augmentation or strengthening of existing transmission systems. In distribution, the principal projects we finance are for system improvement to reduce distribution losses and the creation of new distribution systems.

Transmission projects. Transmission projects are projects that relate to the transmission of electricity at higher voltages (132 KV, 220 KV or 400 KV) over relatively long distances, generally from generation facilities to sub-stations or between sub-stations. We finance projects related to transmission systems, sub-transmission systems, power evacuation lines and transmission links.

Distribution projects. Distribution projects are projects that relate to the distribution of electricity at relatively lower voltages (66 KV, 33 KV, 11 KV or 415 V) over shorter distances, generally from sub-stations to end-users or between sub-stations. Our distribution projects involve creating additional infrastructure through the erection of new sub-stations and lines and the improvement of the existing distribution systems by upgrading existing sub-stations and lines to increase capacity and reduce losses. Distribution projects also include the modernization of distribution systems to reduce the losses of power utilities.

In distribution, the principal projects for which we provide funding are:

- System improvement projects, which include projects to strengthen existing infrastructure through new substations and lines and the replacement of damaged and outdated equipment, to convert low voltage distribution systems (LVDS) to high voltage distribution systems (HVDS) in order to reduce aggregate technical and commercial losses (AT&C), to create new distribution systems to provide power to end-users and to introduce new technologies. System improvement projects also include bulk loan schemes for the procurement and installation of equipment such as meters, transformers and capacitors.

- Intensive electrification projects, which are projects to provide new rural end-user power connections (domestic, commercial, industrial and agricultural) in areas in which power is already distributed.

- Pump-set energisation projects, which are projects to create the necessary infrastructure to provide power to agricultural pump-sets for irrigation.

Generation Projects

In generation, the principal projects we finance are for the creation of new generation capacity.

Thermal energy power generation projects. We currently finance thermal energy power generation projects in the public sector, joint sector and private sector. Thermal energy power generation projects include coal-based power plants, gas-based combined cycle power plants, captive co-generation power plants and biomass based power plants. Since 2002, we have financed over 74 thermal energy power generation projects located in various states. The major thermal energy power generation projects for which we have sanctioned funding include the 1,350 MW Amravati (Phase-I) Thermal Power Project in Maharashtra, the 3,600 MW Phase I and II Power Project of KSK Mahanadi Power Company Limited in Chattisgarh and the 1,000 MW Vallur Thermal Power Project in Tamil Nadu. We are also financing thermal power projects with supercritical technology which include the 3,960 MW Sasan Ultra Mega Power project in Madhya Pradesh, the 1320MW (Phase-I) and the 660 MW Phase-II thermal power plant of Adani Power Maharashtra Limited in Maharashtra and the 1320 MW Coal-based thermal power plant of Jhajjar Power Limited in Haryana.

The table below shows our number of loans sanctioned, total loan sanctions and total loan disbursements for thermal generation projects for the periods indicated.

(Rs. million, except number of loans)

Thermal Generation	Fiscal			For the six months ended September 30, 2009
	2007	2008	2009	
Number of loans sanctioned	4	21	15	12
Total loan sanctions	75,122	267,232	210,199	175,317
Total loan disbursements	23,410	35,065	68,356	34,758

Hydro energy power generation projects. We provide financing to hydro energy power generation in the public sector, joint sector and private sector. Hydro energy power generation projects include projects of varying sizes, from large hydro to small hydro and mini hydro power plants. Since Fiscal 2003, we have financed over 45 hydro energy power generation projects located in various states. The major hydro energy power generation projects for which we have provided funding include the 1000 MW Tehri Stage I Hydro Power Project in Uttaranchal, the 1,000 MW Karcham Wangtoo Hydro Electric Project in Himachal Pradesh, the 400 MW Vishnu Prayag Hydro Electric Project in Uttaranchal, the 500 MW Teesta Stage VI Hydro Electric Project in Sikkim, the 450 MW Baglihar Hydro Electric Project in Jammu and Kashmir and the 1,200 MW Teesta Stage III Hydro Power Project in Sikkim.

The table below shows our number of loans sanctioned, total loan sanctions and total loan disbursements for hydro generation projects for the periods indicated.

(Rs. million, except number of loans)

Hydro Generation	Fiscal			For the six months ended September 30, 2009
	2007	2008	2009	
Number of loans sanctioned	3	0	3	1
Total loan sanctions	25,140	0.00	4,257	2,180
Total loan disbursements	18,970	7,545	9,333	4,884

Renovation, modernization and life-extension schemes. We provide finance for the renovation, modernization and life-extension of old thermal and hydro power plants. Such renovation and modernization allows older power plants to run more efficiently, safely, economically and in a more environment-friendly manner. Since 2002, we have sanctioned financing for 33 renovation, modernization and life-extension schemes. The major projects under this scheme for which we have recently provided funding include the renovation and modernization and upgrading of 5x108 MW Bhakra Left Bank Powerhouse in Himachal Pradesh, the renovation and modernization of the 2x110 MW Guru Nanak Dev thermal power project at Bhatinda and the renovation and modernization of the 6 x 210 MW Guru Gobind Singh Super Thermal Power Station in Ropar, Punjab.

The table below shows our number of loans sanctioned, total loan sanctions and total loan disbursements for renovation, modernization and life-extension schemes for the periods indicated.

(Rs. million, except number of loans)

Renovation, modernization and life--extension schemes	Fiscal			For the six months ended September 30, 2009
	2007	2008	2009	
Number of loans sanctioned	3	7	3	2
Total loans sanctions	3,381	6,138	2,626	4,671
Total loans disbursements	530	470	816	575

Wind Energy Power Generation Projects. We provide financing to wind energy power generation in the public sector, joint sector and private sector. In the six months ended September 30, 2009, we sanctioned one loan for Rs. 8,856 million to Gujarat State Petroleum Corporation Limited for its 200 MW Wind Energy Power Generation Project.

Lead Financial Institution. We are also acting as the lead financial institution in consortium lending of various generation projects which include the 100 MW Malana-II Hydro Electric Project in H.P., the 1200 MW Teesta Phase-III Hydro Electric Project in Sikkim, the 270 MW Phase-I and 270 MW Phase-II coal-based thermal power project of Wardha Power Company Private Limited in Maharashtra, the 1200 MW Anpara-C Thermal Power Project in Uttar Pradesh and the 1320 MW coal-based thermal power project of Thermal PowerTech Corporation (India) Limited in Andhra Pradesh.

OUR PRODUCTS

Our principal products are long-term loans and short-term loans. Additionally, we may offer debt-refinancing and bridge loans from time to time. All of our financial products are denominated in Rupees.

The table below shows the total loan amount outstanding for each of our financial products and the percentage such amount represented of our total loan amounts outstanding for all financial products as on the respective dates indicated.

(Rs. million, except percentages)

Financial Product	Fiscal			For the six months ended September 30, 2009
	2007	2008	2009	

	Amount	%	Amount	%	Amount	%	Amount	%
Long-term loans [1]	255,728	81.80	345,155	89.38	470,104	92.81	535,543	92.50
Short-term loans	37,003	11.84	25,688	6.65	23,669	4.67	32,222	5.57
Other	19,891	6.36	15,305	3.97	12,755	2.52	11,176	1.93
Total	312,622	100.00	386,148	100.00	506,528	100.00	578,941	100.00

[1] Long-term loans outstanding includes Rs. 5,087 million, Rs. 9,040 million, Rs. 14,826 million and Rs. 15,907 million of long-term loans outstanding that were issued under RGGVY and predecessor schemes as on March 31, 2007, 2008, 2009 and September 30, 2009, respectively. Long-terms loans issued under RGGVY (and certain predecessor schemes) are subject to terms different than our long-term loans offered on a commercial basis. For further details, see the section titled "***Our Business-Our Participation in Government Programmes-Rajiv Gandhi Grameen Vidyutikaran Yojana***" on page 68.

(Rs. million)

LOAN OUTSTANDING BY STATE AS ON SEPTEMBER 30, 2009

PRIVATE PARTIES
38,395 million

Map not to scale

Long-term Loans

We offer our long-term loans to central-sector power utilities, state-sector power utilities, joint-sector power utilities, state power departments, private sector power utilities and rural electricity cooperatives. Our long-term loans generally are sanctioned with respect to a specific power-related project at project inception or as bulk loans for procurement of equipment. In the transmission and distribution sector, we generally provide long-term loans of 90% to 100% of the funding required for state sector projects and up to 50% of the project cost for private sector projects. In the generation sector, we generally provide long-terms for up to 100% of the debt component in state sector projects and small private projects of up to 100MW and for all other projects long-term loans of up to 50% of the project cost for private sector borrowers and 80% for government sector borrowers.

Both types of long-term loans are disbursed in one or more instalments. The first disbursement is intended to allow our borrowers to fund initial procurement related to the project. Upon satisfactory completion of the initial procurement stage and evidence of fund utilization, we will make additional loan disbursements, subject to our satisfactory receipt of evidence of fund utilization.

In the transmission and distribution sector, our long-term loans typically have a maturity of up to thirteen years from the date of the first disbursement, inclusive of a three year moratorium period on payment of principal. In the generation sector, our long-term loans have a maturity of up to 20 years, inclusive of a moratorium period of up to five years on payment of principal.

The long-term loans typically bear fixed interest rates that are determined on each date of disbursement pursuant to our then prevailing interest rates. Our long-term loans also provide for re-pricing mechanisms, usually effective after three or ten years, to adjust for changes in interest rates. Our long-term loans also typically provide for pre-payment penalties, as well as the payment of additional interest in the case of default (or, historically, rebates in the case of timely payment).

Where we issue long-term loans as part of consortium financing, we vary the terms if required. In the event that our pricing terms are more favourable to us than the proposed consortium terms, we typically seek to maintain our pricing terms. In certain instances, we offer comfort letters as an ancillary feature to our sanctioned long-term loans to enable borrowers to establish a letter of credit with their bankers.

Our long-term loans to the public sector for transmission and distribution projects typically require the borrower to obtain a state government guarantee of the loan and/or hypothecate a portion of its existing assets or hypothecate all of its project assets to secure the loan. The percentage of guarantee and hypothecation of assets differs on a case-to-case basis. Our long-term loans to the private sector for transmission and distribution projects typically require the borrower, which is typically a SPV, to pledge substantially all of its assets to secure the loan and secure a pledge of the project promoters' shares in the SPV.

Our long-term loans to the public sector for generation projects typically require the borrower to obtain a state government guarantee of the loan and/or pledge substantially all of its assets to secure the loan. The percentage of guarantee and hypothecation of assets differs on a case-by-case basis. Our long-term loans to the private sector for generation projects require the borrower, which is typically an SPV, to pledge substantially all of its assets to secure the loan and secure a pledge of the project promoters' shares in the SPV.

Short-term Loans

We offer short-term loans to our state sector borrowers to meet their immediate working capital requirements, including for the purchase of fuel for power plants, system and network maintenance, including transformer repairs, the purchase of power, the purchase of materials and minor equipment.

We offer our short-term loans with a maturity of up to three years. Our current short-term loans also contain a roll-over provision that permits the borrower to extend the term of the loan, subject to our approval. Our short-term loan facilities bear either a floating or fixed interest rate. Interest on short-term loans is payable monthly and principal may be repaid in monthly instalments or in a lump-sum at maturity, at the option of the borrower. Ordinarily, we do not permit pre-payment of short-term loans but may do so at our discretion on the terms of our then prevailing policy for pre-payment premium.

Our short-term loans permit the borrower to provide one or more of the following types of any of the security: a pledge of assets; a state-government guarantee; a bank guarantee; a corporate guarantee. In addition, a suitable escrow arrangement is typically required unless the a bank guarantee covering the full loan amount is provided.

Other

Debt Refinancing. We may offer a debt refinancing scheme for borrowers who have borrowed funds from other lending institutions at a higher rate of interest. The refinancing facility is available generally for commissioned projects. We offer our debt refinancing products on the same interest rate terms as our long-term loans; however, the maturity of our debt refinancing products is generally not later than the maturity of the refinanced indebtedness.

Bridge Loans. We may provide short-term bridge loan financing for borrowers that have been sanctioned financial assistance from or through us, primarily in the form of grants or long-term loans, and have received a sanction letter for the funding but are awaiting disbursements pending formalities or clearances.

Short-term Loans to Equipment Manufacturers. We may offer short-term loans to manufacturers of equipment or materials. To be eligible to receive these loans the equipment manufacturers must have been awarded a firm order for executing contracts in power projects in India by power utilities. We do not currently have any such loans outstanding.

Equipment Leasing. We may offer lease financing to fund the purchase of major capital equipment and machinery essential for power and associated infrastructure projects. We do not currently have any such financing arrangements outstanding.

Medium-term Loans. We may offer medium-term loans to SEBs and the relevant power departments of state governments that are not in default with our Company for the purchase of capital equipment. These loans have a repayment period of two to five years. We do not currently have any such loans outstanding.

Loans for Power Purchase through Indian Energy Exchange. In December 2009, our Board of Directors approved a new scheme pursuant to which we intend to finance power purchases made through the India Energy Exchange, which is one of two energy exchanges operating in India. It is currently intended that these power purchase loans may be offered to our existing public sector borrowers for the purpose of non-speculative purchases of power through the exchange with a maturity of 90 days from disbursement. Power purchase loans will be secured by escrow arrangements or bank guarantees, at the discretion of the borrower.

THE SECTORS OF OUR BORROWERS

We sanction and disburse loans to central and state public sector, joint sector and private sector borrowers, as well as to rural electricity cooperatives.

The table below shows our loan sanctions by the borrower's sector and the percentage such amount represented of our total loan sanctions for all sectors for the periods indicated.

(Rs. million, except percentages)

Sector	Fiscal						For the six months ended September 30, 2009	
	2007		2008		2009			
	Amount	%	Amount	%	Amount	%	Amount	%
Public sector	260,954	91.15	414,031	88.41	368,761	90.50	214,826	68.20
Joint sector	21,000	7.34	-	-	-	-	-	-
Private sector	4,344	1.51	54,290	11.59	38,698	9.50	100,177	31.80
Rural electricity cooperatives	-	-	-	-	-	-	-	-
Total	286,298	100.00	468,321	100.00	407,459	100.00	315,003	100.00

The table below shows our loan disbursements by the borrower's sector and the percentage such amount represented of our total loan disbursements for all sectors for all the periods indicated.

(Rs. million, except percentages)

Sector	Fiscal						For the six months ended September 30, 2009	
	2007		2008		2009			
	Amount	%	Amount	%	Amount	%	Amount	%
Public sector	104,488	97.35	114,815	88.64	148,484	86.54	77,675	85.15
Joint sector	-	-	5,750	4.44	7,583	4.42	4,944	5.42
Private sector	2,840	2.65	8,964	6.92	15,506	9.04	8,605	9.43
Rural electricity cooperatives	-	-	-	-	-	-	-	-
Total	107,328	100.00	129,529	100.00	171,573	100.00	91,224	100.00

The table below shows the loan amount outstanding by the borrower's sector and the percentage such amount represented of our total loan amounts outstanding for all sectors as on the respective dates indicated.

(Rs. million, except percentages)

Sector	As on March 31						As on September 30, 2009	
	2007		2008		2009			
	Amount (1)	%	Amount (1)	%	Amount (1)	%	Amount (1)	%
Public sector	305,920	97.86	370,881	96.05	468,482	92.49	527,958	91.19
Joint sector	-	-	-	-	7,583	1.50	12,527	2.16
Private sector	6,219	1.99	14,889	3.86	30,259	5.97	38,395	6.64
Rural electricity cooperatives	483	0.15	378	0.09	204	0.04	61	0.01
Total	312,622	100.00	386,148	100.00	506,528	100.00	578,941	100.00

(1) Excludes provisions for contingencies and interest accrued and due.

OUR PARTICIPATION IN GOVERNMENT PROGRAMMES

The GoI has initiated a number of programmes aimed at accelerating the growth and development of the power sector. We play a key role in implementing the following programmes.

Rajiv Gandhi Grameen Vidyutikaran Yojana

In Fiscal 2006, the GoI initiated the RGGVY, which has as its objectives the electrification of un-electrified villages and providing access to electricity to all rural households in the country, including the electrification of un-electrified habitations with a population of above 100, providing free electricity connections to BPL households. We have been appointed the nodal agency for implementation of the scheme and are responsible for complete oversight of the programme from conception to completion.

In order to achieve the electrification of villages, RGGVY contemplates the creation of a rural electricity distribution backbone with at least one 33/11 KV or 66/11 KV sub-station of adequate capacity in blocks where these do not exist, a village electrification infrastructure with distribution transformers of appropriate capacity in villages and other habitations and decentralized distribution-cum-generation from conventional or non-conventional sources for villages where grid connectivity is either not feasible or not cost effective. This infrastructure may also indirectly facilitate power requirement of agriculture and other activities which, in turn would facilitate overall rural development, employment generation and poverty alleviation.

Under RGGVY, the GoI provides subsidies in the form of grants, which are channelled through us, for 90% of the funding required for projects falling within the purview of the scheme. We provide the remaining 10% of the funding in the form of a long-term loan. The long-term loans that we issue under RGGVY have a 15-year maturity, inclusive of a 5-year moratorium on payment of principal. Prior to September 10, 2007, our long-term loans issued under RGGVY were at an interest of 5% for the first three years and the interest rate for subsequent periods was determined by our Board of Directors. Subsequent to September 10, 2007, our long-term loans issued under RGGVY bear interest at the rate prevailing for transmission and distribution schemes from time to time less 50 basis points. We receive a fee from the GoI equal to 1% of the project cost for administering the RGGVY scheme. For additional information on RGGVY, see the section titled "***Industry Overview-Regulatory, Legal and Policy Environment in the Power Sector-Rural***" on page 48.

As on January 1, 2010, under RGGVY the MoP has sanctioned 567 projects involving electrification of 118,499 unelectrified villages, intensive electrification of 354,669 already electrified villages and providing electricity connections to 24,606,500 eligible BPL households.

The table below shows our long-term loan sanctions and disbursements under RGGVY and the percentage such amount represented of our total long-term loan sanctions and disbursements for the periods indicated.

(Rs. million, except percentages)

RGGVY	**Fiscal**						**For the six months ended September 30, 2009**	
	2007		**2008**		**2009**			
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Sanctions	4,773	1.67	15,553	3.32	919	0.23	240	0.08
Disbursements	3,647	3.40	4,007	3.09	5,794	3.38	1,082	1.19

DDG under RGGVY

The guidelines for decentralised distributed generation (**"DDG projects"**) under RGGVY were issued by the MoP on January 12, 2009. RGGVY provides for DDG projects from conventional or non-conventional sources where grid connectivity is either not feasible or not cost effective.

For DDG projects under RGGVY, the GoI also provides subsidies in the form of grants, which are channelled through us, for 90% of the funding required for projects falling within the purview of the scheme. However, the remaining 10% of the project cost is contributed by states through their own resources or by loans from financial institutions.

The Eleventh Plan has allocated Rs. 5,400 million as subsidy for DDG projects.

Accelerated Power Development and Reforms Programme

During the Tenth Plan, the GoI implemented APDRP. The objectives of this programme were to improve the financial viability of state power utilities, reduce aggregate technical and commercial losses, improve customer satisfaction and increase the reliability and quality of the power supply by reducing outages and interruptions, with a focus on urban and industrial areas.

The former APDRP scheme linked financial assistance to reform the power distribution sector by providing investment and incentives to SEBs and SPUs and distribution companies to strengthen and improve sub-transmission systems and distribution networks. Under APDRP, the GoI provided funds to states that had committed themselves to a time-bound programme of reforms. The funds allocated to SEBs and SPUs were to be utilized for upgrading and modernizing certain sub-transmission and distribution networks.

APDRP provided funds to SEBs and SPUs in two components. The first component was an investment component pursuant to which certain distribution projects were eligible for partial financing in the form of grants from the GoI; with SEBs and SPUs in special category states being eligible to receive 90% of the cost of the project in the form of a grant and SEBs and SPUs in non-special category states being eligible to receive 25% of the cost of the project in the form of a grant. In each case, the balance of the funding for the project was to be arranged by the SEB and SPU in the form of internal or external financing or through other means. The second component was an incentive component, whereby the MoP provided to the states a grant of 50% of the SEBs' and SPUs' actual cash loss reduction.

Our Company was actively involved in counterpart financing of the APDRP programme during the Tenth Plan and Eleventh Plan period until its restructuring. As on 30 November, 2008 approximately Rs.

170,336 million of project cost had been sanctioned by MoP, which involved counterpart funding of approximately Rs. 70,447 million. As on January 15, 2010 our Company has sanctioned a cumulative amount of Rs. 48,275 million as counterpart funding under the APDRP programme.

The table below shows our long-term loan sanctions and disbursements under APDRP and the percentage such amount represented of our total long-term loan sanctions and disbursements for the periods indicated.

(Rs. million, except percentages)

APDRP	Fiscal						For the six months ended September 30, 2009	
	2007		2008		2009			
	Amount	%	Amount	%	Amount	%	Amount	%
Sanctions	1,590	0.56	1,805	0.39	1,555	0.38	-	-
Disbursements	5,262	5.64	2,097	1.84	695	0.46	317	0.42

Restructured APDRP

The APDRP programme has been restructured from March 31, 2009 and the GoI has proposed to continue the programme as R-APDRP during the remainder of the Eleventh Plan. The focus of the restructured programme is to achieve demonstrable sustained loss reduction. The restructured programme is proposed to cover urban areas with population of more than 30,000 (or 10,000 in case of special category states). In addition, in certain high-load density rural areas with significant loads, the restructured programme will include projects to separate agricultural power feeders from domestic and industrial feeders, as well as high voltage distribution systems.
Part A of the restructured programme will focus on establishing reliable and automated systems in order to collect accurate base line data, and the adoption of information technology relating to energy accounting. Part B of the restructured program will focus projects that strengthen power distribution systems.

The estimated size of the programme is Rs. 515,770 million, of which Rs. 100,000 million will relate to Part A and Rs. 400,000 million will relate to Part B (and Rs. 15,770 million of which will relate to enabling activities to be implemented by MOP and incentive to utility staff).

In part A of the restructured programme, the GoI will provide 100% of the loan to initiate the project, which shall be converted into a grant if the required base-line data system is established within a stipulated time frame. In part B of the restructured programme, the GoI will provide funding of up to 25% of the project cost in the form of a loan (90% for special category states), 50% of which will be converted into a grant in five equal tranches if the project achieves 15% AT&C loss reduction. Our Company proposes to provide counterpart funding for the projects sanctioned by GoI to the extent not covered by GoI grant and/ or loan.

Accelerated Generation and Supply Programme

In Fiscal 1998, the GOI launched the AG&SP, which provides interest subsidies for projects involving renovation, modernization and life-extension of coal, thermal and hydro power plants, completion of ongoing generation projects, construction of transmission links, system improvements and grants for various studies, subject to fulfilment of certain conditions. During Fiscal 2002, the scheme was modified to restrict it to renovation, modernization and life-extension schemes and generation projects. We began to participate in the AG&SP in Fiscal 2003 and oversee and operate this scheme with respect to generation projects on behalf of the GoI with other government companies.

Pursuant to this scheme, the GoI subsidizes our normal lending rates on loans to SPUs. The subsidy is paid in advance into a separate account maintained by us for purposes of the scheme. We receive disbursements from the account against our borrower's interest liability as it arises.

The AG&SP has not been extended to the Eleventh Plan period. Hence, no AG&SP related sanctions have been made after Fiscal 2007 and no AG&SP subsidy has been received after Fiscal 2007.

As on September 30, 2009, we held an aggregate of Rs. 351 million of undisbursed GoI subsidies under AG&SP.

GoI Tariff-based Competitive Bidding Scheme

In Fiscal 2007, the GoI initiated a scheme under the Electricity Act to invite private sector investments in major transmission projects pursuant to which private developers are proposed to become transmission service providers on a "build, own and operate" basis. The GoI has identified a number of transmission-related projects to be implemented on a build, own and operate basis and has appointed a coordinator for a total of six of the projects. We have been appointed as the coordinator with respect to three of the projects identified: the North Karanpura Transmission Project, the Talcher Augmentation System Transmission Project and Krishnapattnam UMPP Transmission Project. For this purpose, we have incorporated a subsidiary company by the name of "REC Transmission Projects Company Limited" on January 8, 2007 and obtained the certificate of commencement of business from the RoC on February 5, 2007. We have also established three project specific SPVs in the form of three separate subsidiaries of REC Transmission Projects Company Limited by the name of "North Karanpura Transmission Company Limited", "Talcher-II Transmission Company Limited" and "Raichur Sholapur Transmissions Limited" on April 23, 2007, May 1, 2007 and November 19, 2009, respectively.

It is proposed that these SPVs will, among other things, undertake activities that will require us to fund preliminary matters relating to the projects, including the facilitation of necessary clearances, feasibility studies, and the conduct of pre-bid conferences, advertisements and publicity. We would then expect to transfer the SPVs to the winning bidder upon reimbursement of the expenses that the SPV has incurred along with a payment to us of a professional fee of Rs. 150 million for each SPV.

On December 18, 2009, we issued letters of intent to the winning bidder for the North Karanpura Transmission Project and the Talcher Augmentation System Transmission Project. For further details, see the section titled "***History and Certain Corporate Matters***" on page 92.

INTERNATIONAL COOPERATION AND DEVELOPMENT

In Fiscal 2005, we started our International Cooperation and Development division to coordinate with bilateral and multilateral agencies for project-based funds and to forge partnerships with international agencies. This division currently has four active lines of credit, comprised of two lines of credit from each of Japan International Cooperation Agency and Kreditanstalt fur Wiederaufbau; and also fosters our participation in the DRUM programme.

JICA. In Fiscal 2006, we entered our first loan agreement with JICA which provides for financial assistance of JPY 20,629 million, to be utilised for implementation of the Rural Electricity Distribution Backbone Project, which provides loan assistance for the improvement of sub-transmission systems, reduction of transmission and distribution losses and the expansion of access to electricity for un-electrified households for different economic activities through the construction of sub-stations and associated distribution lines in the states of Andhra Pradesh, Maharashtra and Madhya Pradesh.

In Fiscal 2008, we entered into a second loan agreement with JICA for financial assistance of JPY 20,902 million to be utilised for the implementation of Haryana Transmission System Project.

Our future borrowings under this financial assistance project will be linked to the implementation and progress of the selected projects.

KfW. Our International Cooperation and Development division has also arranged two lines of credit from the KfW under Indo-German Bilateral Cooperation for our Energy Efficiency Programme.

In Fiscal 2007, we entered into our first loan agreement with KfW which provides for financial assistance of Euro 70 million to be utilised for implementation of HVDS projects. The objectives of these projects are the reduction in line losses and the improvement in voltage drops and reliability of power supply in selected districts in the State of Andhra Pradesh. Pursuant to this loan agreement, we also entered into an agreement with KfW for a grant contribution of Euro 500,000 which is to be used exclusively for strengthening our position and the position of the power distribution companies to whom we grant a loan pursuant to our first loan agreement with KfW.

In Fiscal 2009, we entered into our second loan agreement with KfW which provides for financial assistance of Euro 70 million to be utilised for implementation of HVDS projects in selected districts in the State of Haryana. Simultaneously, we entered into a second financing agreement with KfW for a maximum amount of Euro 500,000 which is to be used exclusively for strengthening our position and the position of the power distribution companies to whom we grant a loan pursuant to our second loan agreement with KfW.

Our borrowings under the above mentioned four lines of credit are linked to the implementation and progress of the selected projects.

For a description of the financial terms of our loans with respect to these projects, see the section titled "***Our Business-Resource Mobilization-Foreign Currency Resources***" on page 73.

Distribution Reforms Upgrades and Management Project. The GoI in collaboration with the United States Agency for International Development has established the DRUM. We have been selected by the MoP as one of the DRUM partner implementing agencies. Under DRUM, CIRE organizes training programmes relating to areas such as best practices in distribution loss reduction and distributions system operation and maintenance.

OUR SPECIALIZED KNOWLEDGE

We have developed special technical expertise in distribution systems which we utilize to ensure the continual enhancement of the knowledge of our borrowers, including SPUs. For example, we promote the standardization of technical specifications and construction practices in power distribution. We have established 78 technical specifications and 232 construction standards relating to power distribution lines, sub-stations and service connections. We have also authored 14 manuals on construction and repair practices.

In order to capitalize commercially on our specialized knowledge, we have incorporated REC Transmission Projects Company Limited and REC Power Distribution Company Limited for the purpose of providing consultancy services with respect to transmission and distribution systems, respectively.

CENTRAL INSTITUTE FOR RURAL ELECTRIFICATION

In Fiscal 1979, we established the Central Institute for Rural Electrification at Hyderabad, a training institute established for the purpose of designing and conducting training programmes on various aspects of power transmission and distribution systems and non-conventional energy systems. We have conducted training in broad array of power-related areas, including best technical practices in transmission and distribution systems, legal aspects of power sector operations and power sector accounting. Beginning in Fiscal 2006, CIRE was empanelled to conduct training for foreign nationals. In Fiscal 2009, CIRE conducted 98 programmes, including six international training programmes sponsored by the Ministry of External Affairs, GoI, and trained 2,767 participants.

OUR PROJECT OFFICES

We service our clients through a network of 18 project offices spread across India. Our project offices play an integral role in the development of our relationships with our clients, the operation and promotion of our business and in our loan appraisal, loan sanction and post-sanction monitoring processes. Our project offices are located in the cities of Mumbai, Bangalore, Hyderabad, Guwahati, Patna, Vadodara, Panchkula, Shimla, Jammu, Thiruvananthapuram, Shillong, Bhubaneswar, Jaipur, Chennai, Lucknow, Kolkata, Bhopal and Ranchi. Our proximity to our clients enables us to service our clients on a local level, keep abreast of local issues and to monitor closely the projects we finance

Our project offices are professionally staffed with personnel trained to appraise and monitor projects and are headed by a chief project manager, who provide information about terms and conditions of financial products, rates of interest and other market conditions. The project offices coordinate our programmes with our borrowers on a local level and facilitate the formulation and implementation of schemes and the granting of loan sanctions and loan disbursements for transmission and distribution projects, generation projects and projects under RGGVY. Our projects offices are organized into zones, each of which is headed by a zonal manager.

In respect of requests for loans or sanctions, our project offices receive detailed project reports formulated by our borrowers. The project office generally performs the initial evaluation of the project and provides its recommendations to our corporate offices. In the event the loan is sanctioned, it is conveyed through our project office along with the terms and conditions of the loan. The zonal manager or the chief project manager is responsible for execution of the legal documents for the loan, as well as implementing the security mechanism provided for by the terms and conditions stipulated in the sanction letter. Following disbursement of the loan, the project office, together with our corporate office, is responsible for monitoring the scheme.

RESOURCE MOBILIZATION

We generally fund our assets, primarily comprising loans to the power sector, with borrowings of various maturities in the domestic and international markets. Our market borrowings include bonds, short-term loans, medium-term loans, long-term loans and external commercial borrowings. As on September 30, 2009, we had total outstanding borrowing of Rs. 516,024 million, of which Rs. 429,909 million, or 83.31%, was secured and Rs. 86,115 million, or 16.69%, was unsecured.

The following table sets forth our indebtedness classified by Rupee-denominated and foreign currency-denominated sources and the percentages such resources constituted of our total indebtedness as on March 31, 2007, 2008, 2009 and September 30, 2009. The Rupee equivalents of foreign currency-denominated debts (other than those that are already fully hedged) are translated with reference to rates of exchange prevailing as at the end of all the periods indicated.

(Rs. million, except percentages)

Resource Denomination	As on March 31,						As on September 30, 2009	
	2007		2008		2009			
	Amount	%	Amount	%	Amount	%	Amount	%
Rupee	294,089	97.12	332,343	96.94	434,423	96.68	499,195	96.74
Foreign currency	8,703	2.88	10,485	3.06	14,937	3.32	16,829	3.26
Total	302,792	100.00	342,828	100.00	449,360	100.00	516,024	100.00

For additional information on our financial indebtedness, see the section titled "***Financial Indebtedness***" on page 179.

Domestic Borrowings

In terms of domestic resources, a significant proportion of our Rupee denominated funds are raised through privately placed bond issues in the domestic market and term loans. We have a diverse investor base of banks, financial institutions, mutual funds, insurance companies, provident fund trusts, gratuity fund trusts and superannuation trusts and individuals.

For further details on our domestic credit ratings, see the section titled "***Our Business-Our Credit Ratings***" on page 76.

The following table sets forth our outstanding Rupee-denominated indebtedness by type and the percentage such indebtedness constituted of our total Rupee-denominated indebtedness as on March 31, 2007, 2008, 2009 and September 30, 2009.

(Rs. million, except percentages)

Rupee Denominated	As on March 31,						As on September 30, 2009	
	2007		2008		2009			
	Amount	%	Amount	%	Amount	%	Amount	%
Taxable bonds	69,688	23.01	89,921	26.23	179,223	39.88	266,427	51.63
54EC long term tax exemption bonds	139,394	46.03	147,071	42.90	143,943	32.03	112,136	21.73
Infrastructure	2,287	0.76	257	0.07	188	0.04	114	0.03

bonds								
Tax-free bonds	1,250	0.42	1,250	0.36	1,250	0.28	1,250	0.24
SLR bonds	3,497	1.15	2,397	0.70	1,711	0.38	1,711	0.33
Commerical term loans	76,968	25.42	90,628	26.44	94,511	21.03	99,006	19.19
GoI loans	1,005	0.33	819	0.24	647	0.14	602	0.12
Commercial paper	0	0.00	0	0.00	12,950	2.88	17,950	3.48
Other	8,721	2.88	10,485	3.06	14,937	3.32	16,829	3.26
Total	302,810	100.00	342,828	100.00	449,360	100.00	516,025	100.00

Taxable bonds. We issue secured non-convertible redeemable taxable bonds typically with a maturity of three to ten years from the date of issuance and bearing a fixed interest rate that depends upon market conditions at the time of issuance.

The weighted average interest rate on taxable bonds issued during the six months ended September 30, 2009, Fiscal 2009, Fiscal 2008, Fiscal 2007 and Fiscal 2006 was 8.18%, 10.64%, 9.49% and 8.85%, and 7.66%, respectively. The weighted average annual interest rate on all of our outstanding taxable bonds as on September 30, 2009 was 8.95%.

The taxable bonds are offered on a domestic private placement basis and listed on the "whole sale debt market segment" of the NSE.

54EC long term tax exemption bonds. We began issuing 54EC long term tax exemption bonds in Fiscal 2001. Under Section 54EC of the Income Tax Act, 1961, holders of such bonds are exempt from taxes arising on capital gains from prior investments invested in these bonds, subject to limits and qualifications. We are, therefore, able to price such bonds at a lower rate of interest than would otherwise be available to us. In order to qualify for the tax exemption, these bonds must be held for no less than three years. These bonds typically have put dates or maturity dates at three years from issuance.

The availability of the tax exemption in connection with these bonds is reviewed annually by the GoI in connection with the annual implementation of the Finance Act. Since January 2007, the GoI has limited that amount of our bonds that an individual investor can utilize to offset capital gains to Rs. 5 million which has reduced the amount of bonds we have been able to offer for subsequent periods.

The weighted average annual interest rate on 54EC long term tax exemption bonds issued during the six months ended September 30, 2009, Fiscal 2009, Fiscal 2008, Fiscal 2007 and Fiscal 2006 was 6.25%, 6.01%, 5.50%, 5.40% and 5.54%, respectively. The weighted annual average interest rate on all of our outstanding 54EC long term tax exemption bonds, as on September 30, 2009 was 5.56%.

The 54EC long term tax exemption bonds are offered on a domestic private placement basis and are not listed on any exchange.

Infrastructure bonds. We began issuing our infrastructure bonds in Fiscal 2002. Under provisions of the Income Tax Act 1961, investments in these bonds offset taxable income of the bondholders, subject to limitations and qualifications, and we were therefore able to price such bonds at a lower rate of interest than would otherwise have been available to us. The availability of the tax exemption in connection with these bonds is reviewed annually by the GoI in connection with the annual implementation of the Finance Act. We have not issued infrastructure bonds since Fiscal 2006 due to an amendment in Income Tax Act 1961. The weighted average interest annual rate on all of our outstanding infrastructure bonds as on September 30, 2009 was 6.17%.

Our infrastructure bonds typically have a maturity of three or five years from the date of issuance and bear a fixed interest rate.

The infrastructure bonds were offered on a domestic private placement basis and are not listed on any exchange.

Tax-free bonds. We have not issued tax-free bonds since Fiscal 2002. Under provisions of the Income Tax Act, 1961, interest on these bonds was tax exempt for bondholders and we were therefore able to price such bonds at a lower rate of interest than would otherwise have been available to us. Our currently outstanding tax-free bonds typically have a redemption date in 2014 and bear a fixed interest at 7.22% per annum. The weighted average annual interest rate on all of our outstanding tax-free bonds as on September 30, 2009 was 7.79%.

The tax-free bonds were offered on a domestic private placement basis and listed on the "whole sale debt market segment" of the NSE.

SLR bonds. We have not issued SLR bonds since Fiscal 1999. SLR bonds were issued pursuant to permission granted by the RBI and are guaranteed by the GoI. SLR bonds typically have a maturity of ten or twenty years from the date of issuance and bear a fixed interest rate that depended upon market conditions at the time of issuance. The weighted average annual interest rate on all of our outstanding SLR bonds as on September 30, 2009 was 11.65%

The SLR bonds were offered on a domestic private placement basis on the terms specified by the RBI and listed on the "whole sale debt market segment" of the NSE.

Term loans from commercial banks and financial institutions. As on September 30, 2009 we had a total of 34 Rupee denominated term loan facilities from commercial banks and financial institutions, 18 of which were secured and 16 of which were unsecured. These facilities are obtained on commercial terms and have varying maturity dates and interest rates. For additional information on the terms of term loan facilities from commercial banks and financial institutions, see the section titled "***Financial Indebtedness-Secured Term Loans availed by our Company***" on page 179 and "Financial Indebtedness-Unsecured long term loans availed by our Company" on page 189.

The weighted average annual interest rate on all new borrowings under our term loan facilities from commercial banks and financial institutions during the six months ended September 30, 2009, Fiscal 2009, Fiscal 2008, Fiscal 2007 and Fiscal 2006 was 7.01%, 8.85%, 8.80%, 8.81% and 7.21%, respectively. The weighted average annual interest rate on all of our outstanding indebtedness under term loan facilities from commercial banks and financial institutions as on September 30, 2009 was 7.57%.

Loans from the GoI. As on September 30, 2009, we had a total of 33 Rupee-denominated unsecured loans from the GoI. These loans are unsecured, have a maturity of 30 years and have a five-year moratorium on payment of principal. The weighted average annual interest rate on our outstanding loans from the GoI was 7.10%. For additional information on the terms of our loans from the GoI, see the section titled "***Financial Indebtedness- Secured Long Term Loans availed by our Company***" on page 189.

We have not made any new borrowings directly from the GoI since Fiscal 2001 and all of our currently outstanding direct borrowings from the GoI were issued prior to Fiscal 1987. The weighted average annual interest rate on all of our outstanding indebtedness on our loans from the GoI as on March 31, 2009 was 7.08%.

Foreign Currency Resources

We first began arranging for foreign currency borrowings during Fiscal 2007. As on September 30, 2009, we had foreign currency borrowing facilities that provided for an aggregate availability equivalent to Rs. 40,693 million, of which we had outstanding Rs. 16,829 million.

Commercial borrowings in foreign currency. In Fiscal 2007, we entered into a syndicated loan agreement through Standard Chartered Bank, London and DEPFA Investment Bank Limited, Cyprus for the Japanese Yen equivalent of US$200 million (which, at the time of draw-down, equated to JPY 23,570 million). Loans under this agreement bear a variable interest at a spread of 48 basis points over six-month JPY libor and mature in 2012. As on September 30, 2009, this loan facility was fully drawn. As on September 30, 2009, our effective annual cost of funds under this agreement (after hedging fully) was 6.75%. On April 23, 2007, Standard Chartered Bank, London and DEPFA Investment Bank Limited, Cyprus entered into a separate agreement pursuant to which they transferred a part of respective shares of their loans to nine different lenders. For further details, see the section titled "***Financial Indebtedness- Foreign currency borrowings of our Company***" on page 192.

Bilateral credit agreements. We also have four foreign currency loan facilities from external bilateral credit agencies.

In Fiscal 2006, we also entered into a loan agreement with JICA for financial assistance of JPY 20,629 million, which was equivalent to Rs. 11,006 million as on September 30, 2009. Loans under this agreement bear a fixed interest rate of 0.75% per annum and mature in 2021. The GoI has guaranteed borrowings under this facility for which we pay a guarantee fee. As of September 30, 2009, JPY 10,642 million (equivalent to Rs. 4,753 million) has been drawn under this facility.

In Fiscal 2008, we entered into a second loan agreement with JICA for financial assistance of JPY 20,902 million, which was equivalent to Rs. 11,151 million as on September 30, 2009. Loans under this agreement bear a fixed interest rate of 0.65% per annum and mature in 2023. The GoI has guaranteed borrowings under this facility for which we pay a guarantee fee. As on September 30, 2009, JPY 1,016 million (equivalent to Rs. 523 million) has been drawn under this facility.

In Fiscal 2007, we entered into a loan agreement with KfW for financial assistance of Euro 70 million, which was equivalent to Rs. 4,917 million as on September 30, 2009. Loans under this agreement bear a fixed interest rate of 3.73% per annum and mature in 2018. The GoI has guaranteed borrowings under this facility for which we pay a guarantee fee. As of September 30, 2009, Euro 44 million (equivalent to Rs. 2,848 million) has been drawn under this facility. Subsequent to September 30, 2009 (through October 31, 2009), we made additional borrowings under this facility of Euro 6.77 million, which was equivalent to Rs. 474 million as on October 31, 2009.

In Fiscal 2009, we entered into a second loan agreement with KfW for financial assistance of Euro 70 million, which was equivalent to Rs. 4,917 million as on September 30, 2009. Loans under this agreement bear a fixed interest rate of 2.89% per annum and mature in 2020. The GoI has guaranteed borrowings under this facility for which we pay a guarantee fee. As of September 30, 2009, no amounts have been drawn under this facility.

For additional information on our bilateral credit agreements, see the section titled "***Our Business-International Cooperation and Development***" on page 71.

OUR CREDIT RATINGS

Domestic Ratings

CRISIL Limited has assigned a domestic rating of "AAA/Stable" to our long-term borrowings for Fiscal 2010. CRISIL's rating of "AAA" is its highest domestic investment grade and instruments rated "AAA" are judged to offer highest degree of safety with regard to timely payment of interest and principal. Rating outlooks of "Positive", "Stable" or "Negative" are also assigned to ratings by CRISIL. Such a rating outlook indicates the direction in which a rating may move over a medium-term horizon of one-to-two years.

ICRA Limited has assigned a domestic rating of "LAAA" to our long-term borrowing programme for the Fiscal 2010. The rating of "LAAA" is the highest credit quality rating assigned by ICRA, on a scale of LAAA to LD to long-term debt instruments and implies that the rated instrument carries the lowest credit risk**.**

Fitch has assigned a domestic rating of "AAA (ind)" to our long-term borrowing programme for Fiscal 2010. Fitch's long-term credit rating of "AAA (ind)" denotes the highest rating assigned in its national rating scale and is deemed to imply that this is the "best" credit risk relative to all other issuers or issues in the country. The suffix "(ind)" refers to National Ratings assigned by Fitch and are signified by the addition of an identifier for the country concerned, such as "AAA (ind)" for National ratings in India. Specific letter grades are not therefore internationally comparable.

CARE Limited has assigned a domestic rating of "CARE AAA (Triple A)" to our long-term borrowing programme for Fiscal 2010. Instruments with this rating are considered to be of the best credit quality, offering highest safety for timely servicing of debt obligations. Such instruments carry minimal credit risk.

International Ratings

Fitch has assigned us an international long-term credit rating of "BBB-". Fitch's international long-term credit rating of "BBB" in the investment grade (the scale being "AAA", "AA", "A" and "BBB") signifies good credit quality and indicates that there are currently expectations of low default risk. The capacity for payment of financial commitments is considered adequate but adverse changes in business and economic conditions are more likely to impair this capacity. The modifiers "+" or "-" appended to a rating denote relative status within major rating categories.

Moody's Investors Service has assigned us an international issuer rating of "Baa3" with stable outlook. Moody's scales its ranking from "Aaa" to "C", with obligations rated "Aaa" judged to be of the highest quality with minimal risk and obligations rated "C" judged to be highly speculative and likely to default. A Moody's international long-term rating of "Baa" signifies obligations that are subject to moderate credit risk. According to Moody's, such obligations are considered medium-grade and as such may possess certain speculative characteristics. The numerical modifiers of 1, 2 and 3 appended to each generic rating classification indicate the relative ranking within each generic rating category. Rating outlooks of "Positive", "Stable" or "Negative" are also assigned to ratings by Moody's, indicating the direction in which a rating may move over a medium-term horizon. A stable rating outlook indicates no foreseeable change in the medium term.

The ratings of these rating agencies may be revised or withdrawn at anytime.

INVESTMENT OPERATIONS

The primary objective of our investment policy is the prudent management of surplus funds so as to achieve optimal returns. We aim to use our treasury operations to manage our liquidity. Our investments of short-term surplus are primarily in bank deposits and debt-based schemes of public mutual funds for a period of one year beginning July 9, 2009 or the date of any modification of the guidelines issued by the government for investment of surplus funds in debt based schemes of public mutual funds, whichever is earlier.

RISK MANAGEMENT

Effective Fiscal 2008, we adopted an overall ALM policy that includes liquidity risk management policies, interest rate risk management policies and currency risk management policies, as well as risk testing methodologies and risk reporting mechanisms. Additionally, effective for Fiscal 2008, we have adopted a derivative policy to further address the implementation of derivate strategies to mitigate our risk due to fluctuations in currency rates and interest rates.

Risk Management Structure

Our Board of Directors is entrusted with the overall responsibility for the management of risks of our business and implements our risk management policies and sets limits for our liquidity, interest rate and foreign currency exchange rate tolerances.

In Fiscal 2008, we established our ALCO, which consists of our Chairman and Managing Director, Director (Finance), Director (Technical) and five General Managers.

Our ALCO is responsible for ensuring that our ALM strategy and market risk management policies are implemented and that we adhere to the risk tolerance limits set by our Board of Directors, for monitoring our risk levels, and for authorizing the use of hedging instruments, among other things. Our treasury department periodically reports to ALCO on risk management issues.

Credit Risk

Credit risk is a risk inherent in the financing industry and involves the risk of loss arising from the diminution in credit quality of a borrower and the risk that the borrower will default on contractual repayments under a loan or an advance.

We follow a systematic institutional and project appraisal process to assess and mitigate credit risk. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures. We use a wide range of quantitative as well as qualitative parameters as a part of the appraisal process to make a sound assessment of the extent of underlying credit risk in a project.

Our current policies look at the borrower's eligibility criteria placing emphasis on financial and operational strength, capability and competence. We determine borrower creditworthiness within the public sector based, *inter alia*, on third party ratings of such borrowers that are made available to us. Lending policies are set out in the Loan Policy Circulars and permit prioritization in the form of differential interest rates and project credit limits. We evaluate the credit quality of the borrower by assigning risk weightings on the basis of the various financial and non-financial parameters.

We are subject to credit risk in a number of ways; for additional information on our credit risk, see the section titled "***Risk Factors***" on page xii.

Market Risk

Market risk is the potential loss arising from changes in market rates and market prices. Our primary market risk exposures result primarily from fluctuations in interest rates and foreign currency exchange rates.

Interest rate risk. Interest rate risk is the risk that changes in market interest rates will adversely affect our financial condition. The primary interest rate-related risks we face are from timing difference in the maturity of our fixed rate assets and liabilities, e.g., if in an increasing interest rate environment, our fixed rate liabilities mature prior to our fixed rate assets and therefore require us to incur additional liabilities at a higher interest rate, and repricing risk, e.g., where there is an adverse mismatch between the repricing terms of our loan assets and our loan liabilities.

We have historically, and will in the future, implement interest rate risk management through the contractual terms of our loans, including pricing terms, maturities and pre-payment and repricing provisions. Initially, all of our loans were on a fixed rate basis. We also include in our products provisions that allow us to reset the interest rate after three or ten years.

In order to mitigate the interest rate risk, we periodically review our lending rates based on our cost of borrowing. We then determine our lending rates based on prevailing market rates, our weighted average cost of funding and our post tax margins.

In order to manage pre-payments risk, most of our contracts either prohibit pre-payment prior to an interest reset date or require a pre-payment premium if the loan is prepaid prior to an interest reset date. The interest rate reset dates typically occur at three or ten year intervals. Additionally, the terms of most of our loans permit us to increase the interest rate on any undrawn portions of the overall sanction.

Under our interest rate risk management policies, we are instituting two analytical techniques, gap analysis and duration gap analysis in order to measure our interest rate risk. Under our gap analysis technique, we group our interest rate sensitive assets, liability and off-balance sheet arrangements based on their respective maturities (or repricing dates) to determine our susceptibility, from an interest income perspective, to both increasing and decreasing interest rate environments within the time period.

Under our duration gap analysis technique, which we intend to fully implement no later than April 1, 2010, we will further test to determine our susceptibility, from a balance sheet perspective, to both increasing and decreasing interest rate environments after giving effect to embedded options, e.g., pre-payment provisions, repricing terms, puts and calls, contained in our assets, liabilities and off-balance sheet arrangements. We have begun conducting training in this technique and have hired outside consultants in order to ensure its effective implementation.

Under our policy, we intend to perform sensitivity analyses based on assumed interest rate scenarios to determine our susceptibility to sudden changes in the interest rate environment.

Our ALCO has agreed on the following limits for interest rate risk: our year-end mismatch of rate sensitive assets and rate sensitive liabilities may not exceed 25% of rate sensitive liabilities; however, ALCO will retain discretion to extend the limit up to 40%.

For further details of our interest rate hedging arrangements, see the section titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations-Hedging Transactions***" on page 172.

These limits have not yet been implemented. For additional information on our interest rate risk, see the section titled "***Risk Factors—We will be impacted by volatility in interest rates in our operations and may be adversely affected by either declining or rising interest rates***" on page xvii.

Foreign currency exchange rate risk. Foreign currency exchange risk involves exchange rate movements among currencies that may adversely impact the value of foreign currency-denominated assets, liabilities and off-balance sheet arrangements. We have foreign currency borrowings that could expose us to foreign currency exchange rate risk and we expect to increase our foreign currency-denominated borrowings in the future. As on September 30, 2009, our total foreign currency liabilities outstanding are JPY 35.23 billion and EURO 44 million. Currently, at the time of each drawdown under our foreign currency denominated borrowings, we enter into foreign currency swap transactions to hedge fully our foreign currency liabilities. As on September 30, 2009, we did not engage in foreign currency denominated lending.

In April 2007, we adopted a foreign currency exchange rate risk management strategy that institutes two analytical techniques, an analysis of structural liquidity and interest rate gap analysis in order to measure our interest rate risk. Based on these analyses, our ALCO will frame our hedging strategy and closely monitor the volatility of any open foreign currency exchange rate risk exposure.

Our ALCO has agreed on the following limits for currency exchange rate risk: our currency risk should be hedged within 15 days from the draw-down of a foreign currency loan where the foreign currency amount drawn is at least 10% of the loan or USD 5 million, whichever is lower.

However, ALCO has the authority to take a view on interest rates risk on foreign currency loans if the rate movements are favourable in the short term, and defer hedging interest risk.

These limits have not yet been implemented. For additional information on our foreign currency risk, see the section titled "***Risk Factors—We currently engage in foreign currency borrowings and are likely to do so at increased levels in the future, which will expose us to fluctuations in foreign exchange rates, which could adversely affect our business, financial condition and results of operations and the price of our Equity Shares***" on page xvi.

Liquidity Risk

Liquidity risk is the risk of our potential inability to meet our liabilities as they become due. We face liquidity risks, which could require us to raise funds or liquidate assets on unfavourable terms. We manage our liquidity risk through a mix of strategies, including through forward-looking resource mobilization based on projected disbursements and maturing obligations.

Our ALCO has agreed on the following limits for liquidity mismatch, which it intends to implement: the one-month mismatch of assets and liabilities may not exceed 10% of cash outflow, the three months cumulative mismatch may not exceed 15% of aggregate cash outflow and the annual cumulative mismatch may not exceed 25% of aggregate cash outflow.

These limits have not yet been implemented. For additional information on our liquidity risk, see the section titled "***Risk Factors—We currently fund our business in significant part through use of borrowings that have shorter maturities than the maturities of substantially all of our new loan assets and we may be required to obtain additional financing in order to repay our indebtedness and grow our business***" on page xiv.

Operational Risk

Operational risks are risks arising from inadequate or failed internal processes, people and systems or from external events. We have continually strengthened our systems and procedures to recognize and reduce operational risk in our business.

Operational controls in project finance activities. We have operational guidelines and manuals that provide a detailed description of the systems and procedures to be followed in the course of appraisal, approval, disbursement and recovery of a loan.

Operational controls in treasury activities. Our Investment Policy provides policies for deployment of short-term surplus funds and a description of operations to be followed, with suitable exposure and counterparty limits. Compliance with our guidelines is monitored through internal control and external and internal audits.

Legal risk. Legal risk arises from the uncertainty of the enforceability of contracts relating to the obligations of our borrowers. This could be on account of delay in the process of enforcement or difficulty in the applicability of the contractual obligations. We seek to minimize the legal risk through legal documentation and forward-looking contractual provisions in the legal documents.

CORPORATE GOVERNANCE

Our Company has complied with the corporate governance code in accordance with clause 49 of the listing agreement to be entered with the Stock Exchanges, specifically with respect to the composition of the Board, constitution of the audit committee and the shareholders'/investors' grievance committee. We have also adopted a code of conduct for our Board of directors and senior management as well as a code for the prevention of insider trading. In addition, the CDA (Conduct, Discipline and Appeal) Rules are applicable to all our employees and guide their day to day conduct.

COMPETITION

Our primary competitors are public sector banks, private banks (including foreign banks), multi lateral development institutions and other financial institutions. For further details, see the section titled "***Industry Overview***" on page 48.

REGULATIONS AND POLICIES

We are a public limited company under the Companies Act and notified as a public financial institution under Section 4A of the Companies Act. We are also registered with the Reserve Bank of India as a NBFC. We are a government company under Section 617 of the Companies Act. We believe that we are not currently subject to the directions of RBI applicable to NBFCs relating to prudential norms, maintenance of liquid assets, creation of reserve funds and acceptance of public deposits since we are a government company. For further details, see the section titled "***Regulations and Policies***" on page 83.

EMPLOYEES

Our executives have experience and domain knowledge in different fields related to the power sector, project appraisal, project financing, international finance and domestic resource mobilization. As on January 1, 2010, we had 683 employees. Out of the 683 employees, 317 are non-executive employees and 366 are executive employees. As a matter of practice, we recruit professionally qualified persons as our employees through open advertisements. Additionally, we also take officials from the GoI, CPSU, State Governments and other public sector undertakings on deputation at various levels to work in our Company.

Our non-executive employees are all affiliated with the REC Employees Union, which is duly registered under the Trade Unions Act, 1926 as a "trade union". We believe that we have a good relationship with this union and have not yet had any lost time on account of strikes or labour unrest.

Training and Development

We attach great importance to the provision of continuous training to our officials in order to update them regarding the latest developments in the industry and expand their knowledge and skills. The training needs of our staff are assessed on a regular basis. As on September 30, 2009, our staff had completed a total of 1,303 man days of training in aggregate. Additionally, since 1979, we have operated CIRE that conducts internal and external training programmes in a broad array of power-related areas, including best technical practices in transmission and distribution systems, legal aspects of power sector operations and power sector accounting.

PROPERTIES

Registered and corporate office. Our Registered and Corporate Office is presently located at Core 4, SCOPE Complex, 7, Lodhi Road, New Delhi. The office space covering an area of approximately 5,911.69 square meters has been allotted to us by the Standing Conference of Public Enterprises. We have an extension of our Corporate Office at No.215 to 220 and 301, 302, 305 and 311, 2nd and 3rd Floor, Paliha Bhawan, R.K. Puram, New Delhi. This extended Corporate Office covers and area of approximately 787.71 square meters and is occupied by us through a license deed.

Project offices. We have 18 project offices in Mumbai, Bangalore, Hyderabad, Guwahati, Patna, Vadodara, Panchkula, Shimla, Jammu, Thiruvananthapuram, Shillong, Bhubaneswar, Jaipur, Chennai, Lucknow, Kolkata, Bhopal and Ranchi.

Owned properties. We own the premises occupied by five of our project offices, brief details of which are as follows:

Project Office	Address	Area (in square meters)
Bangalore	No. 1/5, Ulsoor Road, Bangalore	462.18
Panchkula	Bay No 7-8, Sector 2, Panchkula	539.50
Chennai	No. 12 and 13, TNHB Complex, 180 Luz Church Road, Mylapore, Chennai	376.71
Hyderabad (including the area occupied by CIRE)	Shivramapally Post NPA, Near Aramghar, National Highway No 7, Hyderabad	59,063.86
Lucknow	19/8, Indira Nagar Extension, Ring Road, Lucknow	1,179.76

Leased properties. We lease certain properties that we utilize as offices, brief details of which are as follows:

Project Office	Address	Area (in square meters)
Bhubaneswar	Deen Dayal Bhawan, 5th Floor, Ashok Nagar, New Capital, Bhubaneswar	500.54
Mumbai - The company is in occupation of the three premises in Mumbai on the basis of an agreement for sale and not a lease deed	Premise No.51 B, 5th Floor, "B" Wing, Mittal Tower, Nariman Point	63.92
	Premise No. 52 B, 5th Floor, "B" Wing, Mittal Tower, Nariman Point	68.65
	Premise No. 58 B, 5th Floor, "B" Wing, Mittal Tower, Nariman Point	60.85
Guwahati	Shraddha, Plot No. 20, M.G. Road, Christian Basti, Guwahati	171.93
Jabalpur* - The company has entered into a license deed for the two premises, and not a lease deed	First Floor, Block 1 JDA Building, Madan Mahal, Nagpur Road, Jabalpur	200.66
	Second Floor, Block 1 JDA Building, Madan Mahal, Nagpur Road, Jabalpur	95.03
Jaipur	J-4-A, Jhalana Dungari, Institutional Area, Jaipur	831.94
Jammu	157-A Gandhi Nagar, Behind Apsara Cinema, Jammu	204.38
Patna	Premise 45- 48 and Premise 59- 62, 'Maurya Lok' Complex Block C, 4th Floor, New Dak Bangla Road, Patna	470.32
Ranchi	Flat No. A-101 and D-104, First Floor, Om Shree Enclave, Airport Road, Hinoo, Ranchi	139.35

Project Office	Address	Area (in square meters)
Shillong	First floor, Plot No. 22, Lachumiere, Patta No. 105, Shillong	204.37
Shimla	Shop No. 201, 202, 203 and 315, Pandit Padamdev Commercial Complex, Phase-II, First Floor, The Ridge, Shimla	175. 64
Thiruvananthapuram	No. 0-5, 4th Floor, "Saphallayam" Commercial Complex, Block B TRIDA Building Palayam, Thiruvananthapuram	301.68
Vadodara	Plot No. 585, Sub-Plot No. 8, Subhanpura, Vadodara	999
Kolkata	7th Floor, ICMARD Building, Block 14/2, C.I.T. Scheme, VIII (M), Ultadanga, Kolkata	554.82
Bhopal*	2nd Floor, Krishna Palace, E-3/15, Arera Colony, Bhopal 462 016	278.71

**Our project office at Jabalpur has been shifted to Bhopal.*

Residential accommodation. We also possess certain residential properties on leasehold/freehold basis at Bangalore, Bhubaneswar, Faridabad, Ghaziabad, Gurgaon, Kolkata, Mumbai, New Delhi, Noida, Shimla, Panchkula and Thiruvananthapuram.

Vacant land. We also own land in Gurgaon, Kolkata, and Wardha, brief details of which are as follows:

Location	Area (in square meters)
Plot No. 186, Block IB, Sector III, Bidhannagar, Kolkata	761.21
Plot No. I-4, City Centre, Sector 29, Gurgaon	16,890.25
Land in Sector 57, Gurgaon*	40,468.60
Land bearing Mojani No. 120, P.H. No. 2, Mouje Vela, Hinganghat, Wardha, Maharashtra	51,192.78

** Land allotted by the Haryana Urban Development Authority. However, we are yet to receive possession of this land. Accordingly, the area indicated is subject to certain changes on possession.*

REGULATIONS AND POLICIES

Our Company is one of the public financial institutions in Indian power infrastructure sector and is engaged in the financing and promotion of transmission, distribution and generation projects throughout India. The following is an overview of the important laws and regulations which are relevant to our business. The description of laws and regulations set out below are not exhaustive, and are only intended to provide general information to Bidders and is neither designed nor intended to be a substitute for professional legal advice.

*Taxation statutes such as the Income Tax Act, 1961, Central Sales Tax Act, 1956 and applicable local sales tax statutes, and other miscellaneous regulations and statutes such as the Trade Marks Act, 1999 apply to us as they do to any other Indian company. The statements below are based on the current provisions of Indian law, and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions. For details of government approvals obtained by us, see the section titled "**Government and Other Approvals**" on page 212.*

I. NBFC Regulations

The Reserve Bank of India Act, 1934 ("RBI Act")

The RBI is entrusted with the responsibility of regulating and supervising activities of NBFCs by virtue of the power vested in it under Chapter IIIB of the RBI Act. The RBI Act defines an NBFC under Section 45-I (f) as:

"

(i) a financial institution which is a company;

(ii) a non-banking institution which is a company and which has as its principal business the receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner;

(iii) such other non-banking institution or class of such institutions, as the Bank may, with the previous approval of the Central Government and by notification in the Official Gazette, specify."

A "financial institution" and a "non- banking institution" have been defined under Sections 45-I(c) and 45-I(e) of the RBI Act, respectively.

The RBI has clarified through a press release (Ref. No. 1998-99/1269) dated April 8, 1999, that in order to identify a particular company as an NBFC, it will consider both the assets and the income pattern as evidenced from the last audited balance sheet of the company to decide its principal business. The company will be treated as an NBFC (a) if its financial assets are more than 50 per cent of its total assets (netted off by intangible assets); and (b) income from financial assets should be more than 50 per cent of the gross income. Both these tests are required to be satisfied as the determinant factor for principal business of a company.

The RBI Act mandates that no NBFC shall commence or carry on the business of a non-banking financial institution without obtaining a certificate of registration ("**CoR**") and having a minimum net owned fund of Rs. 20 million.. In case an NBFC does not accept deposits from the public ("**NBFC-ND**"), it shall obtain a CoR without authorization to accept public deposits. All NBFCs are required to submit a certificate from their statutory auditors every year to they effect that they continue to undertake the business of a non-banking financial institution, thereby requiring them to hold a CoR. The NBFC must also have a minimum net owned fund Rs. 20 million.

As per the Master Circular, DNBS. PD. CC. No. 148 /03. 02.004/2009-10 dated July 1, 2009, issued by the RBI summarising its Notifications, NBFCs which are housing finance institutions, merchant banking companies, micro finance companies, mutual benefit companies, government companies, venture capital fund companies, insurance companies, stock exchanges, stock brokers or sub-brokers, nidhi companies, chit companies, securitization companies and mortgage guarantee companies have been exempted from complying with certain specified provisions of the RBI Act.

Public Deposit Regulations

As per the RBI Master Circular No. DNBS (PD) CC No. 143/03.02.001/2009-10) dated July 1, 2009, which summarises RBI Regulations, certain NBFC-NDs are entitled to certain exemptions from the norms and conditions stipulated on NBFCs taking deposits. In order to benefit from these exemptions, the board of directors of the NBFC-ND must pass a resolution within certain stipulated time period.

Certain finance companies including *inter alia* merchant banking companies, government companies, insurance companies and companies doing business as a stock broker or sub-broker, are exempt from the requirement of obtaining a CoR or complying with the Public Deposit Regulations.

Prudential Norms

As per the Master Circular, DNBS (PD) CC No.145/ 03.02.001/ 2009-10) dated July 1, 2009 issued by the RBI summarising its Directions ("**Prudential Norms**"), the RBI has issued detailed directions on prudential norms, which *inter alia*, prescribe guidelines on income recognition, asset classification and provisioning requirements applicable to NBFCs, exposure norms, constitution of audit committee, disclosures in the balance sheet, requirement of capital adequacy, restrictions and concentration of credits and investments. The Prudential Norms are not applicable to an NBFC, being an investment company, provided it is (i) holding investments in the securities of its group/ holding/ subsidiary companies and book value of such holding is not less than 90% of its total assets and it is not trading in such securities (ii) not accepting/holding public deposit, and (iii) is not a systemically important NBFC-ND. Further, the Prudential Norms do not apply, except to such extent as specified therein, to NBFCs which are government companies under Section 617 of the Companies Act.

Systemically Important NBFCs-ND

Under Section 2 (1) (xix) of the Prudential Norms, all NBFCs – ND with an asset size of Rs. 1,000 million or more as per the last audited balance sheet will be considered as a systemically important NBFC – ND ("**NBFC-ND-SI**"). All NBFCs–ND–SI are required to maintain a minimum Capital to Risk Assets Ratio ("**CRAR**") of 10%. On and from April 1, 2007, an NBFC–ND–SI is not allowed to:

a) lend to
   - i) any single borrower exceeding 15% of its owned fund; and
   - ii) any single group of borrowers exceeding 25% of its owned fund;

b) invest in
   - i) the shares of another company exceeding 15% of its owned fund; and
   - ii) the shares of a single group of companies exceeding 25% of its owned fund;

c) lend and invest (loans/investments taken together) exceeding
   - i) 25% of its owned fund to a single party; and
   - ii) 40% of its owned fund to a single group of parties.

Pursuant to a notification issued by the RBI on October 29, 2008 (Notification No. DNBS (PD) CC. No.131 /03.05.002 / 2008-2009) NBFCs-ND-SIs may augment their capital funds by the issuance of perpetual debenture instruments in accordance with certain specified guidelines. Further, as per a press release dated October 31, 2008 (Press Release: 2008-2009/602), the RBI has permitted NBFCs-ND-SIs to raise short term foreign currency borrowings, under the approval route subject to certain conditions namely, (a) the NBFCs-ND-SIs would need to comply with the prudential norms on capital adequacy and exposure norms; (b) multilateral or bilateral financial institutions, reputable regional financial institutions, international banks and foreign equity holders with minimum direct equity holding of 25% would need to be the lenders; (c) the funds raised should be used only for refinancing of short term liabilities and no fresh assets should be booked out of the resources; (d) the maturity of the borrowing should not exceed three years; (e) the maximum amount should not exceed 50% of the net owned funds or USD 10 million (or its equivalent), whichever is higher; (f) the all-in-cost ceiling should not exceed 6 months LIBOR + 200 basis points; and (g) the borrowings should be fully swapped into Rupees for the entire maturity.

KYC Guidelines

The RBI has extended the Know Your Customer ("**KYC**") guidelines to NBFCs and advised all NBFCs to adopt the same with suitable modifications depending upon the activity undertaken by them and ensure that a proper policy framework of anti-money laundering measures is put in place. The KYC policies are required to have certain key elements, including *inter alia* customer acceptance policy, customer identification procedures, monitoring of transactions and risk management, adherence to KYC guidelines and the exercise of due diligence by persons authorised by the NBFC, including its brokers and agents.

Corporate Governance Guidelines

Pursuant to an RBI Circular dated May 8, 2007, all NBFC-ND-SIs are required to adhere to certain corporate governance norms including constitution of an audit committee, a nomination committee, a risk management committee and certain other norms in connection with disclosure and transparency and connected lending.

Norms for excessive interest rates

In addition, the RBI has, pursuant to its notifications dated May 24, 2007 (Notification DNBS. PD/CC. No. 95/ 03.05.002/ 2006-07) and January 2, 2009 (Notification No. DNBS. 204 / CGM (ASR)-2009) requested all NBFCs to put in place appropriate internal principles and procedures in determining interest rates and processing and other charges. The board of directors of each NBFC shall adopt an interest rate model taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The rates of interest and the approach for gradation of risks shall have to be made available on the websites of the companies or published in the relevant newspapers. Further, the rates of interest should be annualised rates so that borrowers are aware of the exact rates that would be charged to the account.

Government companies

The RBI vide its notification (No. DNBS. 192/ DG (VL) - 2007) dated February 22, 2007 has exempt government companies, conforming to Section 617 of the Companies Act, from the applicability of the Non Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007. Further, the RBI vide notification (No. DNBS (PD) CC No. 96/ 03.02.01/ 2007-08) dated July 2, 2007 has exempt government companies, conforming to Section 617 of the Companies Act, from the Public Deposit Regulations.

II. Regulations regarding foreign investment

Foreign investment in Indian securities is governed by the provisions of the FEMA read with the applicable FEMA Regulations and the FDI Policy issued from time to time by the DIPP. A summary of the FDI policy and regulations applicable in various sectors and activities, incorporating the policy changes as on March 31, 2008, was consolidated in Press Note 7 (2008 Series) issued by the DIPP on June 16, 2008.

Foreign investment is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which foreign investment is sought to be made.

Under the automatic route, no prior approval of the GoI is required for the issue of securities by Indian companies/acquisition of securities of Indian companies, subject to the sectoral caps and other prescribed conditions. Investors are required to file the required documentation with the RBI within 30 days of such issue/acquisition of securities. If the foreign investor has any previous joint venture/tie-up or a technology transfer/trademark agreement in the "same field" in India as on January 12, 2005, prior approval from the FIPB is required even if that activity falls under the automatic route, except as otherwise provided.

As per the sector specific guidelines of the GoI, the following relevant caps are presently applicable for foreign direct investment ("**FDI**") in NBFCs:

(a) FDI/NRI investments is allowed under the automatic route in 18 permitted NBFC activities, including the activity of 'Leasing and finance'.

(b) Minimum Capitalisation Norms for fund based NBFCs:

i) For FDI up to 51% - USD 0.5 million to be brought upfront
ii) For FDI above 51% and up to 75% - USD 5 million to be brought upfront
iii) For FDI above 75% and up to 100% - USD 50 million out of which USD 7.5 million to be brought upfront and the balance in 24 months

(c) Minimum capitalization norm of USD 0.5 million is applicable in respect of all permitted non-fund based NBFCs with foreign investment. Further, the minimum capitalization norms shall be applicable to cases where foreign holding in an NBFC, both direct and indirect, exceeds the limits in paragraph (b) above. The capital for the purpose of minimum capitalization norms shall consist of ordinary shares only.

(d) Foreign investors can set up 100% operating subsidiaries without the condition to disinvest a minimum of 25% of its equity to Indian entities, subject to bringing in USD 50 million (without any restriction on number of operating subsidiaries without bringing in additional capital).

(e) JV operating NBFCs that have 75% or less than 75% foreign investment will also be allowed to set up subsidiaries for undertaking other NBFC activities, subject to the subsidiaries also complying with the applicable minimum capital inflow.

(f) FDI in the NBFC sector is put on automatic route subject to compliance with guidelines of the RBI in this regard.

Where FDI is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment. In cases where FIPB approval is obtained, no approval of the RBI is required except with respect to fixing the issuance price, although a declaration in the prescribed form, detailing the foreign investment, must be filed with the RBI once the foreign investment is made in the Indian company.

The foregoing description applies only to an issuance of shares by, and not to a transfer of shares of, Indian companies. Every Indian company issuing shares or convertible debentures in accordance with the RBI regulations is required to submit a report to the RBI within 30 days of receipt of the consideration and another report within 30 days from the date of issue of the shares to the non-resident purchaser.

Further, operating-cum-investing companies and investing companies need to notify the Secretariat of Industrial Assistance, DIPP and FIPB of their downstream investments (if such investments are in the form of issuance of equity shares, compulsorily convertible preference shares and/or compulsorily convertible debentures) within 30 days of such investments even if such equity shares, compulsorily convertible preference shares and/or compulsorily convertible debentures have not been allotted.

Under the approval route, prior approval from the FIPB/RBI is required. FDI for the items or activities that cannot be brought in under the automatic route may be brought in through the approval route. Approvals are accorded on the recommendation of the FIPB, which is chaired by the Secretary, DIPP, with the Union Finance Secretary, Commerce Secretary and other key Secretaries of the GoI as its members.

Regulation 10A(b) of the FEMA Regulations provides that the transfer by way of sale of shares or debentures of an Indian company engaged in the activities listed within item nos. 1, 2 and 3 provided under Annexure B to Schedule I of the FEMA Regulations, from a person resident in India to a person resident outside India, shall require prior permission of the RBI.

Further, as per the RBI circular no. A.P. (DIR Series) Circular No. 16 dated October 4, 2004, the RBI has granted general permission in relation to transfer of shares by a person resident in India to a person resident outside India or a person resident outside India to a person resident in India, in sectors other than the '*financial services sector*'. The explanation to Regulation 10A(b) of the FEMA Regulations defines "*financial services*" to mean services rendered by banking and non-banking companies regulated by the RBI, insurance companies regulated by Insurance Regulatory and Development Authority and other companies regulated by any other financial regulator, as the case may be.

Investment by FIIs

FIIs including institutions such as pension funds, mutual funds, investment trusts, insurance and reinsurance companies, international or multilateral organizations or their agencies, foreign governmental agencies, sovereign wealth funds, foreign central banks, asset management companies, investment managers or advisors, banks, trustees, endowment funds, university funds, foundation or charitable trusts or societies and institutional portfolio managers can invest in all the securities traded on the primary and secondary markets in India. FIIs are required to obtain an initial registration from the SEBI and a general permission from the RBI to engage in transactions regulated under the FEMA. FIIs must also comply with the provisions of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended from time to time ("**FII Regulations**"). The initial registration and the RBI's general permission together enable the registered FII to buy (subject to the ownership restrictions discussed below) and sell freely, securities issued by Indian companies, to realize capital gains or investments made through the initial amount invested in India, to subscribe or renounce rights issues for shares, to appoint a domestic custodian for custody of investments held and to repatriate the capital, capital gains, dividends, income received by way of interest and any compensation received towards sale or renunciation of rights issues of shares.

FIIs are permitted to purchase shares of an Indian company through public/private placement under:

i. Regulation 5 (1) of the FEMA Regulations, subject to terms and conditions specified under Schedule 1 of the FEMA Regulations ("**FDI Route**").
ii. Regulation 5 (2) of the FEMA Regulations subject to terms and conditions specified under Schedule 2 of the FEMA Regulations ("**PIS Route**").

In case of investments under FDI Route, investments are made either directly to the company account, or through a foreign currency denominated account maintained by the FII with an authorised dealer, wherein Form FC-GPR is required to be filed by the company. Form FC-GPR is a filing requirement essentially for investments made by non-residents under the 'automatic route' or 'approval route' falling under Schedule 1 of the FEMA Regulations.

In case of investments under the PIS Route, investments are made through special non-resident rupee account, wherein Form LEC (FII) is required to be filed by the designated bank of the FII concerned. Form LEC (FII) is essentially a filing requirement for FII investment (both in the primary as well as the secondary market) made through the PIS Route.

Foreign investment under the FDI Route is restricted/ prohibited in sectors provided in part A and part B of Annexure A to Schedule 1 of the FEMA Regulations.

Ownership Restrictions of FIIs

The issue of securities to a single FII under the PIS Route should not exceed 10% of the issued and paid-up capital of the company. In respect of an FII investing in securities on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of the total issued and paid-up capital. The aggregate FII holding in a company cannot exceed 24% of its total paid-up capital.

The said 24% limit can be increased up to 100% by passing a resolution by the board of directors followed by passing a special resolution to that effect by the shareholders of the company. As on the date of filing of this Red Herring Prospectus, no such resolutions have been passed either by our Board or the shareholders of our Company.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the FII Regulations, an FII may issue, deal or hold, offshore derivative instruments such as "Participatory Notes", equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or their Sub-Account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity. FIIs and their Sub-Accounts are not allowed to issue offshore derivative instruments with underlying as derivatives.

Calculation of total foreign investment in Indian companies

Pursuant to Press Note 2 (2009 Series), effective from February 13, 2009, issued by the DIPP ("**Press Note 2**") read with the clarificatory guidelines for downstream investment under Press Note 4 (2009 Series) dated February 25, 2009 issued by the DIPP ("**Press Note 4**", collectively with Press Note 2, the "**Press Notes**"), all investments made directly by a non-resident into an Indian company would be considered as foreign investment.

Such foreign investments into an Indian company which is undertaking operations in various economic activities and sectors ("**Operating Company**") would have to comply with the relevant sectoral conditions on entry route, conditionalities and caps. Foreign investments into an Indian company, being an Operating Company and making investments through equity, preference or compulsory convertible debentures in another Indian company ("**Operating cum Investing Company**") would have to comply with the relevant sectoral conditions on entry route, conditionalities and caps in regard of the sector in which such company is operating. Foreign investment into an Indian company making investments through equity, preference or compulsory convertible debentures in another Indian company ("**Investing Company**") will require the prior approval of the FIPB, regardless of the amount or extent of foreign investment. Further, foreign investment in an Indian company without any downstream investment and operations requires FIPB approval regardless of the amount or extent of foreign investment.

The Press Notes further provide that foreign investment in an Investing Company would not be considered as 'foreign investment' if such Investing Company is 'owned' and 'controlled' by resident Indian citizens and Indian companies, which are owned and controlled by resident Indian citizens.

An Indian company would be considered to be 'owned' by resident Indian citizens and Indian companies, which are owned and controlled by resident Indian citizens if more than 50% of the equity interest in it is beneficially owned by resident Indian citizens and Indian companies, which are owned and controlled ultimately by resident Indian citizens. Further, an Indian company would be considered to be "controlled" by resident Indian citizens and Indian companies, which are owned and controlled by resident Indian citizens if the power to appoint a majority of its directors vests with the resident Indian citizens and Indian companies, which are owned and controlled by resident Indian citizens.

Downstream investment by such Indian companies would not be considered towards indirect foreign investment, regardless of whether such companies are Operating Companies, Operating cum Investing companies, Investing Companies or Indian companies without any operations.

In case of Investing Companies which are either 'owned' or 'controlled' by Non-Resident entities, only such investment made by such Investing Company would be considered as indirect foreign investment and not the foreign investment in the Investing Company. However, if the Investing Company continues to be *beneficially* 'owned' and 'controlled' by resident Indian citizens and Indian companies, which are owned and controlled by resident Indian citizens, any further foreign investment by such Investing Company would not be considered as indirect foreign direct investment in the subject Indian company and would be outside the purview of Press Note 2.

As per applicable laws, a member of a company, whose name is entered in the register of members, is entitled to all beneficial interests in the shares of the said company. However, beneficial ownership would also mean holding of a beneficial interest in the shares of a company, while the shares are registered in someone else's name. In such cases, where beneficial ownership lies with someone else, the same can further be evidenced by Form 22B which needs to be filed with Registrar of Companies by the company (upon receipt of declaration by the registered and beneficial owner regarding transfer of beneficial interest).

Press Note 4 provides guidelines relating to downstream investments by Indian companies that have foreign investment. These guidelines are based on the principle that downstream investments by Indian companies owned or controlled by foreign entities should follow the same rules as those applicable to direct foreign investment. In respect of downstream investments by Indian companies that are not owned or controlled by foreign entities, there would not be any restrictions.

For the purpose of downstream investments, Press Note 4 classifies Indian companies into (i) operating companies, (ii) operating-and-investing companies and (iii) investing companies. In connection with foreign investment in these categories of Indian companies, Press Note 4 provides that:

1. *Operating company*: Foreign investment in an operating company will need to comply with the terms and conditions for foreign investment in the relevant sector(s) in which such company operates;

2. *Operating-and-investing company*: Foreign investment in such a company will need to comply with the terms and conditions for foreign investment in the relevant sector(s) in which such company operates. Further, the investee Indian company in which downstream investments are made by such company will need to comply with the terms and conditions for foreign investment in the relevant sectors in which the investee Indian company operates; and

3. *Investing company*: An "investing company" has been defined under Press Note 4 as an Indian company holding only direct or indirect investments in other Indian companies other than for trading of such holdings. Any foreign investment in such company will require the prior approval of the FIPB.

Press Note 4 further provides that foreign investment in an Indian company that does not have (i) any operations, and (ii) any downstream investments, will require the prior approval of the FIPB.

It may, however, be noted that in case of Indian companies which are wholly owned subsidiaries of Operating cum Investing Companies/ Investing Companies, the entire foreign investment in the Operating cum Investment Companies/ Investing Companies will be considered as indirect foreign investment.

III. External commercial borrowings

The current policy of the RBI directly relating to External Commercial Borrowing ("**ECB**") is embodied in the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, as amended from time to time and as summarised under the Master Circular No. 07/2009-10 dated July 1, 2009 ("**ECB Master Circular**"). The ECB Guidelines state that ECB refers to commercial loans in the form of bank loans, buyers' credit, suppliers' credit and securitized instruments (e.g., floating rate notes and fixed rate bonds) availed from non-resident lenders with a minimum average maturity of three years. Funds received by an Indian company from the issue of preference shares, whether non-convertible, optionally convertible or partially convertible, or the issue of debentures that are not mandatorily and compulsorily convertible into equity shares are considered debt, and accordingly, all norms applicable to ECBs (including those relating to eligible borrowers, recognised lenders, amount and maturity and end-use stipulations) apply to such issues.

ECB can be accessed under two routes, viz. (i) automatic route, and (ii) approval route. The ECB Guidelines are subject to amendment from time to time. Investors are urged to consult their own advisors in connection with the applicability of any Indian laws or regulations.

Automatic route

Under the automatic route, the following are the recognised borrowers viz. (i) corporates including those in hotel, hospital, software sectors (registered under the Companies Act except financial intermediaries, such as banks, financial institutions, housing finance companies and NBFCs, (ii) units in special economic zones, and (iii) non-government organizations engaged in micro finance activities. Individuals, Trusts and non-profit making organizations are not eligible to raise ECB

Similarly the recognised lenders are as follows viz. (i) international banks, (ii) international capital markets, (iii) multilateral financial institutions, (iv) export credit agencies, (v) suppliers of equipment, (vi) foreign collaborators and (vii) foreign equity holders (other than erstwhile 'Overseas Corporate Bodies'). A foreign equity holder to be eligible as recognized lender under the automatic route would require minimum holding of paid up equity in the borrower company as set out below:

(a) For ECB up to USD 5 million - minimum paid up equity of 25 per cent held directly by the lender, and

(b) For ECB more than USD 5 million - minimum paid up equity of 25 per cent held directly by the lender and debt-equity ratio not exceeding 4:1 (i.e., the proposed ECB not exceeding four times the direct foreign equity holding)

Approval route

Certain proposals for ECB are covered under the approval route, including (a) ECB with minimum average maturity of five years by NBFCs from multilateral financial institutions and others; (b) NBFCs which are exclusively involved in financing of the infrastructure sector; and (c) special purpose vehicles, or any other entity notified by the RBI, set up to finance infrastructure companies/ projects exclusively.

The recognized lenders are as follows viz. (i) international banks, (ii) international capital markets, (iii) multilateral financial institutions, (iv) export credit agencies, (v) suppliers' of equipment, (vi) foreign collaborators, and (vii) foreign equity holders (other than erstwhile overseas corporate bodies). ECB can also be raised, under the approval route, from foreign equity holder where the minimum paid up equity held directly by the foreign equity lender is 25 per cent but ECBs: equity ratio exceeds 4:1 (i.e. the amount of the proposed ECB exceeds four times the direct foreign equity holding).

IV. Legislative framework for recovery of debts

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

The Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 ("**Securitisation Act**") provides the powers of "seize and desist" to banks and grants certain special rights to banks and financial institutions to enforce their security interests. The Securitisation Act provides that a "secured creditor" may, in respect of loans classified as non-performing in accordance with RBI guidelines, give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the secured creditor may take possession of the assets constituting the security for the loan, and exercise management rights in relation thereto, including the right to sell or otherwise dispose of the assets.

Under the Securitisation Act, all mortgages and charges on immovable properties in favour of banks and financial institutions are enforceable without the intervention of the courts. The Securitisation Act also provides for the establishment of asset reconstruction companies regulated by RBI to acquire assets from banks and financial institutions. A bank or financial institution may sell a standard asset only if the borrower has a consortium or multiple banking arrangements, at least 75% by value of the total loans to the borrower are classified as non-performing and at least 75% by value of the banks and financial institutions in the consortium or multiple banking arrangements agree to the sale. The banks or financial institution selling financial assets should ensure that there is no known liability devolving on them and that they do not assume any operational, legal or any other type of risks relating to the financial assets sold. Furthermore, banks or financial institutions may not sell financial assets at a contingent price with an agreement to bear a part of the shortfall on ultimate realisation. However, banks or financial institutions may sell specific financial assets with an agreement to share in any surplus realised by the asset reconstruction company in the future. While each bank or financial institution is required to make its own assessment of the value offered in the sale before accepting or rejecting an offer for purchase of financial assets by an asset reconstruction company, in consortium or multiple banking arrangements where more than 75% by value of the banks or financial institutions accept the offer, the remaining banks or financial institutions are obliged to accept the offer.

Recovery of Debts Due to Banks and Financial Institutions Act, 1993

The Recovery of Debts Due to Banks and Financial Institutions Act, 1993 ("**Debts Recovery Act**") provides for establishment of Debt Recovery Tribunals for expeditious adjudication and recovery of debts due to any bank or public financial institution or to a consortium of banks and public financial institutions. Under the Debts Recovery Act, the procedures for recoveries of debt have been simplified and time frames been fixed for speedy disposal of cases. Upon establishment of the Debts Recovery Tribunal, no court or other authority can exercise jurisdiction in relation to matters covered by the Debts Recovery Act, except the higher courts in India in certain circumstances.

V. Labour laws

The Payment of Gratuity Act, 1972

The Payment of Gratuity Act, 1972 ("**the Gratuity Act**") establishes a scheme for the payment of gratuity to employees engaged in every factory, mine, oil field, plantation, port and railway company, every shop or establishment in which ten or more persons are employed or were employed on any day of the preceding twelve months and in such other establishments in which ten or more persons are employed or were employed on any day of the preceding twelve months, as the central government may, by notification, specify. Penalties are prescribed for non-compliance with statutory provisions.

Under the Gratuity Act, an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement, resignation, superannuation, death or disablement due to accident or disease. However, the entitlement to gratuity in the event of death or disablement will not be contingent upon an employee having completed five years of continuous service. The maximum amount of gratuity payable may not exceed Rs. 0.35 million.

Employees State Insurance Act, 1948

The Employees State Insurance Act, 1948 ("**ESI Act**") provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. It applies to, *inter alia*, seasonal power using factories employing ten or more persons and non-power using factories employing 20 or more persons. Every factory or establishment to which the ESI Act applies is required to be registered in the manner prescribed in the ESI Act. Under the ESI Act every employee (including casual and temporary employees), whether employed directly or through a contractor, who is in receipt of wages up to Rs. 10,000 per month is entitled to be insured.

In respect of such employees, both the employer and the employee must make certain contributions to the Employee State Insurance Corporation. Currently, the employee's contribution rate is 1.75% of the wages and that of employer's is 4.75% of the wages paid/payable in respect of the employee in every wage period.

The ESI Act states that a principal employer, who has paid contribution in respect of an employee employed by or through an immediate employer, shall be entitled to recover the amount of the contribution so paid from the immediate employer, either by deduction from any amount , payable to him by the principal employer under any contract, or as a debt , payable by the immediate employer.

Employees Provident Fund and Miscellaneous Provisions Act, 1952

The Employees Provident Fund and Miscellaneous Provisions Act, 1952 ("**EPF Act**") provides for the institution of compulsory provident fund, pension fund and deposit linked insurance funds for the benefit of employees in factories and other establishments. A liability is placed both on the employer and the employee to make certain contributions to the funds mentioned above.

Shops and Establishments legislations in various states

The provisions of various Shops and Establishments legislations, as applicable, regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of *inter alia* registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work.

HISTORY AND CERTAIN CORPORATE MATTERS

Brief Corporate History of our Company

Our Company was incorporated on July 25, 1969 under the Companies Act, as 'Rural Electrification Corporation Private Limited', a private limited company at New Delhi. The word "Private" was deleted from the name of our Company, by the then Registrar of Companies, Delhi on June 3, 1970. Our Company became a deemed public limited company with effect from July 1, 1975. Our Company received a fresh certificate of incorporation consequent to change of name to "Rural Electrification Corporation Limited", upon conversion into a public limited company pursuant to a special resolution dated September 27, 2002 of our shareholders, from the RoC, on July 18, 2003.

Our Company was declared a 'public financial institution' under Section 4A of the Companies Act, pursuant to a notification (S.O. 128(E)) dated February 11, 1992 issued by the then Department of Company Affairs, Ministry of Law, Justice and Company Affairs, GoI. We are also registered with the RBI as a NBFC with effect from February 10, 1998. For further details in relation to the terms of such registration certificate issued by the RBI, see the section titled "***Government and other Approvals – Approvals for our Business***" on page 212.

Changes in the Registered and Corporate Office

Our Registered and Corporate Office is currently situated at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi 110 003, India. Our registered office was initially situated at Floor No. 3, Jeevan Vihar, Parliament Street, New Delhi 110 001, India, pursuant to a resolution of our Board dated September 5, 1969. The table below encapsulates changes in our registered office since our incorporation.

Date of shareholders' resolution	Change in address of the Registered Office
September 5, 1969	No. 3, Jeevan Vihar, Parliament Street, New Delhi 110 001, India.
March 3, 1970	D-5, NDSE, Part-II, New Delhi 110 049, India.
November 30, 1976	2nd and 3rd Floor, DDA Building, Nehru Place, New Delhi 110 019, India.
November 28, 1995	Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi 110 003, India.

Major Events and Milestones

Calendar Year	Event
1969	Incorporation of our Company
1970	Commenced lending operations to SEBs
1974	Authorised by the Ministry of Irrigation and Power to finance rural electrification under the 'Minimum Needs Programme'
1979	CIRE set up in Hyderabad
1980	Deputed engineers to Algeria to train the Algeria's National Agency for Distribution of Electricity and Gas on rural electrification
1988	Launch of Kutir Jyoti and Jal Dhara programmes for rural electrification
1992	Declared a Public Financial Institution under Section 4A of the Companies Act
1993	Entered into MoU with the MoP for the year 1993-1994 for the first time to achieve certain performance related targets
1998	Registered as a NBFC under Section 45(IA) of the RBI Act.
1999	Received 'AAA' rating from CRISIL Limited in relation to our long term domestic borrowings.
2001	Capital Gains Tax Benefit under Section 54 EC of the IT Act to bonds floated by our Company.
	Upgradatation from Schedule 'B' to Schedule 'A' Corporation
2002	Grant of Mini Ratna- I status**
2003	Did not seek assistance from the budget for finances and became a fully self- reliant organisation
2005	Profit before tax, crossed Rs. 10,000 million
	Paid Rs. 2,345 million as dividend to the GoI
	Appointed as the nodal agency for RGGVY
2006	Entered into agreement with Japan International Cooperation Agency for availing a loan facility of JPY 20,629 million*
	Entered into agreement with KfW, Frankfurt am Main for availing a loan facility of Euro 70 million*
2007	Entered into a syndicated facility agreement with Standard Chartered Bank and DEPFA Investment Bank for availing a loan facility of JPY 23,570 million
2008	Listed our Equity Shares on the Stock Exchanges

Calendar Year	Event
	Accorded "Navratna" status by the Department of Public Enterprise, GoI for our operational efficiency and financial strength, which affords greater operational freedom and autonomy in decision making.
	Entered into agreement with Japan International Cooperation Agency for availing a loan of JPY 20,902 million*
2009	Received 'LAAA' rating from ICRA Limited in relation to Rs. 250,000 million long term borrowing programme for the Fiscal 2010
	Entered into agreement with KfW, Frankfurt am Main for availing a loan facility of Euro 70 million*

* *For further details in this regard, see the section titled "**Financial Indebtedness**" on page 179.*

** *The Company was granted 'mini ratna I' status by the Department of Public Enterprises, Government of India ("**DPE**") pursuant to its letter dated September 20, 2002. Upon obtaining the 'mini ratna I' status, the Company could incur capital expenditure up to Rs. 300 crores in a year without seeking the approval of the Central Government. The limit was further enhanced to Rs. 500 crores or equal to the networth of the Company, whichever is less, pursuant to a notification bearing reference no. OM No. 18 (24)/ 2003-GM-GL.66 dated August 5, 2005 issued by the DPE.*

As on January 15, 2010, the total number of holders of Equity Shares was 266,508.

Our Company is not operating under any injunction or restraining order.

Capital Raising Activities through Equity and Debt

For details in relation to our capital raising activities through equity and debt, see the sections titled "Capital Structure", "Other Regulatory and Statutory Disclosures" and "Financial Indebtedness" on pages 22, 220 and 179, respectively.

Strikes or Labour Unrest

We have till date, not lost any time on account of strikes or labour unrest.

Defaults or Rescheduling of Borrowings with Financial Institutions/ Banks

For details in relation to defaults or rescheduling of borrowings with financial institutions/ banks, conversion of loans into equity, see the section titled "***Financial Indebtedness***" on page 179.

Details in relation to our business

For details in relation to our business including description of our activities, services, market of each segment, our growth, profits due to foreign operations, technology, market, managerial competence and capacity built-up, our standing with reference to our prominent competitors, see the section titled "***Our Business***" on page 57

Changes in the activities of our Company during the last five years

Except as otherwise stated in the sections titled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", on pages 57 and 147, respectively, there have been no changes in the activities of our Company during the last five years preceding the date of this Red Herring Prospectus, which may have had a material effect on our profits or loss, including discontinuance of our lines of business, loss of agencies or markets and similar factors.

Time and Cost Overrun

Considering the nature of our business activities, we have not experienced any time and cost overruns in the past.

Awards and Accreditations

Calender Year	Awards / Accreditations
1990	Awarded the Indira Gandhi Memorial Award for Excellence in Public Sector Undertakings for the year

Calender Year	Awards / Accreditations
	1989-1990
1994	Received rating of "*excellent*" by the GoI, for the first time, for fulfilling the targets pursuant to the MoU entered into the MoP for the year 1993-1994*
2000	Declared to be among the top ten public sector enterprises by the GoI**
2008	Accorded "Navratna" status by the Department of Public Enterprise, GoI for our operational efficiency and financial strength, which affords greater operational freedom and autonomy in decision making.
2009	Received the Award for Excellence in Rural Electrification for Rural India Connect in India Pride Awards organised by Dainik Bhaskar
2009	Received certifications from Det Norske Veritas Certification B.V. for conforming to the quality management system standard ISO 9001:2008, at our various offices***
2009	Received certifications from BSI Management Systems for conforming to the quality management system standard ISO 9001:2000, at our various offices***

**In recognition of our performance and our consistent achievement of targets negotiated under the MoU entered into with the GoI on an annual basis, we have received rating of "excellent" by the GoI in relation to our performance for fulfilling the targets pursuant to the MoU, from the Fiscal 1994 to 2008.*
*** We have also been ranked among the top ten public sector undertakings for the Fiscals 2000, 2001, 2002, 2004 and 2005 by the Ministry of Heavy Industries and Public Enterprises, GoI*
**** For further details, see the section titled "***History and Certain Corporate Matters--Certifications pertaining to quality standard***" below.*

Certifications pertaining to quality standard

Det Norske Veritas Certification B.V. has issued the following certifications in relation to the quality standards of our Company concerning activities related to the claim processing functions in respect of loans to power projects for rural and urban electrification in India including implementation of GoI schemes, which have been found to conform to the quality management system standard ISO 9001:2008.

Description	Certificate No.	Date of Issue	Date of Expiry
Certificate stating that our project office at Bay No. 7-8, Sector 2, Panhckula 134 112, Haryana,	47083-1-2009-AQ-IND-RvA	February 11, 2009	February 10, 2012
Certificate stating that our project office at "SRADDHA", MG Road, Guwahati 781 005, Assam	47083-2-2009-AQ-IND-RvA	February 11, 2009	February 10, 2012
Certificate stating that our project office at "Maurya Lok" Complex, Block C, 4th Floor, New DAK Bungalow Road, Patna 800 001, Bihar	47083-3-2009-AQ-IND-RvA	February 11, 2009	February 10, 2012
Certificate stating that our project office at Rindee Oil Jawai Road, Lachumire, Shillong 793 001, India	47083-4-2009-AQ-IND-RvA	February 11, 2009	February 10, 2012
Certificate stating that our project office at Pt. Padamdev Commercial Complex, Phase II, First Floor, The Ridge, Shimla 171 001, Himachal Pradesh	47083-5-2009-AQ-IND-RvA	February 11, 2009	February 10, 2012
Certificate stating that our project office at 157-A, Gandhi Nagar, Jammu 180 004, Jammu and Kashmir	47083-6-2009-AQ-IND-RvA	February 11, 2009	February 10, 2012
Certificate stating that our project office at Deen Dayal Bhavan, Fifth Floor, Ashok Nagar, Janpath, Bhubaneshwar, 751 009, Orissa	47083-7-2009-AQ-IND-RvA	February 11, 2009	February 10, 2012
Certificate stating that our project office at 'O' – 5, 4th Floor, "Saphallyam", Commercial Complex, TRIDA Building, Palayam, Thiruvananthapuram 695 034	47083-8-2009-AQ-IND-RvA	February 11, 2009	February 10, 2012

BSI Management Systems has issued the following certifications in relation to the quality standards of our Company in relation to sanction of loans to power projects for rural and urban electrification in India including implementation of GoI schemes and fund mobilisation, operating a quality management system which complies with the requirements of ISO 9001:2000.

Description	Certificate No.	Date of Issue	Date of Expiry
Certificate stating that our Company at its Registered Office	FS 515992	March 5, 2007	May 4, 2010
Certificate stating that our Company at its zonal office situated at CIRE Campus, Shivrampally Post NPA, National Highway No. 7, Hyderabad 500 052, Andhra	FS 517431	March 5, 2007	May 4, 2010

Description	Certificate No.	Date of Issue	Date of Expiry
Pradesh			
Certificate stating that our Company at its project office situated at Plot No. 585, T.P. Scheme No. 2, Atma Jyoti Ashram Road, Subhanpura, Vadodara 390 023, Gujarat	FS 517434	March 5, 2007	May 4, 2010
Certificate stating that our Company at its project office situated at 1/5 Ulsoor Road, Bangalore 560 042, Karnataka	FS 517433	March 5, 2007	May 4, 2010
Certificate stating that our Company at its zonal office situated at 19/8, Indira Nagar Extension, Ring Road, Lucknow 226 016, Uttar Pradesh	FS 517430	March 5, 2007	May 4, 2010
Certificate stating that our Company at its zonal office situated at Mittal Tower, 51-B, 5th Floor, Nariman Point, Mumbai 400 021, Maharashtra	FS 517428	March 5, 2007	May 4, 2010
Certificate stating that our Company at its zonal office situated at AE Block, Premises No. 643, Sector 1, Salt Lake City, Kolkata 700 064, West Bengal	FS 517429	March 5, 2007	May 4, 2010
Certificate stating that our Company at its project office situated at No. 12 and 13, TNHB Complex, LNZ Church Road, 180 (Luz Corner), Mylapore, Chennai, Tamil Nadu	FS 517435	March 5, 2007	May 4, 2010
Certificate stating that our Company at its project office situated at J-4-A, Jhalana Dungari, Institutional Area, Jaipur, 302 004, Rajasthan	FS 517436	March 5, 2007	May 4, 2010
Certificate stating that our Company at its zonal office situated at J.D.A Building, Madan Mahal, Nagpur Road, Jabalpur 482 001, Madhya Pradesh	FS 517432	March 5, 2007	May 4, 2010

Main Objects

Our main objects as contained in our Memorandum are:

Clause	Particulars
III(a)(1)	To finance rural and other electrification schemes in the country.
III(a)(2)	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.
III(a)(3)	To promote and finance rural electricity co-operatives in the country.
III(a)(4)	To administer the moneys received from time to time from the GoI and other sources as grants or otherwise for the purpose of financing rural electrification in the country in general.
III(a)(5)	To promote, organise or carry on the business of consultancy services and/or project implementation in any field of activity in which it is engaged in India and abroad.
III(a)(6)	To finance and/or execute works on small/mini/micro and other generation projects, promotion and development of other energy source and to provide financial assistance of leasing out or to directly lease out or otherwise the above sources of energy including small/mini/micro and other generation projects.
III(a)(7)	To finance survey and investigation of projects falling in the ambit of REC.
III(a)(8)	To promote, develop and finance viable decentralised power system organisation in cooperative, joint, private sector, panchayat and/or local self bodies.
III(a)(9)	To subscribe or invest by way of units or other securities in venture capital funds, and/or to set up trust under the Indian Trust Act for establishment of venture capital fund or similar funds, formed for the purpose of financing and/ or investment in companies, partnership firms, co-operative societies, users associations, decentralised power system organizations, non-governmental organisations, panchayat institutions, franchisees or such other bodies or entities which are engaged in electricity generation, transmission and/ or distribution projects or implementation or such projects or in promotion and development of other energy sources.
III(a) (10)	To finance and to provide assistance for those activities having a forward and/or backward linkage with power projects, (including but not limited to), such as development of coal and other mining activities for use as fuel in power projects, development of other fuel supply arrangements for the power sector, and to meet other enabling infrastructure facilities that may be required for the speedy and effective development of power sector.

Amendments to our Memorandum

The following changes have been made to our Memorandum since incorporation:

Date of shareholders' resolution	Details
December 26, 1970	Clause V of our Memorandum was amended pursuant to the increase in the authorised share capital of our Company from Rs. 100 million comprising 100,000 equity shares of Rs. 1,000 each to Rs. 250 million comprising 250,000 equity shares of Rs. 1,000 each.
February 28, 1973	Clause V of our Memorandum was amended pursuant to the increase in the authorised share capital of our Company from Rs. 250 million comprising 250,000 equity shares of Rs. 1,000 each to Rs. 500 million comprising 500,000 equity shares of Rs. 1,000 each.
December 2, 1974	Clause V of our Memorandum was amended pursuant to the increase in the authorised share capital of our Company from Rs. 500 million comprising 500,000 equity shares of Rs. 1,000 each to Rs. 1,000 million comprising 1,000,000 equity shares of Rs. 1,000 each.
September 21, 1979	Clause V of our Memorandum was amended pursuant to the increase in the authorised share capital of our Company from Rs. 1,000 million comprising 1,000,000 equity shares of Rs. 1,000 each to Rs. 1,500 million comprising 1,500,000 equity shares of Rs. 1,000 each.
September 30, 1985	Clause V of our Memorandum was amended pursuant to the increase in the authorised share capital of our Company from Rs. 1,500 million comprising 1,500,000 equity shares of Rs. 1,000 each to Rs. 3,000 million comprising 3,000,000 equity shares of Rs. 1,000 each.
September 28, 1990	Clause V of our Memorandum was amended pursuant to the increase in the authorised share capital of our Company from Rs. 3,000 million comprising 3,000,000 equity shares of Rs. 1,000 each to Rs. 4,000 million comprising 4,000,000 equity shares of Rs. 1,000 each.
March 14, 1991	Inserted the words, "to finance small/mini/micro hydel and other small generation projects" to clause VI were added to the main objects.
December 31, 1992	Clause V of our Memorandum was amended pursuant to the increase in the authorised share capital of our Company from Rs. 4,000 million comprising 4,000,000 equity shares of Rs. 1,000 each to Rs. 6,000 million comprising 6,000,000 equity shares of Rs. 1,000 each.
February 10, 1995	Clause III (a) amended to insert the following new objects at No. 5, 6, 7 and 8 respectively. 5- to promote organise or carry on the business of consultancy services and/or project implementation in any field of activity in which it is engaged in India and abroad. 6- to finance and/or execute works on small/mini/micro generation projects, promotion and development of other energy sources and to provide financial assistance for leasing out or to directly lease out or otherwise the above sources of energy including small/mini/micro generation projects. 7- to finance survey and investigation of projects falling in the ambit of REC. 8- to promote, develop and finance viable decentralised power system organisations in co-operative, joint, private sector, panchayat and/or local self bodies, etc. Further, Clause III(b) was also amended to insert the following: 24- to obtain, apply for, arrange for the issue or enactment of order or Act of Legislature of Act of Authority in India or any other part of the world for enabling the Company to obtain powers, authorities, protection, financial and other help, necessary or expedient to carry out or extend any of the objects of the Company or for any other purposes which may seem expedient and to oppose any proceedings or application or any other endeavours, steps or measures, which may seem calculated directly or indirectly to prejudice the Company's interests. 25- to subscribe for, underwrite, purchase or otherwise acquire and to hold, dispose of and deal with the shares, stocks, securities and evidence of indebtedness or the right to participate in profits or other similar documents issued by any government, authority, corporation or body or by company or body of persons and any option or right in respect thereof.

Date of shareholders' resolution	Details
	26- to act as an agent of the government or public sector financial institution to exercise all the rights and power exercisable at any meeting of any company engaged in the planning, investigations, research, design and preparation or preliminary feasibility and detailed project reports, construction, generation, operation and maintenance of power stations and projects, transmission, distribution and sale of power in respect of any shares held by the Government public financial institutions, nationalised banks, nationalised insurance companies with a view to secure the most effective utilisation or the financial investments and loans in such companies and the most efficient development of the concerned industries.
August 8, 1997	Clause V of our Memorandum was amended pursuant to the increase in the authorised share capital of our Company from Rs. 6,000 million comprising 6,000,000 equity shares of Rs. 1,000 each to Rs. 8,000 million comprising 8,000,000 equity shares of Rs. 1,000 each.
December 19, 2001	Clause V of our Memorandum was amended pursuant to the increase in the authorised share capital of our Company from Rs. 8,000 million comprising 8,000,000 equity shares of Rs. 1,000 each to Rs. 12,000 million comprising 12,000,000 equity shares of Rs. 1,000 each.
July 26, 2002	Clause III(a)(1) of our Memorandum which read as "to finance rural electrification schemes in the country" was amended to add the words "and other", so as to read as "to finance rural and other electrification schemes in the country." Amendment in Clause III(a)(6) which read as: "to finance and/or execute works on small/mini/micro generation projects, promotion and development of other energy sources and to provide financial assistance for leasing out or to directly lease out or otherwise the above sources of energy including small/mini/micro generation projects" by adding words "and other after the words small/mini/micro". The amended clause III(a)(6) read as under: "To finance and/or execute works on small/mini/micro and other generation projects, promotion and development of other energy sources and to provide financial assistance for leasing out or to directly lease out or otherwise the above sources of energy including small/mini/micro and other generation projects."
September 27, 2002	Clause V of our Memorandum was amended pursuant to the alteration of the authorised capital of our Company to Rs. 12,000 million divided into 1,200,000,000 Equity Shares of Rs. 10 each on account of splitting of equity shares of Rs. 1,000 each to Rs. 10 each.
March 25, 2004	Amendment by insertion of a new sub-clause 9 after the existing sub-clause 8 in Clause III(a). The said sub-clause 9 reads as: "To subscribe or invest by way of units or other securities in venture capital funds, and/or to set up trusts under the Indian Trusts Act for establishment of venture capital funds or similar funds, formed for the purpose of financing and/or investment in companies, partnership firms, co-operative societies, users associations, decentralised power system organisations, non-governmental organisations, panchayat institutions, franchisees or such other bodies or entities which are engaged in electricity generation, transmission and/or distribution projects or implementation of such projects or in promotion and development of other energy sources."
September 19, 2009	Amendment by insertion of a new sub-clause 10 after the existing sub-clause 9 in Clause III(a). The said sub-clause 10 reads as: "To finance and to provide assistance for those activities having a forward and/or backward linkage with power projects, (including but not limited to), such as development of coal and other mining activities for use as fuel in power projects, development of other fuel supply arrangements for the power sector, and to meet other enabling infrastructure facilities that may be required for the speedy and effective development of power sector."

Details regarding acquisition of business/undertakings, mergers, amalgamation, revaluation of assets

Our Company has neither acquired any entity, business or undertakings nor undertaken any mergers, amalgamation, revaluation of assets in the last fiscal.

Holding entity- Our Promoter

Our Promoter is the President of India, acting through the MoP, holding 81.82% of our Equity Share capital as on the date of filing of this Red Herring Prospectus.

Previous public issues

Our Company had made an IPO of 156,120,000 Equity Shares for cash at a price of Rs. 105 per Equity Share (including a premium of Rs. 95 per Equity Share) aggregating to Rs. 16,392.60 million through a prospectus dated February 28, 2008. The said IPO comprised a fresh issue of 78,060,000 Equity Shares and an offer for sale of 78,060,000 Equity Shares by our Promoter. Further, the said IPO comprised a net issue of 152,217,000 Equity Shares to the public and a reservation of 3,903,000 Equity Shares for subscription by certain eligible employees.

The IPO opened on February 19, 2008 and closed on February 22, 2008. Allotment of Equity Shares and dispatch of refunds pursuant to the IPO of our Company was made on March 5, 2008 and March 8, 2008, respectively.

We confirm that other than the disclosures made in this Red Herring Prospectus, nothing material has changed in respect of disclosures made by us at the time of our previous issue made in our prospectus dated February 28, 2008.

None of our Subsidiaries have completed any public or rights issue in the three years preceding this Red Herring Prospectus.

Date of listing on the Stock Exchange

Our Equity Shares were listed on March 12, 2008 on the Stock Exchanges.

List of Subsidiaries, Joint Ventures and Associates

Subsidiaries

The following are the Subsidiaries of our Company

1) REC Transmission Projects Company Limited;
2) REC Power Distribution Company Limited;
3) North Karanpura Transmission Company Limited;
4) Talcher II Transmission Company Limited; and
5) Raichur Sholapur Transmission Company Limited.

Joint Ventures

1) Energy Efficiency Services Limited

Associates

We do not have any associates.

Details of Subsidiaries

The significant details of our Subsidiaries are as provided below:

1) REC Transmission Projects Company Limited ("RECTPCL")

RECTPCL was incorporated on January 8, 2007 as a public limited company and its registered office is situated at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi 110 003, India. It received its certificate of commencement of business on February 5, 2007. RECTPCL is engaged *inter alia* in the business of, to promote, organise or carry on the business of consultancy services and/or project implementation in any field of activity relating to transmission and distribution of electricity in India or abroad.

The MoP has allotted the transmission system associated with the 'Krishnapatnam Ultra Mega Power Project' synchronous interconnection between SR & WR (Part-B) Raichur-Sholapur 765 KV S/C line-1 to RECTPCL for selecting a developer on 'tariff based bidding'.

Shareholding Pattern

The equity shares of RECTPCL are not listed on any stock exchange. The shareholding pattern of RECTPCL as on January 14, 2010 is as follows:

Name of the shareholder	No. of equity shares of Rs. 10 each	% shareholding
Our Company	49,994	99.99
Mr. Guljit Kapur*	1	Negligible
Mr. Rama Raman*	1	Negligible
Mr. Vijay Kumar Arora*	1	Negligible
Mr. B.R. Raghunandan*	1	Negligible
Mr. Prakash Jaswant Rai Thakkar*	1	Negligible
Mr. Ajeet Kumar Agarwal*	1	Negligible
Total	**50,000**	**100.00**

* *as a nominee of our Company*

There has been no change in the capital structure of RECTPCL in the last six months prior to the filing of this Red Herring Prospectus.

Board of Directors

The board of directors of RECTPCL currently comprises of:

1. Mr. P. Uma Shankar;
2. Mr. Rama Raman;
3. Mr. Prakash Jaswant Rai Thakkar; and
4. Mr. Ajeet Kumar Agarwal.

2) REC Power Distribution Company Limited ("RECPDCL")

RECPDCL was incorporated on July 12, 2007 as a public limited company and its registered office is situated at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi 110 003, India. It received its certificate of commencement of business on July 31, 2007. RECPDCL is presently engaged *inter alia* in the business of, to promote, develop, construct, own, operate, distribute and maintain 66KV and below voltage class electrification, distribution, electric supply lines or distribution system**.**

Shareholding Pattern

The equity shares of RECPDCL are not listed on any stock exchange. The shareholding pattern of RECPDCL as on January 14, 2010 is as follows:

Name of the shareholder	No. of equity shares of Rs. 10 each	% shareholding
Our Company	49,994	99.99
Mr. Guljit Kapur*	1	Negligible
Mr. Rama Raman*	1	Negligible
Mr. Bhanu Pratap Yadav*	1	Negligible
Mr. Vijay Kumar Arora*	1	Negligible
Mr. Prakash Jaswant Rai Thakkar*	1	Negligible
Mr. Sanjiv Garg*	1	Negligible
Total	**50,000**	**100.00**

* *as a nominee of our Company*

There has been no change in the capital structure of RECPDCL in the last six months prior to the filing of this Red Herring Prospectus.

Board of Directors

The board of directors of RECPDCL currently comprises of:

1. Mr. P. Uma Shankar;
2. Mr. Rama Raman;
3. Mr. Sanjiv Garg; and
4. Mr. Rakesh Kumar Arora.

3) North Karanpura Transmission Company Limited ("NKTCL")

A wholly owned subsidiary of RECTPCL, NKTCL was incorporated on April 23, 2007 as a public limited company and its registered office is situated at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi 110 003, India. It received its certificate of commencement of business on August 6, 2007. NKTCL is presently engaged *inter alia* to develop an integrated and efficient power transmission system network to operate and maintain transmission lines and electric sub stations and to undertake other related activities including purchase and trade of power. Pursuant to a letter of intent dated December 18, 2009 by RECTPCL, Reliance Power Transmission Limited has been selected as the transmission service provider for the establishment and operation of evacuation systems for the North Karanpura project on a build, own, operate and maintain basis.

Shareholding Pattern

The equity shares of NKTCL are not listed on any stock exchange. The shareholding pattern of NKTCL as on January 14, 2010 is as follows:

Name of the shareholder	No. of equity shares of Rs. 10 each	% shareholding
RECTPCL	49,994	99.99
Mr. Guljit Kapur*	1	Negligible
Mr. Bhanu Pratap Yadav*	1	Negligible
Mr. Salil Kumar*	1	Negligible
Ms. Valli Natarajan*	1	Negligible
Ms. Harinder Kaur Chani*	1	Negligible
Mr. T. S.C. Bosh*	1	Negligible
Total	**50,000**	**100.00**

* *as a nominee of RECTPCL*

There has been no change in the capital structure of NKTCL in the last six months prior to the filing of this Red Herring Prospectus.

Board of Directors

The board of directors of NKTCL currently comprises of:

1. Mr. Prakash Jaswant Rai Thakkar;
2. Ms. Valli Natarajan;
3. Ms. Harinder Kaur Chani;
4. Mr. T.S.C. Bosh; and
5. Mr. V.K. Singh.

4) Talcher II Transmission Company Limited ("TTCL")

A wholly owned subsidiary of RECTPCL, TTCL was incorporated on May 1, 2007 as a public limited company and its registered office is situated at Core-4, SCOPE Complex, 7, Lodhi Road, New Delhi 110 003, India. It received its certificate of commencement of business on August 6, 2007. TTCL is presently engaged *inter alia* in the business of, to develop an integrated and efficient power transmission system network to operate and maintain transmission lines and electric sub stations and to undertake other related activities including purchase and trade of power. Pursuant to a letter of intent dated December 18, 2009 by RECTPCL, Reliance Power Transmission Limited has been selected as the transmission service provider for the establishment and operation of the Talcher augmentation system on a build, own, operate and maintain basis.

Shareholding Pattern

The equity shares of TTCL are not listed on any stock exchange. The shareholding pattern TTCL as on January 14, 2010 is as follows:

Name of the shareholder	No. of equity shares of Rs. 10 each	% shareholding
RECTPCL	49,994	99.99
Mr. Guljit Kapur*	1	Negligible
Mr. Bhanu Pratap Yadav*	1	Negligible
Mr. Salil Kumar*	1	Negligible
Ms. Valli Natarajan*	1	Negligible
Ms. Harinder Kaur Chani*	1	Negligible
Mr. T.S.C. Bosh*	1	Negligible
Total	**50,000**	**100.00**

* *as a nominee of RECTPCL*

There has been no change in the capital structure of TTCL in the last six months prior to the filing of this Red Herring Prospectus.

Board of Directors

The board of directors of TTCL currently comprises of:

1. Mr. Prakash Jaswant Rai Thakkar;
2. Ms. Valli Natarajan;
3. Ms. Harinder Kaur Chani;
4. Mr. T.S.C.Bosh; and
5. Mr. V.K. Singh.

5) Raichur Sholapur Transmission Company Limited ("RSTCL")

RSTCL was incorporated on November 19, 2009 as a public limited company and its registered office is situated at Core 4, SCOPE Complex, 7, Lodhi Road, New Delhi 110 003. RSTCL has applied for the certificate to commence business which is yet to be received. RSTCL is presently engaged in developing an integrated and efficient power transmission system network to operate and maintain transmission lines.

Shareholding Pattern

The equity shares of RSTCL are not listed on any stock exchange. The shareholding pattern of RSTCL as on January 14, 2010 is as follows:

Name of the shareholder	No. of equity shares	% shareholding
RECTPCL	49,994	99.99
Mr. Prakash Jaswant Rai Thakkar*	1	Negligible
Mr. Subodh Garg*	1	Negligible
Mr. Salil Kumar*	1	Negligible
Ms. Valli Natarajan*	1	Negligible
Ms. Harinder Kaur Chani*	1	Negligible
Mr. V. K. Singh*	1	Negligible
Total	**50,000**	**100.00**

* *as a nominee of RECTPCL*

There has been no change in the capital structure of RSTCL in the last six months prior to the filing of this Red Herring Prospectus.

Board of Directors

The board of directors of RSTCL currently comprises of:

1. Mr. Prakash Jaswant Rai Thakkar;
2. Mr. Subodh Garg; and
3. Mr. Salil Kumar.

Sick companies or companies under winding up

None of our Subsidiaries have become sick companies under the SICA, or are currently under winding up.

Negative Net Worth

None of our Subsidiaries have negative Net Worth on date of end of the respective financial years audited and mentioned therein.

Partly paid-up shares

None of our Subsidiaries have issued partly paid-up shares.

Litigation

For information on details relating to the litigation in relation to our Subsidiaries, see the section titled "***Outstanding Litigation and Material Developments***" on page 197.

Other Confirmations

The accumulated profits or losses of our Subsidiaries have been accounted for by our Company in the restated audited consolidated financial statements of our Company included in this Red Herring Prospectus. For further details, see the section titled "***Financial Statements***" on page F-1.

Details of Joint Ventures

The EESL JVA

Pursuant to an agreement dated November 19, 2009 (the "**EESL JVA**") among our Company, NTPC Limited ("**NTPC**"), Power Finance Corporation Limited ("**PFC**") and Power Grid Corporation of India Limited ("**PGCIL**"), Energy Efficiency Services Limited ("**EESL**") has been incorporated as a joint venture. EESL received its certificate of incorporation under the Companies Act on December 10, 2009. EESL has not received its certificate of commencement of business. EESL is authorised to engage in the business of carrying on and promoting the business of energy efficiency and climate change, including manufacture and supply of energy services and products and provide consultancy services in relation to the same. The authorised share capital of EESL is Rs. 100 million divided into 10,000,000 equity shares of Rs. 10 each and the paid-up capital of EESL is Rs. 25 million divided into 2,500,000 equity shares of Rs. 10 each. Our Company holds 25% of the equity share capital of ESSL.

Unless terminated in accordance with its terms, the EESL JVA is valid until the shareholding of our Company or any of the other parties to the EESL JVA falls below 10% of the paid-up share capital of EESL. The principal provisions of the EESL JVA are described below:

Reserved matters:

Our Company and the other parties to the EESL JVA have agreed that so long as each of us hold not less than 10% of the paid-up share capital of EESL, neither the board of directors nor a committee thereof, nor its 'Chief Executive Officer', nor any other person acting on behalf of EESL shall take any action with respect to the following matters, unless such resolutions or transactions have been approved by (a) majority of directors; and (b) which majority shall include at least affirmative vote of one director each nominated by all of the parties to the EESL JVA:

(a) The annual revenue budget of EESL;
(b) The 'five year annual plans' of development, the capital budget of the EESL and processing of any modernization, expansion schemes including programme of capital expenditure or purchase of capital equipment which exceeds Rs. 100 million;
(c) Winding up of EESL;
(d) Any matter relating to the transfer, sale, lease, exchange, mortgage and/or disposal otherwise of the whole or substantially the whole, of the undertaking of ESSL or part thereof;
(e) Increase or otherwise alteration in the authorized or issued share capital of ESSL;
(f) Induction of new investors;
(g) Taking of any loan or other borrowing or issue of any debt or other instrument or security carrying the right or option to convert the whole or part thereof or any such instrument or security, as the case may be, or any accrued interest thereon into the shares of EESL;
(h) Change in the name of EESL;
(i) Entering into any profit sharing, or any share option or other similar schemes for the benefit of the officers and other employees of EESL; and
(j) Any matter relating to:
  - The promotion of new company/ company(ies) including formation of subsidiary company/ company(ies);
  - Entering into partnership and/or arrangement of sharing profits;
  - Taking or otherwise acquiring and holding shares in any other company; and
  - Pledging or encumbering of any assets of EESL and the issuance of corporate guarantee (other than trade warranties) or incurring of usual liability, except as set forth in the annual operating and capital budgets or as required for the procurement of working capital needs or as may be required by any government authorities or for any tax purposes.

Board

Initially, the EESL Board shall comprise of six directors. The total strength of the EESL Board shall be between four and fifteen directors. Our Company and the other parties to the EESL JVA have agreed that so long as we each hold at least 10% of the paid-up share capital of EESL, we shall each be entitled to nominate one director to the board of directors of EESL (the "**EESL Board**") and shall also determine the period for which their respective nominees shall hold office. Apart from directors nominated by the parties, MoP shall have the power to nominate two part-time directors. The non-executive chairman of the EESL Board shall be appointed for a period of two years on a rotation basis amongst the parties. Hence, the first Chairman shall be appointed by NTPC and subsequently by PFC, REC and PGCIL, in that order.

Restriction on transfer of shares

No party to the EESL JVA is permitted to transfer its shares to a third party for a period of five years commencing from the date of incorporation of EESL, except a transfer of shares to a party's affiliates/associates after expiry of the lock-in period specified. Subject to the above, if any party intends to transfer any shares to a third party, the selling party is required to first offer such shares to the remaining parties in proportion to their shareholding, at the book or fair value, whichever is higher. In case the non-selling parties do not accept the prescribed offer, the selling party shall be entitled to transfer the offered shares to the proposed transferee on terms no more favourable and at no higher price than those offered to the non-selling party. If the selling party fails to transfer the offered shares to the proposed transferee within 90 days of it becoming entitled to sell the same to any person, shall again be required to first offer the shares to a party to the EESL JVA.

Entities in which we have Equity Investment

Indian Energy Exchange Limited ("IEX")

Pursuant to a resolution dated July 31, 2007, our Company approved the acquisition of 8% of the initial capital of Rs. 100 million of IEX and pursuant to resolution dated August 13, 2007, the equity stake of our Company was reduced from 8% to 5% of the then equity share capital of IEX, reducing the amount of consideration paid by our Company to Rs. 12.50 million. Consequent upon further allotment of shares by IEX to Jindal Power Limited, the percentage of shareholding of REC in IEX has reduced from 5% to 4.68%. Certain significant details of IEX are provided hereunder:

IEX was incorporated on March 26, 2007 and received its certificate of commencement of business on April 17, 2007. Its registered office is situated at First Floor, Malkani Chambers, Off Nehru Road, Vile Parle (East), Mumbai 400 099, Maharashtra, India. The company is engaged in the business of setting up trading in power in India and is India's first power exchange having nationawide automated and online electricity trading platform..

Shareholding Pattern

The equity shares of IEX are not listed on any stock exchange. The shareholding pattern of IEX as on January 14, 2010 is as follows:

Name of the shareholder	No. of equity shares of Rs. 10 each	% shareholding
Financial Technologies (India) Limited	11,000,000	41.22
PTC India Financial Services Limited	6,939,190	26.00
Rural Electrification Corporation Limited	1,250,000	4.68
Reliance Energy Limited	1,250,000	4.68
Adani Enterprises Limited	1,250,000	4.68
Infrastructure Development Finance Company Limited	1,250,000	4.68
Lanco Infratech Limited	1,250,000	4.68
The Tata Power Company Limited	1,250,000	4.68
Jindal Power Limited	1,250,000	4.68
Total	**26,689,190**	**100.00**

There has been no change in the capital structure of IEX in the last six months prior to the filing of this Red Herring Prospectus.

Board of Directors

The board of directors of IEX currently comprises of:

1. Mr. Venkat Chary;
2. Mr. Jignesh Shah;
3. Mr. V. Hariharan;
4. Mr. Joseph Massey;
5. Mr. Shashi Shekhar;
6. Mr. P. Uma Shankar;
7. Mr. S.K. Tuteja;
8. Ms. Asha Das; and
9. Mr. Jayant Deo.

'Small is Beautiful' Fund

'Small is Beautiful' Fund (the "**Fund**"), is an Indian venture capital fund organised and settled as a contributory trust and registered with SEBI as a Venture Capital Fund. KSK Trust Private Limited is the trustee for the Fund. The office of the Fund is situated at 8-2-293/82/A/431/A, Road No. 22, Jubilee Hills, Hyderabad 500 033, Andhra Pradesh, India. The Fund in engaged in the business of making investments in power generation and other allied projects in Indian power sector.

Unitholding Pattern

The units of the Fund are not listed on any stock exchange. The unitholding pattern of the Fund as on January 14, 2010 is as follows:

Name of the unitholder	No. of units	% unitholding
'Class A' units		
IDBI Bank Limited	12,482,590	9.74
Power Finance Corporation Limited	12,482,590	9.74
Rural Electrification Corporation	12,482,590	9.74
Life Insurance Corporation of India	11,650,417	9.09

Name of the unitholder	No. of units	% unitholding
Andhra Bank	11,095,635	8.66
Small Industries Development Bank of India	6,934,771	5.41
Punjab National Bank	6,657,382	5.19
Bank of Baroda	5,547,818	4.33
Oriental Bank of Commerce	5,547,818	4.33
Syndicate Bank	5,547,818	4.33
UCO Bank	5,547,818	4.33
United Bank of India	5,547,818	4.33
Indian Overseas Bank	4,160,864	3.25
Bank of Maharashtra	2,773,908	2.16
General Insurance Corporation of India	2,773,908	2.16
KSK Energy Company Private Limited	2,773,911	2.16
Oriental Insurance Company Limited	2,773,908	2.16
The New India Assurance Company Limited	2,773,908	2.16
United Bank of India	2,773,908	2.16
United India Insurance	2,773,908	2.16
Canara Bank	1,664,344	1.30
National Insurance Company Limited	1,386,955	1.08
Total	**128,154,583**	**100.00**
'Class B' units		
KSK Energy Company Private Limited	50,000	100.00
Total	**50,000**	**100.00**

Board of Directors

The board of directors of KSK Trust Private Limited, being the trustee of the Fund, currently comprises of:

1. Mr. V.V.S. Ravindra;
2. Mr. Kalyana Chakravarty;
3. Mr. S.V.V. Subramaniam;
4. Mr. S. Arora;
5. Mr. V. Manickam.

Guarantees given to third parties by Promoter

For details in relation to guarantees provided by our Promoter to third parties, see the section titled "***Financial Statements***" on page F-1.

Material Corporate and Business Agreements

Except as disclosed in this section, our Company has not entered into any shareholder's agreement and there are no shareholders agreements with respect to our Company. The significant corporate and business related agreements entered into by our Company have been provided hereinbelow:

Corporate agreements

Contribution agreement dated March 29, 2004 entered among KSK Trust Private Limited, KSK Energy Ventures Limited and our Company in relation to contribution towards 'Small is Beautiful' Fund.

Pursuant to a contribution agreement dated March 29, 2004 entered among KSK Trust Private Limited, KSK Energy Ventures Limited and our Company, our Company has contributed Rs. 225.00 million as a 'capital commitment' towards 'Small is Beautiful' Fund (the "**Fund**"), an Indian venture capital fund organised and settled as a contributory trust and registered with SEBI as a Venture Capital Fund. KSK Trust Private Limited, in its capacity as the trustee shall issue drawdown notices simultaneously on a *pro rata* basis, on receipt of which, within 30 business days (referring to the days when the RBI is open for business) from the date mentioned in such drawdown notice, our Company shall make payment of its contribution to the Trust. In the event our Company fails to do so, the trustee shall issue a notice providing for a further period of 15 business days within which our Company shall be required to pay the amount alongwith an interest at the rate of 2% per annum above State Bank of India's PLR on the defaulted portion of the contribution. If our Company does not fulfill such requirements, our Company's entitlements may be forfeited at the discretion of the trustee in consultation with KSK Energy Ventures Limited, in its capacity as the 'investment manager'.

Our Company shall not have the right to demand the return of its contribution, except upon the dissolution of the Fund. However, our Company shall not have any personal liability in its capacity as a contributor whether to the Fund or to any other contributor of the Fund, for the debts, liabilities, contracts or any other obligations of the Fund or for any losses of the Fund. The units of the trust (one unit taken together or individually evidencing a beneficial interest in the Fund for the value stated therein, and being included in two classes of units, namely 'Class A' units and 'Class B' units) shall be issued by the trustee on behalf of the Fund to all contributors after receipt of capital contribution as the drawdown notice issued in terms of the agreement in this regard. Our Company has the right to nominate one member on the board of directors of the trustee.

In the event of the occurance of any event of default as specified in the agreement, including, supply of misleading information, bankruptcy and insolvency proceedings against the trustee, reorganisation of the trustee or its inability to pay debts, the majority of the contributors may, by notice in writing to the trustee remove the trustee and appoint a new trustee. Further, if they are dissatisfied with the performance of the Fund, they may by a written notice, revoke their respective contributions, and the trustee shall terminate the Fund in accordance with the procedure mentioned in the agreement.

As on January 14 2009, our Company holds 12,482,590 units of the face value of Rs. 10 each of the Fund, which amounts to 9.74% of the total number of units of the Fund. For further details in relation to the Fund, see the section titled "***History and Certain Corporate Matters–Entities in which we have Equity Investment***" on page 103.

Material Business agreements

A. Transmission and Distribution

(i) MoU dated August 6, 2009 entered between Maharashtra State Electricity Transmission Company Limited ("MSETCL") and our Company

Our Company has entered into a MoU on August 6, 2009 with MSETCL to invest in the upgradation of infrastructure of the existing transmission network and new transmission schemes to meet the demand of power in the state of Maharashtra. MSETCL shall submit its various new transmission loan proposals in the state of Maharashtra for availing financial assistance of Rs. 40,000 million from our Company for a period of three years in accordance with the prescribed guidelines of our Company.

Our Company shall extend financial assistance to MSETCL taking into account exposure norms and at such interest rates, as applicable to transmission schemes in accordance with our Company's policies. MSETCL shall provide securities as per prevailing loan policy of our Company. Our Company shall offer a discount of 25 basis points on the interest rate applicable for loans of transmission schemes, if the disbursement under these loans reaches at the least Rs. 7,000 million within the specified period of two years from the date of signing of the MoU. The MoU shall be valid for a period of three years from the date of signing of the MoU.

In accordance with and pursuant to the said MoU, our Company has approved the sanction of loan assistance for four transmission projects (for evacuation of power from new generation projects) for a total loan assistance of Rs. 21,670 million.

MSETCL has plans to establish a robust transmission network with transmission capacity of 30,000 to 35,000 MW by 2012, an increase of more than 120%, as the present system is quite inadequate. In view of this, MSETCL has prepared a five-year rolling plan for 2007-12 and obtained approval from Maharashtra Electrcity Regulatory Commission for establishment of sub-station and transmission lines from 132 KV to 765 KV.

(ii) MoU dated April 2, 2007 entered between our Company and Tamil Nadu Electricity Board ("TNEB")

Our Company entered into a MoU with TNEB on April 2, 2007 pursuant to which our Company has agreed to provide financial assistance to TNEB for various thermal/hydro power projects and various transmission and distribution schemes to meet the demand of power in Tamil Nadu.

TNEB shall draw loans amounting to Rs. 160,000 million from our Company over a period of five years from the date of signing of the MoU for their generation, transmission and distribution projects. Loans shall be granted to TNEB by our Company in accordance with our Company's policies and at interest rates as applicable for relevant category of schemes in consonance with our Company's policies on the date of disbursement. Our Company shall offer a discount of 0.25% on the interest rate applicable for loans of transmission and distribution schemes if the disbursement under these loans reaches a minimum amount of Rs. 10,000 million within two years from the date of signing the MoU. The discount shall be passed on to the borrowers only on the interest rate due on or after drawal of Rs. 10.000 million. TNEB shall provide securities as per the prevailing loan policy of our Company for the loans to be sanctioned and disbursed under the MoU.

The MoU is valid for a period of five years from the date of execution and either party may terminate the MoU by 30 days written notice to the other party.

B. Generation Projects

Our Company has entered into MoUs with certain entities whereby these entities have agreed to take loans from our Company over a period of time to fund their generation projects and to expand our business in these sectors. Under the terms of such arrangements, these entities shall submit their individual loan proposals to our Company in accordance with our prescribed guidelines and we shall sanction the financial assistance as per our prevalent policy for that particular project. The interest rates applicable for such loans shall be the rates as applicable to such generation projects prevailing on the date of disbursement.

Name of Entity	Date of MoU	Purpose for grant of loan	Loan and Draw down	Validity of MOU
Andhra Pradesh Power Generation Corporation Limited ("**APGENCO**")	November 18, 2004	To fund the following projects: • 500 MW Bhoopalapally Thermal Power Project with estimated cost of Rs. 21,030 million; • 520 MW Ramagundam Thermal Power Station with estimated cost of Rs. 27,720 million; • 500 MW KTPS Stage VI with estimated cost of Rs. 20,000 million; • 50 MW Nagarjunsagar Tailpond Dam with estimated cost of Rs. 4,650 million; • 240 MW Lower Jurala Hydro Electric Project with estimated cost of Rs. 5,710 million; and • 188 MW Pranahita with estimated cost of Rs. 4,700 million.	APGENCO shall draw approximately Rs. 25,000 million from our Company during the remaining period of the 10th Five Year Plan, beginning with 2004-05, and the entire 11th plan period 2007-12 as per annual allocation.	March 31, 2012 unless otherwise mutually extended.
Neyveli Lignite Corporation Limited	January 28, 2005	To finance projects proposed to be taken up	NLC shall draw a maximum of Rs.	March 31, 2012 unless otherwise

Name of Entity	Date of MoU	Purpose for grant of loan	Loan and Draw down	Validity of MOU
(“**NLC**”)		during the 10^{th} and 11^{th} Five Year Plan.	25,000 million from our Company over the remaining period of the 10^{th} Five Year Plan, beginning with 2005-06, and thereafter.	mutually extended.
Jammu and Kashmir State Power Development Corporation Limited (“**JKSPDC**”)	September 9, 2005	To fund the following projects: • 93 MW New Ganderbal Hydro Electric Project at District Srinagar; • 37.5 MW Parnai Hydro Electric Project at District Poonch; and • 240 MW Kerthai Hydro Electric Project at District Doda.	JKSPDC shall draw approximately 70% of the project cost from our Company during the remaining period of the 10^{th} plan period, beginning with 2006-07, and the entire 11^{th} plan period 2007-12 as per annual allocation.	March 31, 2012 unless otherwise mutually extended.
Maharashtra State Power Generation Company Limited (“**MSPGCL**”)	June 20, 2006	To fund the Bhusawal Thermal Power Station (2 x 500 MW) involving estimated costs of Rs. 46, 160 million. Our Company shall steer the power project and/or act as a liaison with government agencies for getting expeditious fuel linkage and various approvals for the project, if the same is requested by MSPGCL. Our Company is also willing to act as the lead institution for achieving expeditious financial closure. MSPGCL shall not seek financial assistance for the projects steered by our Company from other agencies without prior consent of our Company.	MSPGCL shall draw an estimated loan amount of Rs. 46,160 million from our Company during the remaining period of the 10^{th} Five Year Plan, beginning with April 1, 2006, and the entire 11^{th} Plan period 2007-12 as per a mutually agreed draw down schedule.	To be mutually decided by parties.

C. Rural Electrification

Additionally, our Company has also entered into MoUs with GoI entities and CPSUs to implement and monitor projects under the RGGVY scheme for accelerated electrification of un-electrified villages and rural households to be undertaken in association with the concerned state government and state power utility/ utilities. Presently, we have entered into MoUs with Power Grid Corporation of India Limited (“**PGCIL**”), National Hydroelectric Power Corporation Limited (“**NHPC**”) Damodar Valley Corporation Limited (“**DVC**”) and National Thermal Power Corporation Limited (“**NTPC**”)

(i) MoU dated July 14, 2004 entered between our Company and PGCIL

Our Company entered into a MoU with PGCIL on July 14, 2004 pursuant to which our Company and PGCIL have agreed to be associated in the formulation and implementation of projects under the programme for erstwhile ‘Accelerated Electrification’ of ‘one lakh villages and one crore households’ of the GoI. The said programme for ‘Accelerated Electrification’ has now merged with the RGGVY.

The project activities shall involve system planning, design, engineering, procurement and execution of projects under the said programme. Our Company is responsible for identifying the projects that are to be undertaken by PGCIL and for acquiring such approvals, as are relevant to our Company as a financial institution, wherever applicable. PGCIL shall undertake the projects on a deposit work basis after a separate multilateral agreement is entered into as stated in the MoU. Furthermore, PGCIL shall be responsible for formulation, development and implementation of the projects in the identified areas involving system planning, design, engineering and procurement in accordance with our Company’s guidelines, specifications and construction standards and in accordance with agreed competitive bidding procedures. PGCIL shall implement the projects in a time bound manner as scheduled and immediately after completion, the project shall be taken over by the concerned state government or state power utility which will be responsible for proper operation and maintenance thereafter. However, if the state government or the state public utility so desires, PGCIL may take up the operation and maintenance of the completed project after entering into a separate agreement with the concerned state government or state power utility. Furthermore, if the concerned state government or state power utility so desires, the role of PGCIL may be limited to either project monitoring and supervision of quality of works during construction or to formulation and preparation of project reports, arranging project approvals, providing advisory support during procurement, if required, and supervision of quality of works during construction.

Our Company shall fund the project from the funds sanctioned to state governments or state power utilities under the programme which shall be released by our Company directly to PGCIL including service charges as per a separate multilateral agreement is entered into as stated in the MoU. PGCIL shall be entitled to service charge of 12% of the project cost on *pro rata* basis and the same may be included in project costs. Moreover, any additional statutory taxes , payable by PGCIL shall also be reimbursed. In case the scope of work of PGCIL is limited to either project monitoring and supervision of quality of works during construction or to formulation and preparation of project reports, arranging project approvals, providing advisory support during procurement, as may be necessary, and supervision of quality of works during construction; PGCIL shall be entitled to service charges of 2% and 5% of the project cost, respectively. Moreover, any additional statutory taxes , payable by PGCIL shall also be reimbursed. PGCIL shall maintain separate accounts for development and implementation of each such project that is funded by our Company. The MoU is valid for a period of 10 years from the date of execution, unless otherwise extended.

(ii) MoU dated July 14, 2004 entered between our Company and NHPC

Our Company entered into a MoU with NHPC on July 14, 2004 pursuant to which our Company and NHPC have agreed to be associated in the formulation and implementation of projects under the erstwhile programme for ‘Accelerated Electrification’ of ‘one lakh villages and one crore households’ of the GoI. The said programme for ‘Accelerated Electrification’ has now merged with the RGGVY.

The project activities shall involve system planning, design, engineering, procurement and execution of projects under the said programme. Our Company is responsible for identifying the projects that are to be undertaken by NHPC and is also responsible for acquiring such approvals, as are relevant to our Company as a financial institution, wherever applicable. NHPC shall undertake the projects on a deposit work basis after a separate multilateral agreement is entered into as stated in the MoU. Further, NHPC shall be responsible for formulation, development and implementation of the projects in the identified areas involving system planning, design, engineering and procurement in accordance with our Company’s guidelines, specifications and construction standards and in accordance with agreed competitive bidding procedures.

Our Company shall fund the project from the funds sanctioned to state governments/ state power utilities under the programme which shall be shall be released by our Company directly to NHPC including service charges. NHPC shall be entitled to service charge of 12% of project cost on *pro rata* basis and the same may be included in project costs. The MoU is valid for a period of 10 years from the date of execution, unless otherwise extended.

(iii) MoU dated July 23, 2004 entered between our Company and DVC

Our Company entered into a MoU with DVC on July 23, 2004 pursuant to which our Company and DVC have agreed to be associated in the formulation and implementation of projects under the programme for 'Accelerated Electrification' of 'one lakh villages and one crore households' of the GoI for providing electricity to un-electrified villages and access to electricity at rural households.

The project activities shall involve system planning, design, engineering, procurement and execution of projects under the said programme. Our Company is responsible for identifying the projects that are to be undertaken by DVC and for acquiring such approvals, as are relevant to our Company as a financial institution, wherever applicable. DVC shall undertake these projects on a deposit work basis after a separate multilateral agreement is entered into as stated in the MoU. Furthermore, DVC shall be responsible for formulation, development and implementation of the projects in the identified areas involving system planning, design, engineering and procurement in accordance with our Company's guidelines, specifications and construction standards and in accordance with agreed competitive bidding procedures. DVC shall implement the project in a time bound manner as scheduled and immediately after completion, the project shall be taken over by the concerned state government or state power utility which will be responsible for proper operation and maintenance thereafter. However, if the state government or the state public utility so desires, DVC may take up the operation and maintenance of the completed project after entering into a separate agreement with the concerned state government or state power utility. Furthermore, if the concerned state government or state power utility so desires, the role of DVC may be limited to either project monitoring and supervision of quality of works during construction or to formulation and preparation of project reports, arranging project approvals, providing advisory support during procurement, if required, and supervision of quality of works during construction.

Our Company shall fund the project from the funds sanctioned to state government or state power utilities under the programme which shall be released by our Company directly to DVC including service charges as per a separate multilateral agreement is entered into as stated in the MoU. DVC shall be entitled to service charge of 12% of project cost on pro rata basis and the same may be included in project costs. Moreover, any additional statutory taxes , payable by DVC shall also be reimbursed. In case the scope of work of DVC is limited to either project monitoring and supervision of quality of works during construction or to formulation and preparation of project reports, arranging project approvals, providing advisory support during procurement, as may be necessary, and supervision of quality of works during construction; DVC shall be entitled to service charges of 2% and 5% of the project cost respectively. Moreover, any additional statutory taxes , payable by DVC shall also be reimbursed. The MoU is valid for a period of 10 years from the date of execution, unless otherwise extended.

(iv) MoU dated August 16, 2004 entered between our Company and NTPC

Our Company entered into a MoU with NTPC on August 16, 2004 pursuant to which our Company and NTPC have agreed to be associated in the formulation and implementation of projects under the erstwhile programme for 'Accelerated Electrification' of 'one lakh villages and one crore households' of the GoI, one block each in West Bengal and Jharkhand, up to 33/11 KV sub-station at the block level and up to 11/0.4 KV distribution sub-station in each village of the block and other associated work as mutually agreed. The programme for 'Accelerated Electrification' has now merged with the RGGVY.

The project activities shall involve system planning, design, engineering, procurement and execution of projects. Our Company is responsible for identifying the projects that are to be undertaken by NTPC and is also responsible for acquiring such approvals, as are relevant to our Company as a financial institution, wherever applicable. NTPC shall undertake the projects on a deposit work basis after a separate multilateral agreement is entered into as stated in the MoU. Furthermore, NTPC shall be responsible for the formulation, development and implementation of projects in the identified areas involving system planning, design, engineering and procurement in accordance with our Company's guidelines, specifications and construction standards and in accordance with agreed competitive bidding procedures. NTPC shall implement the projects in a time bound manner as scheduled and immediately after completion, the project shall be taken over by the concerned state government or state power utility which will be responsible for proper operation and maintenance thereafter. However, if the concerned state government or state public utility so desires, NTPC may take up the operation and maintenance of the completed project after entering into a separate agreement with the concerned state government or state power utility. Furthermore, if the concerned state government or state power utility so desires, the role of NTPC may be limited to either project monitoring and supervision of quality of works during construction or to formulation and preparation of project reports, arranging project approvals, providing advisory support during procurement, if required, and supervision of quality of works during construction. Our Company shall identify one block each for implementation by NTPC in Jharkhand and West Bengal and NTPC's obligation under the MOU shall be limited to these two blocks only.

Our Company shall fund the project from the funds sanctioned to state governments or state power utilities under the erstwhile Accelerated Electrification Programme which shall be released by our Company directly to NTPC including service charges as per a separate multilateral agreement is entered into as stated in the MoU. NTPC shall be entitled to service charge of 12% of the project cost on *pro rata* basis and the same may be included in project costs. Moreover, any additional statutory taxes , payable by NTPC shall also be reimbursed. In case the scope of work of NTPC is limited to either project monitoring and supervision of quality of works during construction or to formulation and preparation of project reports, arranging project approvals, providing advisory support during procurement, as may be necessary, and supervision of quality of works during construction; NTPC shall be entitled to service charges of 2% and 5% of the project cost respectively. Moreover, any additional statutory taxes , payable by NTPC shall also be reimbursed. The MoU shall remain valid for a period of 10 years from the date of execution, unless otherwise extended.

D. Miscellaneous agreements

Our Company entered into agreements with the Housing and Urban Development Corporation Limited ("**HUDCO**") and India Infrastructure Finance Company Limited ("**IIFCL**") on June 5, 2007 and July 13, 2007, respectively, so as to consider participative approach for financing and to provide a single window to power utilities for consortium lending and housing related to power projects and co-financing other infrastructure development projects related to the power sector. Pursuant to the implementation of such 'single window', a standard format of common application form shall be developed for utilities to apply for consortium financing. Our Company has agreed to take the responsibility of the lead institution in relation to the agreement with IIFCL. However, under the terms of the agreement with HUDCO, both parties may act as the lead institution depending upon the nature of each project.

The parties have also agreed to share data and information involving all aspects of power sector in India, including, regulation, operation, marketing, finance and accounting, management, restructuring, customer service, individual project data and other areas of expertise. Subject to the directions/guidelines issued by the GoI or any other authorities from time to time, the parties agree to participate jointly or severally, in equity of entities responsible for development of power as well as other infrastructure projects, subject to obtaining requisite approvals as may be necessary. The agreements are valid until mutually terminated.

Collaborations

Except as provided in this section, our Company has not entered into any collaboration with any third party.

Strategic or Financial Partners

Except as stated in this section and apart from our various arrangements with our lenders and bankers, which we undertake in the ordinary course of our business, our Company currently does not have any strategic or financial partners.

Details of past performance

For further details in relation to the financial performance of our Company in the previous five Fiscals, including details of non-recurring items of income, see the section titled "***Financial Statements***" on page F-1.

OUR MANAGEMENT

Under our Articles of Association, we are required to have not less than three directors and not more than 15 directors. We currently have eight directors out of which three are whole-time directors, one is a government nominee director and four are independent directors.

Our Board

The following table sets forth details regarding our Board as on the date of this Red Herring Prospectus.

Name, Fathers' name. Designation, Occupation, Age and DIN	Residential Address	Other Directorships
Mr. P. Uma Shankar S/o Mr. R. Parthasarathi Chairman and Managing Director *Non-Independent Director* Occupation: Service DIN: 00130363 Age: 56 years	B-326, Asiad Games Village Complex, New Delhi 110 049, India	• REC Transmission Projects Company Limited; • REC Power Distribution Company Limited; and • Indian Energy Exchange Limited.
Mr. Hari Das Khunteta S/o. (Late) Mr. R.D Khunteta Director (Finance) Executive Director *Non-Independent Director* Occupation: Service DIN: 00061925 Age: 57 years	A-3, Jal Vidyut Apartments, Sector 21-C, Part-III, Faridabad 121 001, Haryana, India.	Nil
Mr. Guljit Kapur S/o. Late Mr. Vidya Prakash Kapur Director (Technical) Executive Director *Non-Independent Director* Occupation: Service DIN: 01120089 Age: 58 years	49-B, Sukhdev Vihar, Pocket-A, DDA Flats, New Delhi 110 025, India	Nil
Mr. Devender Singh S/o. Mr. Karan Singh Panwar Government Nominee Director Non-Executive Director Occupation: Service DIN: 01792131 Age: 47 years	L-32, Nivedita Kunj, Sector-10, R.K. Puram, New Delhi 110 022, India.	Power Finance Corporation Limited.

Name, Fathers' name. Designation, Occupation, Age and DIN	Residential Address	Other Directorships
Mr. Venugopal N. Dhoot S/o. Late Mr. Nandlal Dhoot Non-Executive Director Independent Director Occupation**:** Industrialist DIN: 00092450 Age: 58 years	90, Manav Mandir, Napean Sea Road, Mumbai 400 006, India.	• Videocon Industries Limited; • Trend Electronics Limited; • Value Industries Limited; • KAIL Limited; • Shree Dhoot Trading and Agencies Limited; • Next Retail India Limited; • Videocon Realty & Infrastructures Limited; • Videocon International Electronics Limited; • Bharat Hotels Limited; • Evans Fraser & Company (India) Limited; • Videocon Power Ventures Limited; • Videocon Energy Limited; • Solitaire Appliances Private Limited; • TekCare India Private Limited; • Shyadhri Consumer Electronics (India) Private Limited; • Nippon Investment and Finance Company Private Limited; • Quadrant Enterprises Private Limited; • Jumbo Techno Services Private Limited; • Dome-bell Electronics India Private. Limited; • Senior Consulting Private Limited; • Universal Mobile Towers Private Limited; • Bharat Broadcasting Corporation Private Limited; • Eshwar Home Appliances Private Limited; • Carl Jay Optics Private Limited; • Waluj Components Private Limited; • Paramount Global Limited; • Mars Overseas Limited; • Sky Billion Trading Limited; • Videocon Global Limited; • Powerking Corporation Limited; • Venus Corporation Limited; • Eagle Corporation Limited; • Videocon (Cayman) Limited; • Trend Limited; • Tusker Overseas Inc; • Taurus Overseas Inc; • Videocon JPDA 06-103 Limited; • Videocon Global Energy Holdings Limited; • Videocon Oman 56 Limited; • Videocon Mozambique Rovuma 1 Limited; • Jupitor Corporation Inc; • Excel Overseas Inc; • Videocon Indonesia Nunukan Inc; • Sapphire Overseas Inc; • VCIL Netherlands B.V; • Eagle E Corp Limited; • Videocon Energy Ventures Limited; • Quadrant Corporation Inc.; • Videocon Australia WA 388 – P

Name, Fathers' name. Designation, Occupation, Age and DIN	Residential Address	Other Directorships
		Limited; • Videocon Hydrocarbon Holdings Limited; • Marathwada Medical Research and Rural Development Institution (a company under Section 25 of the Companies Act); and • Associated Chamber of Commerce and Industry of India (a company under Section 25 of the Companies Act).
Dr. M. Govinda Rao S/o. Late Mr. Laxminarayana Acharya Non-Executive Director *Independent Director* Occupation: Service DIN: 01982343 Age: 62 years	1, Academic Staff Quarters, NIPFP, 18/2 Satsang Vihar Marg, Special Institutional Area, New Delhi 110067, India.	• NTPC Limited.
Mr. P.R. Balasubramanian S/o. Late Peralam Vaidyanathan Ramachandran Non-Executive Director *Independent Director* Occupation: Retired professional DIN: 01993392 Age: 65 years	229, 9A Main, 1st Block, H.R.B.R Layout, Kalyan Nagar, Bangalore 560043, Karnataka, India.	• Indian Rare Earths Limited.
Dr. Devi Singh S/o. Late Mr. Saudan Singh Non-Executive Director *Independent Director* Occupation: Service DIN: 00015681 Age: 57 years	Director's Bungalow, IIM Campus, Praband Nagar, Off Sitapur Road, Lucknow 226103, Uttar Pradesh, India.	• Sunbeam Auto Limited; • Energy Infratech (Private) Limited; and • Munjal Showa Limited.

Brief Profile of our Directors

Mr. P. Uma Shankar, 56 years, is our Chairman & Managing Director since March 1, 2008. He holds a master's degree in Mathematics from IIT, Chennai and in Social Policy and Planning from London School of Economics. He has been a member of the Indian Administrative Service since 1976 in the Uttar Pradesh cadre. He has about 31 years of experience in governmental institutions engaged in revenue, law and order, development work, rural infrastructure, finance, housing and urban development, industries, municipal affairs and relief. Prior to being appointed on our Board, Mr. Uma Shankar was the Managing Director, National Cooperative Development Corporation, New Delhi wherein he was involved in nation-wide planning, promoting and financing of cooperatives engaged in marketing, storage and processing of agricultural produce and notified commodities. He has also served as the Joint Secretary (Sugar), Ministry of Consumer Affairs, GoI. Further, as the 'Additional Chief Executive Officer', Greater NOIDA, he was involved in the development, management and maintenance of urban infrastructure for Greater NOIDA. In the co-operative sector at the state level, he has served as the Registrar of Cooperative Societies, Uttar Pradesh during 1994 - 1996 wherein he was involved in the development of over 8,000 rural credit societies as well as 60 district cooperative banks through forward and backward linkages for arranging of inputs and their sale to farmers, purchase of produce through marketing societies. He has also been the Managing Director of U.P. State Sugar Corporation, being one of the largest public sector undertaking in the state of Uttar Pradesh. He has authored the papers titled "Enhancing Effectiveness of Co-operatives: Major Problems and Policy Implications" in 'Co-operative Perspective', April-June 1999 and "Housing the Urban Poor: Problems and Prospects" in 'Nagarlok'.

Mr. Hari Das Khunteta, 57 years, has been our Director (Finance) since May 5, 2004. He holds a bachelor's degree in commerce from the University of Rajasthan. He is also a member of the ICAI. He has 32 years of professional experience in the area of financial management including resource mobilization from domestic and international markets, investor servicing and corporate governance. Prior to being appointed as Director (Finance) on our Board, he held the position of the 'Executive Director' (Finance and Accounts) in NHPC and also a non-executive director on the board of Narmada Hydroelectric Development Corporation, a joint venture of NHPC and Government of Madhya Pradesh. He is in charge of all aspects of finance and accounts in our Company.

Mr. Guljit Kapur, 58 years, is the Director (Technical) since December 1, 2008. He holds a bachelor's degree in electrical engineering from Punjab Engineering College, Chandigarh. Mr. Kapur has over 38 years of experience in various power sector utilities namely 'Bhakhra Beas Management Board', Punjab State Electricity Board, PGCIL, Tehri Hydro Development Corporation Limited, NHPC and our Company. Prior to his being appointed as the Director (Technical) of our Company, he was working as the 'General Manager (Transmission & Distribution)' of our Company. He joined our Company on deputation on September 14, 2005 and he was permanently absorbed in our Company on September 15, 2007. Prior to joining our Company, he has served as the 'Deputy General Manager' in PGCIL. He is in charge of all technical and operational aspects of various projects in the generation, transmission and distribution sectors as well as rural electrification projects under the RGGVY.

Mr. Devender Singh, 47 years, currently the joint secretary in the MoP is in-charge of rural electrification, energy conservation, international cooperation, cordination, vigilance and security besides demand side management and distribution. He holds a bachelor's degree in electronics and communication from the Delhi College of Engineering, Delhi and a post graduate diploma in business management from the IIM, Ahmedabad. He has been a part of the Indian Administrative Service since 1987 in the Haryana cadre and has been a civil servant for about 22 years. Prior to joining the MoP, he has also served as the Deputy Commissioner, Gurgaon, Haryana, Deputy Commissioner Karnal, Director Industries and Mines, and Managing Director, Haryana Supply and Marketing Federation. He has also served as the Managing Director, Haryana Dairy Development Cooperative Federation Limited. He joined our Board on August 29, 2007.

Mr. Venugopal N. Dhoot, 58 years, is an Independent Director on our Board since December 20, 2007. Mr. Venugopal N. Dhoot is an engineering graduate from Pune University. He is one of the Promoters of Videocon group of companies with diverse interests in the fields of consumer electronics and home appliances, oil and gas, power and telecommunications. He is associated with Videocon group for over 30 years. He was the President of the Associated Chambers of Commerce and Industry in India. Presently, he is the president of Electronic Industries Association of Marathwada, a member of the advisory committee of Pune University Information Employment and Guidance and an advisor to the Government of Orissa for industrial development of Orissa.

Dr. M. Govinda Rao, 62 years, is an Independent Director on our Board since December 20, 2007. He has a doctorate degree in Economics from Sambalpur University, Orissa and post doctoral training at the University of Maryland, College Park, USA. Currently, Dr. Rao is a Director, National Institute of Public Finance and Policy, New Delhi. He is also a member of Economic Advisory Council to the Prime Minister of India. Prior to joining our Board, he has served as the Director, Institute for Social and Economic Change, Bangalore during the period 1998 to 2002, Fellow, Research School of Pacific and Asian Studies, Australian National University, Canberra, Australia for the period 1995 to 1998. Dr. Rao has also served as the chairman and member of several committees at both central and state levels on various matters related to fiscal policy, tax policy and reforms and fiscal federalism. He is a member of board of governors of Institute of Economic Growth, New Delhi and Madras School of Economics. He has been a consultant to the World Bank, International Monetary Fund, Asian Development Bank, UNDP and Financial and Fiscal Commission, Republic of South Africa. He has authored thirteen books and a number of articles in international journals. He is also a columnist in the newspaper daily Business Standard. He is also a member of the RBI's Southern Area Local Board.

Mr. P. R. Balasubramanian, 65 years, is an Independent Director on our Board since December 20, 2007. He holds a bachelor's degree in Mechanical Engineering from the University of Kerala. He is fellow of the Institution of Engineers, Kolkata and fellow of the Indian Council of Arbitration, New Delhi. Mr. Balasubramanian has 39 years of experience in the power and industrial sector and has served for five years as the Director (Power) of Neyveli Lignite Corporation Limited. Prior to joining our Board, he has served as the Chairman and Managing Director of Fertilizers and Chemicals Travancore Limited. He has also served as the Executive Director of Gas Authority of India Limited and has also worked with the Atomic Energy Establishment and Engineers India Limited. He is also an independent director on the board of directors of Indian Rare Earths Limited, a public sector undertaking, under the Department of Atomic Energy, GoI.

Dr. Devi Singh, 57 years, is an Independent Director on our Board since January 7, 2008. He holds a bachelor's degree and a master's degree in Economics from Rajasthan University. He was also a Fellow at the IIM, Ahmedabad. He has a total work experience of more than 32 years with an experience in International Finance, Financial Management and International Business. He is currently, the director of the IIM, Lucknow. He has also served as a director of the Management Development Institute, Gurgaon. He has been a visiting professor at the faculty of Management, McGill University, Montreal and the International Centre for Public Enterprises in Developing Countries, Ljubljana, Slovenia. He has also been a professor at the International Management Institute, New Delhi. He was awarded by the American Biographical Institute, USA with the "Man of the Millennium Award" in 2000.

Borrowing powers of our Board

Pursuant to a resolution passed by our shareholders at the annual general meeting held on September 19, 2009 in accordance with the provisions of the Companies Act, our Board has been authorised to borrow such sums of money, not exceeding Rs. 750,000 million, for the purposes of the business of our Company, notwithstanding that the moneys to be borrowed together with the moneys already borrowed by our Company (apart from temporary loans obtained from our Company's bankers, in the ordinary course of the business) would exceed the aggregate of our paid-up capital and free reserves.

Details of Appointment of our Directors

Name of Director	Appointment letter no. / Office orders issued by the MoP	Term
Mr. P. Uma Shankar	No. 46/10/2007- (RE) dated February 29, 2008	Appointment with effect from March 1, 2008 until further orders
Mr. Hari Das Khunteta	No. 46/3/2003-D (RE) dated April 26, 2004 and No. 46/3/2003-D(RE) dated June 15, 2009	Appointment with effect from May 5, 2004 for a period of five years or till the date of superannuation, being July 31, 2012, whichever is earlier. Further, his tenure has been extended beyond May 4, 2009, till the date of his superannuation being. July 31, 2012, or until further orders, whichever is earlier.
Mr. Guljit Kapur	No. 46/14/2007-(RE) dated October 17, 2008	Appointment with effect from December 1, 2008 for a period of five years or till the date of superannuation, being, March 31, 2011, or until further orders, whichever is earlier.
Mr. Devender Singh	No. 46/4/2007-RE dated August 29, 2007	Appointment with effect from August 29, 2007 as government nominee Director until further orders.
Mr. Venugopal N. Dhoot	No.46/15/90-D (RE) (Vol.IV) dated December 20, 2007	Appointed with effect from December 20, 2007 as 'part time non-official' Director for a period of three years or until further orders, whichever is earlier.
Dr. M. Govinda Rao	No.46/15/90-D (RE) (Vol.IV) dated December 20, 2007	Appointed with effect from December 20, 2007 as 'part time non-official' Director for a period of

Name of Director	Appointment letter no. / Office orders issued by the MoP	Term
		three years or until further orders, whichever is earlier.
Mr. P.R. Balasubramanian	No.46/15/90-D (RE) (Vol.IV) dated December 20, 2007	Appointed with effect from December 20, 2007 as 'part time non official' Director for a period of three years or until further orders, whichever is earlier.
Dr. Devi Singh	No.46/15/90-D (RE) (Vol. IV) dated January 7, 2008	Appointed with effect from January 7, 2008 as 'part time non official' Director for a period of three years or until further orders, whichever is earlier.

Except for our whole-time Directors who are entitled to statutory benefits upon termination of their employment with us along with certain post retirement medical benefits, no other Director is entitled to any benefit upon termination of his employment with us.

Remuneration of our Directors

The following table sets forth the details of the remuneration for our whole-time directors for the Fiscal 2009. In addition to the amounts specified below, they are also entitled to benefits/facilities such an official vehicle and petrol charges reimbursement, medical reimbursements, leave travel concessions, gratuity, reimbursements for maintenance of a residential office and official entertainment.

(Rs.)

S. No.	Name	Salary and certain allowances, including basic pay, dearness pay and stagnation pay	Dearness allowance	Provident fund	Other incentives and arrears	Total income for Fiscal 2009
1.	Mr. P. Uma Shankar	632,750	183,932	60,000	400,537	1,277,219
2.	Mr. Hari Das Khunteta	649,669	269,287	111,224	613,500	1,643,680
3.	Mr. Guljit Kapur	185,700	78,274	32,869	-	296,843

Mr. Devender Singh, government nominee Director, is not entitled to any remuneration from us as he has been nominated by the MoP, GoI. Our independent directors are paid Rs. 15,000 as sitting fees for attending either each Board or any Committee Meeting, pursuant to a resolution of our Board dated March 23, 2009.

Details of terms and conditions of employment of our Executive Directors

1. **Mr. P. Uma Shankar** was appointed as Chairman & Managing Director of our Company with effect from March 1, 2008 by the President of India pursuant to letter no. 46/10/2007-RE dated February 29, 2008 issued by MoP. The terms of the said employment have been set out in the letter no. 46/10/2007-RE dated September 3, 2008 issued by the MoP. Mr. P.Uma Shankar has got in-situ elevation in the rank and pay of Secretary, Government of India with effect from November 24, 2009.

The significant terms and conditions governing the appointment of Mr. P.Uma Shankar are as under:

Term*	Appointment with effect from March 1, 2008 until further orders.
Basic Salary	Rs. 24,500 per month (in the existing scale of Rs. 22,400 – 600 – 26,000 per month) at the time of appointment and a dearness pay of Rs. 12,700 per month. Mr. P. Uma Shankar is paid in accordance with the Central Dearness Allowance Scheme. His pay has been re-fixed in the scale of Rs. 67,000-(annual increment of 3%)-79,000 pursuant to Office Memorandum F.No. 1/1/2008-IC dated July 21, 2009 issued by the Department of Expenditure, MoF.
Dearness Allowance	In accordance with Rule 3 of the All India Services (Dearness Allowance) Rules, 1972 as amended from time to time
House Rent Allowance and City Compensation Allowance	Admissible as per All India Service Rules

Pension	He shall continue to be governed by the provisions of the All India Service (Death cum Retirement Benefit) Rules, 1958. He will not join the 'Contributory Provident Fund' or any pension scheme of public sector undertakings. Our Company shall pay the pension contribution to the government of Uttar Pradesh in his respect for such period he is in our Company at the rates prescribed by the Central Government.
Provident Fund	As per the All India Service Provident Fund Scheme to which he was subscribing at the time of proceeding on joining our Company in accordance with the rules of such fund.
Other benefits and incentives	Entitled to travelling allowance, medical facilities, leave travel concession, disability leave and group insurance.
Leave	As per the All India Services (Leave) Rules 1955 and the All India Services (Death cum Retirement Benefits) Rules, 1958. The entire expenditure in respect of leave taken during and at the end of period of this post shall be borne by our Company.
Leave Travel Concession	Our Company shall allow leave travel concession as admissible under our rules provided these are not inferior to those admissible to him under the All India Services (LTC) Rules, 1975. The whole expenditure in this regard shall be borne by our Company. This is, however, subject to the condition that he has not already before joining our Company availed of the concession during the particular block years of period of this post.

** The above terms and conditions are as per standard terms and conditions for IAS Officers on deputation to various CPSUs, as prescribed vide Department of Personnel & Training letter No. 29018/5/2001-AIS (II) dated August 21, 2002. All matters relating to conditions of service and benefits/facilities and perquisites provided by our Company that are not covered by the above, would be governed by the existing rules, regulations and orders of our Company*

2. **Mr. Hari Das Khunteta** was appointed as Director (Finance) of our Company for an initial period of five years by the President of India pursuant to letter no. 46/3/2003-D (RE) dated April 2, 2004 issued by the MoP. Further his tenure has been extended beyond May 4, 2009 till the date of his superannuation i.e., July 31, 2012, or until further orders whichever is earlier, pursuant to letter no. 46/3/2003-D (RE) dated June 15, 2009 issued by the MoP.

The terms of the said employment have been set out in the Letter No. 46/3/2003-D(RE) dated December 3, 2004. The significant terms and conditions governing the appointment of Mr Hari Das Khunteta are as under:

Term	Five years from the date of taking over the charge of his post, that is, May 5, 2004 till the age of his superannuation, whichever is earlier.
Basic Salary	Rs. 26,400 per month, in the existing scale of Rs. 25,750-650-30,950. Further, pursuant to letter no 46/3/2003-RE dated December 22, 2006 and letter no. 46/3/2003-D(RE) dated June 15, 2009 issued by the MoP, his pay was increased to Rs. 30,950 per month in the existing scale of Rs. 25,750-650-30,950 with effect from the date of appointment in addition to being a personal pay of Rs. 210 per month. He is also entitled to a stagnation increment of Rs. 650 per year. He is paid in accordance with the 'Industrial Dearness Allowance Schemes'.
Dearness Allowance	In accordance with the new 'Industrial Dearness Allowance Scheme' mentioned in the Department of Public Enterprises's office memoranda dated June 25, 1999, presently Rs. 25,514.
Housing and Furnishing	Housing rent allowance at the rates indicated in the Department of Public Enterprises' office memorandum dated June 25, 1999. Wherever furnished accommodation has been arranged by our Company, either in its own township or own residential flats or arranged on lease basis, and additional recovery at the rate of 2.5% of the revised basic and personal pay from May 5, 2004, would have to be made per month.
Lease Accommodation	The present rental ceiling Rs. 21,665
Provident Fund & Gratuity	Entitled to provident fund and gratutity as per the rules of our Company.
City Compensatory Allowance	As per the existing rates approved for the executives of our Company, subject to an overall ceiling of Rs. 300 per month.
Other benefits and incentives	Mr Hari Das Khunteta will be entitled to staff car for personal use, subject to a ceiling of 1,000 km per month. He is also entitled to medical facilities, travel allowance and leave travel concession in accordance with the rules of our Company.
Productivity Linked Incentive Scheme	Wherever the scheme has been introduced by our Company with prior approval of the Government, the benefit of incentive payments under the existing Productivity Linked Incentive Scheme would also be extended to the Director (Finance) as per the Department of Public Enterprises office memorandum dated June 25, 1999.
Leave and Vacation	As per the leave rules of our Company

Club Membership	He will also be eligible to become member of two clubs at the expense of our Company but his membership of these clubs will be coterminous with his tenure as Director (Finance)

Mr. Hari Das Khunteta after retirement from the service of our Company is prohibited from accepting any appointment or post, whether advisory or administrative, in any firm or company whether Indian or foreign, with which our Company has or had business relations, within two years from the date of his retirement, without prior approvals of the Government.

3. **Mr Guljit Kapur** was appointed as Director (Technical) with effect from December 1, 2008 by the President of India pursuant to letter no. 46/14/2007- RE dated October 17, 2008 issued by the MoP. Pursuant to the said letter, Mr. Kapur has been appointed in Schedule 'B' Scale of Pay of Rs. 25,750 – 650 – 30,950 for a period of five years from the date of commencement of employment with effect from the date of taking over charge of the post on or after December 1, 2008 or till the date of his superannuation or until further orders whichever is the earliest. Our Company has sought the detailed terms and conditions of his appointment from the MoP, pursuant to its letter dated October 16, 2009.

Pursuant to memoranda issued by the DPE on November 26, 2008 and April 2, 2009, the GoI has increased the pay scales of board members and executive officers of government enterprises, including our Company. Salary increases for all affected government employees will be retrospectively effective from January 1, 2007. In light of the above, the above mentioned remunerations are subject to revision.

Shareholding of Directors in our Company

For details of shareholding of our Directors in our Company, see the section titled "***Capital Structure***" on page 22.

Relationships between Directors

None of our Directors are related to each other.

Details of Service Contracts

Except as otherwise provided in this section, there are no service contracts entered into with any Directors for provision of benefits or payments of any amount upon termination of employment.

Interest of Directors

All of our Directors may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses, if any, payable to them under our Articles, and to the extent of remuneration, if any, paid to them for services rendered as an officer or employee of our Company.

Except as stated in this section, respectively, no amount or benefits were paid or were intended to be paid to our Directors during the last two years from the date of filing of this Red Herring Prospectus.

All the independent Directors are entitled to receive sitting fees for attending the Board/committee meetings within the limits laid down in the Companies Act and as decided by our Board.

Our Directors have no interest in any property acquired by our Company or its Subsidiaries within two years of the date of filing of this Red Herring Prospectus or presently intended to be acquired by our Company or its Subsidiaries as disclosed in this Red Herring Prospectus.

Our Company has sanctioned a term loan of Rs. 9,290 million to Pipavav Energy Private Limted, a subsidiary of Videocon Industries Limited, of which Mr. Venugopal N. Dhoot is a director, subject to the approval of the MoP, for setting up of 1 x 600 MW coal based thermal power plant in Pipavav, Gujrat.

None of Directors were interested in any transaction by our Company involving acquisition of land, construction of building or supply of any machinery.

Except as stated in the section titled "***Financial Statements***" on page F-1, and to the extent of shareholding in our Company, our Directors do not have any other interest in our business.

Changes in our Board during the last three years

Name	Designation	Date of Appointment	Date of Cessation	Reason
Mr. Arvind Jadhav	Government Nominee Director	May 23, 2002	March 13, 2007	Ceased to be a Director pursuant to a notification by the MoP, GoI.
Mr. Mrutunjay Sahoo	Government Nominee Director	March 8, 2004	July 18, 2007	Ceased to be a Director pursuant to a notification by the MoP, GoI.
Mr. Bal Mukand	Director (Technical)	May 24, 2004	November 30, 2008	Ceased to be a Director pursuant to a notification by the MoP, GoI.
Mr. Anil Kumar Lakhina	Chairman and Managing Director	August 1, 2005	February 29, 2008	Ceased to be a Director pursuant to an order from the MoP, GoI.
Mr. Jayant Kawale	Government Nominee Director	March 13, 2007	August 29, 2007	Ceased to be a Director pursuant to an order from the MoP, GoI.
Mr. Rajesh Verma	Government Nominee Director	July 18, 2007	January 9, 2008	Ceased to be a Director pursuant to an order from the MoP, GoI.
Mr. Devender Singh	Government Nominee Director	August 29, 2007	Continuing	Appointment pursuant to a notification by the MoP, GoI.
Mr. Venugopal N. Dhoot	Independent Director	December 20, 2007	Continuing	Appointment pursuant to a notification by the MoP, GoI.
Dr. M. Govinda Rao	Independent Director	December 20, 2007	Continuing	Appointment pursuant to a notification by the MoP, GoI.
Mr. P.R. Balasubramanian	Independent Director	December 20, 2007	Continuing	Appointment pursuant to a notification by the MoP, GoI.
Dr. Devi Singh	Independent Director	January 7, 2008	Continuing	Appointment pursuant to a notification by the MoP, GoI.
Mr. P. Uma Shankar	Chairman and Managing Director	March 1, 2008	Continuing	Appointment pursuant to a notification by the MoP, GoI.
Mr. Guljit Kapur	Director (Technical)	December 1, 2008	Continuing	Appointment pursuant to a notification by the MoP, GoI.

Corporate Governance

The provisions of the listing agreement entered into with the Stock Exchanges with respect to corporate governance and the SEBI Regulations in respect of corporate governance will be applicable to our Company immediately upon the listing of our Equity Shares on the Stock Exchanges. Our Company has complied with the corporate governance code in accordance with Clause 49 of such listing agreement, particularly, in relation to appointment of independent Directors to our Board and constitution of the audit committee, the investor grievance committee and the remuneration committee. Our Board functions either as a full Board or through various committees constituted to oversee specific operational areas. Our Company undertakes to take all necessary steps to continue to comply with all the requirements of Clause 49 of the listing agreement entered into with the Stock Exchanges.

We currently have eight directors out of which three are whole-time directors, one is a government nominee director and in compliance with Clause 49 of the listing agreement entered into with the Stock Exchanges, four of our Directors are independent directors. In terms of the Clause 49 of the listing agreement entered into with the Stock Exchanges, our Company has constituted the following committees:

(a) Audit Committee; and
(b) Shareholders/Investors Grievance Committee.

Audit Committee

The audit committee was constituted by the Directors pursuant to a resolution passed by circulation on January 31, 2001 and confirmed by them at their meeting held on April 27, 2001 ("**Audit Committee**").

Pursuant to resolutions dated January 18, 2008 and March 31, 2008, the terms of reference of the Audit Committee was amended to comply with the requirements relating to audit committee as envisaged in clause 2.18 of the model listing agreement, clause 49 of the listing agreement and the guidelines of corporate governance of Department of Public Enterprises, 2007 in a phased manner.

The Audit Committee currently comprises of:

Name of the Director*	Designation	Position in Committee
Dr. M. Govinda Rao	Independent Director	Chairman
Mr. P.R. Balasubramanian	Independent Director	Member
Dr. Devi Singh	Independent Director	Member

** Mr. Hari Das Khunteta (Director (Finance)), Mr. Bhanu Pratap Yadav (Executive Director (Internal Audit)) and our Statutory Auditors are standing invitees to attend the meetings of the Audit Committee.*

Scope and terms of reference: The Audit Committee would perform the following functions with regard to accounts and financial management:

a) to comply with the requirements in accordance with Section 292A of the Companies Act;
b) to take on record and/or to review unaudited/audited quarterly/half-yearly/annual financial statements of our Company; and
c) to comply with the requirements envisaged in (a) Clause 2.8 of the 'model listing agreement' entered into between our Company and the stock exchanges where debt securities are listed, (b) Clause 49 of the listing agreement entered into with the Stock Exchanges, and (c) the 'Guidelines on Corporate Governance' issued by the Department of Public Enterprises (Central Public Sector Enterprises), 2007, in a phased manner

Clause 49 of the listing agreement entered into with the Stock Exchanges provides for the following functions of the Audit Committee:

1. Oversight of our Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees;
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors;
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
    a. Matters required to be included in the 'Director's Responsibility Statement' to be included in our Board's report in terms of Clause (2AA) of Section 217 of the Companies Act;
    b. Changes, if any, in accounting policies and practices and reasons for the same;
    c. Major accounting entries involving estimates based on the exercise of judgment by management;
    d. Significant adjustments made in the financial statements arising out of audit findings;
    e. Compliance with listing and other legal requirements relating to financial statements;
    f. Disclosure of any related party transactions;
    g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval, including such review as may be required for compliance with provisions of the listing agreement entered into with the Stock Exchanges;
6. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
8. Discussion with internal auditors any significant findings and follow up there on;
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;

10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;
12. To review the functioning of the 'Whistle Blower' mechanism, in case the same is existing;
13. To monitor the utilisation of any issue proceeds and make appropriate recommendations to the our Board in this regard;
14. The Audit Committee shall mandatorily review the following information:

    a. Management discussion and analysis of financial information and results of operations;
    b. Statement of significant related party transactions (as defined by the Audit Committee), submitted by the management;
    c. Management letters / letters of internal control weaknesses issued by the statutory auditors;
    d. Internal audit reports relating to internal control weaknesses; and
    e. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee.

The Audit Committee is required to meet at least four times in a year and each meeting is required to be held within four months of the previous meeting. The quorum of the meetings shall be two members including the Chairman of the Audit Committee.

Shareholders/Investors Grievance Committee

The Shareholders/Investor Grievance Committee was constituted as 'Investors Grievance Committee' by our Directors at their meeting held on July 30, 2004 (the "**Investors Grievance Committee**"). The name of the committee was changed to 'Shareholders/Investors Greivance Committee', pursuant to a resolution dated January 18, 2008 passed by our Board. The Company Secretary of our Company shall be the secretary to the Investors Grievance Committee. The current composition of Investors Grievance Committee is as under:

Name of the Director	Designation	Position
Mr. Devender Singh	Government Nominee Director	Chairman
Mr. Hari Das Khunteta	Director (Finance)	Member
Mr. Guljit Kapur	Director (Technical)	Member

Scope and terms of reference: The Shareholders/ Investors Grievance Committee has been constituted to look into redressal of shareholders' and investors' complaints in relation to, inter alia, transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc. as provided under the listing agreement entered into with the Stock Exchanges. Clause 49 of the listing agreement entered into with the Stock Exchanges provides for the following functions of the Investors Grievance Committee.

a) To approve the request for transfer, transmission, etc., of Equity Shares;
b) To approve the dematerialisation of shares and re-materialization of Equity Shares;
c) To consider and approve, split, consolidation and issuance of duplicate Equity Shares;
d) To review from time to time overall working of the secretarial department of our Company relating to our Equity Shares and functioning of the share transfer agent and other related matters.

The quorum of the Shareholders/Investor Grievance Committee shall be a minimum of two members including the Chairman.

Other Committees

In addition to the above committees, our Board has also constituted the following committees:

Remuneration Committee

The remuneration committee was constituted by our Directors at their meeting held on April 20, 2009 ("**Remuneration Committee**") to ensure that the 'performance related payments' for the year 2009-2010 onwards be made in consonance with the revised procedure as prescribed by the Department of Public Enterprises. The Remuneration Committee currently comprises:

Name of the Director*	Designation	Position in Committee
Mr. P.R. Balasubramanian	Independent Director	Chairman
Mr. Hari Das Khunteta	Director (Finance)	Member
Mr. Guljit Kapur	Director (Technical)	Member

** The Executive Director (Human Resources) is the standing invitee at the meetings of the Remuneration Committee*

Loan Committee

The 'loan committee' was constituted by our Directors at their meeting held on May 26, 2008 ("**Loan Committee**"). The Loan Committee was constituted for sanctioning of loans to (a) central or state government power utilities in excess of Rs. 1,500 million but up to Rs. 5,000 million in each case, with an annual ceiling of up to Rs. 200,000 million, and (b) to private sector power utilities in excess of Rs. 1,000 million but up to Rs. 5,000 million in each case, with an annual ceiling of up to Rs. 40,000 million. The Loan Committee currently comprises:

Name of the Director	Designation	Position in Committee
Mr. P. Uma Shankar	Chairman and Managing Director	Chairman
Mr. Hari Das Khunteta	Director (Finance)	Member
Mr. Guljit Kapur	Director (Technical)	Member
Mr. Devender Singh	Government Nominee Director	Member

HR Sub-Committee

The 'HR Sub-Committee' was constituted by our Directors at their meeting held on July 9, 2008 (the "**HR Sub-Committee**"). The HR Sub-Committee was constituted for development, review and revision of human resources policies including benefits/facilities of employees, broadly in consonance with comparable public sector undertakings, as detailed in our Memorandum, and submit such policies to our Board. The HR Sub-Committee currently comprises:

Name of the Director*	Designation	Position in Committee
Mr. Hari Das Khunteta	Director (Finance)	Chairman
Mr. P.R. Balasubramanian	Independent Director	Member
Dr. Devi Singh	Independent Director	Member

**The Executive Director (Human Resources) is the standing invitee at the meetings of the HR Sub-Committee*

Sub-Committee for Review of Lending Rates of Short Term Loans and Term Loans

The 'Sub-Committee for Review of Lending Rates of Short Term Loans and Term Loans' was constituted by our Directors at their meeting held on July 21, 2006 (the "**Lending Rates Committee**"). The Lending Rates Committee was constituted for reviewing the lending rates of both short term and loan term loans.

The Lending Rates Committee currently comprises:

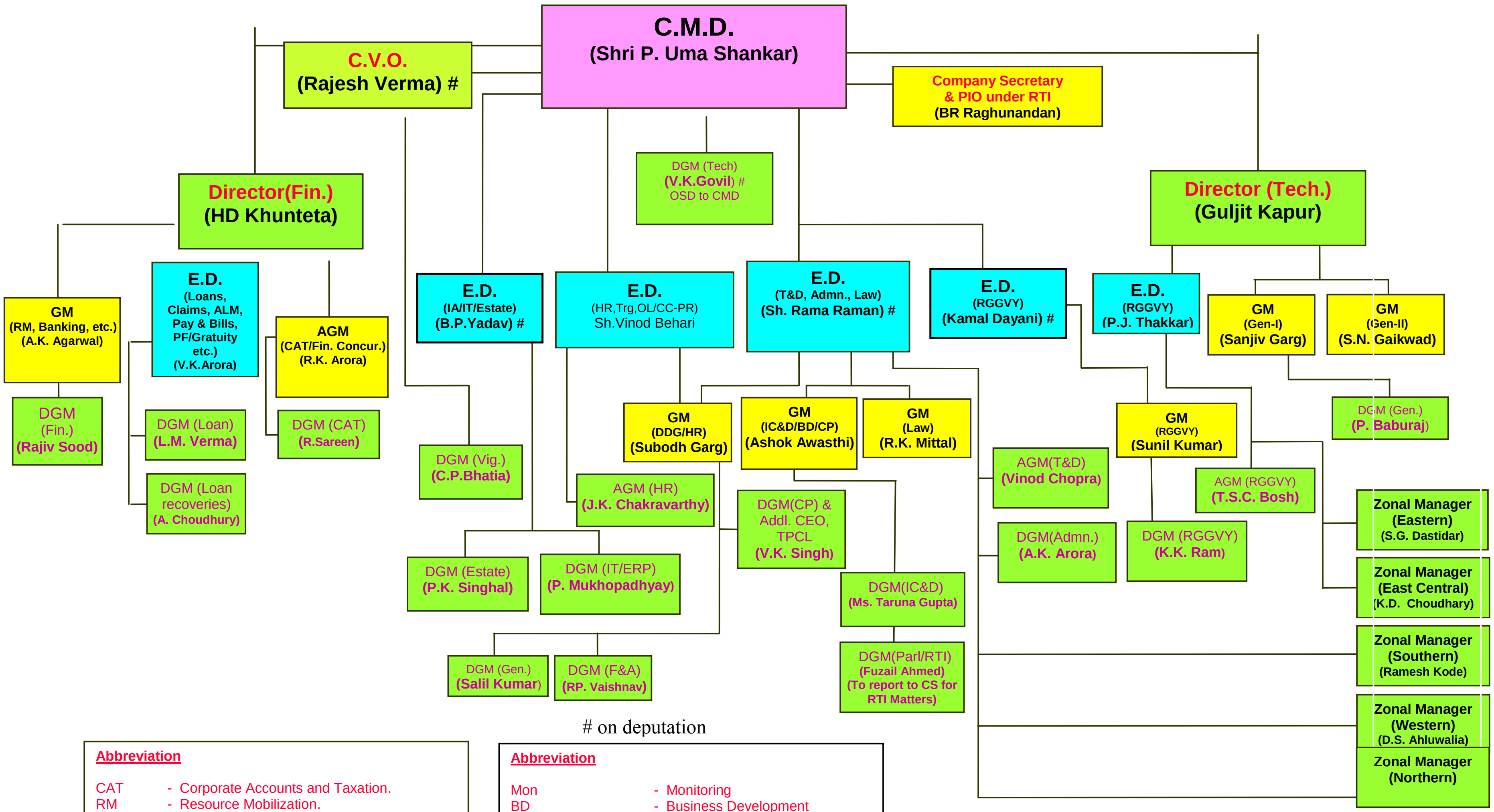
Name of the Director	Designation	Position in Committee
Mr. P. Uma Shankar	Chairman and Managing Director	Chairman
Mr. Hari Das Khunteta	Director (Finance)	Member
Mr. Guljit Kapur	Director (Technical)	Member

Sub-Committee for Borrowings other than Debentures

The 'Sub-Committee for Borrowings other than Debentures' was constituted by our Directors at their meeting held on April 29, 2005 (the "**Debentures Committee**"). The Debentures Committee was constituted for approving borrowings other than debentures of our Company. The Debentures Committee currently comprises:

Name of the Director	Designation	Position in Committee
Mr. P. Uma Shankar	Chairman and Managing Director	Chairman
Mr. Hari Das Khunteta	Director (Finance)	Member
Mr. Guljit Kapur	Director (Technical)	Member

Management Organsation Structure



on deputation

Abbreviation

CAT	- Corporate Accounts and Taxation.
RM	- Resource Mobilization.
CP	- Corporate Planning
ALM	- Asset Lisbility Management
Fin	- Finance
Vig.	- Vigilance
F&A	- Finance and Accounts
IT	- Information Technology
ERP	- Enterprise Resource Management
IC&D	- International Cooperation and Development
RGGVY	- Rajiv Gandhi Grameen Vidyutikaran Yojna

Abbreviation

Mon	- Monitoring
BD	- Business Development
Disb. & Recv.	- Disbursement & Recovery
T&D	- Transmission and Distribution
PIO	- Public Information Officer
OSD	- Officer on Special Duty
I.A.	- Internal Audit
STD	- Standardization
L.C.R.	- Loan, Claims, Recovery
Parl.	- Pariament
HR	- Human Resources

Abbreviation

CMD	- Chairman and Managing Director
ED	- Executive Director
GM	- General Manager
AGM	- Additional General Manager
DGM	- Deputy General Manager

Key Managerial Personnel

The details of our Key Managerial Personnel as on the date of this Red Herring Prospectus are as follows:

Mr. Vinod Behari, 54 years, is an Executive Director (Human Resources) of our Company. He holds a bachelor's and master's degree in English literature from St. Xavier's College, Ranchi and Ranchi University respectively, followed by a post-graduate diploma in personnel management from XLRI, Jamshedpur. He has about 31 years of managerial experience including nine years of experience in the power finance sector. Prior to joining our Company, he worked as General Manager (Human Resources Division) in PFC. He joined our Company on July 17, 2007 and is in charge of the human resources and corporate communication division of our Company. The remuneration paid to him in Fiscal 2009 was Rs. 1.36 million.

Mr. Vijay Kumar Arora, 55 years, is the Executive Director (Finance and Accounts) of our Company with effect from January 1, 2010. He holds a bachelor's degree in science from Himachal Pradesh University, Shimla and a post-graduate diploma in public relations from Bharatiya Vidya Bhawan, New Delhi. He is a member of the ICAI. Mr. Arora has about 31 years of total experience in finance and accounts in the power sector. Prior to joining our Company, he served as the Senior Manager (Finance) in Tehri Hydro Development Corporation. He joined our Company on deputation on June 3, 1996 as Chief (Finance and Accounts) and was inducted as an employee of our Company on September 1, 1996. Subsequently, he was promoted to the position of General Manager (Finance and Accounts) of our Company on September 29, 2004 and Executive Director (Finance and Accounts) with effect from January 1, 2010. Presently, he is responsible for loan disbursements, claims processing, accounting of loans, asset liability management, finance establishment, bills and payments and provident funds and gratuity of our Company. The remuneration paid to him in Fiscal 2009 was Rs. 1.68 million.

Mr. Prakash Jaswant Rai Thakkar, 53 years, is the Executive Director (RGGVY) of our Company. He holds a bachelor's degree in electrical engineering from Maharaja Sayajirao University, Baroda. Mr. Thakkar has over 30 years of experience in the power sector. Prior to joining our Company on September 19, 2005, he served for ten years on hydroelectric projects and was associated with installation of hydro generators and operation and maintenance of power stations. He has an experience of 16 years in the area of substation designing. He has previously also served as the Deputy General Manager in Power Grid Corporation of India Limited. He is currently under probation for a period of one year from the date of his appointment. He is in charge of overseeing implementation of the Rajiv Gandhi Gramin Vidyutikaran Program. The remuneration paid to him in Fiscal 2009 was Rs. 1.64 million.

Mr. B.R. Raghunandan, 58 years, is the General Manager and the Company Secretary of our Company. He has obtained a bachelor's degree in commerce and law from Bangalore University. He is also an associate member of the ICSI. Mr. Raghunandan has over 33 years of experience in the industry. Prior to joining our Company on November 1, 1996, he has served as the company secretary of Bharat Aluminum Company Limited. He was promoted to the position of General Manager and Company Secretary on September 29, 2004. Presently, he He is responsible for matters related to corporate compliances of our Company, in addition to acting as a 'Public Information Officer' under the Right to Information Act, 2005. The remuneration paid to him in Fiscal 2009 was Rs. 1.67 million.

Mr. Ajeet Kumar Agarwal, 49 years, is the General Manager (Finance and Accounts) of our Company. He holds a bachelor's degree in commerce from Delhi University and is a member of the ICAI. Mr. Agarwal has 26 years experience in public sector undertakings. Prior to joining our Company on March 29, 2007, he has served as General Manager in Telecommunications Consultants India Limited. He is responsible for resource mobilization in our Company. Presently, he is responsible for banking and screening of committee members in our Company. The remuneration paid to him in Fiscal 2009 was Rs. 1.60 million.

Mr. Sanjiv Garg, 49 years, is the General Manager (Finance and Accounts) of our Company. He holds a bachelor's degree in science from Agra University. Mr. Garg is a member of the ICAI. Mr. Garg has 24 years of experience in finance including 21 years of experience in the power sector. Prior to joining our Company on April 2, 2007, he has served as the Deputy General Manager in PFC. Presently, he is responsible for generation and project appraisal in our Company. The remuneration paid to him in Fiscal 2009 was Rs. 1.68 million.

Mr. S.N. Gaikwad, 49 years, holds the position of General Manager (Technical) in our Company. He holds a bachelor's degree in electrical engineering from Shivaji University Kolhapur. He has over 25 years of varied experience in the various segments of the power industry. Prior to joining our Company in March 31, 2009, he has served various organizations including NHPC, Maharashtra State Electricity Board and PFC. Presently, he is responsible for, appraisal, monitoring of the generation projects financed by our Company. He also oversees the important assignments relating to power project financing. As Mr. S.N. Gaikwad joined our Company on March 31, 2009, he was not paid any remuneration in Fiscal 2009.

Mr. Rakesh Kumar Arora, 50 years, is Additional General manager (Finance) in our Company. He holds a bachelor's degree in commerce from the Delhi University. He is a fellow member of the ICAI. He is also an associate member of the ICSI. He has over 24 years of experience in the power sector finance. He joined our Company as Finance Executive – II on April 22, 1985. He has also worked earlier in various projects/ zonal offices of our Company in the capacity of 'Chief Project Manager/Zonal Manager'. Presently, he is responsible for corporate accounts and taxation, financial concurrence and further public offering of our Company. The remuneration paid to him in Fiscal 2009 was Rs. 1.41 million.

In addition to the personnel mentioned above, some of our officials who are on deputation from various departments of the governments are also important and key to our organization. Details of such officials are as provided hereunder:

Mr. Rajesh Verma, 44 years, is the Chief Vigilance Officer of our Company. He is an officer of the Indian Administrative Services of the '1987 batch' and belongs to the Orissa cadre. He holds a bachelor's degree in electrical engineering from IIT, Delhi. Mr. Verma has about 22 years of total experience in the administrative services. Prior to joining our Company on March 26, 2009, he has served as the Joint Secretary and Financial Adviser, MoP. As Mr. Rajesh Verma joined our Company on March 26, 2009, he was not paid any remuneration in Fiscal 2009.

Mr. Rama Raman, 47 years, is an Executive Director of our Company. He holds a bachelor's degree in technology (electronics and telecommunications) from the Institute of Technology, Benaras Hindu University, Uttar Pradesh. He has also been awarded the President of India's Silver Medal for work during census 2001 and a gold medal for securing first place in the state of Uttar Pradesh for implementation of the '20 point programme'. Mr. Raman has 21 years of experience in the Indian Administrative Services, including 10 years of field experience in monitoring and implementation of rural electrification schemes as District Collector and Chief Development Officer of various districts in Uttar Pradesh. Prior to joining our Company on October 6, 2006, he was associated as a director with the Ministry of Home Affairs, GoI. He is responsible for the processing and mobilizing loans to transmission and distribution sectors in our Company. The remuneration paid to him in Fiscal in Fiscal 2009 was Rs. 1.43 million.

Mr. Bhanu Pratap Yadav, 43 years, is the Executive Director (Internal Audit, Information Technology and Estates) of our Company. He is also the Chief Executive Officer of REC Power Distribution Company Limited, a Subsidiary. He holds a bachelor's degree in technology in civil engineering and a master's degree in behavioural and social sciences from the IIT, New Delhi. Mr. Yadav has more than 14 years of experience in the field of government audit and accounts. Prior to joining our Company on November 16, 2006, he served as the Senior Deputy Accountant General (Administration/ Voucher Level Computerisation) in the office of Accountant General (Accounts and Entitlements) Rajasthan. He is responsible for internal audit, estate and civil construction and information technology in our Company. The remuneration paid to him in Fiscal 2009 was Rs. 1.17 million.

Mr. Kamal Dayani, 43 years, is an Executive Director (RGGVY) of our Company. He holds a bachelor's degree in engineering and post graduate diploma in business management from the IIM, Ahmedabad. Mr. Kamal Dayani has 19 years of experience in the Indian Administrative Services and four year's of experience in the power sector. Prior to joining our Company on May 1, 2009, he served as the director in Prime Minister's Office, GoI. He is responsible for corporate monitoring associated with the RGGVY. As Mr. Kamal Dayani joined our Company on May 1, 2009, he was not paid any remuneration in Fiscal 2009.

Shareholding of the Key Managerial Personnel

Except as stated in the section titlted "Capital Structure" on page 22, none of our Key Managerial Personnel hold any Equity Shares.

Details of stock options

Except as disclosed in this section, none of our Key Managerial Personnel hold any stocks or options.

Details of Service Contracts of our Key Managerial Personnel

Except for the terms set forth in the appointment letters, our Key Managerial Personnel have not entered into any other contractual arrangements with our Company. Details of the terms set forth in such appointment letters are as hereinbelow:

Except as stated otherwise in this section, all the Key Managerial Personnel are on the rolls of our Company. Further, all the Key Managerial Personnel mentioned above are officers of our Company vested with executive powers and function at a level immediately below the Board.

Term, Termination or retirement benefits

S. No.	Name	Date of Appointment	Date of expiry of term	Termination/ Retirement benefits, if any
1.	Mr. Vinod Behari	June 17, 2007	Till superannuation	Benefits such as employees provident fund, gratuity, group savings linked insurance (subject to membership), leave encashment, REC employees benevelont fund (subject to membership)
2.	Mr. Vijay Kumar Arora	September 1, 1996	Till superannuation	
3.	Mr. Prakash Jaswant Rai Thakkar*	January 1, 2010	Till superannuation	
4.	Mr. B.R. Raghunandan	November 1, 1996	Till superannuation	
5.	Mr. Ajeet Kumar Agarwal	March 29, 2007	Till superannuation	
6.	Mr. Sanjiv Garg	April 2, 2007	Till superannuation	
7.	Mr. S.N. Gaikwad	March 31, 2009	Till superannuation	
8.	Mr. Rakesh Kumar Arora	April 22, 1985	Till superannuation	
9.	Mr. Rajesh Verma	March 26, 2009	April 1, 2011	Our Company pays to the government of Orissa his leave salary and pension contributions at the rates in force, from time to time, in accordance with the orders issued by the President of India. Further, he shall be entitled to such insurance in accordance with the All India Service (Group Insurance) Rules, 1981, as amended
10.	Mr. Rama Raman	October 6, 2006	April 3, 2010	Mr. Rama Raman is on deputation to our Company. Our Company makes pro-rata contribution to his parent department for termination benefits such as general profident fund, pension and leave salary. There is no exclusive termination benefits available on expiry of the term of his deputation.
11.	Mr. Bhanu Pratap Yadav	November 16, 2006	November 16, 2010	The contribution on account of leave salary and pension will be paid by our Company at the rates intimated by the 'Lending Department' and accepted by our Company, as per applicable rules.
12.	Mr. Kamal Dayani	May 1, 2009	October 19, 2010	Mr. Kamal Dayani is on deputation to our Company. Our Company

S. No.	Name	Date of Appointment	Date of expiry of term	Termination/ Retirement benefits, if any
				makes pro-rata contribution to his parent department for termination benefits such as general profident fund, pension and leave salary. There is no exclusive termination benefits available on expiry of the term of his deputation.

* *on probation till December 31, 2010.*

Interest of Key Managerial Personnel

Except as disclosed below, none of our Key Managerial Personnel have any interest in our Company and/or our Subsidiaries other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of Equity Shares held by them in our Company and/or our Subsidiaries.

Set forth below are our Key Managerial Personnel who are directors in our Subsidiaries:

S. No	Name of Key Managerial Personnel	Name of Subsidiary
1.	Mr. Rama Raman	REC Transmission Projects Company Limited and REC Power Distribution Company Limited
2.	Mr. Ajeet Kumar Agarwal	REC Transmission Projects Company Limited
3.	Mr. Sanjiv Garg	REC Power Distribution Company Limited
4.	Mr. Rakesh Kumar Arora	REC Power Distribution Company Limited
5.	Mr. Prakash Jaswant Rai Thakkar	REC Transmission Projects Company Limited, North Karanpura Transmission Company Limited, Talcher II Transmission Company Limited and Raichur Sholapur Transmission Company Limited

For further details, see the section titled "***History and Certain Corporate Matters***" on page 92.

Changes in our Key Managerial Personnel

The changes in our Key Managerial Personnel during the last three years are as follows:

Name	Designation	Date of appointment in the stated designation	Date of cessation	Reason
Mr. Rajesh Verma*	Chief Vigilance Officer	March 26, 2009	Continuing	-
Mr. Rama Raman*	Executive Director (Transmission and Distribution)	October 6, 2006	Continuing	-
Mr. Vinod Behari	Executive Director (Human Resource)	July 17, 2007	Continuing	-
Mr. B.P. Yadav*	Executive Director (Internal Audit/Information Technology/Estates)	July 1, 2008	Continuing	-
Mr. Kamal Dayani*	Executive Director (RGGVY)	May 1, 2009	Continuing	-
Mr. Vijay Kumar Arora	Executive Director (Finance and Accounts)	January 1, 2010	Continuing	-
Mr. B.R. Raghunandan	General Manager and Company Secretary	September 29, 2004	Continuing	-
Mr. Ajeet Kumar Agarwal	General Manager (Finance and Accounts)	March 29, 2007	Continuing	-
Mr. Sanjiv Garg	General Manager (Generation I)	April 2, 2007	Continuing	-
Mr. S.N.Gaikwad	General Manager (Generation II)	March 31, 2009	Continuing	-

Name	Designation	Date of appointment in the stated designation	Date of cessation	Reason
Mr. Rakesh Kumar Arora	Additional General Manager (Finance)	July 1, 2008	Continuing	-
Mr. Prakash Jaswant Rai Thakkar**	Executive Director	January 1, 2010	Continuing	-
Mr. Guljit Kapur	General Manager (Transmission and Distribution) (on deputation)	September 19, 2005	November 30, 2008	Appointment as Director (Technical)
Mr. Arun Kumar	Chief Vigilance Officer	September 21, 2006	September 30, 2008	Repatriation
Mr. S.K. Agarwal	Executive Director (Finance)	August 14, 2007	March 20, 2008	Resignation
Ms. Dolly Chakraborty*	Executive Director (International Credit Development/ Business Development/ Corporate Planning/ Internal Audit)	September 5, 2003	July 3, 2008	Repatriation
Mr. K. Vidyasagar*	Executive Director (RGGVY)	April 25, 2006	July 17, 2008	Repatriation
Mr. V.K. Lakhanpal*	General Manager (Economics)	November 27, 2006	July 7, 2008	Repatriation
Mr. Joginder Singh	General Manager (Transmission and Distribution)	March 9, 2007	August 11, 2008	Resignation
Mr. Pradeep Jain	Executive Director (Business Development/Administration)	January 2, 2004	February 28, 2007	Retirement
Mr. A. Anantha	General Manager (Generation)	March 8, 2003	August 10, 2007	Retirement
Mr. A.B.L Shrivastava	General Manager (Finance)	October 11, 2004	February 11, 2008	Appointed as Director (Finance) of NHPC Limited

** on deputation*
*** on probation till December 31, 2010.*

Bonus or profit sharing plan for the Key Managerial Personnel

There is no bonus or profit sharing plan for our Key Managerial Personnel.

Scheme of Employee Stock Option or Employee Stock Purchase

Our Company does not have any scheme of employee stock option or employee stock purchase.

Payment of benefit to officers of our Company (non-salary related)

No amount or benefit has been paid or given to any officer of our Company within the two preceding years from the date of filing of this Red Herring Prospectus or is intended to be paid, other than in the ordinary course of their employment.

Except the post retirement medical benefits and certain statutory benefits such as employees provident fund, gratuity, and non-statutory benefits such as group savings linked insurance, leave encashment, REC employees benevelont fund, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or on superannuation.

None of the beneficiaries of loans, and advances and sundry debtors are related to the Directors of our Company.

Loans taken by Directors / Key Managerial Personnel

Except as disclosed hereunder, our Directors and Key Managerial Personnel have not taken any loan from our Company as on September 30, 2009.

S. No.	Name of Director/ Key Managerial Personnel	Loan amount availed (In Rs.)			
		House building advance	Multipurpose loan/advance	Car loan	Special loan (welfare)
1.	Mr. P. Uma Shankar	N.A.	174,750	N.A.	N.A.
2.	Mr. Vinod Behari	318,933	230,784	N.A.	N.A.
3.	Mr. Rajesh Verma	N.A.	375,700	N.A.	N.A.
4.	Mr. Rama Raman	N.A.	87,000	N.A.	N.A.
5.	Mr. B.P. Yadav	N.A.	168,000	N.A.	N.A.
6.	Mr. Kamal Dayani	N.A.	311,112	N.A.	N.A.
7.	Mr. Guljit Kapur	112,154	194,191	75,032	N.A
8.	Mr. Hari Das Khunteta	N.A.	220,500	N.A	N.A
9.	Mr. Vijay Kumar Arora	N.A.	212,300	N.A	N.A
10.	Mr. Prakash Jaswant Rai Thakkar*	N.A	221,605	N.A	N.A
11.	Mr. Ajeet Kumar Agarwal	N.A.	187,092	152,064	18,000
12.	Mr. Sanjiv Garg	N.A.	196,130	N.A	N.A
13.	Mr. B.R. Raghunandan	N.A.	156,066	N.A	8,750
14.	Mr. Rakesh Kumar Arora	N.A.	187,000	N.A.	N.A.

* *on probation till December 31, 2010.*

Arrangements and understanding with major shareholders

None of our Key Managerial Personnel or Directors have been appointed pursuant to any arrangement or understanding with our major shareholders, customers, suppliers or others.

Turnover of our Key Managerial Personnel

The turnover of our Key Managerial Personnel is comparable to our sector of operations.

Relationships among Key Managerial Personnel

None of our Key Managerial Personnel are related to each other.

OUR PROMOTER AND GROUP COMPANIES

Our Promoter is the President of India acting through the MoP. Our Promoter currently holds 81.82% of the pre-Issue paid up share capital. As our Promoter is the President of India acting through the MoP, disclosure of our ‘group companies’ cannot be provided.

DIVIDEND POLICY

The declaration and payment of dividends on our Equity Shares will be recommended by our Board and approved by our shareholders, at their discretion, and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The dividend and dividend tax paid by our Company during the last five Fiscals* is presented below.

(Rs. million)

Particulars	Fiscal 2005	Fiscal 2006	Fiscal 2007	Fiscal 2008	Fiscal 2009*
Equity Share Capital	7,806	7,806	7,806	8,586.60	8,586.60
No. of Equity Shares of Rs.10 each	780,600,000	780,600,000	780,600,000	858,660,000	858,660,000
Rate of Dividend (%)	30.04	24.50	22.67	30.00	45.00
Interim (%)	7.43	11.53	-	-	20.00
Final (%)	22.61	12.97	22.67	30.00	25.00
Amount of Dividend on Equity Shares	2,345.00	1,912.60	1,770.00	2,576.00	3,864.00
Interim	580.00	900.00	-	-	1,717.32
Final	1,765.00	1,012.60	1,770.00	2576.00	2,146.65
Total Dividend Tax Paid	323.30	268.20	300.81	437.80	656.70

* *Pursuant to a resolution dated December 30, 2009 passed by our Board of Directors, our Company has declared an interim dividend of Rs. 3 per Equity Share for the Fiscal 2010 with a total pay out of Rs. 2,575.98 million plus dividend tax payable thereon, out of the profits of our Company for the half year ended September 30, 2009 on 858,660,000 Equity Shares, subject to transfer of necessary amounts to the reserves. The dividend was paid on or after January 12, 2010 to shareholders as per the record date of January 5, 2010.*

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

Pursuant to the terms of our loan agreements with some of our lenders, we cannot declare or pay any dividend to our shareholders during any financial year unless we have paid all the dues to the respective lenders or paid or have made satisfactory provisions thereof or if we are in default of the terms and conditions of such loan agreements. For further details, see the section titled "***Financial Indebtedness***" on page 179.

SECTION V – FINANCIAL INFORMATION

FINANCIAL STATEMENTS

AUDITORS' REPORT

The Board of Directors,
Rural Electrification Corporation Limited,
Core-IV, SCOPE Complex,
7, Lodi Road,
New Delhi – 110003.

Dear Sirs,

We have examined the financial information of Rural Electrification Corporation Limited ('the Company), as attached to this report stamped and initialed by us for identification, which has been prepared in accordance with Paragraph B, Part II of Schedule II of the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('the ICDR Regulations') issued by Securities and Exchange Board of India ('SEBI') in pursuance of Section 11A(1)(a) of the Securities and Exchange Board of India Act, 1992 and related clarifications, and in accordance with our engagement letter agreed upon with you in connection with the Draft Red Herring Prospectus/ Red Herring Prospectus/Prospectus (hereinafter referred as Offer Document) being issued by the Company for Proposed Further Public Offering of Equity Shares ("the Issue").

The preparation and presentation of these financial information is the responsibility of Company's management. These financial information are proposed to be included in the Offer Document of the Company in connection with the proposed Further Public Issue of its Equity Shares.

A. Financial Information as restated on the basis of the audited financial statements

We have examined the attached Statements of Assets and Liabilities, as restated of the Company as at September 30, 2009; March 31, 2009; March 31, 2008; March 31, 2007; March 31, 2006 and March 31, 2005 (Annexure I) and the attached Statements of Profits and Losses as Restated for the half year ended September 30, 2009; and for the year ended March 31, 2009; March 31, 2008; March 31, 2007; March 31, 2006 and March 31, 2005 (Annexure II) and the attached statement of Cash Flows, as Restated for the half year ended September 30, 2009 and for the year ended March 31, 2009; March 31, 2008; March 31, 2007; March 31, 2006 and March 31, 2005 (Annexure III), together referred to as 'Restated Summary Statements'.

These Restated Summary Statements have been extracted by the management from the financial statements after making such adjustments and regroupings as considered appropriate and fully described in notes appearing in Annexure IV to this report. For our examination, we have placed reliance on the financial statements audited by M/s. K. B. Chandna & Co for the year ended March 31, 2005 and on the financial statement audited by M/s G.S. Mathur & Co. for the year ended March 31, 2006 March 31, 2007, March 31, 2008, March 31, 2009. These Financial Statements have been approved/ adopted by the Board of Directors/members for the respective years.

We have performed such tests and procedures, which in our opinion were necessary for the purpose of our examination. These procedures, mainly involved comparison of the attached financial information with the Company's audited financial statements for half year ending September 30, 2009, for the financial years 2004-2005 to 2008-2009 and restatement, reclassification as per SEBI ICDR Regulations.

Based on the above, we report that in our opinion and according to the information and explanations given to us, we have found the same to be correct and the same have been accordingly used in the financial information appropriately.

We further report that:

1. The Restated Summary Statements have been in accordance with the requirements of Paragraph B, Part II of Schedule II of the Companies Act, the SEBI ICDR Regulations.

2. These restated profits have been arrived at after charging all expenses of management including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and are subject to the Significant Notes on Accounts attached to and forming part of the Restated Summary Statements – enclosed as Annexure IV.

3. The Restated Summary Statements of the Company have been restated with retrospective effect to reflect the Significant Accounting Policies being adopted by the company as at September 30, 2009 enclosed as Annexure V.

4. There are qualifications in the auditor's reports as included in Annexure – A to this report which is to be read with Significant Accounting Policies and Significant Notes to Accounts. These qualifications do not have any quantifiable impact on the restated summary statements.

B. Other Financial Information

We have examined the following financial information relating to the Company proposed to be included in the offer document and annexed to this report:

i. Statement of Changes in Accounting Policies- enclosed as Annexure VI.
ii. Summary of Accounting Ratios – enclosed as Annexure VII.
iii. Capitalization Statement – enclosed as Annexure VIII.
iv. Statement of Tax Shelters – enclosed as Annexure IX.
v. Statement of Loans Liabilities (Secured and Unsecured)- enclosed as Annexure X.
vi. Statement of Loan Assets – enclosed as Annexure XI.
vii. Statement of Loans & Advances – enclosed as Annexure XII.
viii. Statement of Investments – enclosed as Annexure XIII.
ix. Statement of Current Liabilities and Provisions – enclosed as Annexure XIV.
x. Statement of Other Income – enclosed as Annexure XV.
xi. Statement of Dividend Paid – enclosed as Annexure XVI.
xii. Statement of Related Party Transactions – enclosed as Annexure XVII.

In our opinion, the financial information of the Company, as attached to this report, as mentioned in paragraphs (A) and (B) above, read with respective significant accounting policies and significant notes to accounts, after making necessary adjustments, and regrouping as considered appropriate have been prepared in accordance with Paragraph B, Part II of Schedule II of the Companies Act, and ICDR Regulations issued by SEBI.

This report is intended solely for use for your information and for inclusion in Offer Document in connection with the Issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

This report should neither in any way be construed as a re–issuance or redrafting of any of the previous audit reports issued by other firms of chartered accountants nor construed as a new opinion on any financial statements referred to herein.

	For Bansal & Co. Chartered Accountants	For K.G Somani & Co. Chartered Accountants
	(D.S Rawat)	(Bhuvnesh Maheshwari)
Place: New Delhi	Partner	Partner
Date: January 23, 2010	M.No.83030	M. No. 88155
	Firm Registration No. 001113N	Firm Registration No. 006591N

ANNEXURE- A

ANNEXURE TO THE AUDIT REPORT OF EVEN DATE FOR THE FINANCIAL YEAR ENDED MARCH 31, 2005 TO MARCH 31, 2009 AND FOR THE PERIOD HALF YEAR ENDED SEPTEMBER 30, 2009

AUDIT REPORT 2004-2005

4 (i) In terms of Article 84(2) of the Articles of Association of the Corporation, all cases involving capital expenditure exceeding Rs. 15 Lakhs shall be referred to the Central Government for approval before authorization by the board of directors. Hence, a sum of Rs. 716.94 Lakhs incurred on capital work during the year, without making reference to the Central Government for approval, is not in conformity with existing Articles of Association.

(ii) Balance confirmations awaited from some of the parties.

Related area of paragraph 3 of audit report for the year ended March 31, 2005.

7. As informed, in order to strengthen its internal audit system, the Corporation has recently appointed an independent firm of Chartered Accountants to carry out review of market borrowings and lending operations. In the absence of report from these Auditors', we are unable to comment on the adequacy of overall internal audit system of the Corporation.

9 (a) The company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investors education protection fund, employees state insurance, income tax, wealth tax and other material statutory dues applicable to it except for deduction of Tax at Source in respect of Sales Tax on Works Contract as applicable to the Contractees.

19. According to the information and explanation given to us , during the period covered by our Audit Report , securities in the form of legal mortgage on the immovable properties of the Company at Mumbai having book value of only Rs. 38.5 Lakhs have been created against Capital Gain Tax Exemption Bonds and Infrastructure Bonds amounting to a sum of Rs. 804312 Lakhs.

AUDIT REPORT 2005-2006

4.1 In regard to non-adherence to Statutory Law relating to Provident Fund in as much as encashment of earned leave is not being considered as part of salary and consequently, Provident Fund contribution amounting to Rs. 31.20 Lakhs were not made on this account.

4.3 We further report that had the observation made by us in para 4.1 above would been considered ,the Profit after Tax would have been Rs. 63719.87 Lakhs (as against the reported figure of Rs. 63751.07 Lakhs) and Reserve & Surplus would have been Rs. 341741.80 Lakhs (as against the reported figure of Rs. 341773 Lakhs).

Related area of paragraph 3 of audit report for the year ended March 31, 2006.

1. In respect of its Fixed Assets:

   (a) The Company has maintained Fixed Assets records but it has not been updated.

   (b) The Fixed Assets of the Company has not been physically verified by the management during the year ended 31st March, 2006.In the absence of such verification,We are unable to comment upon discrepancies ,if any.

4. Internal control needs to be strengthened in the areas of Financial & Loan accounting particularly by introducing integrated financial & loan accounting package including system of recording of transactions at each level; adoption of detailed loan pricing policy; Risk

Management evaluation and derivative policy ;streamlining of existing system of receipt, disbursement, utilization and accounting of grants received under Kutir Jyoti , RGGVY,AREP and AG&SP; Obtaining search reports from the Registrar of Companies Offices in respect of various charges created regarding loan sanctioned & disbursed; Monitoring of loans on the basis of guidelines formulated for follow up at the project offices, Including timely inspection of physical progress of work where loans or grants are disbursed; Review of existing Delegation of powers; Introduction of Business Continuity/Disaster Recovery Plan and Improvement in existing system of computerization to ensure integrity and timely availability of data. Sanction/Disbursement of loan under RGGVY Scheme at rate of interest, which is below the cost of borrowing.

7. It was observed that still there is a delay on the part of various departments in submission of replies/compliances to internal audit report. Coverage of internal audit should be enlarged with identification of critical areas for risk based audits and coverage of deficiencies in accounting.

9 (a) The company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investors education protection fund, employees state insurance, income tax, wealth tax and other material statutory dues applicable to it except:

(i) Pension fund:-Non registration & consequently non contribution to pension fund since the date of introduction. Date & Amount could not be made available by the management.
(ii) Non deduction and deposit of Tax at Source in respect of contractors at Chandigarh Rs. 10214.
(iii) Investors Education Protection Fund Rs. 1351125.
(iv) Short deduction & deposit of TDS from interest other than interest on securities Rs. 4877081.55.
(v) Service Tax has been paid since 30.09.05 regularly except Rs. 102000.
(vi) Non contribution of Provident Fund on leave encashment w.e.f 01.05.2005 as required by the notification issued by Regional Provident Fund Commissioner.

9 (b) According to information and explanations given to us, no undisputed amount payable in respect of Income Tax and Wealth Tax were in arrears as at 31.03.2006 for a period of more than six months from the date they became payable, except:

(i) Investors Education Protection Fund Rs. 1351125.

(ii) Income Tax Deduction at source Rs. 4877081.55.

17. According to information and explanations given to us and on overall examination of the Balance Sheet of the Company, We report that prima facie funds raised on short term basis have been used for long term deployment/Investments. However, in the absence of statement of residual maturity pattern of loans and advances granted/taken. We are unable to comment on the same.

AUDIT REPORT 2006-2007

4.1 Raising of amounts by way of issue of bonds amounting to Rs. 141,681.70 million, partly secured against asset valuing Rs. 3.85 million, thus resulting in raising of public deposits without appropriate approval/registration with RBI and is also not in accordance to the requirements of trustee to the bond holders as intimated vide their recent letter dated March 6, 2007.

Related area of paragraph 3 of audit report for the year ended 2006- 2007

1 (b) The Fixed Assets of the Company have been physically verified by the management during the year ended 31st March, 2007;However, no reconciliation was carried out. In the absence of such reconciliation, We are unable to comment upon discrepancies ,if any.

4. However in certain areas internal control needs further strengthening like financial accounting; loan pricing being linked to rating linked policy; review of transmission and distribution lending norms prescribing appropriate debt equity ratios; adoption of control records regarding status of loan documents; receipt, disbursement and utilization of grants received under various schemes; monitoring of loans given to various SEB's / Discoms / Transcoms / Gencos including obtaining search reports for charges created against the loan given.

6. Company has issued bonds which are partly unsecured and are covered under the definition of public deposits there by attracting the provisions of non banking financial companies acceptance of deposit (Reserve bank) Direction, 1998 read with section 45-1 (bb) of the Reserve bank of India act, 1934.

7. Internal audit needs to be further strengthened with identification of critical areas for risk based audit in view of growth in the business of the Company and coverage of deficiencies in accounting.

9 (a) The company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investors education protection fund, employees state insurance, income tax, wealth tax and other material statutory dues applicable to it except:-

1 Non-deduction and consequently non deposit of tax deductible at source (TDS) on interest accrued in respect of certain bonds which are transferable by way of endorsement and delivery.

2 Service tax on banking and financial services amounting to Rs. 8.72 million (since deposited)

17. According to information and explanations given to us and on overall examination of the Balance Sheet of the Company, We report that prima facie funds raised on short term basis have been used for long term deployment/Investments. However, in the absence of statement of residual maturity pattern of loans and advances granted/taken. We are unable to comment on the same.

19. According to the information and explanation given to us , during the period covered by our Audit Report , no securities for debentures were created by the Company except securities in the form of legal mortgage on the immovable properties of the Company at Mumbai having book value of only Rs. 38.5 Lakhs have been created against Capital Gain Tax Exemption Bonds and Infrastructure Bonds amounting to a sum of Rs. 14168.17 Crore.

AUDIT REPORT 2007-2008

Related area of paragraph 3 of audit report for the year ended 2007- 2008

4. However in certain areas internal control needs further strengthening like financial accounting; loan pricing being linked to rating linked policy; review of transmission and distribution lending norms prescribing appropriate debt equity ratios; adoption of control records regarding status of loan documents; receipt, disbursement and utilization of grants received under various schemes; monitoring of loans given to various SEB's / Discoms / Transcoms / Gencos including obtaining search reports for charges created against the loan given.

7. Corporation is having Internal audit department responsible for carrying out the Internal Audit of various departments at Head Office and at Project Offices at periodical intervals as per the approved Audit plan. In our opinion Internal Audit needs to be further strengthened with identification of critical areas for risk based audit.

9 (a) The company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investors education protection fund, employees state insurance, income tax, wealth tax and other material statutory dues applicable to it except:-

(i) Non Deduction and consequently Non Deposit of TDS on interest accrued in respect of certain bonds, which are transferrable by way of endorsement and delivery.

AUDIT REPORT 2008-2009

Related area of paragraph 3 of audit report for the year ended 2008- 2009

4. However in certain areas internal control needs further strengthening like financial including loan accounting; loan pricing being not linked to rating linked policy in certain cases; review of transmission and distribution lending norms prescribing appropriate debt equity ratios; adoption of control records regarding status of loan documents including formulation of legal manual; receipt, disbursement and utilization of grants received under various schemes; monitoring of loans given to various SEB's/Discoms / Transcoms / Gencos including obtaining search reports for charges created against the loan given.

7. Corporation is having Internal audit department responsible for carrying out the Internal Audit of various departments at Head Office and at Project Offices at periodical intervals as per the approved Audit plan. In our opinion Internal Audit needs to be further strengthened with identification of critical areas for risk based audit.

AUDIT REPORT FOR THE HALF YEAR ENDED ON SEPTEMBER 30, 2009

Related area of paragraph 3 of audit report for the half year ended September 30, 2009

4. However in certain areas internal control needs further strengthening like financial including loan accounting; adoption of control records regarding status of loan documents including formulation of legal manual; receipt, disbursement and utilization of grants received under various schemes; monitoring of loans given to various SEB's / Discoms / Transcoms / Gencos including obtaining search reports for charges created against the loans given.

7. Corporation is having Internal audit department responsible for carrying out the Internal Audit of various departments at Head Office and at Project Offices at periodical intervals as per the approved Audit plan. As informed to us Internal Audit of loan department will be carried out at head office in the 3rd Quarter of the current year. In our opinion Internal Audit needs to be further strengthened with identification of critical areas for risk based audit and frequency of coverage in respect of loan department.

ANNEXURE-I

STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

The statement of Assets and liabilities of the company as restated as at March 31, 2005, 2006, 2007, 2008 and 2009 and September 30, 2009 is as set out below.

(Rs in million)

	As at March 31					As at September 30, 2009
	2005	2006	2007	2008	2009	
ASSETS						
A. Fixed Assets						
Gross Block	341.84	348.09	675.54	838.34	711.09	740.19
Less: Depreciation	100.38	110.56	121.85	135.78	144.76	151.91
Capital Work in Progress	14.05	406.38	82.60	76.45	242.70	270.53
Net Block	255.51	643.91	636.29	779.01	809.03	858.81
Net Block after adjustment of Revaluation Reserve	**255.51**	**643.91**	**636.29**	**779.01**	**809.03**	**858.81**
B. Investments	**14,168.93**	**13,249.91**	**11,945.39**	**11,473.97**	**10,048.64**	**10,038.44**
C. Loans	**216,844.07**	**253,256.09**	**320,991.01**	**393,165.12**	**513,814.46**	**586,653.28**
D. Deferred Tax Asset	**15.15**	**154.22**	**142.66**	**319.26**	**78.85**	**64.90**
E. Current Assets, Loan & Advances						
Cash and Bank Balances	4,854.54	19,136.45	22,972.69	12,530.38	18,860.41	17,818.81
Loans & Advances	7,981.64	9,973.74	2,364.90	6,203.83	11,447.84	15,160.78
Other Current Assets	3,333.75	3,473.56	3,501.77	5,400.91	4,964.46	5,016.91
Total Current Assets	**16,169.93**	**32,583.75**	**28,839.36**	**24,135.12**	**35,272.71**	**37,996.50**
Total Assets (A)	**247,453.59**	**299,887.88**	**362,554.71**	**429,872.48**	**560,023.69**	**635,611.93**
LIABILITIES						
A. Loan Funds						
Secured Loans	174,493.82	217,495.88	265,339.72	294,219.51	376,136.52	429,909.37
Unsecured Loans	19,290.13	22,896.27	37,470.29	48,608.35	73,223.05	86,114.56
Total Loan Fund	**193,783.95**	**240,392.15**	**302,810.01**	**342,827.86**	**449,359.57**	**516,023.93**
B. Deferred Tax Liability	-	-	-	-	-	-
C. Current Liabilities and Provisions						
Current Liabilities	5,307.50	5,965.61	7,144.70	14,865.70	24,367.10	22,761.05
Provisions	10,506.38	11,383.82	4,555.37	9,602.08	14,369.96	15,611.96

(Rs in million)

	As at March 31					As at September 30, 2009
	2005	2006	2007	2008	2009	
Total current Liabilities and Provisions	**15,813.88**	**17,349.43**	**11,700.07**	**24,467.78**	**38,737.06**	**38,373.01**
Total Liabilities (B)	**209,597.83**	**257,741.58**	**314,510.09**	**367,295.64**	**488,096.63**	**554,396.94**
Net Assets (A-B)	**37,855.76**	**42,146.30**	**48,044.62**	**62,576.84**	**71,927.06**	**81,214.99**
Represented by						
1. Share Capital	7,806.00	7,806.00	7,806.00	8,586.60	8,586.60	8,586.60
2. Reserves	28,607.85	32,623.39	38,181.71	51,353.33	59,903.55	68,692.21
Reserves (Net of Revaluation Reserve)	28,607.85	32,623.39	38,181.71	51,353.33	59,903.55	68,692.21
Net Worth	**36,413.85**	**40,429.39**	**45,987.71**	**59,939.93**	**68,490.15**	**77,278.81**
Add: Reserve for Bad & Doubtful Debts u/s 36(1)(viia) of I.T. Act,1961 (As per Audited Accounts)	**1,441.91**	**1,716.91**	**2,056.91**	**2,636.91**	**3,436.91**	**3,936.18**
Total Shareholders Fund	**37,855.76**	**42,146.30**	**48,044.62**	**62,576.84**	**71,927.06**	**81,214.99**

STATEMENT OF PROFIT & LOSS AS RESTATED

The statement of profit & loss of the company as restated for the financial year ended March 31, 2005, 2006, 2007, 2008 and 2009 and for the period ended September 30, 2009 is as set out below.

(Rs in million)

	For the year ended March 31					September 30, 2009
	2005	**2006**	**2007**	**2008**	**2009**	
Income						
Income from operations	21,892.72	20,583.59	26,516.96	33,804.59	47,549.30	30,444.84
Profit on Sale of Assets	-	-	0.38	0.04	0.11	0.02
Other income	1,022.78	1,737.53	1,892.13	1,592.54	1,626.75	873.71
Total Income	**22,915.50**	**22,321.12**	**28,409.47**	**35,397.17**	**49,176.16**	**31,318.57**
Expenditure						
Interest and other Charges	12,059.49	13,403.30	17,155.03	20,540.56	28,873.50	18,040.57
Establishment Expenses (Staff costs)	338.93	353.82	498.67	923.00	872.24	533.54
Administrative expenses	115.58	120.38	149.05	178.76	226.93	106.01
Loss on Sale of assets	0.15	0.03	-	0.12	-	-
Resource mobilization Exps.(Bonds/debts instrument Issue expenses)	152.03	166.40	220.63	91.04	97.95	105.25
Provision for Bad and Doubtful debts	-	-	210.45	399.93	23.70	2.22
Depreciation	11.48	10.99	11.29	13.86	13.62	7.15
Provision for Decline in value of investment	3.30	1.80	-	-	10.53	-
Total Expenditure	**12,680.96**	**14,056.72**	**18,245.12**	**22,147.27**	**30,118.47**	**18,794.74**
Profit Before Tax and Extra ordinary items	**10,234.54**	**8,264.40**	**10,164.35**	**13,249.90**	**19,057.69**	**12,523.83**
Less: Provision for Taxation-Current Year	2,327.04	1,699.82	2,152.07	3,764.88	5,039.13	3,227.05
Less: Provision For Taxation-Earlier Years	192.84	326.67	10.94	(1.83)	0.22	-
Less: Provision for Deferred Tax Liability	7.78	(139.07)	11.57	(176.60)	240.41	13.92
Less: Provision for Fringe Benefit Tax	-	7.53	6.72	10.66	15.17	-
Profit after Tax and before Extra-ordinary items (A)	**7,706.88**	**6,369.45**	**7,983.06**	**9,652.79**	**13,762.76**	**9,282.86**
Extra Ordinary Items:						
Reversal of DTL (Earlier years)						-

(Rs in million)

	For the year ended March 31					September 30, 2009
	2005	**2006**	**2007**	**2008**	**2009**	
Interest Swapping Premium	105.39	129.50	-	-	-	
Exchange Gain/(Loss)	-	-	(18.27)	(95.95)	114.22	(2.25)
Total Extra Ordinary Items	**105.39**	**129.50**	**(18.27)**	**(95.95)**	**114.22**	**(2.25)**
Less: Taxes On Extra-	24.15	28.24	(3.84)	(26.87)	29.70	(0.61)

Ordinary Items						
Extra Ordinary Items (net of taxes) -(B)	**81.24**	**101.26**	**(14.43)**	**(69.08)**	**84.52**	**(1.64)**
Profit After Tax and after Extra ordinary items (net of taxes) available for Appropriations (A)+(B)	**7,788.12**	**6,470.71**	**7,968.62**	**9,583.71**	**13,847.28**	**9,281.22**

ANNEXURE-III

CASH FLOW STATEMENT AS RESTATED

The cash flow statement of the company for the financial year ended March 31, 2005, 2006, 2007, 2008 and 2009 and for the period ended September 30, 2009 is as set out below.

(Rs in million)

	For the year ended March 31					September 30, 2009
	2005	**2006**	**2007**	**2008**	**2009**	
A. Cash Flow from Operating Activities :						
Profit Before Tax and after Extraordinary items	**10,339.93**	**8,393.90**	**10,146.08**	**13,153.95**	**19,171.91**	**12,521.58**
Adjustments for:						
Profit / Loss on Sale of Fixed Assets	0.15	0.03	-0.38	0.08	-0.10	-0.02
transfer from General Reserve				-16.38		
Adjustments for prior period items						
Depreciation (including prior period)	11.49	10.99	11.29	13.86	13.62	7.15
Provision for fall in value of investments	3.30	1.80	0.08	-2.39	10.53	-9.29
Prior period expenses adjusted with Reserves	-0.33	-				
Provision for Bad and Doubtful debts			210.45	399.43	23.70	2.22
Excess Provision written back (Income Tax)	-	-	-		-0.04	
Profit on sale of Investments (In units of "Small is Beautiful Fund)	-	-	-10.65	-3.30	-1.10	-7.46
Loss on exchange rate fluctuation				95.95	-114.22	2.25
Amount transferred to security premium					23.60	6.72
Dividend From ' REC PDCL'						-0.50
Dividend Paid in Excess of Provision						0.08
Operating profit before working Capital Changes	**10,354.54**	**8,406.72**	**10,356.87**	**13,641.20**	**19,127.90**	**12,522.73**
Increase / Decrease :						
Loans & Advances	-28,341.61	-36,412.02	-67,945.36	-72,573.54	-1,20,673.04	-72,841.04
Other Current Assets	-487.61	-139.81	-28.38	-1,890.01	429.70	-433.01
Current Liabilities	-513.26	-1,120.22	1,167.70	6,382.59	6,386.44	- 1,170.26
Other Loans and Advances	-	9.57	-8.91	-80.73	-433.08	-224.75
Cash outflow from Operations	**-18,987.94**	**-29,255.76**	**-56,458.08**	**-54,520.49**	**-95,162.08**	**-62,146.33**
Advance Income Tax Paid	-2,127.58	-2,001.67	-2,196.84	-7,496.22	-4,810.93	-3,103.79

(Rs in million)

	For the year ended March 31					September 30, 2009
	2005	**2006**	**2007**	**2008**	**2009**	
Wealth Tax paid	-0.05	-0.03	-0.02	-0.02	-0.21	-3.66
Fringe Benefit Tax Paid	-	-7.53	-6.72	-10.65	-13.26	-
Net Cash used in Operating Activities	**-1,115.57**	**- 31,264.99**	**- 58,661.66**	**-62,027.37**	**-99,986.48**	**-65,253.78**
B. Cash Flow From Investing Activities :						
Sale of Fixed Assets	0.08			0.16		0.07

	For the year ended March 31					September 30, 2009
	2005	2006	2007	2008	2009	
		0.05	1.66		1.34	
Purchase of Fixed Assets	-23.18	-399.48	-4.96	-156.79	-44.87	-56.98
Increase in Investments	-14,172.24	-25.97	-155.31	-19.48		-
Redemption of Investments	-	943.20	1,414.81	471.60	1,414.80	-
Sale of Investments in Units "Small is Beautiful" Fund	-	-	56.25		1.10	19.48
Income on Investments in Units of "Small is Beautiful" Fund				37.98		7.46
Investment in shares of subsidiary company"REC Power Distribution co. Ltd."				-0.50		
Investment in REC Transmission Project Co. Ltd,subsidiary co.			-0.50			
Investment in Shares of Indian Energy Exchange				-12.50		
Divivdend from REC Power Distribution Co. Ltd.						0.50
Net Cash flow from Investing Activities	**-4,195.34**	**517.80**	**1,311.95**	**320.47**	**1,372.37**	**-29.47**
C. Cash Flow from Financial Activities :						
Issue of Bonds	50,695.08	71,891.11	87,209.12	60,739.24	1,38,073.31	1,01,766.82
Redemption of Bonds	-34,387.24	-40,377.75	-38,665.28	-35,959.39	-52,654.60	-46,444.86
Raising of Term Loans/ STL from Banks/ FI's	41,320.00	20,900.00	11,998.00	43,725.00	53,746.33	14,602.00
Repayment of Term loans/ STL from Banks/ FI's	-4,400.00	-5,600.00	-6,650.00	-30,065.00	-49,863.83	-10,106.25
Raising of Foreign Currency Loan						1,890.20
Raising of external Commercial Borrowings (ECB)			8,720.90	1,667.65	4,566.51	
Grants received from GOI	4,000.00	11,572.98	30,466.71	39,028.99	54,462.17	12,232.64
Disbursement of grants	-4,671.21	-10,116.54	-30,544.01	-33,594.14	-51,141.00	-12,506.38

(Rs in million)

	For the year ended March 31					September 30, 2009
	2005	2006	2007	2008	2009	
Repayment of Govt. Loan	-10,431.90	-201.94	-194.87	-185.60	-171.80	-45.79
Dividend paid	-2,410.00	-2,665.00	-1,012.60	-1,770.00	-2,575.98	-2,146.73
Dividend Tax paid	-310.27	-373.76	-142.02	-300.81	-437.79	
Issue of shares				7,978.65		
Issue of Commercial paper				-	12,950.00	15,000.00
Repayment of Commercial						-10,000.00
Interim Dividend paid				-	-1,717.32	
Corporate dividend tax paid on interim dividend				-	-291.86	
Net Cash in-flow from Financing Activities	**39,404.46**	**45,029.10**	**61,185.95**	**51,264.59**	**1,04,944.14**	**64,241.65**
Net Increase / Decrease in Cash & Cash Equivalents	**4,093.55**	**14,281.91**	**3,836.24**	**-10,442.31**	**6,330.03**	**-1,041.60**
Cash & Cash Equivalents as at 1st April	760.99	4,854.54	19,136.45	22,972.69	12,530.38	18,860.41
Cash & Cash Equivalents as at 31st March	4,854.54	19,136.45	22,972.69	12,530.38	18,860.41	17,818.81

Note: Previous year's figures have been rearranged and regrouped wherever necessary.

ANNEXURE – IV

SIGNIFICANT NOTES ON ACCOUNTS ATTACHED TO RESTATED FINANCIAL STATEMENTS

1. Contingent Liabilities:

(Rs in million)

Particulars	For the year ended March 31					Sept. 30, 2009
	2005	2006	2007	2008	2009	
Claim against the Corporation not acknowledged as debts.	579.63	369.45	163.11	633.14	346.94	311.97
Estimated amount of the contracts remaining to be executed on capital account and not provided for.	12.60	184.70	67.15	36.02	116.60	99.38
Future recourse on account of securitization of receivables covered by guarantee from the Govt. of Andhra Pradesh	524.48	Nil	Nil	Nil	Nil	Nil
Others	Nil	91.00	Nil	5,648.90	13,426.30	20,153.60

2. Notes on adjustments for Restated Summary Statements

The summary of adjustments on account of changes in accounting policies/other adjustments and its impact on Profits and Losses of the Company is as under:

(Rs in million)

Particulars	For the year ended March 31					Sept. 30, 2009
	2005	2006	2007	2008	2009	
Net Profit After Tax as per audited Profit and loss account	**7,813.63**	**6,375.11**	**6,602.61**	**8,601.47**	**12,720.78**	**12,919.48**
Adjustment on accounts of:						
Add: Income from operations						
Agency charges on RGGVY Change in policy				22.40	(22.40)	
Add: Other Income						
Provision for taxation of earlier years	-	-	(130.52)	(1.83)	-	-
Less : Interest and financial charges						
Adjustment for Govt. guarantee Fee	12.00	12.00	(253.90)	-	-	-
Less : Establishment expenses						
Provision for Post retirement medical benefit scheme	8.04	(71.90)	-	-	-	-
Provision for Earned Leave	(0.45)	(0.19)	(2.25)	-	-	
Provision for Sick Leave	1.29	0.47	1.58	-	-	-
LTC	0.97	0.27	1.06	-	-	-

(Rs in million)

Particulars	For the year ended March 31					Sept. 30, 2009
	2005	2006	2007	2008	2009	
Settlement Allowance on retirement	0.11	0.13	0.12	-	-	-
Sub Total	9.96	(71.22)	0.51	-	-	-
Less : Administration Expenses						
Prior Period Adjustments (net)	(0.33)	(32.89)	38.56	(9.54)	7.71	(3.84)
Pre paid expenses change in policy	0.58	0.39	0.55	0.95		
Pre paid expenses change adjustment		(0.58)	(0.39)	(0.55)	(0.95)	
Sub total	0.25	(33.08)	38.72	(9.14)	6.76	(3.84)
Less :Provision for decline in value of investment						

Decline in fall in value of investments as per changes in accounting policy	3.30	(3.30)	-	-	-	-
Less : Provision for taxes earlier years						
Provision for taxes earlier years			(130.52)	(1.83)		384.40
Less : Deferred Tax Liability						
Deferred Tax Liability adjusted		-	(1,151.34)	(950.70)	(1,155.66)	3,257.70
Net Profit as per restated Profit and Loss Accounts	**7,788.12**	**6,470.71**	**7,968.62**	**9,583.71**	**13,847.28**	**9,281.22**

The explanatory notes for these adjustments are discussed below:

i) Changes in Accounting Policy

There had been a change in the accounting policy of the Company. In the year 2004-05, the accounting policy of valuing Investments, at cost or market value/break up value thereof, whichever is less, on global basis in respect of each category of investments, was changed to valuing, investment at cost ,being long term. Further during 2005-06 the accounting policy was further changed to state that long term investments are carried at cost less provision if any for diminutions in value of such investments. Current investments are carried at the cost or fair value whichever is lower. Decline in value of Rs 3.30 million on account of such change in accounting policy in 2005-06 relating to 2004-05 is restated.

ii) Pre paid Expenses and Prior Period Items

Certain items of income/expenses have been identified as Pre Paid expenses and Prior Period items which have not been shown as adjustments in respective years to which these pertain. In addition the accounting Policy has been changed in F.Y 2008-09 with regards to monetary limits for such recognition of prior period items and new policy first time for Pre Paid Expenses. In the Restated Summary Statements, such pre paid and Prior Period items have been adjusted in respective years.

iii) Deferred Tax Liability

The Company had been making provision for Deferred Tax Liability for Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act from the Financial Year 2006-07 on the basis of opinion received from the Expert Advisory Committee of the Institute of Chartered Accountants of India. However with effect from Sept 2009 the company took a decision not to withdraw any amount from such reserve and consequently the said reserve is treated as permanent difference. Accordingly The Company has not created Deferred Tax Liability(DTL) of Rs 730.8millions on account of Special Reserves created and maintained under section 36(1)(viii) of the Income Tax Act 1961 for the six months period ended on 30th Sept '09 and has also reversed the DTL of Rs 9645.7millions created in earlier years on this account. The reversal of DTL is done by crediting General Reserves by Rs 6388 million for the financial years upto 2005-06 and through Profit &Loss Appropriation by Rs 3257.7millions of the Financial Year 2006-07 to Financial Year 2008-09. The Restated Summary Statements have been drawn after making adjustment for such change in the accounting policy for earlier years also by applying the income tax rates of respective years. Deferred Tax Liability on other items has been computed by applying the revised average rate of income tax for respective years.

iv) Material Regroupings

a) Income tax excess provision written back in the year 2006-07 and 2007-08 is included in Other Income. The same is re-stated and included in Tax Expenses of these years.

b) Foreign Exchange gains/losses were treated as extra ordinary items and is shown as such while preparing the restated financials of the Company in terms of the Guidance Notes issued by The Institute of Chartered Accountants of India in this regard.

v) Government guarantee fee

The Company has provided for govt. guarantee fee amounting to Rs.253.90 million during the year 2006-07 pertaining to earlier years. Out of this Rs.229.90 million pertains to the years prior to 2004-05 which has been adjusted out of the reserves. The balance amount has been restated in the respective years.

vi) Post Retirement Medical Benefit

The Company made provision for post retirement medical benefit scheme amounting to Rs. 77.46 million first time in the year 2005-06 as required by AS-15 issued by ICAI. Out of this Rs. 71.90 million pertains to the past years inclusive of Rs 8.04 million pertaining to 2004-05 and has been adjusted in the respective year. Balance amount of Rs.63.86 million, pertains to the years upto March 31, 2004 and accordingly has been adjusted through reserves.

vii) Employees Benefits

The Institute of Chartered Accountants of India (ICAI) has issued Revised AS-15(Accounting for Employees Benefits) which is applicable with effect from April 1, 2007. Accordingly Company has worked out its liability as on 31.3.2007. The liability up to 31.03.04 has been adjusted out of reserves and amounts related to subsequent years has been restated in the respective years as per details given here in below:

Year	Amount (Rs. million)
2004-05	1.91
2005-06	0.67
2006-07	0.50
2007-08	-
2008-09	-
Total	3.08

viii) Agency Charges on RGGVY Scheme

The company has changed its policy regarding accounting for agency charges on RGGVY Scheme from Sept 2009 and accounted such income on sanction basis as against the earlier policy of recognition on the basis of disbursement of Subsidy/loan. Relevant effects in other years have been restated.

ix) In line with the decisions of Authority for Advance Ruling and Income tax Appellate Tribunal for different assessment years, the Company has accounted for Rs. 384.40 million towards refund of Income tax due from the Income tax Department pending receipt of the same. All such refunds relate to the period prior to 2004-05 and have been re-stated through Reserves.

3. Other Notes on Accounts

1 The Company is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company (NBFC) since 1997-98. As per notification No. DNBS (PD), CC No. 12/D2.01/99-2000 dated 13.1.2000 of RBI, Govt. Companies conforming to Section 617 of the Companies Act have been exempted from applicability of the provisions of RBI Act 1934 relating to maintenance of liquid assets and creation of Reserve Funds and the Directions relating to acceptance of public deposits and prudential norms. The said notification is also applicable to REC, being a Govt. Company conforming to Section 617 of the Companies Act, 1956. Moreover in view of the non applicability of the provisions of section 45 (I) C of the RBI Act, 1934 regarding creation of Reserve Fund, the Reserve Fund is not created.

2. There has been shortfall in creation of Special Fund by some of the RE Cooperative Societies amounting to Rs. 43.54million (Previous half year Rs. 50.09 million) and the societies are pursued to create the required Special Fund.

3. Balance confirmation has been received from some of the borrowers.

4. Income Tax as applicable in respect of Interest accrued on bonds is deducted at source at the time of actual payment of interest to the bond holders since such bonds are freely transferable.

5. The formalities regarding registration of conveyance deeds etc. in respect of some of the Land & Building acquired by the Corporation amounting to Rs. 3,63.06 million (Previous half year Rs. 5,79.33million) are in the process of completion.

6. In terms of Accounting Policy No. 10.2, the balances in respect of Interest Warrants Accounts (both for institutional and 54EC & Infra bonds) as on 30.09.2009 held in specified banks are Rs.253.82million (previous half year Rs.89.65million).

7. In the opinion of the management, the current assets, loans and advances appearing in the balance sheet have a value equivalent to the amount stated therein if realized during the ordinary course of business and all known liabilities have been provided.

8. Provision for impairment loss as required under Accounting Standard-28 on impairment of Assets is not necessary as in the opinion of management there is no impairment of the Corporation's Assets in terms of AS-28.

9. The company has no outstanding liability towards Micro, Small and Medium undertakings.

10. No Bond Redemption Reserve (BRR) has been created since in terms of clarifications issued by the Department of Company Affairs, Govt. of India vide no.6/3/2001-CL.V dated 18.4.2002, BRR is not required to be created in the case of privately placed debentures issued by NBFC's registered with the RBI under section 45-IA of the RBI (Amendment) Act, 1997.

11. During the period up-to 30.09.2009, the Corporation has reduced cost of borrowing to the extent of Rs. 33.40 million (Previous period Rs. 39.61 million) on account of swap (coupon only) transaction linked to rupee borrowing.

    The Corporation had entered into various coupons only swap transactions and cross currency swap transactions. The Net Mark to Market position in respect of the above swap transactions as on 30.09.2009 is of Rs. 32,46.88 million (favorable) (Previous period Rs.6,33.34 million unfavorable).

12. Subsidy Under Accelerated Generation & Supply Programme (AG&SP): -

    The Company is maintaining a Interest Subsidy Fund Account and is claiming subsidy from Govt. of India at net present value calculated at indicative rates in accordance with GOI's letter vide D.O.No. 32024/17/97-PFC dated 23.09.1997 and O.M.No.32024/23/2001-PFC dated 07.03.03 irrespective of the actual repayment schedule, moratorium period and duration of repayment. The impact of difference between the indicative rate and period considered at the time of drawl and the actual can be ascertained only after the end of the respective schemes.

13. Disclosure in respect of Intangible Assets as required in AS-26 "Intangible Assets":-

i) Amortisation Rate	20%; 100% in case of cost of asset is Rs 5,000 or less
ii) Amortisation Method	Straight Line

Reconciliation Statement.	**(Rs. million) As at 30.09.2009**
iii) Gross Carrying Amount	0.71
iv) Accumulated depreciation	0.30
v) Gross carrying amount- Opening Balance	0.48
vi) Less: - Accumulated Depreciation	0.26
vii) Carrying amount	0.23
viii) Additions during the period	0.23
ix) Less: Amortization during the year	0.04

x) Carrying amount as on Balance sheet Date 0.41

14. (A) The Company has been providing for deferred tax assets / liabilities in terms of Accounting Standard No. 22 on Accounting for Taxes on Income.

(B) The Company has started creating deferred tax liability (DTL) on special reserve created and maintained under Section 36(1)viii of Income tax act, 1961, from financial year 2006-07 onwards. DTL for the special Reserve created till financial year 2005-06 was also created in Financial year 2006-07 by transferring the amount from General Reserve.

Now, considering the opinions given by the various concerned authorities and also the practice followed by the other similarly placed institutions of not creating deferred tax liability (DTL) on account of special reserve created and maintained under Section 36(1)viii of Income tax act, 1961, the Corporation is of the view that there is no requirement of DTL as per AS22 of ICAI. Accordingly, the Corporation has not created deferred tax liability (DTL) of Rs.730.80 million on account of special reserve created and maintained under Section 36(1)viii of Income tax act, 1961, for the six months period ended on 30th Sept. 2009 and has also reversed the DTL of Rs.9645.67 million created in earlier years on this account as per Accounting policy No.7.2. The reversal of DTL is done by crediting General reserve by Rs.6387.99 million for the Financial years upto 2005-06 and through Profit and loss Appropriation by Rs.3257.69 million for the Financial year 2006-07 to Financial year 2008-09.

15. Some of the erstwhile State Electricity Boards (SEBs) against whom loans were outstanding or on whose behalf guarantees were given, were restructured by the respective State Governments and new entities were formed in the past. Consequently, the liabilities of the erstwhile SEBs stand transferred to new entities and transfer agreements in most of the cases are to be executed amongst the Corporation, new entities and the State Governments.

16. Subsequent to settlement of liabilities of REC between MPSEB and CSEB on bifurcation of erstwhile State of MP, there is a legal dispute between them regarding sharing of dues, as a result of which CSEB has been claiming refund of approx. Rs.1600 million plus interest which if accrues shall be payable by MPSEB.

17. The expenses of Rs.64.4million incurred up to 2006-07 on RGGVY implementation were adjusted out of interest earned on such funds. The Corporation had approached MOP for regularization of above adjustments which is still pending. The management considers that amount is still recoverable from Govt. of India.

18. The pay revision of the employees of the Company is due w.e.f.1st January 2007. Pending final calculation of revised pay scales (including perks) as notified by Govt. of India and considered by Board of Directors an estimated additional provision Rs.101.82 million based on average salary (Previous period Rs.81.68 million) had been made towards wage revision arrears during the period and accordingly Rs.229.82 million is cumulatively available toward provision for wage revision including for non executive employee for whom no such notification is available but there arrear have also been considered in line with such notification. Actuarial valuation of employees benefit has been carried out considering the estimated revised wages.

19. <u>Details of provision as required in AS-29</u>

(Rs. million)

	As on 30/09/2009
(a) Proposed Dividend	
As per last Balance Sheet	2146.65
Addition during six months ended 30.09.2009	0 .08
Amounts paid/utilized during six months ended 30.09.2009	2146.73
Closing Balance	NIL
(b) Corporate Dividend Tax	
As per last Balance Sheet	364.82
Addition during six months ended 30.09.2009	-
Amounts paid/utilized during six months ended 30.09.2009	-

Closing Balance	364.82

20. The Company has adopted AS15 (revised 2005) 'Employees Benefit'. Defined employee benefit scheme are as follows:

a. Provident Fund

The Company pays fixed contribution of Provident Fund at pre-determined rates to a separate trust which invests the funds in permitted securities. The trust is required to pay a minimum rate of interest on contribution to the members of the trust. As per Actuarial report, the fair value of the assets of the Provident fund including the returns of the assets thereof, as at 30th Sept. 2009 is greater than the obligation under the defined contribution plan.

b. Gratuity

The Company has a defined benefit gratuity plan. Every employee is entitled to gratuity as per the provision of the payment of Gratuity Act. The scheme is funded by the Corporation and is managed by separate trust. The liability of Gratuity is recognized on the basis of actuarial valuation.

c. Post-Retirement Medical Facility (PRMF)

The Company has Post Retirement Medical Facility and Settlement benefits under which entitled employee (including spouse) are covered as per Corporation's rule. This is recognized in the profit & loss account on the basis of actuarial valuation.

d. Leave Travel Concession (LTC)

The Company has a scheme of providing LTC to employees and their dependents. This is recognized in the profit & loss account on the basis of actuarial valuation.

e. Other Defined Retirement Benefit (ODRB)

The Company has a scheme for settlement at the time of superannuation at home town for employees and dependents. This is recognized in the profit & loss account on the basis of actuarial valuation.

21. (A) Government of India has appointed REC as a nodal agency for implementation of RGGVY. The funds received for disbursement to various agencies under such schemes are kept in a separate bank account. The undisbursed funds and interest earned thereto are classified as current liabilities.

(B) During current period interest earned of Rs.52.19million (previous period Rs.131.63 million) including TDS of Rs. 11.83million (previous half year Rs.29.83 million) has been taken to RGGVY grant account and such TDS credits are being taken by REC for ultimately passing off the benefit of same to the credit of Govt. Funds.

(C) During the current period the company has started recognizing the Income of Agency Charges on RGGVY Scheme on the basis of the amount sanctioned/receipt from the Ministry of Power as per Accounting Policy 2.1.b. as against the existing policy of recognition on the basis of disbursement of subsidy/loan. The change in the Accounting Policy has resulted in increase of profit of current period of six months ending 30th September, 2009 by Rs. 126.4 million (net of service tax). Ministry of Power sanctioned/ released the agency charges on the basis of services rendered by REC to beneficiaries.

22. During the period, The Company has invested its surplus funds with the Public Mutual Funds in Liquid Scheme and Liquid Plus Scheme. The same have been disinvested during the year itself

23. The Company does not have more than one reportable segment in terms of Accounting Standard No.17 issued by the Institute of Chartered Accountants of India.

24. Previous period figures have been regrouped/rearranged/recasted, wherever necessary, to make them comparable with the current period's figures.

ANNEXURE – V

SIGNIFICANT ACCOUNTING POLICIES AS AT SEPTEMBER 30, 2009

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS.

(a) **Accounting Convention:-** The financial statements are prepared under the historical cost convention on accrual basis and in accordance with generally accepted accounting principles and applicable accounting standard in India. The financial statements adhere to the relevant presentational requirement of the Companies Act, 1956.

(b) **Use Of Estimates:-** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure thereof at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which results materialize.

2. REVENUE RECOGNITION.

The Corporation has formulated its own detailed Prudential Norms which are broadly based on the Prudential Norms prescribed by RBI for NBFCs. Accounting is done in accordance with these Prudential Norms of REC and the salient features of the same for Income Recognition, Asset classification and Provisioning are as under:

2.1. Income Recognition

a. Income on Non Performing Assets where interest/ principal has become overdue for two quarters or more is recognized as and when received and appropriated. Any such income recognized before the asset becomes non-performing and remaining unrealized is reversed.

Unless otherwise agreed, the recoveries from the borrowers are appropriated in the order of (i) costs and expenses of REC (ii) penal interest including interest tax, if any (iii) overdue interest including interest tax, if any, and (iv) repayment of principal, the oldest being adjusted first.

In respect of loans whose terms are renegotiated / rescheduled / restructured, income is recognized on accrual basis when it is reasonably expected that there is no uncertainty of receipt of dues from the borrowers and a legally binding Memorandum of Agreement has been executed and there has been satisfactory performance under the renegotiated or rescheduled or restructured terms till a period of at least one year from the effective date of the corresponding MOU.

b. Income of Agency Charges on RGGVY Schemes is recognized on the basis of the amount sanctioned/ receipt from the Ministry of Power.

c. Income from investments

1) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis:

Provided that the income from dividend on shares of corporate bodies may be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and REC's right to receive payment is established.

2) Income from bonds and debentures of corporate bodies and from Government securities/bonds shall be taken into account on accrual basis:

Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

3) Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government shall be taken into account on accrual basis.

2.2 ASSETS CLASSIFICATION AND PROVISIONING NORMS

A Assets Classification

Loans and advances and any other form of credit are classified into the following classes, namely:

(i) **Standard Assets: '**Standard assets' means an asset which is not an NPA and in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business, or a deemed standard asset which is defined below;

and

a deemed standard asset' means a facility made to a state utility against state government undertaking for deduction from central plan allocation for making payment to REC against its unpaid dues.

(ii) **Sub-Standard Assets: '**Sub-standard asset' means:

(a) an asset which has been classified as non-performing asset for a period not exceeding 18 months;

(b) an asset where the terms of the agreement regarding interest and/ or principal have been renegotiated or rescheduled or restructured, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.

(c) The rescheduling or restructuring or renegotiation of a standard infrastructure loan asset shall not cause it to be reclassified if the revised project is found to be viable by the competent authority.

(iii) **Doubtful Assets:** Doubtful asset means an asset which remains a substandard asset for a period exceeding 18 months.

(iv) **Loss Assets:** Loss assets means –

a) An asset which has been identified as loss asset by REC to the extent it is not written off by REC or the asset remains doubtful for a period exceeding 5 years, whichever is earlier.
b) An asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non availability of security or due to any fraudulent act or omission on the part of the borrower.

For the purpose of application of Prudential Norms and provisioning Norms,

i. Facilities granted to State/Central Sector entities are considered loan wise.
ii. Facilities granted to other entities are considered borrower wise.

B Provisioning against Loans

The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted shall be as under:

(i) **Loss Assets** – The entire asset shall be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding shall be provided for:

(ii) **Doubtful assets** –

(a) 100% provision to the extent to which the advance is not covered by the realizable value of the security to which REC has a valid recourse shall be made. The realizable value is to be estimated on a realistic basis; Loans covered by Central/State Govt. guarantee or State Govt. Undertaking for deduction from Central Plan Allocation or loans to any State Govt. shall be treated as secured;

(b) In addition to item(a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e. estimated realizable value of the outstanding) shall be made on the following basis :-

Period for which the asset has been considered as doubtful	**% of provision**
Up to one year	20%
1 to 3 years	30%
More than 3 years	50%

(iii) **Sub-standard assets** - A provision of 10% shall be made.

An asset which has been renegotiated or rescheduled or restructured shall be a sub-standard asset or continue to remain in the same category in which it was prior to its renegotiation or re-schedulement or restructuring, as a doubtful asset or a loss asset as the case may be. Necessary provision is required to be made as applicable to such asset till it is upgraded.

3. FIXED ASSETS.

Fixed Assets are shown at historical cost less accumulated depreciation. The cost includes any cost attributable of bringing the assets to its working condition for its intended use.

4. DEPRECIATION.

4.1. Depreciation on assets is provided on pro rata basis on straight-line method at the rates prescribed under Schedule XIV to the Companies Act, 1956. In terms of option available under the Companies Act, 1956, depreciation on assets capitalized prior to 16.12.93 is charged at the rates then prevailing on the straight-line method.

4.2. Depreciation on assets purchased / sold during the year is charged for the full month if the asset is in use for more than 15 days, instead of charging the same on pro-rata basis from the date of purchase/sale.

4.3. Depreciation on assets purchased during the year up to Rs 5, 000/- is provided @ 100%.

4.4. Leasehold land is amortized over the lease period.

5. INTANGIBLE ASSETS.

An Intangible Assets is recognized where it is probable that the future economic benefits attributable to the assets will flow to the company. These Assets are amortized over a period of 5 years.

6. INVESTMENTS.

Long term investments are carried at cost less provisions, if any, for diminutions in the value of such investment. Current investments are carried at the cost or fair value whichever is lower.

7. CURRENT TAX AND DEFERRED TAX.

7.1 Income Tax expenses comprises current Income Tax inclusive of Fringe Benefit Tax (Amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) is determined in accordance with Accounting Standard- 22 of the Institute of Chartered Accountants of India. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially established by the Balance Sheet date. Deferred Tax Assets are recognized and carry forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

7.2 The Company has passed a Board Resolution that it has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income Tax Act 1961. Hence, the special reserve created and maintained is irreversible and thus it becomes a permanent difference as per AS 22 issued by the Institute of Chartered Accountants of India (ICAI). Accordingly, the Company is not creating any deferred tax liability on the said reserve.

8. IMPAIRMENT OF ASSETS

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of assets net selling prices and value in use.

9. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS.

A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of amount of the obligation can be made. Provisions are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

10. BOND / DEBT ISSUE.

10.1. Expenditure on rising of funds by way of bonds is charged to revenue in the year of issue of such bonds.

10.2. The Corporation discharges its obligation towards payment of interest warrants relating to bonds by depositing the amount in the designated Interest Warrant Bank Accounts. Accordingly, the payments are treated as final payments and these designated accounts are not exhibited in the books but reconciliation thereof is carried out.

10.3. Expenditure incurred on raising of funds is charged to the Profit and Loss Account in the year in which it is incurred except the discount/interest on the Commercial Papers, which are amortized proportionately over the period of its tenure.

11. CASH FLOW STATEMENT.

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular operating, financing and investing activities of the Company are segregated.

12. PRIOR PERIOD/ PREPAID ADJUSTMENTS.

12.1. Considering the nature of business, interest income/expenditure for the earlier years ascertained and determined during the year is accounted for in the year in which it is so ascertained/determined.

12.2. Other items not exceeding Rs.5,00,000/- in each case are accounted for under natural heads of account.

13. EMPLOYEES BENEFITS.

13.1. The liability for employees benefit in respect of Gratuity is ascertained on actuarial valuation is provided and funded separately.

13.2 Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related services is rendered.

13.3 Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employees has rendered services. The expense is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit & loss account.

14. TRANSACTION IN FOREIGN CURRENCY

Foreign Currency transactions are initially recorded at the exchange rate prevailing on the date of transaction. Foreign Currency loans/liabilities are translated/ converted with reference to the rates of exchange ruling at year end and the resultant exchange fluctuation is charged to Profit & Loss account.

15. GRANTS/FUNDS FROM GOVERNMENT

Un-disbursed funds of grant received for further disbursements are classified as current liabilities. Interest wherever earned on such funds is either credited to respective grant account if terms of the grant so requires or to “other income”.

CHANGES IN ACCOUNTING POLICIES DURING THE YEARS ENDED MARCH 31, 2005 TO HALF YEAR ENDED SEPTEMBER 30, 2009

1. During the year 2004-05, the words "Investments are valued at cost or market value/break up value thereof, whichever is less, on global basis in respect of each category of Investments" replaced by the words " Investment being long term are value at cost".

2. During the year 2005-06 investments have been changed as "Long term investments are carried at cost less provisions, if any, for diminutions in the value of such investment. Current investments are carried at the cost or fair value whichever is lower".

3. From the year ended March 31, 2006, the provision for post retirement benefits has been provided on actuarial valuation basis, which was earlier provided on the basis of claims received.

4. During the year 2007-08, the company has implemented a new provision in respect of income recognition of Agency Charges on RGGVY schemes which provides as under:-

   Income of Agency Charges on RGGVY schemes is recognized at the time of disbursement of subsidy/loan in proportion to the amount disbursed.

   Further, from 30th September 2009, Income of Agency Charges on RGGVY schemes is recognized on the basis of the amount sanctioned/receipt from the Ministry of Power.

5. With effect from April 01, 2007, the Corporation has formulated its own detailed Prudential Norms which are broadly based on the Prudential Norms prescribed by RBI for NBFCs. Accounting is done in accordance with these Prudential Norms of REC and the salient features of the same for Income Recognition, Asset classification and Provisioning are as under:

   (a) Income Recognition

   Income on Non Performing Assets where interest/ principal has become overdue for two quarters or more is recognized as and when received and appropriated. Any such income recognized before the asset becomes non-performing and remaining unrealized is reversed.

   Unless otherwise agreed, the recoveries from the borrowers are appropriated in the order of (i) costs and expenses of the Company (ii) penal interest including interest tax, if any (iii) overdue interest including interest tax, if any, and (iv) repayment of principal, the oldest being adjusted first.

   In respect of loans whose terms are renegotiated / rescheduled / restructured, income is recognized on accrual basis when it is reasonably expected that there is no uncertainty of receipt of dues from the borrowers and a legally binding Memorandum of Agreement has been executed and there has been satisfactory performance under the renegotiated or rescheduled or restructured terms till a period of at least one year from the effective date of the corresponding Memorandum of Understanding.

   (b) Income Recognition from investment

   (i) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis:

   Provided that the income from dividend on shares of corporate bodies may be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and REC's right to receive payment is established.

(ii) Income from bonds and debentures of corporate bodies and from Government securities/bonds shall be taken into account on accrual basis:

Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

(iii) Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government shall be taken into account on accrual basis.

(c) Assets Classification and Provisioning

(I) For the purpose of application of Prudential Norms and provisioning Norms,

(i) Facilities granted to State/Central Sector entities are considered loan wise.

(ii) Facilities granted to other entities are considered borrower wise.

(II) The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted shall be as under:

(i) Loss Assets – The entire asset shall be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding shall be provided for:

(ii) Doubtful assets –

100% provision to the extent to which the advance is not covered by the realizable value of the security to which the Company has a valid recourse shall be made. The realizable value is to be estimated on a realistic basis; Loans covered by Central/State Government guarantee or State Government Undertaking for deduction from Central Plan Allocation or loans to any State Government shall be treated as secured;

In addition to item (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e. estimated realizable value of the outstanding) shall be made on the following basis:

Period for which the asset has been considered as doubtful	% of provision
Upto one year	20%
1 to 3 years	30%
More than 3 years	50%

(iii) Sub-standard assets - A provision of 10% shall be made.

An asset which has been renegotiated or rescheduled or restructured shall be a sub-standard asset or continue to remain in the same category in which it was prior to its renegotiation or re-schedulement or restructuring, as a doubtful asset or a loss asset as the case may be. Necessary provision is required to be made as applicable to such asset till it is upgraded.

As per the revised prudential norms in respect of state borrowers norms are applicable scheme wise whereas in the case of private borrowers the norms are applicable borrower wise. Further in case of loans where there is a no securities or chances of recovery are remote 100% provision to be made assuming it as a loss assets.

6. ACCOUNTING FOR EMPLOYEE'S BENEFIT

The Institute of Chartered Accountants of India (ICAI) has revised the accounting standard 15 (AS-15) changing existing accounting standard of accounting of retirement benefits to accounting for employee's benefits. The Company has adopted the revised AS 15 w.e.f 01/04/2007 which inter-alia provides as under: -

a. The liability for employees benefits in respect of Gratuity is ascertained on actuarial valuation is provided and funded separately.

b. Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related services is rendered.

c. Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amounts payable determined using actual valuation techniques. Actual gains and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

d. The contribution to provident fund is charge to the revenue on monthly basis.

7. PRIOR PERIOD/ PREPAID ADJUSTMENTS.

During the year 2008-09, following changes has been made in the accounting policy in respect of PRIOR PERIOD/ PREPAID ADJUSTMENTS:-

(i) Considering the nature of business, interest income/expenditure for the earlier years ascertained and determined during the year is accounted for in the year in which it is so ascertained/determined.

(ii) Other items not exceeding Rs.5,00,000/- in each case are accounted for under natural heads of account.

8. GRANTS/FUNDS FROM GOVERNMENT

(i) During the year 2006-07, the company has deleted accounting policy in respect of GRANT RECEIVED FROM GOVERNMENT OF INDIA which is as follows:-

Grants received from Government of India which are deposited in the normal bank account of the Company are for specific purpose indicated in the respective sanction and are utilised accordingly. The net balance at the end of the year is shown in the current liabilities and provision in the book.

Grants received from Government of India for Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) is kept in a separate bank account and are utilized accordingly. The net balance at the end of the year is shown in the current liabilities. Interest earned from the date of deposit to the date of utilization is set off against the expenditure incurred for RGGVY.

(ii) During the year 2008-09, the company has adopted new accounting policy in respect of GRANTS/FUNDS FROM GOVERNMENT which is as follows :-

Un-disbursed funds of grant received for further disbursements are classified as current liabilities. Interest wherever earned on such funds is either credited to respective grant account if terms of the grant so requires or to "other income".

9. CURRENT TAX AND DEFERRED TAX

During the half year ended September 30, 2009, The Company has passed a Board Resolution that it has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income Tax Act 1961. Hence, the special reserve created and maintained is not capable of being reversed and thus it becomes a permanent difference as per AS 22 issued by the Institute of Chartered Accountants of India. Accordingly, the Company has not created DTL of Rs 730.8 million on account of Special Reserve created and maintained under section 36(1)(viii) of The Income Tax Act 1961 for the six months period ended on 30 Sept'09 and has also reversed the DTL of Rs 9645.7 million created in earlier years.

10. BOND ISSUE

During the year 2008-09, the company has implemented a new provision regarding Bond Issue which is as under:-

Expenditure incurred on raising of funds is charged to the Profit and Loss Account in the year in which it is incurred except the discount/interest on the Commercial Papers, which are amortized proportionately over the period of its tenure.

ANNEXURE – VII

SUMMARY OF ACCOUNTING RATIOS

The summary of accounting ratios of the company for the financial year ended March 31, 2005, 2006, 2007, 2008 and 2009 and for the period ended September 30, 2009 is as set out below.

PARTICULARS	For the year ended March 31					September 30, 2009
	2005	2006	2007	2008	2009	
Profit After Tax and before Extra ordinary items (Rs. million)	7,706.88	6,369.45	7,983.06	9,652.79	13,762.76	9,282.86
Weighted average number of shares outstanding during the year for basic EPS (in million)	780.60	780.60	780.60	786.37	858.66	858.66
Weighted average number of shares outstanding during the year for diluted EPS (in million)	780.60	780.60	780.60	786.37	858.66	858.66
Net Worth (Rs. million)	36,413.85	40,429.39	45,987.71	59,939.93	68,490.15	77,278.81
Basic Earning Per Share (Rs.)	9.87	8.16	10.23	12.28	16.03	10.81
Diluted Earning Per Share (Rs.)	9.87	8.16	10.23	12.28	16.03	10.81
Net Assets Value Per Share (Rs.)	46.65	51.79	58.91	76.22	79.76	90.00
Return on Net Worth (%)	21.16	15.75	17.36	16.10	20.09	12.01

Formulae:

Basic Earnings per Share (Rs.) = $\dfrac{\text{Profit / (Loss) after Tax and before extraordinary items}}{\text{Weighted average number of equity shares outstanding during the Period / year}}$

Diluted Earnings per Share (Rs.) = $\dfrac{\text{Profit / (Loss) after Tax and before extraordinary items}}{\text{Weighted average number of diluted equity shares outstanding during the Period / year}}$

Net Asset Value Per Share (Rs.) = $\dfrac{\text{Net Worth after adjustment of miscellaneous expenditures to the extent not written off and before Revaluation Reserve}}{\text{Number of Equity Shares Outstanding at the end of the period / year}}$

Return on Net Worth (%) $\dfrac{\text{Profit / (Loss) after Tax and before extraordinary items}}{\text{Net Worth after adjustment of miscellaneous expenditures to the extent not Written off and before Revaluation Reserve}}$

ANNEXURE VIII

CAPITALIZATION STATEMENT

(Rs in million)

Particulars	As at September 30, 2009	As Adjusted for proposed Issue*
Debt:		
Short Term Debt	17,950.00	
Long Term Debt	498,073.93	
Total Debt	516,023.93	
Shareholders' Fund		
Share Capital	8,586.60	
Reserve & Surplus	72,628.39	
Net Reserve (Net of Revaluation)	72,628.39	
Shareholders Funds	**81,214.99**	
Long Term Debt/ Shareholders Funds (times)	6.13	
Total Debt / Shareholders Funds (times)	6.35	

(1) Short term debts represent debts which are due within 12 months from September 30, 2009

(2) Long term debts represent debts other than Short Term debts as defined in (1) above.

(3) The figures disclosed above are based on the Restated summary Statement of Assets and Liabilities of the Company as at 30th September, 2009.

(4) Long Term Debts to Equity $\frac{\text{Long Term Debts}}{\text{Shareholders Funds}}$

(5) Total Debt to Equity ratio $\frac{\text{Total debts}}{\text{Shareholders Funds}}$

* As this is an issue of Equity Shares by way of Book Building Process, the post issue figures will be updated after the discovery of issue price.

There has been no change in the share capital of the Company since September 30, 2009.

ANNEXURE-IX

STATEMENT OF TAX SHELTERS

The Statement of tax shelters of the Company as restated for the year ended March 31,2005, 2006 , 2007, 2008, 2009 and the period ended Sep 30,2009 is as set out below:

(Rs in million)

	As at March 31					As at September 30, 2009
	2005	**2006**	**2007**	**2008**	**2009**	
Restated Profit before Tax (A)	**10,339.93**	**8,393.90**	**10,146.08**	**13,153.95**	**19,171.91**	**12,521.58**
Tax Rate (%)	36.59	33.66	33.66	33.99	33.99	33.99
Tax on Actual rate on profits	3,783.64	2,825.39	3,415.17	4,471.03	6,516.53	4,256.09
Adjustments:						
Permanent Differences:						
Excess Provision written back on account of Stamp Duty		-28.18	-	-1.84	-	-
Excess provision written back on account of other expenses			-130.53	-	-361.10	-287.62
Benevolent Fund	0.06	0.04	0.13	0.06	0.45	0.19
Provision for Bad & Doubtful Debts			210.45	399.93	23.71	2.22
Delay in deposit of P.F./Service Tax			0.01	0.20	-	-
Loss on sale of Fixed Assets	0.15	0.03	-	0.08	-0.10	-
Provision for Interest Tax/ Interest Tax paid/Fall/Rise in value of Investments.				-	-	-
Deduction u/s 36(1)(viii) of the Income Tax Act	-3,756.41	-2,631.01	-3,371.70	-2,371.55	-3,277.61	-2,150.16
Deduction u/s 36(1)(viia)(c)of the Income Tax Act	-345.14	-270.08	-333.98	-547.27	-784.22	-499.27
Dividend on Investment in Mutual Funds (Post tax)				-	-7.18	-56.05
Deduction u/s 10(23G) of the Income Tax Act,1961.	-193.86	-178.57		-	-	-
Donations Paid			0.15	0.02	-	-
Adjustment on Account of Restatement :						
Agency Charges on RGGVY Change in Policy				-22.40	22.40	
Provision for Taxation of Earlier years			130.52	1.83		
Adjustment for Govt Guarantee	12.00	12.00	-253.90			
Prior Period Adjustments	-0.33	-32.89	38.56	-9.54	7.70	-3.84

(Rs in million)

	As at March 31					As at September 30, 2009
	2005	**2006**	**2007**	**2008**	**2009**	
Total Permanent Differences (B)	**-4,283.53**	**-3,128.66**	**-3,710.30**	**-2,550.46**	**-4,375.95**	**-2,994.53**
Timing Difference:						
Difference between book depreciation and tax depreciation	-8.43	-6.11	-6.99	-4.61	-4.34	-1.26
Expenses Allowed u/s	-29.65	-33.31	-33.31	-1.14	-	

	As at March 31					As at September 30, 2009
	2005	2006	2007	2008	2009	
35DDA						
Provision for Stamp duty	37.43			-	-	-
Provision for Leave encashment	6.89	11.28	10.84	64.45	16.01	5.25
Provision for post retirement health scheme.		77.46		-	-	-
Expenses Disallowed u/s 40a(ia)	471.18	-113.46	-61.24	-305.72	-	-
Notional Increase in Value of Investment (Small is Beautiful)		5.10	-0.08	-2.39	10.53	-9.29
Provision for Other Employees Benefit	-12.64			-	58.34	7.07
Provision For Exgratia				42.56	-	-42.56
Adjustment on Account of Restatement :						
Provision for Post retirement Benefits	8.04	-71.90				
Provision for Earned Leave	-0.45	-0.19	-2.25			
Provision for Sick Leave	1.29	0.47	1.58			
Provision for LTC	0.97	0.27	1.06			
Provision for Settlement Allowance	0.11	0.13	0.12			
Prepaid Expenses	0.58	-0.19	0.16	0.40	- 0.95	
Decline in Fall in Value of Investment	3.30	-3.30				
Total Timing differences[C]	**478.62**	**-133.75**	**-90.10**	**-206.44**	**79.59**	**-40.79**
Net Adjustments (B+C)	-3,804.91	-3,262.41	-3,800.40	-2,756.90	-4,296.36	-3,035.32
Tax Saving thereon.	-1,392.31	-1,098.13	-1,279.21	-937.07	-1,460.33	-1,031.71
Profit as per Income Tax Return (D)=(A+B+C)	6,535.01	5,131.49	6,345.67	10,397.05	14,875.55	NA
Tax Paid as on Return Income	2,391.33	1,727.26	2,135.96	3,533.96	5,056.20	NA
Add: Tax Savings (Shelter)	1,392.31	1,098.13	1,279.21	937.07	1,460.33	NA
Tax on Restated Profit Before Tax	**3,783.64**	**2,825.39**	**3,415.17**	**4,471.03**	**6,516.53**	NA

ANNEXURE-X

STATEMENT OF LOANS (SECURED AND UNSECURED)

(Rs in million)

	As at March 31					As at September 30, 2009
	2005	**2006**	**2007**	**2008**	**2009**	
A.SECURED LOANS						
Term Loan from Banks (Secured against the receivables of the SEB's/State Power Corporation)	10,220.00	19,220.00	19,220.00	23,220.00	20,532.50	18,983.39
Cash Credit Limits from Banks (Secured against the receivables of the SEB's/State Power Corporation)	-	-	-	-	-	-
Overdraft against Term Deposit (Secured against FDR pledged with Bank)	-	2,050.00	1,000.00	-	-	-
Loan from Life Insurance Corporation (LIC) (Secured against the receivables of the SEB's/State Power Corporation)	35,000.00	35,000.00	35,000.00	35,000.00	33,500.00	33,500.00
Loan through Bonds (Secured by charge against specific loans advanced to SEB's, State Power Corporations etc. and/immovable property at Maharashtra as per the terms of the private placement and to the satisfaction of the respective trustees)	129,273.72	161,225.88	210,119.72	235,999.51	322,104.02	377,363.41
Interest Accrued and due on above	0.10	-	-	-	-	62.57
Sub Total (A)	**174,493.82**	**217,495.88**	**265,339.72**	**294,219.51**	**376,136.52**	**429,909.37**
(B) UNSECURED LOANS						
From Government of India	1,401.66	1,199.72	1,004.84	819.25	647.45	601.66

(Rs in million)

	As at March 31					As at September 30, 2009
	2005	**2006**	**2007**	**2008**	**2009**	
Term Loan From Banks	4,500.00	12,350.00	18,748.00	32,408.00	40,478.00	46,522.86
Cash Credit Limits from Banks	6,600.00	3,000.00	3,000.00	-	-	-
Commercial Papers					12,950.00	17,950.00
External Commercial Borrowings (Long Term)	-	-	8,720.90	10,484.50	14,936.80	16,829.24
Loan through Bonds						
Non – Cumulative, Guaranteed by Government of India -						
Short Term	788.79	350.00	1,785.75	-	-	-

Long Term	3,496.55	3,496.55	1,710.80	2,396.60	1,710.80	1,710.80
Others	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00
Interest Accrued and due on above	3.13	-	-	-	-	-
Sub Total (B)	**19,290.13**	**22,896.27**	**37,470.29**	**48,608.35**	**73,223.05**	**86,114.56**
Grand Total (A+B)	**193,783.95**	**240,392.15**	**302,810.01**	**342,827.86**	**449,359.57**	**516,023.93**

(A) Secured Loans

There are no secured loans taken from the directors, promoters, promoters group, group companies or associated companies for the aforementioned years.

(B) Unsecured Loans

(1) Except as mentioned above, there are no further loans taken from promoters/directors/group entities.
(2) There are no default on aforementioned loans and no penalty has been levied till date.
(3) The abovementioned loan cannot be recalled by the lenders.

Note: Schedule forming part of this Annexure stating the details of principal terms of loan and assets as on September 30, 2009, charged as security in case of secured loans is attached.

SCHEDULE TO ANNEXURE X - STATEMENT OF LOANS (SECURED AND UNSECURED)

As at September 30, 2009

A Secured borrowings availed by our Company

(1) Secured term loans from banks availed by our Company

Name of the Lender	Facility granted and loan documentation	Facility (Rs. million)	Amount outstanding (Rs. million) as on September 30, 2009	Rate of interest (%)	Repayment schedule
Syndicate Bank#	Term loan agreement dated April 28, 2005	1,000	750.00	6.78, being BPLR minus 4.22, payable on monthly rests.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Bank of Maharashtra#	Term loan agreement dated November 23, 2005	250	218.75	6.90, being BPLR minus 4.35, payable on quarterly basis.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Union Bank of India#	Term loan agreement dated November 23, 2005	1,250	1,093.75	7.00, being BPLR minus 3.75, with a minimum of 7.00, payable on monthly rests. Interest shall be reset after five years.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Central Bank of India#	Term loan agreement dated November 23, 2005 (1)	2,000	2,000.00	6.50, payable on monthly rests.	Seven year tenor with a three year moratorium, repayable in four yearly equal installments.
State Bank of Travancore#	Term loan agreement dated December 7, 2005 (2)	1,500	1,312.50	7.00, being BPLR minus 4.00, payable on monthly rests.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
State Bank of Patiala#	Term loan agreement dated December 9, 2005 (2)	2,000	1,857.14	7.00, payable on monthly rests. Interest shall be reset after 5 years.	10 year tenor with a three year moratorium, repayable in 14 half-yearly equal installments.
State Bank of Travancore#	Term loan agreement dated March 23, 2005 (2)	1,000	1,000.00	6.75, being BPLR minus 4.25, payable on monthly rests.	10 year tenor with a five year moratorium, repayable in 10 half-yearly equal installments.
Canara Bank#	Term loan agreement dated March 23, 2005	2,000	1,250.00	6.80, being BPLR minus 3.90, payable on monthly rests.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Syndicate Bank#	Term loan agreement dated November 23, 2005	1,000	875.00	7.00, being BPLR minus 4, payable on monthly rests.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Bank of Maharashtra#	Term loan agreement dated March 23, 2005	2,250	1,406.25	6.90, being BPLR minus 4.35, payable on quarterly rests.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
State Bank of Saurashtra#	Term loan agreement dated	1,000	970.00	6.75, being BPLR minus	10 year tenor with a five year moratorium, repayable

Name of the Lender	Facility granted and loan documentation	Facility (Rs. million)	Amount outstanding (Rs. million) as on September 30, 2009	Rate of interest (%)	Repayment schedule
	March 23, 2005 (2)(3)(4)			4.25, subject to a maximum of 7.25, payable monthly.	in 10 half-yearly equal installments commencing from September 2010.
Union Bank of India#	Term Loan Agreement dated March 31, 2005 (5)	1,000	750.00	6.80, being BPLR minus 3.95, payable monthly.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Union Bank of India#	Term Loan Agreement dated April 28, 2005 (5)	2,000	1,500.00	7.00, being BPLR minus 3.95, payable monthly.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Bank of Maharashtra#	Term Loan Agreement dated December 12, 2007	1,000	1,000.00	9.25, being BPLR minus 4.00, payable monthly.	Five year tenor with two year moratorium, repayable in three annual equal installments.
Canara Bank#	Term Loan Agreement dated February 29, 2008	3,000	3,000.00	8.75, being BPLR minus 4.00, payable on monthly rests.	Five year tenor with two year moratorium, repayable in three annual equal installments.
Total Term Loans from banks			**18,983.39**		

(2) Secured term loans from Life Insurance Corporation of India availed by our Company

Name of the Lender	Facility granted and loan documentation	Facility (Rs. million)	Amount outstanding (Rs. million) as on September 30, 2009	Rate of interest (%)	Repayment schedule
Life Insurance Corporation of India ("**LIC**") †	Term loan agreement dated August 7, 2004 (2)(3)(4)(5)	20,000	20,000.00	7.35, being annualized G-Sec for 10 years + 100 bps, payable annually.	15 year tenor with a five year moratorium, repayable in 10 equal annual installments commencing April 1, 2010.
LIC#†	Term loan agreement dated March 24, 2004 (2)(3)4)	5,000	4,500.00	6.23, being average 10 years' G-Sec for a period of seven days reckoned two working days prior to the date of disbursement.	Repayable in 10 equal annual installments after a moratorium of five years.
LIC#†	Term loan agreement dated January 29, 2004 (2)(3)(4)	10,000	9,000.00	6.24, being average 10 years G-Sec reckoned from one week prior to the date of disbursement.	Repayable in 10 equal annual installments after a moratorium of five years
Total Term Loans from LIC			**33,500.00**		

*The term loan is secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to IL&FS Trust Company Limited ("**ITCL**"), and the security trustee for the charged receivables is IDBI Trusteeship Services Limited ("**ITSL**") on the basis of joint hypothecation agreement dated January 25, 2008.*

† *LIC reserves the right to recall the loan if our Company's credit quality as measured by CRISIL, deteriorates below investment grade viz. "BBB". Further LIC reserves the right to reset the interest rate in case our Company's rating as measured by CRISIL falls below "AAA".*

(1) *Our Company has undertaken not to transfer, encumber, alienate or part with the possession in any manner, whatsoever, the assets owned by or belonging to them without the consent of the lender in writing in the event of default.*

(2) *Our Company has undertaken to carry out such alterations in its Articles and Memorandum, as may be necessary in the opinion of the lender to safeguard its interest arising out of the facility agreement.*

(3) *Our Company has covenanted to maintain its credit corporate rating of 'AAA' as measured by the external credit agency during the entire tenor of the facility, further, our Company has agreed to raise capital as stipulated in the Loan Agreement and promoters shall subscribe to such share capital to the extent stipulated by the lender. In addition, our Company has agreed to broad-base its Board in consultation with and to the satisfaction of the lender if called upon to do so.*

(4) *Prior consent of the lender will be required for our Company to (a) issue any debenture, raise any loans, deposits from the public, equity or preferential capital or change its capital structure; (b) prepay any loan availed of by it from any other party; (c) pay any commission to its Promoter, Directors, managers or other persons for furnishing guarantees or indemnities or for undertaking any other liability in connection with any financial assistance obtained for or by our Company; (d) make any investment by way of deposit, loans, share capital, etc. in any concern; (e) create any subsidiary or permit any company to become its subsidiary; (f) sell or otherwise dispose of any or all of its present or future revenues or cash flows or other dues received by our Company or create or permit thereon any encumbrance.*

(5) *Prior consent of the lender will be required for our Company to (a) undertake any new project, diversification, modernization or substantial expansion of the project described in the agreement; (b) declare or pay any dividend to its shareholders during any financial year unless it has paid all the dues to lender up to the date on which the dividend is proposed to be declared; (c) undertake or permit any merger, consolidation, reorganization scheme or arrangement or compromise with its creditors or shareholders or effect any scheme of amalgamation or reconstruction; (d) revalue its assets at any time during the currency of the loan; (e) carry on any general trading activities other than the sale of its own products.*

(6) *The loan shall be utilized only for such purposes for which the facility has been granted.*

(3) Secured bonds issued by our Company

(3) (a) Secured tax free bonds issued by our Company:

Set forth below is a brief summary of our outstanding secured tax free bonds. These bonds have been issued on a private placement basis and are currently listed on the 'wholesale debt market' segment of the NSE.

S. No.	Nature of bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (% p.a.)	Tenor/ redemption terms
1.	Secured non-convertible 'priority sector tax-free REC-2010' bonds ('41st Series') in the nature of debentures, allotted on February 22, 2000 (1) (2) (3) (4) #	750	750	8.25	Redeemable at par ten years from date of allotment, being, February 22, 2010.
2.	Secured non-convertible 'priority sector tax-free bonds' ('53rd Series'), allotted on March 23, 2001(4) #	500	500	7.10	Redeemable at par ten years from date of allotment, being, March 23, 2011.
Total Tax Free Bonds			**1,250**		

\# *The bond is secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to ITCL, and the security trustee for the charged receivables is ITSL on the basis of joint hypothecation agreement dated January 25, 2008*

(1) *Subject to the approval of the GoI, the bondholders shall have the right to appoint a nominee director on the Board of our Company, in the event our Company persistently defaults in payments of interest/ principal on the due dates.*

(2) *Our Company is required to hypothecate the secured assets or any further assets with the trustee, upon the terms and conditions hereof, in the event of the value of the secured assets diminishing for any reason including on account of any loss or damage thereof, such that the value of the secured assets shall not at any time be less than 1.5 times of the outstanding value of the bonds.*

(3) *Our Company is required to obtain the prior consent of the trustee in the event our Company makes or attempts to make any alterations in the provisions of its Memorandum or Articles which may determinately affect the interests of the bondholders.*

(4) *Our Company is required to obtain the prior consent of the trustee in the following events: (a) Our Company ceases or threatens to cease to carry on its business or (b) Our Company makes or attempts to make any alteration to its Memorandum and Articles which may prejudice the interest of the bondholders.*

(3)(b) Secured taxable bonds issued by our Company:

Set forth below is a brief summary of our secured outstanding taxable bonds. These bonds have been issued on private placement basis and are currently listed on the 'whole sale debt market segment' in the NSE.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ Redemption Terms
1.	Secured non-convertible redeemable 'taxable priority sector bonds – 2010' ('66th Series') in the nature of debentures, allotted on January 31, 2003#	2,740	1,390	6.00, payable annually	Redeemable at par on the expiry of seven years from the date of allotment, with a put and call option at par at the end of five years from the date of allotment.
2.	Secured non-convertible redeemable 'taxable non-priority sector bonds – 2014' ('69th Series') in the nature of debentures, allotted on January 23, 2004 #	6,692	6,692	6.05, payable annually	Redeemable at par in five equal installments at the end of each sixth/ seventh/ eighth/ ninth and tenth year respectively from the date of allotment.
3.	Secured non-convertible redeemable 'taxable priority sector bonds – 2011' ('72nd Series') in the nature of debentures, allotted on August 18, 2004##	5,855	1,137	6.60, payable annually	Redeemable at par on the expiry of seven years from the date of allotment, with a put and call option, at par, at the end of five years from the date of allotment.
4.	Secured non-convertible redeemable 'taxable non-priority sector bonds – 2014' ('73rd Series') in the nature of debentures, allotted on October 8, 2004 ##	2,339	2,339	6.90, payable annually	Redeemable at par in five equal installments at the end of each sixth/ seventh/ eighth/ ninth and tenth year, respectively, from the deemed date of allotment.
5.	Secured non-convertible redeemable 'taxable non-priority sector bonds – 2015' ('75th Series') in the nature of debentures, allotted on March 17, 2005##	5,000	5,000	7.20, payable annually	Redeemable at par in ten equal installments redeemed at the end of each fifth year and six months, sixth, sixth year and six months, seventh, seventh year and six months, eighth, eighth year and six months, ninth, ninth year and six months, and tenth year, respectively, from the date of allotment.
6.	Secured non convertible redeemable 'taxable bonds - 2015' ('77th Series') in the nature of debentures, allotted on June 30, 2005###	9,855	9,855	7.30, payable annually	Redeemable at par in five equal installments at the end of each sixth, seventh, eighth, ninth and tenth year, respectively, from the date of allotment
7.	Secured non convertible redeemable 'taxable bonds - 2016' ('78th Series') in the nature of debentures, allotted on January 31, 2006###	17,957	17,957	7.65, payable annually	Redeemable at par on the expiry of ten years from the date of allotment.
8.	Secured non-convertible redeemable 'taxable bonds- 2016' ('79th Series') in the nature of debentures,	5,000	5,000	7.85, payable half yearly	Redeemable at par on the expiry of ten years from the date of allotment.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ Redemption Terms
9.	Secured non convertible redeemable 'taxable bonds – 2016' ('80th Series') in the nature of debentures, allotted on March 20, 2006###	5,000	5,000	8.20, payable annually	Redeemable at par on the expiry of ten years from the date of allotment.
10.	Secured non convertible redeemable 'taxable bonds - 2017' ('81st Series') in the nature of debentures, allotted on January 20, 2007 ###	3,148	3,148	8.85, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
11.	Secured non convertible redeemable 'taxable bonds – 2017' ('82nd Series') in the nature of debentures allotted on September 28, 2007###	8,831	8,831	9.85, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
12.	Secured non convertible redeemable 'taxable bonds – 2018' ('83rd Series') in the nature of debentures, allotted on February 28, 2008 ###	6,852	6,852	9.07, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
13	Secured non convertible redeemable 'taxable bonds – 2013' ('84th Series') in the nature of debentures, allotted on April 4, 2008###	10,000	10,000	9.45, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
14	Secured non convertible redeemable 'taxable bonds - 2018' ('85th Series') in the nature of debentures, allotted on June 13, 2008* ###	5,000	5,000	9.68, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
15	Secured non convertible redeemable 'taxable bonds - 2013' ('86th Series') in the nature of debentures, allotted on July 24, 2008###	7,279	7,279	10.75, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
16	Secured non convertible redeemable 'taxable bonds - 2018' ('86th A Series') in the nature of debentures, allotted on July 29, 2008###	5,000	5,000	10.70, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ Redemption Terms
17	Secured non convertible redeemable 'taxable bonds - 2011' ('86th B - I Series') in the nature of debentures, allotted on August 14, 2008###	9,242	9,242	10.95, payable annually	Redeemable at par on the expiry of three years from the date of allotment.
18	Secured non convertible redeemable 'taxable bonds – 2013' ('86th B – II Series') in the nature of debentures, allotted on August 14, 2008###	3,541	3,541	10.90, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
19	Secured non convertible redeemable 'taxable bonds – 2018' ('86th B – III Series') in the nature of debentures, allotted on August 14, 2008 ###	4,320	4,320	10.85, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
20	Secured non convertible redeemable 'taxable bonds – 2013' ('87th - I Series') in the nature of debentures, allotted on September 30, 2008###	3,702	3,702	10.90, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
21	Secured non convertible redeemable 'taxable bonds – 2018' ('87th - II Series') in the nature of debentures, allotted on September 30, 2008. ###	6,574	6,574	10.85, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
22	Secured non convertible redeemable 'taxable bonds – 2013' ('87th A - I Series') in the nature of debentures allotted on October 24, 2008 ###	2,497	2,497	11.35, payable annually	Redeemable at par on the expiry of five years from the date of allotment with put and call option at par at the end of three years from the date of allotment.
23	Secured non convertible redeemable 'taxable bonds – 2018' ('87th A - II Series') in the nature of debentures, allotted on October 24, 2008###	364	364	11.20, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment with put and call option at par at the end of five years from the date of allotment.
24	Secured non convertible redeemable 'taxable bonds – 2018' ('87th A - III Series') in the nature of debentures, allotted on October 24, 2008 ###	618	618	11.15, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
25	Secured non convertible redeemable 'taxable bonds – 2011' ('87th B Series') in the	9,409	9,409	11.75, payable annually	Redeemable at par on the expiry of three years from the date of allotment.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ Redemption Terms
	nature of debentures, allotted on November 3, 2008. ###				
26	Secured non convertible redeemable 'taxable bonds – 2010' ('87th C – I Series') in the nature of debentures, allotted on November 26, 2008###	2,291	2,291	11.45, payable semi annually	Redeemable at par on the expiry of 18 months from the date of allotment.
27	Secured non convertible redeemable 'taxable bonds – 2010' ('87th C - II Series') in the nature of debentures allotted on November 26, 2008 ###	5,915	5,915	11.45, payable semi annually	Redeemable at par on the expiry of two years from the date of allotment.
28	Secured non convertible redeemable 'taxable bonds – 2013' ('87th C - III Series') in the nature of debentures, allotted on November 26, 2008###	8,600	8,600	11.50, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
29	Secured non convertible redeemable 'taxable bonds – 2019' ('88th Series') in the nature of debentures, million allotted on January 15, 2009###	14,950	14,950	8.65, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
30	Secured non convertible redeemable 'taxable bonds – 2012' ('89th- I Series') in the nature of debentures, allotted on June 2, 2009†	6,715	6,715	7.00, payable annually	Redeemable at par on the expiry of three years from the date of allotment.
31	Secured non convertible redeemable 'taxable bonds – 2014' ('89th II Series') in the nature of debentures, allotted on June 2, 2009†	2,550	2,550	7.70, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
32	Secured non convertible redeemable 'taxable bonds – 2019' ('90th Series') in the nature of debentures, allotted on August 3, 2009††	20,000	20,000	8.80, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
33	Secured non convertible redeemable 'taxable bonds – 2012' ('90th A Series I') in the nature of debentures, allotted on August 5, 2009††	10,000	10,000	7.15, payable annually	Redeemable at par on the expiry of three years from the date of allotment.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ Redemption Terms
34	Secured non convertible redeemable 'taxable bonds – 2014' ('90th A Series II') in the nature of debentures, allotted on August 5, 2009††	10,000	10,000	8.00, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
35	Secured non convertible redeemable 'taxable bonds – 2014' ('90th B Series- I') in the nature of debentures, allotted on September 4, 2009††	8,839	8,839	8.35, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
36	Secured non convertible redeemable 'taxable bonds – 2019' ('90th B Series- II') in the nature of debentures, allotted on September 4, 2009††	8,682	8,682	8.72, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
	Application money (in respect of following bonds				
37	Secured non convertible redeemable 'taxable bonds – 2012' ('90th C Series- I') in the nature of debentures, allotted on October 6, 2009††	14,175	14,175	7.90, payable annually	Redeemable at par on the expiry of three years from the date of allotment.
38	Secured non convertible redeemable 'taxable bonds – 2019' ('90th C Series- II') in the nature of debentures, allotted on October 6, 2009††	10,400	10,400	8.80, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
39	Interest accrued and due on '90th C Series-I' & '90th C Series-II' bonds		62.57		
Total Secured Taxable Bonds			**2,63,926.57**		

The bond is secured by a charge on (a) the receivables of our Company and the security trustee for the charged receivables is ITCL, and (b) mortgage of premises at 51 and 52/58-B, 5th floor, Mittal Tower, Block II, Backbay Scheme, Nariman Point, Colaba, Mumbai 400 005, Maharashtra, India on the basis of joint hypothecation agreement dated January 25, 2008

The bond is secured by a charge on (a) the receivables of our Company, both present and future, save and except receivables hypothecated to ITCL, and the security trustee for the charged receivables is ITSL, and (b) mortgage of premises at 51 and 52/58-B, 5th floor, Mittal Tower, Block II, Backbay Scheme, Nariman Point, Colaba, Mumbai 400 005, Maharashtra, India on the basis of joint hypothecation agreement dated January 25, 2008

The bond is secured by (a) a charge on the receivables of our Company, both present and future, save and except receivables hypothecated to ITCL, and the security trustee for the charged receivables is ITSL and, (b) mortgage of Flat no. 640, Asiad Games Village, New Delhi 110 049, India *on the basis of joint hypothecation agreement dated January 25, 2008*

* *We have entered into a swap transaction with respect to this bond series.*

† *The deeds in relation to hypothecation are yet to be entered into, as on the date of filing of the Draft Red Herring Prospectus.*

†† *The deeds in relation to creation of trust and hypothecation are yet to be entered into, as on the date of filing of the Draft Red Herring Prospectus.*

(1) *Our Company has undertaken not to create any subsidiary except as previously agreed in writing.*

(2) *The prior consent of the trustee is required in the event our Company undertakes or permits any merger, consolidation, reorganization scheme or arrangement or compromise with its creditors or shareholders or scheme of amalgamation or reconstruction.*

(3) *Our Company has undertaken not to declare or pay any dividend to its shareholders during any financial year unless it has paid the installment of principal and interest then due and payable on the bonds, or has made provision satisfactory to the trustees for making such payment.*

(4) *Our Company has undertaken not to carry out any new project, diversification, modernization, or substantial expansion of any project without permission of the trustees.*

(5) *The prior consent of the trustee is required in the event our Company should create or suffer any mortgage, charge, lien or hypothecation or other encumbrance affecting the hypothecation.*

(6) *Our Company shall make further issue of bonds or raise further loans to be secured on a pari passu basis with the security created on such terms as may be mutually acceptable to our Company, the trustee and the investment institutions participating in the bond issue.*

(7) *Our Company is required to obtain prior consent of the trustee for events including, inter alia, taking any action for reduction of capital by our Company or any alteration of our Memorandum and Articles which affects the interest of the bondholders.*

3(c) Capital gains tax exemption bonds under Section 54EC of the IT Act

Set forth below is a brief summary of our outstanding capital gains tax exemption bonds issued under Section 54EC of the IT Act, together with a brief description of certain significant terms of such financing arrangements. These bonds are not proposed to be listed on any stock exchange.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ redemption terms
1.	'54 EC long term capital gains tax exemption Series I Bonds' issued in Fiscal 2002 #	34,134	98.23	5.25, payable annually*	Redemption at par on the expiry of five years from the deemed date of allotment, at 8.70% to 7.35% p.a. payable annually or semi annually with a put option at the end of three years from the date of allotment.
2.	'54 EC long term capital gains tax exemption Series II Bonds' issued in Fiscal 2003 ## (1)(2)(3)(4)	15,971	76.63	5.25, payable annually*	Redemption at par on the expiry of five years from the deemed date of allotment at 7.25% to 6.00% p.a. payable annually / semi-annually, with a put option at the end of three years from the date of allotment.
3.	'54 EC long term capital gains tax exemption Series III Bonds', issued in Fiscal 2004 ## (1)(2)(3)(4)	13,626	187.90	5.60, payable annually*	Redemption at par on the expiry of five years from the deemed date of allotment at 5.15% to 5.60% p.a. payable annually, with a put option at the end of three years from the date of allotment.
4.	'54 EC long term capital gains tax exemption Series IV Bonds' issued in Fiscal 2005 ## (1)(2)(3)(4) (5)	22,895	1,612.51	5.15, 7.00**, 5.50 and 5.60, payable annually	Redemption at par on the expiry of 5 or 7 years, as applicable, from the deemed date of allotment at 5.15%, 5.50% and 5.60% payable annually, with a put and call option at the end of 3 or 5 years, respectively, from the date of allotment.
5.	'54 EC long term capital gains tax exemption Series V Bonds, issued in Fiscal 2006 ## (1)(2)(3)(4)	33,932	4,426.25	5.65 and 5.50, payable annually	Redemption at par on the expiry of five years from the deemed date of allotment at 5.50% to 5.65% p.a. payable annually, with a put and call option at the end of three years from the date of allotment.
6.	'54 EC long term capital gains tax exemption Series VI	44,942.13	7,524.30	5.50, payable annually	Redemption at par on the expiry of five years from the deemed date of allotment at 5.50% p.a. payable annually, with a put and call option at the end of three

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ redemption terms
	Bonds', issued in Fiscal 2007 ### (1)(2)(3)(4) (5)				years from the date of allotment.
7.	'54 EC long term capital gains tax exemption Series VI-A Bonds' issued in Fiscal 2007 ### (1)(2)(3)(4)	28,587	28,586.70	5.25, payable annually	Redemption at par on the expiry of three years from the deemed date of allotment.
8.	'54 EC long term capital gains tax exemption Series VII Bonds' issued in Fiscal 2008 †(1)(2)(3)(4)(5)	34,027	34,027.44	5.50, payable annually	Redemption at par on the expiry of three years from the deemed date of allotment.
9	'54 EC long term capital gains tax exemption Series VIII Bonds' issued in Fiscal 2009 † (1)(2)(3)(4)(5)	37,514.89 (comprising of Rs. 25,252 million in Fiscal 2009 and Rs. 10,343.25 million in Fiscal 2010)	35,595.58	5.75 and 6.25, payable annually	Redemption at par on the expiry of three years from the deemed date of allotment.***
Total Secured Capital gains Bonds			**112,135.54**		

The bond is secured by a charge on (a) the receivables of our Company and the security trustee for the charged receivables is ITCL, and (b) mortgage over our Company's immovable properties aggregating Rs. 385 million, situated at Tehsil Hirgangat, district Wardha, Maharashtra, measuring 2.42 acres on the basis of joint hypothecation agreement dated January 25, 2008

The bond is secured by a charge on (a) the receivables of our Company and the security trustee for the charged receivables is ITCL, and (b) mortgage over our Company's immovable properties situated at 51 and 52/58-B, 5th Floor, Mittal Tower, Block II, Backbay Scheme, Nariman Point, Colaba, Mumbai 400 005, Maharashtra, India on the basis of joint hypothecation agreement dated January 25, 2008

The bond is secured by a charge on the receivables of our Company and the security trustee for the charged receivables is ITCL, and mortgage over Company's immovable properties situated at Flat No. 641, Asiad Village Complex, New Delhi110 049, India on the basis of joint hypothecation agreement dated January 25, 2008

† *The bond is secured by a charge on (a) the receivables of our Company, both present and future, save and except receivables hypothecated to ITCL, and the security trustee for the charged receivables is ITSL, and (b) mortgage over Company's immovable properties situated at Flat No. 641, Asiad Village Complex, New Delhi 110 049, India on the basis of joint hypothecation agreement dated January 25, 2008*

* *Present rate of interest on the outstanding amount.*

** *Coupon rate of 5.15% has been revised to 7% with regard to allotment pertaining to the period May 12, 2004 to December 15, 2004.*

*** *The issue is open up to March 31, 2010. The security in relation to the bonds allotted in Fiscal 2010 is intended to be created thereafter. However, the amount collected in Fiscal 2009 is 25,252, security in relation to which has been creatsed. For such bonds issued in Fiscal 2009, the security is in the form of a charge on (a) the receivables of our Company, both present and future, save and except receivables hypothecated to ITCL, and the security trustee for the charged receivables is ITSL, and (b) mortgage over Company's immovable properties situated at Flat No. 641, Asiad Village Complex, New Delhi 110 049, India on the basis of joint hypothecation agreement dated January 25, 2008.*

(1) *The prior consent of the trustee is required in the event our Company creates any subsidiary.*

(2) *The prior consent of the trustee is required in the event of any amalgamation, consolidation, reconstruction, reorganization scheme or arrangement or any compromise with our Company's creditors or shareholders.*

(3) *Our Company has undertaken not to declare or pay any dividend to its shareholders during any financial year unless it has paid the installment of principal and interest then due and payable on the bonds, or has made provision satisfactory to the trustees for making such payment.*

(4) *Our Company has undertaken not to carry out any new project, diversification, modernization, or substantial expansion of any project.*

(5) *Our Company is required to obtain prior consent of the trustee for events including, inter alia, taking any action for reduction of capital by our Company or any alteration of our Memorandum and Articles.*

3(d) Infrastructure bonds issued by our Company under Section 88(C) of the IT Act

Set forth below is a brief summary of our outstanding infrastructure bonds together with a brief description of certain significant terms of such financing arrangements.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ Coupon Rate (%)	Redemption
1.	'REC Infrastructure Bonds' ('Series-I and II') issued in Fiscal 2002 and Fiscal 2003, respectively # (1)	885	52.82	5.25, payable annually*	Redeemable at par at the end of five years from the deemed date of allotment at 9% to 7.50% p.a. payable annually, with a put option at the end of three years from the date of allotment, being March 31, 2008. ##
2.	'REC Infrastructure Bonds' ('Series-III') issued in Fiscal 2004 # (1)	161	19.05	5.60, payable annually	Redeemable at par at the end of five years from the deemed date of allotment at 5.60% p.a. payable annually, with a put option at the end of three years from the date of allotment, being March 31, 2009. ##
3.	'REC Infrastructure Bonds' ('Series-IV') issued in Fiscal 2005 # (1)(2)	1,885	42.00	6.25, payable annually	Redeemable at par at the end of 3 or 5 years, as applicable, from the date of allotment at 6% to 6.25% p.a. payable annually, being March 31, 2010.
Total Infrastructure Bonds			**113.87**		
Total Secured Loans through Bonds			**377,425.98**		
Total Secured Loans (1+2+3)			**429,909.37**		

The bond is secured by a mortgage over Company's immovable properties situated at Nos. 51, 52/58-B, 5th Floor, Mittal Tower, Block II of Backbay Scheme, Nariman Point, Colaba, Mumbai 400 005, Maharashtra, India.

The bonds issued in Series I, II and III, have matured, as on the date of this Draft Red Herring Prospectus. However, the amounts outstanding in relation to these bonds are reflected in the balance sheet of our Company.

* *Present rate of interest on outstanding amounts.*

(1) *The prior consent of the trustee is required in the event our Company undertakes or permits any amalgamation, consolidation, reorganization, reconstruction scheme or arrangement or any compromise with its creditors or shareholders.*

(2) *The bondholders shall have the power to sanction (a) any reconveyance, release or substitution of secured assets; (b) any compromise or arrangement between our Company and such bondholders; as well as the power to assent to any scheme for amalgamation or reconstruction of our Company.*

B Unsecured borrowings availed by our Company

B (1) Long term loans availed by our Company from the MoF

Set forth below is a brief summary of our outstanding unsecured long term borrowings from the MoF, GoI with a brief description of certain significant terms of such financing arrangements.

These loans were sanctioned for relending to the state governments to be used for relending to state governments/state electricity board for rural electrification programme in the state plans under the 'Minimum Needs Programme'. There is a rebate of 0.25% for prompt repayment or interest payments on these loans.

Facility granted and loan documentation	Amount outstanding, as on September 30, 2009 (Rs. million)	Rate of interest (% p.a.)*
Sanction letter 37(15) PF-I/79-34 dated January 9, 1980 for Rs. 100 million	4.00	5.50% for the first ten years; 5.75% for the next ten years, and 6.50% for the remaining ten years
Sanction letter 37(15) PF-I/79 dated February 27, 1980 for Rs. 150 million	6.00	
Sanction letter 37(15) PF-I/79 dated March 20, 1980 for Rs. 158.70 million	6.35	
Sanction letter 37(4)PF-I/80 dated April 8, 1980 for Rs. 100 million	4.00	

Facility granted and loan documentation	Amount outstanding, as on September 30, 2009 (Rs. million)	Rate of interest (% p.a.)*
Sanction letter 37(4)PF-I/80 dated May 21, 1980 for Rs. 50 million	2.00	
Sanction letter 37(4) PF-I/80 dated August 4, 1980 for Rs. 50 million	2.00	
Sanction letter 37(4)/PF-I/80 dated December 22, 1980 for Rs. 100 million	8.00	
Sanction letter 37(4)/PF-I/80 dated March 23, 1981 for Rs. 152.3 million	12.18	
Sanction letter 37(12) PF-I/81 dated May 28, 1981 for Rs. 100 million	8.00	
Sanction letter 37(3)/PF-I/81 dated December 15, 1981 for Rs. 150 million	18.00	6.00% for the first ten years; 6.25% for the next ten years, and 7.00% for the remaining ten years
Sanction letter 37(12)PF-I/81 dated February 1, 1982 for Rs. 100 million	12.00	
Sanction letter 37(12)PF-I/81dated March 18, 1982 for Rs. 100 million	12.00	
Sanction letter 37(12)PFI/81dated March 30, 1982 for Rs. 45.3 million	5.44	
Sanction letter 37(4)PF-I/82-7 dated May 1, 1982 for Rs. 95 million	11.40	
Sanction letter 37(4)/PF-I/82 dated November 30, 1982 for Rs. 100 million	16.00	
Sanction letter 37(4)/PF-I/82 dated January 13, 1983 for Rs. 100 million	16.00	
Sanction letter 37(4)/PF-I/82 dated February 23, 1983 for Rs. 150 million	24.00	
Sanction letter 37(4)/PF-I/82 dated March 30, 1983 for Rs. 126.4 million	20.22	
Sanction letter 37(3) PF-I/83-20 dated May 20, 1983 for Rs. 150 million	24.00	
Sanction letter 37(3)/PF-I/83 74 dated December 6, 1983 for Rs. 150 million	30.00	
Sanction letter 37(3)/PF-I /83-22 dated January 30, 1984 for Rs. 150 million	30.00	
Sanction letter 37(3)PF-I/83-122 dated March 26, 1984 for Rs. 138.6 million	27.72	
Sanction letter 37(6)PF-I/84-4 dated April 10, 1984 for Rs. 74.7 million	14.94	
Sanction letter 37(6)PF-I/84-13 dated June 2, 1984 for Rs. 100 million	20.00	6.50% for the first ten years; 6.75% for the next ten years, and 7.50% for the remaining ten years
Sanction letter 37(6)/PF-I/84-30 dated September 14, 1984 for Rs. 100 million	20.00	
Sanction letter 37(6)/PF-I/84.39 dated November 12, 1984 for Rs. 100 million	24.00	
Sanction letter 37(6)PF-I/84-49 dated January 18, 1985 for Rs. 74 million	17.76	
Sanction letter 37(2)PF-I/85 dated April 17, 1985 for Rs. 75 million	18.00	
Sanction letter 37(2)PF-I/85-16 dated June 18, 1985 for Rs. 75 million	18.00	
Sanction letter 37(2)PF-I/85-25 dated July 8, 1985 for Rs. 75 million	18.00	7.00% for the first ten years; 7.25% for the next ten years, and 8.00% for the remaining ten years
Sanction letter 37(2)/PF-I/85-59 dated November 22, 1985 for Rs. 200 million	56.00	
Sanction letter 37(2)PF-I/85-88 dated February 4, 1986 for Rs. 200 million	56.00	
Sanction letter 37(2)/PF-I/85-100 dated March 6, 1986 for Rs. 141.6 million	39.65	
Total Loans from Government of India	**601.66**	

* *Tenor of 30 years with a moratorium of five years repayable in 25 equal annual installments commencing from the sixth anniversary of the facility. The moratorium is applicable on the payment of principal amount.*

B (2(a) Unsecured long term loans from banks availed by our Company

Set forth below is a brief summary of our outstanding unsecured long term borrowings.

Name of the Lender	Loan documentation	Facility (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Rate of interest (% p.a.)	Terms of repayment*
UCO Bank	Term loan agreement dated November 23, 2005 (1)(2)	2,000	1,857.14	7.00 (BPLR minus 4), payable on monthly rests. Interest to be reset after 5 years.	Ten year tenor with a 3 year moratorium, repayable in 14 half-yearly equal installments.
Canara Bank	Term loan agreement dated December 6, 2004 (2)	2,000	1,000.00	6.80 (BPLR minus 3.90), payable on monthly rests. Interest to be reset after 3 years.	Seven year tenor with a two year moratorium, repayable in 10 equal installments.
Bank of Baroda	Term loan agreement dated December 30, 2004 (2)	2,500	1,250.00	6.00 (BPLR minus 4.50), payable on monthly rests.	Seven year tenor with a two year moratorium, repayable in 10 half-yearly equal installments.
Andhra Bank	Term loan agreement dated September 13, 2007 (2)	3,000	2,500.00	9.40 (BPLR minus 3.85 + 0.25), payable on quarterly rests.	Five year tenor with a two year moratorium, repayable in 6 half-yearly installments.
Bank of Baroda	Term loan agreement dated December 7, 2006 (2)	5,000	3,750.00	8.17 (BPLR minus 3.31), payable on monthly rests.	Five year tenor with a one year moratorium, repayable in four equal installments.
Corporation Bank	Term loan agreement dated June 24, 2005 (1)(2)	3,250	2,785.72	6.93 (G-Sec plus 0.35), payable half-yearly. Interest to be reset after 5 years.	10 year tenor with a three year moratorium, repayable in 14 equal half yearly installments.
Central Bank of India	Term loan agreement dated February 25, 2009 (2)	5,000	5,000.00	7.50 (BPLR minus 4.50), payable on monthly rests.	Five years tenor with a bullet repayment on maturity from date of first disbursement
UCO Bank	Term loan agreement dated March 30, 2009 (1)(2)	3,500	3,500.00	7.00 (RBI REPO Rate + 2.00 up to September 30, 2009 or till such time the REPO linked scheme remain in-force. Thereafter, BPLR linked rate on mutually agreed terms), payable on monthy rests.	Five years tenor with a bullet repayment on maturity from date of first disbursement
United Bank of India	Term loan agreement dated June 12, 2009	6,000	6,000.00	RBI REPO Rate (175 bps to March 31, 2010 or till such time the REPO linked scheme remain in-force. Thereafter, BPLR minus 4.50)	Five years tenor with a bullet repayment on maturity from date of first disbursement
Allahabad Bank	Term loan agreement dated December 12, 2007 (2)	3,500	2,280.00	9.40 (BPLR minus 3.85), payable on monthly rests.	Five years tenor with two year moratorium, repayable in three annual equal installments.
United	Term loan	2,500	2,180.00	6.50 (175 bps over	5 years tenor repayable after

Name of the Lender	Loan documentation	Facility (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Rate of interest (% p.a.)	Terms of repayment*
Bank of India	agreement dated September 11, 2009 [(3)]			RBI reference REPO for mutual funds and non-banking financial institutions, till such time the facility is available, after which the interest rate will be BPLR minus 4.50, at monthly rests)	5 year period such that the entire loan will be repaid within 5 years from the date of first disbursement.
Bank of Maharashtra	Term loan agreement dated September 11, 2009	1,000	Nil	7.00 (BPLR minus 5.25 with a minimum of 7.00) with monthly rests	Three years tenor repayable by a bullet payment at the expiry of three years from the date of disbursement of first tranche of the facility.
Bank of Maharashtra	Term loan agreement dated July 14, 2009	1,000	1,000.00	7.00 (BPLR minus 5.25 with a minimum of 7.00) with monthly rests	Three years tenor repayable by a bullet payment at the expiry of three years from the date of disbursement of first tranche of the facility.
Punjab and Sind Bank	Term loan agreement dated July 14, 2009	4,350	1,370.00	7.50 per annum for the first year and BPLR (as on September 1, 2009) minus 4.50% from the second year onwards with monthly rests	Three years from the date of the drawal of loan amount in one lump sum
HDFC Bank	Term loan agreement dated July 23, 2009	5,000	5,000.00	6.50 (RBI REPO rate + 175 basis points per annum), payable on monthly rests	Two years from the date of the drawal of loan amount
Total Loans term loans from banks			**39,472.86**		

* *The moratorium period, wherever provided, is applicable on payment of principal amount.*

(1) *Prior consent of the lender will be required for our Company to sell or otherwise dispose of any or all of its present or future revenues or cash flows or other dues received by our Company or create or permit thereon any encumbrance.*

(2) *The loan shall be utilized only for such purposes for which the facility has been granted*

(3) *Our Company shall not induct any person on its Board who is declared a wilful defaulter by a bank of financial institution, and if any Director is so declared, our Company shall take expeditious steps for his removal.*

(4) *The loans are payable on demand.*

B (2)(b) Unsecured short term loans availed by our Company

Set forth below is a brief summary of our outstanding unsecured short term.

Name of the lender	Loan documentation	Facility (Rs. million)	Amount outstanding as on September 30, 2009 (Rs. million)	Rate of interest (%)	Terms of repayment*
Bank of Baroda	Short-term loan agreement dated February 10, 2009.	5,000	5,000	8.25, payable monthly	Bullet repayment in 12 months.
IndusInd bank	Short-term loan agreement dated	1,500	1,050	4.25%	Bullet repayment (days lock in) Bullet repayment

Name of the lender	Loan documentation	Facility (Rs. million)	Amount outstanding as on September 30, 2009 (Rs. million)	Rate of interest (%)	Terms of repayment*
	April 22, 2009				
Axis bank	Short-term loan agreement dated October 06, 2008.	1,000	1,000	4.25% below Axis BPLR compounding and payable with monthly rests	Bullet repayment in 12 months.
Total Unsecured short term loans from banks			**7,050**		
Total Term loans from banks B(2)(a)+B(2)(b)			**46,522.86**		

B (3) Commercial Paper

Set forth below is a brief summary of commercial papers issued by our Company, in accordance with the Non-Banking Companies (Acceptance of Deposits through Commercial Paper) Directions, 1989, as amended, issued by the RBI.

ISIN No.	Issuing and paying agency	Date of Issue	Amount (Rs. million)	Rate (% p.a.)	Maturity date
INE 020B 14011	HDFC Bank Limited, Mumbai	November 11, 2008	2,950	11.30	November 10, 2009
INE 020B 14037	HDFC Bank Limited, Mumbai	April 21, 2009	10,000	5.93	April 20, 2010
INE 020B 14045	HDFC Bank Limited, Mumbai	August 20, 2009	5,000	5.98	August 19, 2010
Total commercial papers			**17,950**		

B (4) Foreign currency borrowings of our Company

Set forth below is a brief summary of foreign currency borrowings.

Name of Lender(s)	Facility/ Loan Documentation	Facility	Amount Outstanding, as on September 30, 2009	Interest Rate (% p.a., unless otherwise specified)	Tenor/ Repayment Terms
Japan International Cooperation Agency#	Loan agreement dated March 31, 2006 (1)**	JPY 20,629 million	Rs. 4,753.28 million i.e., JPY 10,642 million	0.75	15 years tenor with a moratorium of five years. Repayable in semi-annual installments beginning March 20, 2011 (JPY 982.340 million), and in equal installments ending March 20, 2021 (JPY 982.333 million).
Japan International Cooperation Agency#	Loan agreement dated March 10, 2008 (1)**	JPY 20,902 million	Rs. 523.00 million i.e., JPY 1,016 million	0.65, payable semi-annually)	15 years tenor with a moratorium of five years. Repayable in semi-annual installments beginning March 20, 2013 (JPY 995.340 million), and in equal installments ending March 20, 2023 (JPY 995.333 million).
KfW, Frankfurt am Main #	Loan agreement dated August 8, 2006 *(2)**	Euro 70 million	Rs. 2,850.33 million i.e., EURO 44 million	3.73	12 years tenor with a moratorium of three years. Repayable in 19 consecutive semi-annual installments starting December 30, 2009.
KfW,	Loan agreement	Euro 70	Nil	2.89	12 years with a moratorium of

Name of Lender(s)	Facility/ Loan Documentation	Facility	Amount Outstanding, as on September 30, 2009	Interest Rate (% p.a., unless otherwise specified)	Tenor/ Repayment Terms
Frankfurt am Main #	dated March 16, 2009 *(2) **	million			three years. Repayable in 18 consecutive semi-annual installments starting June 30, 2012.
Syndicated unsecured borrowings^	Syndicated facility agreement dated March 21, 2007, ^ (3) (4) (5) (6)	JPY 23,570 million	Rs. 8,702.63 million i.e., JPY 23,570 million	6 months JPY LIBOR plus 0.48.^^	Five years tenor; repayable at the expiry of five years from date of drawdown, being on March 26, 2012.
Total Foreign currency loan			**16,829.24**		

Secured by a guarantee provided by the Republic of India, represented by its President for the entire amount.

^ *The two original lenders, being. Standard Chartered Bank and DEPFA Investment Bank have entered into a separate agreement dated April 23, 2007, pursuant to which they have transferred part of respective shares of their loans to nine different lenders, i.e., Kommunal Kredit International Bank Limited, BNP Paribas, DZ Bank AG, Bank of China (Hong Kong) Limited, Bank of Taiwan, the Export-Import Bank of the Republic of China, Cathay United Bank, Intesa Sanpaolo S.p.A, Mega International Commercial Bank.*

^^ *After giving effect to our foreign currency hedge, our effective annual cost of borrowings under this facility in Fiscal 2008 is 6.75% p.a.*

Our Company has also entered into two contribution agreements with KfW, dated August 8, 2006 and March 16, 2009 for a grant of Euro 500,000 each, to be utilized for capacity building measures by our Company and the Discoms implementing KfW-assisted projects. The amount received by our Company under this agreement is not repayable except in the event that (a) certain obligations cast upon our Company are violated, or (b) the said amount is not used for the stipulated purpose(s).

(1) *In the event our Company creates a statutory or other lien on any of its assets, it is obligated to include an express covenant providing the lender with a proportionate lien securing the payment of the principal, interest and other charges of the present loan. Further, the prior consent of the lender is required in the event our Company assigns or transfers any assets partly or wholly financed from this facility, except in the course of ordinary business or if such assignment or transfer does not materially affect our Company's ability to service the loan.*

(2) *Our Company is required to keep the lender informed of the happening of any 'events of default', and is required to attempt to remedy such default within the period specified by KfW, such events including (a) our Company failing to meet any payment or other obligations under this agreement; (b) appointment of a receiver/ liquidation/ compulsory or voluntary winding up; (c) declaration of a moratorium in respect of any of our Company's indebtedness; (d) bankruptcy; (e) discontinuance of our Company's business; (f) the sale of an essential portion of our Company's assets; (g) our Company being unable to prove that loan amounts have been used for the sanctioned purpose (i.e., HVDS projects); (h) any alteration in our Company's legal status, control, nature or scale of our Company's business, which may be judged detrimental to KfW's interest.*

(3) *In the event our Company creates a lien on any of its assets, it is obligated to include an express covenant providing the lenders with a proportionate lien securing the payment of the principal, interest and other charges of the present loan. However, this restriction shall not be applicable in the following events: (a) the lien arising as a consequence of operation of law and in the ordinary course of our Company's trading activities in respect of any obligation which is less than 30 days overdue; (b) loans not exceeding US$ 1 million; (c) loans in foreign currency and obtained from international multilateral agencies; (d) rupee loans raised from the Indian market; or (e) if the majority lenders under this facility, (i.e., lenders whose participation in the facility is at least 51%, depending on the extent of drawdown by our Company) provide their written consent for availing of such loans.*

(4) *Our Company shall require lender's consent, through the agent, being Standard Chartered Bank, for any of the following events: (a) effecting a merger or consolidation with any entity; (b) taking any steps with a view to dissolution, liquidation or winding up or becoming subject to any kind of reconstruction or reorganization scheme or arrangement; (c) acquiring any assets or business that may adversely affect the lender's interest or if such business is not within the core business activities of our Company; (d) assigning or transferring any of its obligations under the present loan, or transferring any assets wholly or partly financed from the present loan, except in the ordinary course of business; or if such assignment or transfer is not material too's ability to service the loan.*

(5) *During the tenor of this loan, (a) Our Company is required to maintain a capital adequacy ratio ("CAR") of at least 10%; (b) our Company's total unsecured debt shall not exceed 50% of its total debt; (c) our Company's interest coverage ratio shall not be less than 1.3.*

(6) *Our Company is required to intimate the lender of the details of any plan which may result in an important modification of the project for which this facility was sanctioned, and these shall be the subject of agreement between the bank and our Company.*

B (5) Government guaranteed bonds issued by our Company

Set forth below is a brief summary of our outstanding government guaranteed bonds. These bonds are listed on the 'whole sale debt market' segment in the NSE.

Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (% p.a.)	Redemption date	Security
'SLR Bond XXI' issued on December 29, 1989	690.80	690.80	11.50, payable half yearly	December 29, 2009	GoI guarantee through a MoP letter dated December 27, 1989.
SLR Bond XXII issued on December 27, 1990	490	490.00	11.50, payable half yearly	December 27, 2010	GoI guarantee through a MoP letter dated January 9, 1991.
'SLR Bond XXIII' (1st tranche) issued on December 5, 1991	226.50	226.50	12.00, payable half yearly	December 5, 2011	GoI guarantee through a MoP letter dated February 3, 1992.
'SLR Bond XXIII' (2nd tranche) issued on February 21, 1992	303.50	303.50	12.00, payable half yearly	February 21, 2012	GoI guarantee through a MoP letter dated February 3, 1992.
Total Govt. Guaranteed Bonds		**1,710.80**			

B (6) Other unsecured bonds issued by our Company

Set forth below is a brief summary of certain of our other outstanding unsecured bonds. These bonds are listed on the whole sale debt market segment in the NSE.

Nature of the bond	Total value of bond (Rs. million)	Amount outstanding (Rs. million)	Interest rate (% p.a)	Redemption date
'74th Taxable non-priority sector bond' issued on December 31, 2004*	2,500	2,500	7.22 payable half yearly.	December 31, 2014
Total Other unsecured Bonds		**2,500**		
Total Unsecured Loans (B1 to B6)		**86,114.56**		

* *We have entered into a swap transaction with respect to this bond series .*

Grand Total Secured and Unsecured Borrowings		**516,023.93**		

ANNEXURE-XI

STATEMENT OF LOAN ASSETS

(Rs in million)

	As at March 31					As at September 30, 2009
	2005	2006	2007	2008	2009	
i) State Electricity Boards/Corpn., Co-operatives and State Governments						
(a) Unsecured, considered good and guaranteed by respective State Governments	168,507.31	184,201.68	178,663.96	190,756.15	209,385.94	217,672.26
(b) Classified Doubtful	-	-	-	1,156.50	3.61	20.05
ii) State Electricity Boards/ Corpn. (Secured by hypothecation of materials with respective State Electricity Boards/Corp.)						
(a) Considered Good	20,881.16	54,217.61	108,750.69	163,995.03	239,096.04	294,292.72
(b) Classified Doubtful	7.05	7.05	7.05	-	-	-
iii) Others (Secured by hypothecation of tangible assets)	-	-	-	-	-	
(a) Considered Good	19,933.78	3,594.84	4,483.77	12,548.17	29,102.63	37,488.46
(b) Classified Doubtful	85.50	85.50	1,124.51	1,187.92	205.24	-
iv) Others (Secured by Bank Guarantee)- Considered good	-	-	-	-	-	-
v) Others (Unsecured)						
(a) Considered Good	1,000.00	3,323.09	19,174.35	15,687.09	28,254.61	29,272.73
(b) Classified Doubtful	-	-	-	-	-	-
Interest accrued and due on Loans	35.84	11.85	119.69	252.36	182.80	535.89
Interest accrued on rescheduled loans	6,393.43	7,814.47	8,666.99	7,581.90	7,583.59	7,371.17
Total	**216,844.07**	**253,256.09**	**320,991.01**	**393,165.12**	**513,814.46**	**586,653.28**

Loan Assets represent loans granted to the borrowers over a long period and these are not the Sundry Debtors; therefore age-wise analysis of sundry debtors is not applicable.

However, the doubtful loan assets have been shown as per the Prudential Norms adopted by the Company.

ANNEXURE-XII

STATEMENT OF LOANS AND ADVANCES

(Rs in million)

	As at March 31					As at September 30, 2009
	2005	2006	2007	2008	2009	
To Employees (Secured)	19.69	14.88	23.34	27.10	23.85	21.54
To Employees (Unsecured)	24.27	24.06	15.56	11.78	85.34	69.06
Advance Income Tax & TDS	7,924.51	9,926.18	2,308.44	6,066.64	10,877.57	13,981.35
Income Tax Recoverable (Bond)	0.03	0.03	0.03	0.03	0.03	387.05
Advances Recoverable in cash or kind (Unsecured considered good)	13.14	8.59	17.53	98.28	52.68	112.51
Prepaid financial charges on Commercial Paper	-	-	-	-	408.37	589.27

Advance to gratuity fund	-	-	-	-	-	-
Total	**7,981.64**	**9,973.74**	**2,364.90**	**6,203.83**	**11,447.84**	**15,160.78**

Loans and advances due from directors, promoters, group companies:

Particulars	As at March 31					As at September 30, 2009
	2005	2006	2007	2008	2009	
Group Companies (Subsidiaries)						
REC Transmission Projects Company Ltd.	-	-	0.07	3.08	19.32	29.24
REC Power Distribution Company Ltd.	-	-	-	7.19	0.38	0.59
North Karanpura Transmission Company Ltd.	-	-	-	0.30	0.33	0.35
Talcher II Transmission Company Ltd.	-	-	-	0.04	0.04	0.05
	-	-	0.07	10.61	20.07	30.23
Directors	0.16	0.02	0.19	0.08	1.07	0.82
Total	**0.16**	**0.02**	**0.26**	**10.69**	**21.14**	**31.05**

Except as provided above, there are no loans and advances due from directors, promoters, group companies, subsidiaries for the aforementioned years.

ANNEXURE-XIII

STATEMENT OF INVESTMENTS

(Rs in million)

Particulars	As at March 31					As at September 30, 2009
	2005	2006	2007	2008	2009	
A) Investment in shares						
(I) In quoted shares	-	-	-	-	-	-
Total of investment in quoted shares (I)	-	-	-	-	-	-
(II) In unquoted shares						
(a) In subsidiary Companies						
- REC Transmission Project Company Limited			0.50	0.50	0.50	0.50
- REC Power Distribution Company Limited	-	-	-	0.50	0.50	0.50
(b) In other Companies						
Investment in Indian Energy Exchange	-	-	-	12.50	12.50	12.50
Total of investment in unquoted shares (II)	-	-	0.50	13.50	13.50	13.50
Total of investment in quoted and unquoted share (A) [I+II]	-	-	0.50	13.50	13.50	13.50
B) Other Investments						
Non Trade Investments in 8% Government of Madhya Pradesh Power Bonds – II	14,148.00	13,204.80	11,790.00	11,318.40	9,903.60	9,903.60
KSK Energy Ventures LimitedInvestment in Units of Small is Beautiful Fund – At Net Asset Value	20.93	45.11	154.89	142.07	131.54	121.34
Total of Other Investments (B)	14,168.93	13,249.91	11,944.89	11,460.47	10,035.14	10,024.94
Total (A+B)	**14,168.93**	**13,249.91**	**11,945.39**	**11,473.97**	**10,048.64**	**10,038.44**
Book value of investment in quoted Equity share	-	-	-	-	-	-
Market value of investment in quoted Equity share	-	-	-	-	-	-

STATEMENT OF CURRENT LIABILITIES AND PROVISIONS

(Rs in million)

	As at March 31					As at September 30, 2009
	2005	2006	2007	2008	2009	
A)Current Liabilities						
(a) Creditors for Expenses						
- Dues of creditors other than small scale ind. Undertakings	155.22	152.06	435.18	854.83	422.60	488.13
(b) Advances Receipts	15.43	39.65	135.70	93.44	252.54	428.15
(c) Other Liabilities	30.39	61.63	12.83	-	-	-
(d) Grant in Aid from Government of India	371.57	1,828.00	1,750.71	7,185.56	10,506.73	10,232.99
Interest accrued but not due on bonds	2,786.80	1,983.58	3,528.90	5,400.94	11,768.38	10,065.31
Interest accrued but not due on Government/LIC Loans	1,902.26	1,840.84	1,225.50	1,248.82	1,284.19	1,402.52
Unclaimed interest on Bonds and Govt. Loans	15.43	29.85	48.89	70.95	124.35	106.96
Unclaimed Principal on Bonds and Govt. Loans	30.40	30.00	6.99	11.16	8.31	36.99
Government Guarantee Fee	-	-	-	-	-	-
Overdraft in Current Account with Bank	-	-	-	-	-	-
Sub Total (A)	**5,307.50**	**5,965.61**	**7,144.70**	**14,865.70**	**24,367.10**	**22,761.05**
B) Provisions						
(a) Income Tax	8,088.73	9,816.77	2,161.34	5,899.34	10,964.81	14,189.13
(b) Post Retirement Health Scheme		77.46	135.03	183.54	224.48	234.23
(c) Leave Encashment	59.90	71.18	82.02	146.47	162.48	170.47
(d) Gratuity	31.29	9.87	4.97	20.79	97.50	37.84
(e) Wealth Tax	0.12	0.02	0.03	0.02	3.38	1.83
(f) Proposed Dividend	1,765.00	1,012.60	1,770.00	2,575.98	2,146.65	-
(g) Corporate Dividend Tax	247.54	142.02	300.81	437.79	364.82	364.82
(h) Provision for VRS	-	-	-	-	-	-
(i) Provision for incentive	-	-	101.17	220.44	179.14	277.41
(j)Fringe Benefit Tax	-	-	-	1.70	3.61	3.61
(k)Provision for Medical Leave			-	12.64	70.98	78.04
(l) Leave Travel Concession			-	20.16	22.28	22.94
(m)Settlement Allowance on Retirement				1.53	1.75	1.81
(n) Wage Revision	-	-	-	81.68	128.00	229.83
(o)Others	313.80	253.90				
(p) Contingencies	-	-	-	-	0.08	-
Sub Total (B)	**10,506.38**	**11,383.82**	**4,555.37**	**9,602.08**	**14,369.96**	**15,611.96**
Grand Total (A+ B)	**15,813.88**	**17,349.43**	**11,700.07**	**24,467.78**	**38,737.06**	**38,373.01**

ANNEXURE-XV

STATEMENT OF OTHER INCOME

(Rs in million)

Particulars	For the year ended March 31						Nature (Recurring/ Non-Recurring)	Related / Non related to business
	2005	2006	2007	2008	2009	September 30, 2009		
Interest on Deposits	449.84	624.38	866.48	645.00	371.87	96.72	Recurring	Related
Interest on Govt. Securities	565.92	1,075.25	999.79	924.34	870.43	452.66	Recurring	Related
(Non Trade Investments in 8% Government of Madhya Pradesh Power Bonds – II)								
Interest on Staff Advance	3.65	2.91	3.19	2.83	4.96	1.46	Recurring	Related
Miscellaneous Income	1.89	5.83	8.23	14.23	15.67	16.72	Non Recurring	Related
Excess Provision written Back	1.48	29.16	3.72	-	0.04	296.91	Non Recurring	Related
Profit on sale of investment in venture fund			10.65	3.30	-	-	Non Recurring	Related
Provision of fall in value of investment in venture fund return back			0.07	2.39	-	-	Non Recurring	Related
Dividend on investment in venture fund					1.10	7.46	Non Recurring	Related
Difference in Exchange Rate				-		-	Non Recurring	Related
Interest from subsidiary companies				0.45	1.62	1.78	Non Recurring	Related
Provision for Bad debts written Back					361.06	-	Non Recurring	Related
Total	**1,022.78**	**1,737.53**	**1,892.13**	**1,592.54**	**1,626.75**	**873.71**		
% of other income to Profit before tax and Extraordinary items	**9.99%**	**21.02%**	**18.62%**	**12.02%**	**8.54%**	**6.98%**		

ANNEXURE-XVI

STATEMENT OF DIVIDEND PAID

(All in million except percentage)

Particulars	For the year ended March 31				
	2005	2006	2007	2008	2009
Equity Share Capital	7,806.00	7,806.00	7,806.00	8,586.60	8,586.60
No. of Equity Shares of Rs.10 each	780.60	780.60	780.60	858.66	858.66
Rate of Dividend (%)	30.04	24.50	22.67	30.00	45.00
Interim (%)	7.43	11.53	-	-	20.00
Final (%)	22.61	12.97	22.67	30.00	25.00
Amount of Dividend on Equity Shares	2,345.00	1,912.60	1,770.00	2,575.98	3,863.97
Interim	580.00	900.00	-	-	1,717.32
Final	1,765.00	1,012.60	1,770.00	2,575.98	2,146.65
Total Dividend Tax Paid	**323.30**	**268.20**	**300.81**	**437.79**	**656.68**

ANNEXURE – XVII

STATEMENT OF RELATED PARTY TRANSACTIONS

As per Accounting Standard (AS- 18) effective from April 01, 2001, the Related Parties are as follows:

A) List of subsidiaries (Excluding State controlled entities)

1. Half Year Ending September 30, 09

(i) REC Transmission Projects Company Ltd.

Wholly owned subsidiaries of REC Transmission Project Company Ltd.

a. North Karanpura Transmission Company Ltd
b. Talcher-II Transmission Company Ltd

(ii) REC Power Distribution Company Ltd.

2. 2008-09

(i) REC Transmission Projects Company Ltd.

Wholly owned subsidiaries of REC Transmission Project Company Ltd.

a. North Karanpura Transmission Company Ltd
b. Talcher-II Transmission Company Ltd

(ii) REC Power Distribution Company Ltd.

3 2007-08

(i) REC Transmission Projects Company Ltd.

Wholly owned subsidiaries of REC Transmission Project Company Ltd.

a. North Karanpura Transmission Company Ltd
b. Talcher-II Transmission Company Ltd

(ii) REC Power Distribution Company Ltd.

4. 2006-07

(i) REC Transmission Projects Company Ltd.

5. 2005-06

Nil.

6. 2004-05

Nil.

B) Key Management Personnel:

1. Half Year Ending September 30, 09

I. Mr. P.Uma Shankar, Chairman and Managing Director.
II. Mr. Hari Das Khunteta, Director (Finance)
III Mr. Guljit Kapur, Director (Technical)

(w.e.f. 01.12.2008)

2. 2008-09

I. Mr. P.Uma Shankar, Chairman and Managing Director.
II. Mr. Hari Das Khunteta, Director (Finance)
III. Mr. Guljit Kapur, Director (Technical)
(w.e.f. 01.12.2008)
IV. Mr. Bal Mukand, Director (Technical)
(Up-to 30.11.2008)

3. 2007-08

I. Mr. P.Uma Shankar, Chairman and Managing Director.
(w.e.f. 01.03.2008)
II. Mr. A.K.Lakhina, Chairman and Managing Director.
(Up-to 29.02.2008)
III. Mr. Hari Das Khunteta, Director (Finance)
IV. Mr. Bal Mukand, Director (Technical)
V. Mr. Devender Singh (Govt. Nominee Director)
VI. Mr. Rajesh Verma (Govt. Nominee Director)
(Up-to 08.01.2008)
VII. Mr. Jayant Kawale (Govt. Nominee Director)
(Up-to 29.08.2007)
VIII. Mr. M Sahoo (Govt. Nominee Director)
(Up-to 17.07.2007)

4. 2006-2007

I. Mr. A.K.Lakhina,Chairman and Managing Director.
II. Mr. Hari Das Khunteta, Director (Finance)
III. Mr. Bal Mukand, Director (Technical)

5. 2005- 2006.

I. Mr. Anil Kumar Lakhina, Chairman and Managing Director.
II. Mr. Hari Das Khunteta, Director (Finance)
III. Mr. Bal Mukand, Director (Technical)

6. 2004-2005.

I. Mr. M.N. Prasad (Chairman and Managing Director)
II. Mr. Hari Das Khunteta (Director Finance)
III. Mr. Bal Mukand (Director Technical)
IV. Mr. Ajay Shankar (Director)
V. Mr. Arvind Jadhav (Director)
VI. Mr. M. Sahoo (Director)

(I) <u>Transaction with the related parties at (A & B) above</u>

(Rs. million)

Year	Particulars	Amount
Half year ending September 30, 2009	50,000 fully paid-up equity shares of Rs. 10 each of REC Transmission Projects Company Ltd.	0.5
	50,000 fully paid-up equity shares of Rs. 10 each of REC Power Distribution Company Ltd.	0.5
2008-2009	50,000 fully paid-up equity shares of Rs. 10 each of REC Transmission Projects Company Ltd.	0.5

	50,000 fully paid-up equity shares of Rs. 10 each of REC Power Distribution Company Ltd.	0.5
2007-2008	50,000 fully paid-up equity shares of Rs. 10 each of REC Transmission Projects Company Ltd. 50,000 fully paid-up equity shares of Rs. 10 each of REC Power Distribution Company Ltd.	0.5 0.5
2006-2007	50,000 fully paid-up equity shares of Rs. 10 each of REC Transmission Projects Company Ltd.	0.5
2005-2006	-----	-----
2004-2005	-----	-----

II) Remuneration to Key Management Personnel

(Rs. million)

Year	Amount
Half year ending September 30, 2009	3.28
2008-2009	6.62
2007-2008	5.73
2006-2007	5.16
2005-2006	3.10
2004-2005	2.11

III) Amount of dues outstanding from key management personnel

(Rs. million)

Year	Amount
Half year ending September 30, 2009	0.82
2008-2009	1.07
2007-2008	0.08
2006-2007	0.19
2005-2006	0.02
2004-2005	0.16

IV) Amount recoverable from Subsidiaries

(Rs. million)

Year	Amount
Half Year ending September 30, 2009	
REC Transmission Project Company Ltd	29.24
REC Power Distribution Company Ltd	0.59
North Karanpura Transmission Company Ltd	0.35
Talcher-II Transmission Company Ltd	0.05
Year ending March 31, 2009	
REC Transmission Project Company Ltd	19.32
REC Power Distribution Company Ltd	0.38
North Karanpura Transmission Company Ltd	0.33
Talcher-II Transmission Company Ltd	0.04
Year ending March 31, 2008	
REC Transmission Project Company Ltd	3.08
REC Power Distribution Company Ltd	7.19
North Karanpura Transmission Company Ltd	0.30
Talcher-II Transmission Company Ltd	0.04
2006-07 (REC Transmission Projects Company Ltd.)	0.07

CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT

The Board of Directors,
Rural Electrification Corporation Limited,
Core-IV, SCOPE Complex,
7, Lodi Road,
New Delhi – 110003.

Dear Sirs,

We have examined the consolidated financial information of Rural Electrification Corporation Limited ('the Company), and its Subsidiary Companies as attached to this report stamped and initialed by us for identification, which has been prepared in accordance with Paragraph B, Part II of Schedule II of the Companies Act, 1956 ('the Act') and the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('the ICDR Regulations') issued by Securities and Exchange Board of India ('SEBI') in pursuance of Section 11A(1)(a) of the Securities and Exchange Board of India Act, 1992 and related clarifications, and in accordance with our engagement letter agreed upon with you in connection with the Draft Red Herring Prospectus/ Red Herring Prospectus/ Prospectus (hereinafter referred as Offer Document) being issued by the Company for Proposed Further Public Offering of Equity Shares ("the Issue").

The preparation and presentation of these consolidated financial information is the responsibility of Company's management. These financial information are proposed to be included in the Offer Document of the Company in connection with the proposed Further Public Issue of its Equity Shares.

A. Consolidated Financial Information as restated on the basis of the audited financial statements

We have examined the attached Consolidated Statement of Assets and Liabilities, as restated of the Company and its Subsidiary Companies as at September 30, 2009; March 31, 2009; March 31, 2008 (Annexure I) and the attached Consolidated Statement of Profits and Losses as Restated for the half year ended September 30, 2009; and for the year ended March 31, 2009; March 31, 2008 (Annexure II) and the attached Consolidated Statement of Cash Flows, as Restated for the half year ended September 30, 2009; and for the year ended March 31, 2009; March 31, 2008 (Annexure III), together referred to as 'Restated Consolidated Summary Statements'.

These Restated Consolidated Summary Statements have been extracted by the management from the financial statements of Rural Electrification Corporation Limited and its Subsidiary Companies after making such adjustments and regroupings as considered appropriate and fully described in notes appearing in Annexure IV to this report. For our examination, we have placed reliance on the financial statements of Rural Electrification Corporation Limited audited by G.S. Mathur & Co. Chartered Accountants for the year ended March 31, 2008 March 31, 2009 and the financial statements of its Subsidiary Companies audited by other auditors as detailed below:

Name of Subsidiaries	Name of the Auditor	Period
REC Transmission Projects Company Limited.	Ratan Vinod Anil & Co. Chartered Accountants	Year ended 31-03-2008, 31-03-2009 and the half year ended 30-09-2009.
North Karanpura Transmission Company Limited.	SSAS& Associates Chartered Accountants	Year ended 31-03-2008, 31-03-2009 and the half year ended 30-09-2009
Talcher-II Transmission Company Limited.	Aqil & Sharma Associates Chartered Accountants	Year ended 31-03-2008, 31-03-2009 and the half year ended 30-09-2009
REC Power Distribution Company Limited	Satyendra Jain & Associates. Chartered Accountants	Year ended 31-03-2008, 31-03-2009 and the half year ended 30-09-2009

We have examined the consolidated restated financial information for the half year ended September 30, 2009 on the basis of audited consolidated financial statements for the half year ended September 30, 2009 audited by us.

We did not audit the financial statements of subsidiaries of the Company for the half year ended September 30, 2009 whose audited financial statements reflects total assets of Rs. 83.7 millions as at September 30, 2009, total revenue of Rs. 46.8 millions for the half year ended on that date. The financial statements and other financial information of the subsidiary companies audited by other auditors and our opinion thereon so far as it relates to the amounts included in respects of these subsidiaries, is based solely on audited accounts of the subsidiary companies. These Financial Statements have been approved/ adopted by the Board of Directors/members for the respective period/years.

We have performed such tests and procedures, which in our opinion were necessary for the purpose of our examination. These procedures, mainly involved comparison of the attached Consolidated financial information with the Company's and its subsidiaries audited financial statements for half year ended September 30, 2009, for the financial year 2007-08 to 2008-2009 and restatement, reclassification as per SEBI ICDR Regulations.

Based on the above, we report that in our opinion and according to the information and explanations given to us, we have found the same to be correct and the same have been accordingly used in the Consolidated financial information appropriately.

We further report that:

1. The Restated Consolidated Summary Statements have been in accordance with the requirements of Paragraph B, Part II of Schedule II of the Companies Act, the SEBI ICDR Regulations.

2. These Restated Consolidated profits have been arrived at after charging all expenses of management including depreciation and after making such adjustments and regroupings as in our opinion are appropriate and are subject to the Consolidated Significant Notes on Accounts attached to and forming part of the Restated Consolidated Summary Statements – enclosed as Annexure IV.

3. The Restated Consolidated Summary Statements of the Company have been restated with retrospective effect to reflect the Consolidated Significant Accounting Policies being adopted by the Company and its Subsidiary Companies as at September 30, 2009 enclosed as Annexure V.

4. There are qualifications in the auditor's reports as included in Annexure – A to this report which is to be read with Consolidated Significant Accounting Policies and Consolidated Significant Notes to Accounts. These qualifications do not have any quantifiable impact on the restated consolidated summary statements.

B. Other Consolidated Financial Information

We have examined the following consolidated financial information relating to the Company and its Subsidiary Companies proposed to be included in the Offer document and annexed to this report:

i. Statement of Changes in Consolidated Accounting Policies of RECL and its Subsidiaries- enclosed as Annexure VI.
ii. Consolidated Summary of Accounting Ratios – enclosed as Annexure VII.
iii. Consolidated Capitalization Statement – enclosed as Annexure VIII.
iv. Consolidated Statement of Tax Shelters – enclosed as Annexure IX.
v. Consolidated Statement of Loans Liabilities (Secured and Unsecured)- enclosed as Annexure X.
vi. Consolidated Statement of Loan Assets – enclosed as Annexure XI.
vii. Consolidated Statement of Loans & Advances – enclosed as Annexure XII.
viii. Consolidated Statement of Investments – enclosed as Annexure XIII.
ix. Consolidated Statement of Current Liabilities and Provisions – enclosed as Annexure XIV.
x. Consolidated Statement of Other Income – enclosed as Annexure XV.
xi. Consolidated Statement of Dividend Paid – enclosed as Annexure XVI.
xii. Statement of Related Party Transactions in Consolidated financial statements of RECL and its subsidiaries – enclosed as Annexure XVII.

In our opinion, the consolidated financial information of the Company and its subsidiary companies, as attached to this report, as mentioned in paragraphs (A) and (B) above, read with respective significant accounting policies and significant notes to accounts, after making necessary adjustments and regrouping as considered appropriate, has been prepared in accordance with Paragraph B, Part II of Schedule II of the Companies Act, and ICDR Regulations issued by SEBI.

This report is intended solely for use for your information and for inclusion in Offer Document in connection with the Issue and is not to be used, referred to or distributed for any other purpose without our prior written consent.

This report should neither in any way be construed as a re–issuance or redrafting of any of the previous audit reports issued by other firms of chartered accountants nor construed as a new opinion on any financial statements referred to herein.

	For Bansal & Co. Chartered Accountants	For K.G Somani & Co. Chartered Accountants
	(D.S Rawat)	(Bhuvnesh Maheshwari)
Place: New Delhi	Partner	Partner
Date: January 23, 2010	M.No.83030	M. No. 88155
	Firm Registration No. 001113N	Firm Registration No. 006591N

ANNEXURE- A

ANNEXURE TO THE CONSOLIDATED AUDIT REPORT OF EVEN DATE FOR THE FINANCIAL YEAR ENDED MARCH 31, 2008 TO MARCH 31, 2009 AND FOR THE PERIOD HALF YEAR ENDED SEPTEMBER 2009

AUDIT REPORT 2007-2008

RURAL ELECTRIFICATION CORPORATION LIMITED

Related area of paragraph 3 of audit report for the year ended 2007- 2008

4. However in certain areas internal control needs further strengthening like financial accounting; loan pricing being linked to rating linked policy; review of transmission and distribution lending norms prescribing appropriate debt equity ratios; adoption of control records regarding status of loan documents; receipt, disbursement and utilization of grants received under various schemes; monitoring of loans given to various SEB's / Discoms / Transcoms / Gencos including obtaining search reports for charges created against the loan given.

7. Corporation is having Internal audit department responsible for carrying out the Internal Audit of various departments at Head Office and at Project Offices at periodical intervals as per the approved Audit plan. In our opinion Internal Audit needs to be further strengthened with identification of critical areas for risk based audit.

9 (a) The company is generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investors education protection fund, employees state insurance, income tax, wealth tax and other material statutory dues applicable to it except:-

(ii) Non Deduction and consequently Non Deposit of TDS on interest accrued in respect of certain bonds, which are transferrable by way of endorsement and delivery.

AUDIT REPORT 2008-2009

RURAL ELECTRIFICATION CORPORATION LIMITED

Related area of paragraph 3 of audit report for the year ended 2008- 2009

4. However in certain areas internal control needs further strengthening like financial including loan accounting; loan pricing being not linked to rating linked policy in certain cases; review of transmission and distribution lending norms prescribing appropriate debt equity ratios; adoption of control records regarding status of loan documents including formulation of legal manual; receipt, disbursement and utilization of grants received under various schemes; monitoring of loans given to various SEB's/Discoms / Transcoms / Gencos including obtaining search reports for charges created against the loan given.

7. Corporation is having Internal audit department responsible for carrying out the Internal Audit of various departments at Head Office and at Project Offices at periodical intervals as per the approved Audit plan. In our opinion Internal Audit needs to be further strengthened with identification of critical areas for risk based audit.

REC POWER DISTRIBUTION COMPANY LIMITED

The accounts for the financial year 2008-09 were qualified by the Auditors' on Revenue Recognition Policy. It was stated that the Revenue Recognition Policy of the Company was not in accordance to the Accounting Standard issued by the Institute of Chartered Accountants of India.

As per Revenue Recognition policy, mobilization advances were recognized as Income in the year of receipt irrespective of progress of work. The Company has since revised the policy to address the issue and re-stated accounts are prepared based on revised policy with retrospective effect.

AUDIT REPORT FOR THE HALF YEAR ENDED ON SEPTEMBER 30, 2009

RURAL ELECTRIFICATION CORPORATION LIMITED

Related area of paragraph 3 of audit report for the half year ended September 30, 2009

4. However in certain areas internal control needs further strengthening like financial including loan accounting; adoption of control records regarding status of loan documents including formulation of legal manual; receipt, disbursement and utilization of grants received under various schemes; monitoring of loans given to various SEB's / Discoms / Transcoms / Gencos including obtaining search reports for charges created against the loans given.

7. Corporation is having Internal audit department responsible for carrying out the Internal Audit of various departments at Head Office and at Project Offices at periodical intervals as per the approved Audit plan. As informed to us Internal Audit of loan department will be carried out at head office in the 3rd Quarter of the current year. In our opinion Internal Audit needs to be further strengthened with identification of critical areas for risk based audit and frequency of coverage in respect of loan department.

CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

The statement of Assets and Liabilities of the company as restated as at March 31, 2008 and 2009 and September 30, 2009 of REC and its Subsidiaries is set out below:-

(Rs in million)

	As at 31st March		As at September 30, 2009
	2008	2009	
ASSETS			
A. Fixed Assets			
Gross Block	838.34	712.15	742.29
Less: Depreciation	135.78	144.85	152.12
Capital Work in Progress	78.51	265.27	300.29
Net Block	781.07	832.57	890.46
Net Block after adjustment of Revaluation Reserve	**781.07**	**832.57**	**890.46**
B. Investments	**11,472.97**	**10,047.64**	**10,037.44**
C. Loans	**393,165.12**	**513,814.46**	**586,653.28**
D. Deferred Tax Asset	**319.26**	**78.85**	**64.90**
E. Current Assets, Loan & Advances			
Cash and Bank Balances	12,556.62	18,882.70	17,836.11
Loans & Advances	6,203.51	11,462.18	15,204.08
Other Current Assets	5,400.91	4,964.46	5,016.91
Total Current Assets	**24,161.04**	**35,309.34**	**38,057.10**
Total Assets (A)	**429,899.46**	**5,60,082.86**	**635,703.18**
LIABILITIES			
A. Loan Funds			
Secured Loans	294,219.51	376,136.52	429,909.37
Unsecured Loans	48,608.35	73,223.05	86,114.56
Total Loan Fund	342,827.86	449,359.57	516,023.93
B. Deferred Tax Liability	-	-	0.05
C. Current Liabilities and Provisions			
Current Liabilities	14,889.35	24,396.88	22,819.87
Provisions	9,603.66	14,379.61	15,616.91
Total current Liabilities and Provisions	24,493.01	38,776.49	38,436.78
Total Liabilities (B)	**367,320.87**	**488,136.06**	**554,460.76**
Net Assets (A-B)	**62,578.59**	**71,946.80**	**81,242.42**
Represented by			
1. Share Capital	8,586.60	8,586.60	8,586.60
2. Reserves	51,355.08	59,923.28	68,719.64
Reserves (Net of Revaluation Reserve)	51,355.08	59,923.28	68,719.64
Net Worth	**59,941.68**	**68,509.88**	**77,306.24**
Add: Reserve for Bad & Doubtful Debts u/s 36(1)(viia) of I.T. Act,1961 (As per Audited Accounts)	**2,636.91**	**3,436.91**	**3,936.18**
Total Shareholders Fund	**62,578.59**	**71,946.79**	**81,242.42**

ANNEXURE-II

CONSOLIDATED STATEMENT OF PROFIT & LOSS AS RESTATED

The statement of profit & loss of the company as restated for the financial year ended March 31, 2008 and 2009 and for the period ended September 30, 2009 of REC and its Subsidiaries is set out below.

(Rs in million)

	For the Year ended 31st March		September 30, 2009
	2008	2009	
Income			
Income from operations	33,804.59	47,549.30	30,444.84
Profit on Sale of Assets	0.04	0.11	0.02
Other income	1,606.18	1,683.65	922.28
Total Income	**35,410.81**	**49,233.06**	**31,367.14**
Expenditure			
Interest and other Charges	20,540.56	28,873.50	18,040.57
Establishment Expenses (Staff costs)	927.39	890.81	553.74
Administrative expenses	183.35	238.69	122.63
Loss on Sale of assets	0.12	-	-
Resource mobilization Expenses (Bonds/debts instrument Issue expenses)	91.04	97.95	105.25
Provision for Bad and Doubtful debts	399.93	23.70	2.22
Depreciation	13.86	13.71	7.27
Provision for Decline in value of investment	-	10.53	-
Total Expenditure	**22,156.25**	**30,148.89**	**18,831.68**
Profit Before Tax and Extra ordinary items	**13,254.56**	**19,084.17**	**12,535.51**
Less: Provision for Taxation-Current Year	3,766.46	5,048.13	3,230.98
Less: Provision For Taxation- Earlier Years	-1.83	0.22	-
Less: Provision for Deferred Tax Liability	-176.60	240.41	13.96
Less: Provision for Fringe Benefit Tax	10.66	15.27	-
Profit after Tax and before Extra-ordinary items (A)	**9,655.87**	**13,780.14**	**9,290.57**
Extra Ordinary Items:			
Exchange Gain/(Loss)	-95.95	114.22	-2.25
Total Extra Ordinary Items	**-95.95**	**114.22**	**-2.25**
Less: Taxes On Extra-Ordinary Items	-26.87	29.70	-0.61
Extra Ordinary Items (net of taxes)-(B)	**-69.08**	**84.52**	**-1.64**
Profit After Tax and after Extra Ordinary items available for Appropriations (A)+(B)	**9,586.79**	**13,864.66**	**9,288.93**

ANNEXURE-III

CONSOLIDATED CASH FLOW STATEMENT AS RESTATED

The consolidated cash flow statement of the company for the financial year ended March 31, 2008 and 2009 and for the period ended September 30, 2009 of REC and its Subsidiaries is set out below:-

(Rs in million)

PARTICULARS	As at 31st March		September 30, 2009
	2008	2009	
A. Cash Flow from Operating Activities :			
Profit Before Tax and after Extraordinary items	**13,158.61**	**19,198.39**	**12,533.26**
Adjustments for:			
Profit / Loss on Sale of Fixed Assets	0.08	-0.10	-0.02
Transfer from General Reserve	-16.38	-	-
Adjustments for prior period items	-	-	-
Depreciation (including prior period)	13.86	13.71	7.27
Provision for fall in value of investments	-2.39	10.53	-9.29
Prior period expenses adjusted with Reserves/ Preliminary expenses written Off	0.29	1.17	-
Provision for Bad and Doubtful debts	399.43	23.70	2.22
Excess Provision written back (Income Tax)	-	-0.04	-
Profit on sale of Investments (In units of "Small is Beautiful Fund)	-3.30	-1.10	-7.46
Loss on exchange rate fluctuation	95.95	-114.22	2.25
Amount transferred to security premium	-	23.60	6.72
Dividend From ' REC PDCL'	-	-	-0.50
Dividend Paid in Excess of Provision	-	-	0.08
Operating profit before working Capital Changes	**13,646.15**	**19,155.64**	**12,534.53**
Increase / Decrease :			
Loans & Advances	-72,573.54	-120,673.04	-72,841.04
Other Current assets	-1,890.01	429.70	-433.01
Current Liabilities	6,418.34	6,421.79	-1,123.87
Other Loans and Advances	-92.53	-476.93	-271.07
Cash outflow from Operations	**-54,491.59**	**-95,142.84**	**-62,134.46**
Advance Income Tax Paid	-7,496.22	-4,811.96	-3,112.42
Wealth Tax paid	-0.02	-0.21	-3.66
Fringe Benefit Tax Paid	-10.65	-13.26	-
Net Cash used in Operating Activities	**-61,998.47**	**-99,968.27**	**-65,250.54**
B. Cash Flow From Investing Activities :			
Sale of Fixed Assets	0.16	1.34	0.07
Purchase of Fixed Assets/ Preliminary expenses	-160.45	-66.45	-65.21
Increase in Investments.	-20.48	-	-
Redemption of Investments	471.60	1,414.80	-

(Rs in million)

PARTICULARS	As at 31st March		September 30, 2009
	2008	2009	
Sale of Investments in Units "Small is Beautiful" Fund	-	1.10	19.48
Income on Investments in Units of "Small is Beautiful" Fund	37.98	-	7.46
Investment in shares of subsidiary company "REC Power Distribution co. Ltd."	-0.50	-	-
Investment in Shares of Indian Energy Exchange	-12.50	-	-
Net Cash flow from Investing Activities	**315.81**	**1,350.79**	**-38.20**
C. Cash Flow from Financial Activities :			
Issue of Bonds	60,739.24	138,073.31	101,766.82
Redemption of Bonds	-35,959.39	-52,654.60	-46,444.86
Raising of Term Loans/ STL from Banks/ FI's	43,725.00	53,746.33	14,602.00
Repayment of Term loans/ STL from Banks/ FI's	-30,065.00	-49,863.83	-10,106.25

PARTICULARS	As at 31st March		September 30, 2009
	2008	2009	
Raising of Foreign Currency Loan	-	-	1,890.20
Raising of external Commercial Borrowings (ECB)	1,667.65	4,566.51	-
Grants received from GOI	39,028.99	54,462.17	12,232.64
Disbursement of grants	-33,594.14	-51,141.00	-12,506.38
Repayment of Govt. Loan	-185.60	-171.80	-45.79
Dividend paid	-1,770.00	-2,576.56	-2,146.23
Dividend Tax paid	-300.81	-437.79	-
Issue of shares	7,980.65	-	-
Issue of Commercial paper	-	12,950.00	15,000.00
Repayment of Commercial	-	-	-10,000.00
Interim Dividend paid	-	-1,717.32	-
Corporate dividend tax paid on interim dividend	-	-291.86	-
Net Cash in-flow from Financing Activities	**51,266.59**	**104,943.56**	**64,242.15**
Net Increase / Decrease in Cash & Cash Equivalents	**-10,416.07**	**6,326.08**	**-1,046.59**
Cash & Cash Equivalents as at 1st April	22,972.69	12,556.62	18,882.70
Cash & Cash Equivalents as at end of the period	12,556.62	18,882.70	17,836.11

Note: Previous period figures have been rearranged and regrouped wherever necessary.

ANNEXURE – IV

CONSOLIDATED SIGNIFICANT NOTES ON ACCOUNTS ATTACHED TO RESTATED FINANCIAL STATEMENTS

1. Contingent Liabilities:

Particulars	For the Year ended 31st March		September 30, 2009
	2008	2009	
Claim against the Corporation not acknowledged as debts.	633.14	346.94	311.97
Estimated amount of the contracts remaining to be executed on capital account and not provided for.	40.82	124.78	102.36
Others	5,648.90	13,426.30	20,153.60

2. Notes on adjustments for Restated Summary Statements

The summary of adjustments on account of changes in accounting policies/other adjustments and its impact on Profits and Losses of the Company, REC and its Subsidiaries is as under:

(Rs in million)

Particulars	For the Year ended 31st March		September 30, 2009
	2008	2009	
Net Profit After Tax as per audited Profit and loss account	**8,619.26**	**12,734.99**	**12,927.19**
Adjustment on accounts of:			
Add: Income from operations			
Agency charges on RGGVY Change in policy	22.40	(22.40)	-
Add: Other Income			
Provision for taxation of earlier years	(1.83)	-	-
Adjustment in Operating Income of Subsidiary due to change in Policy of Income Recognition	(22.29)	4.20	-
Less : Administration Expenses			
Prior Period Adjustments (net)	(9.54)	7.71	(3.84)
Pre paid expenses change in policy	0.95	-	-
Pre paid expenses change adjustment	(0.55)	(0.95)	-
Sub total	(9.14)	6.76	(3.84)
Less : Provision for taxes earlier years			
Provision for taxes earlier years	(1.83)	-	384.40
Less : Deferred Tax Liability			
Deferred Tax Liability adjusted	(950.70)	(1,155.66)	3,257.70
Adjustment for Tax provision due to change in Income Recognition policy of Subsidiary	(7.58)	1.03	-
Net Profit as per restated Profit and Loss Accounts	**9,586.79**	**13,864.66**	**9,288.93**

The explanatory notes for these adjustments are discussed below:

i) Changes in Accounting Policy

There had been a change in the accounting policy of the Company. In the year 2004-05, the accounting policy of valuing Investments, at cost or market value/break up value thereof, whichever is less, on global basis in respect of each category of investments, was changed to valuing, investment at cost ,being long term. Further during 2005-06 the accounting policy was further changed to state that long term investments are carried at cost less provision if any for diminutions in value of such investments. Current investments are carried at the cost or fair value whichever is lower. Decline in value of Rs 3.30 million on account of such change in accounting policy in 2005-06 relating to 2004-05 is restated.

ii) Pre paid Expenses and Prior Period Items

Certain items of income/expenses have been identified as Pre Paid expenses and Prior Period items which have not been shown as adjustments in respective years to which these pertain. In addition the accounting Policy has been changed in F.Y 2008-09 with regards to monetary limits for such recognition of prior period items and new policy first time for Pre Paid Expenses. In the Restated Summary Statements, such Pre Paid and Prior Period items have been adjusted in respective years.

iii) Deferred Tax Liability

The Company had been making provision for Deferred Tax Liability for Special Reserve created and maintained u/s 36(1)(viii) of Income Tax Act from the Financial Year 2006-07 on the basis of opinion received from the Expert Advisory Committee of the Institute of Chartered Accountants of India. However with effect from Sept 2009 the company took a decision not to withdraw any amount from such reserve and consequently the said reserve is treated as permanent difference. Accordingly The Company has not created Deferred Tax Liability(DTL) of Rs 730.8millions on account of Special Reserves created and maintained under section 36(1)(viii) of the Income Tax Act 1961 for the six months period ended on 30th Sept '09 and has also reversed the DTL of Rs 9645.7millions created in earlier years on this account. The reversal of DTL is done by crediting General Reserves by Rs 6388million for the financial years upto 2005-06 and through Profit &Loss Appropriation by Rs 3257.7millions of the Financial Year 2006-07 to Financial Year 2008-09. The Restated Summary Statements have been drawn after making adjustment for such change in the accounting policy for earlier years also by applying the income tax rates of respective years. Deferred Tax Liability on other items has been computed by applying the revised average rate of income tax for respective years.

iv) Material Regroupings

c) Income tax excess provision written back in the year 2006-07 and 2007-08 is included in Other Income. The same is re-stated and included in Tax Expenses of these years.

d) Foreign Exchange gains/losses were treated as extra ordinary items and is shown as such while preparing the restated financials of the Company in terms of the Guidance Notes issued by The Institute of Chartered Accountants of India in this regard.

v) Government guarantee fee

The Company has provided for govt. guarantee fee amounting to Rs.253.90 million during the year 2006-07 pertaining to earlier years. Out of this Rs.229.90 million pertains to the years prior to 2004-05 which has been adjusted out of the reserves. The balance amount has been restated in the respective years.

vi) Post Retirement Medical Benefit

The Company made provision for post retirement medical benefit scheme amounting to Rs. 77.46 million first time in the year 2005-06 as required by AS-15 issued by ICAI. Out of this Rs. 71.90 million pertains to the past years inclusive of Rs 8.04 million pertaining to 2004-05 and has been adjusted in the respective year. Balance amount of Rs.63.86 million, pertains to the years upto March 31, 2004 and accordingly has been adjusted through reserves.

vii) Employees Benefits

The Institute of Chartered Accountants of India (ICAI) has issued Revised AS-15(Accounting for Employees Benefits) which is applicable with effect from April 1, 2007. Accordingly Company has worked out its liability as on 31.3.2007. The liability up to 31.03.04 has been adjusted out of reserves and amounts related to subsequent years has been restated in the respective years as per details given here in below

Year	Amount (Rs. million)

2004-05	1.91
2005-06	0.67
2006-07	0.50
2007-08	-
2008-09	-
Total	**3.08**

viii) Agency Charges on RGGVY Scheme

The company has changed its policy regarding accounting for agency charges on RGGVY Scheme from September 2009 and accounted such income on sanction basis as against the earlier policy of recognition on the basis of disbursement of Subsidy/loan. Relevant effects in other years have been restated.

ix) In line with the decisions of Authority for Advance Ruling and Income tax Appellate Tribunal for different assessment years, the Company has accounted for Rs. 384.40 million towards refund of Income tax due from the Income tax Department pending receipt of the same. All such refunds relate to the period prior to 2004-05 and have been re-stated through Reserves.

(x) REC Power Distribution Company Limited

(i) There had been a change in the accounting policy of the Company, the statutory auditors have qualified their report on accounts for the financial year 2008-09 questioning the revenue recognition policy of the company. The Accounting Policy on revenue recognition (clause 6) has since been revised w.e.f. 1.4.09 to dispensed with revenue recognition of mobilisation advances and incorporated provision of revenue recognition of estimated prorata value for the work completed but not billed. Thereby, the mobilisation advances are shown under current liabilities and value of unbilled work are shown as accrued income under current assets.

The impact of accounting of revenue in the books of accounts are restated accordingly and on the other side, the impact has been either adjusted against debtors or shown as "advances from customers" as the case may be.

ii) Provision for taxation

Due to change in revenue recognition policy of the company, the figures of income are restated, accordingly required provision of taxation has also been restated.

The adjustment of figures / restatement is as under:-

Accounting Period	Profit as per audited accounts	Adjustment in Operating Income	Provision of tax	Net impact on Profit after tax & corresponding impact on Reserve & Surplus (Balance Sheet)	Restated Profit after tax
2007-08	17,788,587	-22,294,220	-7,577,806	-14,716,414	3,072,173
2008-09	14,214,497	4,200,000	1,026,484	3,173,516	17,388,013
Half year ending 30.9.09	7,705,482	-	-	-	7,705,482

The impact of adjustment of revenue is either shown under advances from customers (current liabilities) head or as accrued income not accounted for (debtors) head as the case may be. The provision for tax difference has either adjusted under liability for tax (Provisions) or shown under advance tax in subsequent year as the case may be. Net impact of income (Profit & Loss Account) ultimately adjusted under schedule of Reserve & Surplus.

(xi) Other Notes on Accounts

1. The subsidiary companies considered in the consolidated financial statements are:

Name of the Subsidiaries	**Country of Incorporation**	**Proportion of interest**
REC Transmission Projects Co. Ltd. (RTPCL)	India	100%
REC Power Distribution Co. Ltd. (RPDCL)	India	100%
North Karanpura Transmission Co. Ltd.(NKTCL) (A wholly owned subsidiary of RTPCL)	India	100%
Talcher II Transmission Company Ltd. (TTCL) (A wholly owned subsidiary of RTPCL)	India	100%

2. EARNING PER SHARE (EPS)

	Half Year ended 30.09.09
Net profit after tax (Rs. million)	9,288.93
Net Profit attributable to equity shareholders (Rs. million)	9,288.93
Weighted Average number of equity shares	858660000
Basic and diluted earning per share (Rs.)	10.82
Face Value per equity shares (Rs.)	10

3. The Corporation is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company (NBFC) since 1997-98. As per notification No. DNBS (PD), CC No. 12/D2.01/99-2000 dated 13.1.2000 of RBI, Govt. Companies conforming to Section 617 of the Companies Act have been exempted from applicability of the provisions of RBI Act 1934 relating to maintenance of liquid assets and creation of Reserve Funds and the Directions relating to acceptance of public deposits and prudential norms. The said notification is also applicable to REC, being a Govt. Company conforming to Section 617 of the Companies Act, 1956. Moreover in view of the non applicability of the provisions of section 45 (I) C of the RBI Act, 1934 regarding creation of Reserve Fund, the Reserve Fund is not created.

4. There has been shortfall in creation of Special Fund by some of the RE Cooperative Societies amounting to Rs. 43.54 million (Previous period Rs. 50.09 million) and the societies are pursued to create the required Special Fund.

5. Balance confirmation has been received from some of the borrowers.

6. Income Tax as applicable in respect of Interest accrued on bonds is deducted at source at the time of actual payment of interest to the bond holders since such bonds are freely transferable.

7. The formalities regarding registration of conveyance deeds etc. in respect of some of the Land & Building acquired by the Corporation amounting to Rs. 363.06 million (Previous period Rs. 579.33 million) are in the process of completion.

8. The balances in respect of Interest Warrants Accounts (both for institutional and 54EC & Infra bonds) as on 30.09.2009 held in specified banks are Rs.253.82 million (previous period Rs.89.65 million).

9. In the opinion of the management, the current assets, loans and advances appearing in the balance sheet have a value equivalent to the amount stated therein if realized during the ordinary course of business and all known liabilities have been provided.

10. Provision for impairment loss as required under Accounting Standard-28 on impairment of Assets is not necessary as in the opinion of management there is no impairment of the Corporation's Assets in terms of AS-28.

11. The company has no outstanding liability towards Micro, Small and Medium undertakings.

12. No Bond Redemption Reserve (BRR) has been created since in terms of clarifications issued by the Department of Company Affairs, Govt. of India vide no.6/3/2001-CL.V dated 18.4.2002, BRR is not required to be created in the case of privately placed debentures issued by NBFC's registered with the RBI under section 45-IA of the RBI (Amendment) Act, 1997.

13. During the period up-to 30.09.2009, the Corporation has reduced cost of borrowing to the extent of Rs. 33.40 million (Previous period Rs. 39.61 million) on account of swap (coupon only) transaction linked to rupee borrowing.

The Corporation had entered into various coupons only swap transactions and cross currency swap transactions. The Net Mark to Market position in respect of the above swap transactions as on 30.09.2009 is of Rs. 3246.88 million (favorable) ((Previous period Rs.633.34 million (unfavourable).

14. Subsidy Under Accelerated Generation & Supply Programme (AG&SP): -

The Corporation is maintaining a Interest Subsidy Fund Account and is claiming subsidy from Govt. of India at net present value calculated at indicative rates in accordance with GOI's letter vide D.O.No. 32024/17/97-PFC dated 23.09.1997 and O.M.No.32024/23/2001-PFC dated 07.03.03 irrespective of the actual repayment schedule, moratorium period and duration of repayment. The impact of difference between the indicative rate and period considered at the time of drawl and the actual can be ascertained only after the end of the respective schemes.

15. Disclosure in respect of Intangible Assets as required in AS-26 "Intangible Assets":-

i) Amortisation Rate: 20%; 100% in case of cost of asset is Rs 5,000 or less
ii) Amortisation Method: Straight Line

(Rs. million)

Reconciliation Statement.		**As at 30.09.2009**
iii)	Gross Carrying Amount	0.78
iv)	Accumulated depreciation	0.31
v)	Gross carrying amount- Opening Balance	0.52
vi)	Less: - Accumulated Depreciation	0.26
vii)	Carrying amount	0.26
viii)	Additions during the period	0.26
ix)	Less: Amortization during the year	0.05
x)	Carrying amount as on Balance sheet Date	0.47

16. (A) The Corporation has been providing for deferred tax assets / liabilities in terms of Accounting Standard No. 22 on Accounting for Taxes on Income.

(B) The Company has started creating deferred tax liability (DTL)on special reserve created and maintained under Section 36(1)viii of Income tax act, 1961, from financial year 2006-07 onwards. DTL for the special Reserve created till financial year 2005-06 was also created in Financial year 2006-07 by transferring the amount from General Reserve.

Now, considering the opinions given by the various concerned authorities and also the practice followed by the other similarly placed institutions of not creating deferred tax liability (DTL) on account of special reserve created and maintained under Section 36(1)viii of Income tax act, 1961, the Corporation is of the view that there is no requirement of DTL as per AS22 of ICAI. Accordingly, the Corporation has not created deferred tax liability (DTL) of Rs.730.8 million on account of special reserve created and maintained under Section 36(1)viii of Income tax act, 1961, for the six months period ended on 30th Sept. 2009 and has also reversed the DTL of Rs.9645.7 million created in earlier years on this account. The reversal of DTL is done by crediting General reserve by Rs.6388.00 million for the Financial years upto 2005-06 and through Profit and loss Appropriation by Rs.3257.7 million for the Financial year 2006-07 to Financial year 2008-09.

17 Subsequent to settlement of liabilities of REC between MPSEB and CSEB on bifurcation of erstwhile State of MP, there is a legal dispute between them regarding sharing of dues, as a result of which CSEB has been claiming refund of approx. Rs.1600 million plus interest which if accrues shall be payable by MPSEB.

18 Some of the erstwhile State Electricity Boards (SEBs) against whom loans were outstanding or on whose behalf guarantees were given, were restructured by the respective State Governments and new entities were formed in the past. Consequently, the liabilities of the erstwhile SEBs stand transferred to new entities and transfer agreements in most of the cases are to be executed amongst the Corporation, new entities and the State Governments.

19. The pay revision of the employees of the Corporation is due w.e.f.1st January 2007. Pending final calculation of revised pay scales (including perks) as notified by Govt. of India and considered by Board of Directors an estimated additional provision Rs.101.82 million based on average salary (Previous period Rs.81.68 million) had been made towards wage revision arrears during the period and accordingly Rs.229.82 million is cumulatively available toward provision for wage revision including for non executive employee for whom no such notification is available but there arrear have also been considered in line with such notification. Actuarial valuation of employees benefit has been carried out considering the estimated revised wages.

20 Expenses of Rs.64.40 million incurred up to 2006-07 on RGGVY implementation were adjusted out of interest earned on such funds. The Corporation had approached MOP for regularization of above adjustments which is still pending. The management considers that amount is still recoverable from Govt. of India.

21. Details of provision as required in AS-29

(Rs. million)

	As on 30/09/2009
(a) Proposed Dividend	
As per last Balance Sheet	2146.65
Addition during six months ended 30.09.2009	0.08
Amounts paid/utilized during six months ended 30.09.2009	2146.73
Closing Balance	NIL
(b) Corporate Dividend Tax	
As per last Balance Sheet	364.82
Addition during six months ended 30.09.2009	-
Amounts paid/utilized during six months ended 30.09.2009	-
Closing Balance	364.82

22. The Corporation has adopted AS15 (revised 2005) ‘Employees Benefit’. Defined employee benefit scheme are as follows:

a. Provident Fund

Corporation pays fixed contribution of Provident Fund at pre-determined rates to a separate trust which invests the funds in permitted securities. The trust is required to pay a minimum rate of interest on contribution to the members of the trust. As per

Actuarial report, the fair value of the assets of the Provident fund including the returns of the assets thereof, as at 30th Sept. 2009 is greater than the obligation under the defined contribution plan.

b. Gratuity

The Corporation has a defined benefit gratuity plan. Every employee is entitled to gratuity as per the provision of the payment of Gratuity Act. The scheme is funded by the Corporation and is managed by separate trust. The liability of Gratuity is recognized on the basis of actuarial valuation.

c. Post-Retirement Medical Facility (PRMF)

The corporation has Post Retirement Medical Facility and Settlement benefits under which entitled employee (including spouse) are covered as per Corporation's rule. This is recognized in the profit & loss account on the basis of actuarial valuation.

d. Leave Travel Concession (LTC)

The Corporation has a scheme of providing LTC to employees and their dependents. This is recognized in the profit & loss account on the basis of actuarial valuation.

e. Other Defined Retirement Benefit (ODRB)

The Corporation has a scheme for settlement at the time of superannuation at home town for employees and dependents. This is recognized in the profit & loss account on the basis of actuarial valuation.

23 The Corporation does not have more than one reportable segment in terms of Accounting Standard No.17 issued by the Institute of Chartered Accountants of India.

24. (A) Government of India has appointed REC as a nodal agency for implementation of RGGVY. The funds received for disbursement to various agencies under such schemes are kept in a separate bank account. The undisbursed funds and interest earned thereto are classified as current liabilities.

(B) During current period interest earned of Rs.52.19 million (previous period Rs.131.63 million) including TDS of Rs. 11.83 million (previous period Rs.29.83 million)has been taken to RGGVY grant account and such TDS credits are being taken by REC for ultimately passing off the benefit of same to the credit of Govt. Funds.

25 During the period, Corporation has invested its surplus funds with the Public Mutual Funds in Liquid Scheme and Liquid Plus Scheme. The same have been disinvested during the year itself

26. The common employees/establishment cost and administration expenses of the subsidiaries company is apportioned by the Holding company on the following basis:-

For employees of holding company working on full time basis for subsidiary companies, total cost to the company (CTC) of employees on full time basis have been recognized as expenditure whereas for the employees of holding company working partially for the subsidiary companies, percentage of total cost of employees on part time basis according to the estimated time spent by these employees, have been recognized as expenditure on the basis of cost ratio details provided by holding company.

Interest on cost incurred by holding company on behalf of subsidiary company REC Power Distribution Company Limited (RPDCL) is provided as per the average cost of borrowing (of the holding company excluding borrowing under section 54EC of the Income Tax Act).

Interest on cost incurred by holding company on behalf of other subsidiary companies REC Transmission Project Company Limited (RTPCL), North Karanpura Transmission Co. Ltd. (NKTCL) and Talcher II Transmission Company Ltd. (TTCL) is provided on the basis of general lending rate of Rural Electrification Corporation Limited applicable for T&D schemes.

Administrative overheads allocation of holding company has been taken on the basis of total basic salary of employees working in subsidiary companies multiplied by ratio of total overhead cost and the total basic salary of the holding company.

27. REC Transmission projects Ltd. has not yet commenced commercial operation therefore no Profit & Loss account has been prepared. In lieu of Profit and Loss A/c, a statement of Incidental Expenditure during construction period has been prepared in accordance with the requirement of part II of Schedule VI of Companies Act, 1956 and annexed to Balance Sheet. Expenditure during construction period has been treated as Incidental Expenditure during construction period and further , since the company is incurring these expenses for its two subsidiaries, North Karanpura Transmission Co. Ltd. (NKTCL) and Talcher II Transmission Company Ltd. (TTCL), the expenses have been allocated at the year end to its two Subsidiaries. Direct Expenses have been allocated to the respective subsidiary for which the expenditure has been incurred. Indirect Expenses have been allocated to the two subsidiaries in equal proportion.

    Further expenditure incurred on filing/legal fees regarding formation of the Company and all expenses incurred prior to the incorporation of the company have been treated as Preliminary expenses. No provision has been made for write off of Preliminary expenses during the period. The same will be written off after commencement of Business of the company in five years.

28. In respect of the expenditure payments relating to subsidiary companies which are incurred by Holding Company, the statutory requirements with regard to Fringe Benefit Tax and deposit thereof as applicable are complied with by the Holding Company on behalf of the subsidiary companies. However the expenditure directly paid by the subsidiary companies is considered for fringe Benefit Tax and tax liability thereon is paid accordingly.

29. Figures have been rounded off to the nearest million.

30. Previous period figures have been regrouped/rearranged/ recasted, wherever necessary, to make them comparable with the current period’s figures.

Annexure-V

CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES AS AT SEPTEMBER 30, 2009

1. Principles of consolidation

The Consolidated Financial Statements relate to Rural Electrification Corporation Ltd. ('the Company') and its subsidiary companies. The consolidated financial statements have been prepared on the following basis:

The financial statements of the Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements."

As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Corporation's separate financial statements.

2. Other significant accounting policies

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS.

(a) **Accounting Convention: -** The financial statements are prepared under the historical cost convention on accrual basis and in accordance with generally accepted accounting principles and applicable accounting standard in India. The financial statements adhere to the relevant presentational requirement of the Companies Act, 1956.

(b) **Use Of Estimates: -** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumption that affect the reported amounts of assets and liabilities and disclosure thereof at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which results materialize.

2. REVENUE RECOGNITION.

The Corporation has formulated its own detailed Prudential Norms which are broadly based on the Prudential Norms prescribed by RBI for NBFCs. Accounting is done in accordance with these Prudential Norms of REC and the salient features of the same for Income Recognition, Asset classification and Provisioning are as under:

2.1. **Income Recognition**

a. Income on Non Performing Assets where interest/ principal has become overdue for two quarters or more is recognized as and when received and appropriated. Any such income recognized before the asset becomes non-performing and remaining unrealized is reversed.

Unless otherwise agreed, the recoveries from the borrowers are appropriated in the order of (i) costs and expenses of REC (ii) penal interest including interest tax, if any (iii) overdue interest including interest tax, if any, and (iv) repayment of principal, the oldest being adjusted first.

In respect of loans whose terms are renegotiated / rescheduled / restructured, income is recognized on accrual basis when it is reasonably expected that there is no uncertainty of receipt of dues from the borrowers and a legally binding Memorandum of Agreement has been executed and there has been satisfactory performance under the renegotiated or rescheduled or restructured terms till a period of at least one year from the effective date of the corresponding MOU.

b. Income of Agency Charges on RGGVY Schemes is recognized on the basis of the amount sanctioned/ receipt from the Ministry of Power.

c. In case of REC Power Distribution Company Limited (RPDCL) revenue is recognised based on proportionate completion method as per clause 7.1(i) of Accounting Standard-9.

Income for services rendered commensurate with the work completed under the contract is accounted for:

- As per invoice (bill) raised in accordance with contractual stipulations;
- As per proportionate revenue for works completed but invoices not raised.
- Consultancy fees are taken as income excluding the amount of Service Tax collected as payable under the Service Tax Act 1994.

d. In case of North Karampura Transmission Company Limited (NKTCL) and Talcher-II Transmission Company Limited (TTCL), professional charges to be charged by Holding Company from the selected developers for transmission projects put on tariff based bidding will be accounted for in the year of transfer of the project specific subsidiary to the successful bidder.

e. Sale proceeds of RFQ/RFP documents in NKTCL and TTCL

Sale proceeds received from sale of RFQ/RFP documents received are transferred to holding company and accounted as income of the holding company (RECL).

f. Income from investments

(1) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis:

Provided that the income from dividend on shares of corporate bodies may be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and REC's right to receive payment is established.

(2) Income from bonds and debentures of corporate bodies and from Government securities/bonds shall be taken into account on accrual basis:

Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

(3) Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government shall be taken into account on accrual basis.

2.2 ASSETS CLASSIFICATION AND PROVISIONING NORMS

A. Assets Classification

Loans and advances and any other form of credit are classified into the following classes, namely:

(i) **Standard Assets: '**Standard assets' means an asset which is not an NPA and in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business, or a deemed standard asset which is defined below;

and

'a deemed standard asset' means a facility made to a state utility against state government undertaking for deduction from central plan allocation for making payment to RECL against its unpaid dues.

(ii) **Sub-Standard Assets:** 'Sub-standard asset' means:

(a) an asset which has been classified as non-performing asset for a period not exceeding 18 months;
(b) an asset where the terms of the agreement regarding interest and / or principal have been renegotiated or rescheduled or restructured, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.
(c) The rescheduling or restructuring or renegotiation of a standard infrastructure loan asset shall not cause it to be reclassified if the revised project is found to be viable by the competent authority.

(iii) **Doubtful Assets:** Doubtful asset means an asset which remains a substandard asset for a period exceeding 18 months.

(iv) **Loss Assets:** Loss assets means –

c) An asset which has been identified as loss asset by RECL to the extent it is not written off by RECL or the asset remains doubtful for a period exceeding 5 years, whichever is earlier.

d) An asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non availability of security or due to any fraudulent act or omission on the part of the borrower.

For the purpose of application of Prudential Norms and provisioning Norms:

i. Facilities granted to State/Central Sector entities are considered loan wise.
ii. Facilities granted to other entities are considered borrower wise.

B. Provisioning against Loans

The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted shall be as under:

(i) **Loss Assets** – The entire asset shall be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding shall be provided for:

(ii) **Doubtful assets** –

(c) 100% provision to the extent to which the advance is not covered by the realizable value of the security to which RECL has a valid recourse shall be made. The realizable value is to be estimated on a realistic basis; Loans covered by Central/State Govt. guarantee or State Govt. Undertaking for deduction from Central Plan Allocation or loans to any State Govt. shall be treated as secured;

(d) In addition to item(a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e. estimated realizable value of the outstanding) shall be made on the following basis :-

Period for which the asset has been considered as doubtful	**% of provision**
Up to one year	20%
1 to 3 years	30%
More than 3 years	50%

(iii) **Sub-standard assets** - A provision of 10% shall be made.

An asset which has been renegotiated or rescheduled or restructured shall be a sub-standard asset or continue to remain in the same category in which it was prior to its renegotiation or re-schedulement or restructuring, as a doubtful asset or a loss asset as the case may be. Necessary provision is required to be made as applicable to such asset till it is upgraded.

3. FIXED ASSETS.

Fixed Assets are shown at historical cost less accumulated depreciation. The cost includes any cost attributable of bringing the assets to its working condition for its intended use.

4. CAPITAL WORK IN PROGRESS in RTPCL, NKTCL and TTCL

Expenditure incurred on Survey/ Studies/ Investigations/ Consultancy/ Administration/ Depreciation/ Interest has been treated as Capital Work In Progress.

5. DEPRECIATION.

5.1. Depreciation on assets is provided on pro rata basis on straight-line method at the rates prescribed under Schedule XIV to the Companies Act, 1956. In terms of option available under the Companies Act, 1956, depreciation on assets capitalized prior to 16.12.93 is charged at the rates then prevailing on the straight-line method.

5.2. Depreciation on assets purchased / sold during the year is charged for the full month if the asset is in use for more than 15 days, instead of charging the same on pro-rata basis from the date of purchase/sale.

5.3. Depreciation on assets purchased during the year up to Rs 5,000/- is provided @ 100%.

5.4. Leasehold land is amortized over the lease period.

6. INTANGIBLE ASSETS.

An Intangible Assets is recognized where it is probable that the future economic benefits attributable to the assets will flow to the company. These Assets are amortized over a period of 5 years.

7. INVESTMENTS.

Long term investments are carried at cost less provisions, if any, for diminutions in the value of such investment. Current investments are carried at the cost or fair value whichever is lower.

8. CURRENT TAX AND DEFERRED TAX.

8.1 Income Tax expenses comprises current Income Tax (Amount of tax for the period determined in accordance with the income tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the period) is determined in accordance with Accounting Standard- 22 of the Institute of Chartered Accountants of India. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially established by the Balance Sheet date. Deferred Tax Assets are recognized and carry forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such Deferred Tax Assets can be realized.

8.2 The Company has passed a Board Resolution that it has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income Tax Act 1961. Hence, the special reserve created and maintained is irreversible and thus it becomes a permanent difference as per AS 22 issued by the Institute of Chartered Accountants of India (ICAI). Accordingly, the Company is not creating any deferred tax liability on the said reserve.

9. IMPAIRMENT OF ASSETS.

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of assets net selling prices and value in use.

10. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS.

A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of amount of the obligation can be made. Provisions are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current management estimates.

11. BOND / DEBT ISSUE.

11.1. Expenditure on rising of funds by way of bonds is charged to revenue in the year of issue of such bonds.

11.2. The Corporation discharges its obligation towards payment of interest warrants relating to bonds by depositing the amount in the designated Interest Warrant Bank Accounts. Accordingly, the payments are treated as final payments and these designated accounts are not exhibited in the books but reconciliation thereof is carried out.

11.3. Expenditure incurred on raising of funds is charged to the Profit and Loss Account in the year in which it is incurred except the discount/interest on the Commercial Papers, which are amortized proportionately over the period of its tenure.

12. CASH FLOW STATEMENT.

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular operating, financing and investing activities of the Company are segregated.

13. PRIOR PERIOD/ PREPAID ADJUSTMENTS.

13.1. Considering the nature of business, interest income/expenditure for the earlier years ascertained and determined during the year is accounted for in the year in which it is so ascertained/determined.

13.2. Other items not exceeding Rs.5,00,000/- in each case are accounted for under natural heads of account.

14. EMPLOYEES BENEFITS.

14.1. The liability for employees benefit in respect of Gratuity is ascertained on actuarial valuation is provided and funded separately.

14.2 Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related services is rendered.

14.3 Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employees has rendered services. The expense is recognized at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to the profit & loss account.

15. TRANSACTION IN FOREIGN CURRENCY

Foreign Currency transactions are initially recorded at the exchange rate prevailing on the date of transaction. Foreign Currency loans/liabilities are translated/ converted with reference to the rates of exchange ruling at year end and the resultant exchange fluctuation is charged to Profit & Loss account.

16. GRANTS/FUNDS FROM GOVERNMENT

Un-disbursed funds of grant received for further disbursements are classified as current liabilities. Interest wherever earned on such funds is either credited to respective grant account if terms of the grant so requires or to “other income”.

CHANGES IN CONSOLIDATED ACCOUNTING POLICIES OF RECL AND ITS SUBSIDIARIES DURING THE YEARS ENDED MARCH 31, 2008 TO HALF YEAR ENDED SEPTEMBER 30, 2009

RURAL ELECTRIFICATION CORPORATION LIMITED

1. During the year 2007-08, the company has implemented a new provision in respect of income recognition of Agency Charges on RGGVY schemes which provides as under:-

   Income of Agency Charges on RGGVY schemes is recognized at the time of disbursement of subsidy/loan in proportion to the amount disbursed.

   Further, from 30th September 2009, Income of Agency Charges on RGGVY schemes is recognized on the basis of the amount sanctioned/receipt from the Ministry of Power.

2. With effect from April 01, 2007, the Corporation has formulated its own detailed Prudential Norms which are broadly based on the Prudential Norms prescribed by RBI for NBFCs. Accounting is done in accordance with these Prudential Norms of REC and the salient features of the same for Income Recognition, Asset classification and Provisioning are as under:

   (a) Income Recognition

   Income on Non Performing Assets where interest/ principal has become overdue for two quarters or more is recognized as and when received and appropriated. Any such income recognized before the asset becomes non-performing and remaining unrealized is reversed.

   Unless otherwise agreed, the recoveries from the borrowers are appropriated in the order of (i) costs and expenses of the Company (ii) penal interest including interest tax, if any (iii) overdue interest including interest tax, if any, and (iv) repayment of principal, the oldest being adjusted first.

   In respect of loans whose terms are renegotiated / rescheduled / restructured, income is recognized on accrual basis when it is reasonably expected that there is no uncertainty of receipt of dues from the borrowers and a legally binding Memorandum of Agreement has been executed and there has been satisfactory performance under the renegotiated or rescheduled or restructured terms till a period of at least one year from the effective date of the corresponding Memorandum of Understanding.

   (b) Income Recognition from investment

   (i) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis:

   Provided that the income from dividend on shares of corporate bodies may be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and REC's right to receive payment is established.

   (ii) Income from bonds and debentures of corporate bodies and from Government securities/bonds shall be taken into account on accrual basis:

   Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

   (iii) Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government shall be taken into account on accrual basis.

(c) Assets Classification and Provisioning

(I) For the purpose of application of Prudential Norms and provisioning Norms,

(i) Facilities granted to State/Central Sector entities are considered loan wise.
(ii) Facilities granted to other entities are considered borrower wise.

(II) The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted shall be as under:

(i) **Loss Assets** – The entire asset shall be written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding shall be provided for:

(ii) **Doubtful assets –**

100% provision to the extent to which the advance is not covered by the realizable value of the security to which the Company has a valid recourse shall be made. The realizable value is to be estimated on a realistic basis; Loans covered by Central/State Government guarantee or State Government Undertaking for deduction from Central Plan Allocation or loans to any State Government shall be treated as secured;

In addition to item (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e. estimated realizable value of the outstanding) shall be made on the following basis:

Period for which the asset has been considered as doubtful	**% of provision**
Upto one year	20%
1 to 3 years	30%
More than 3 years	50%

(iii) **Sub-standard assets -** A provision of 10% shall be made.

An asset which has been renegotiated or rescheduled or restructured shall be a sub-standard asset or continue to remain in the same category in which it was prior to its renegotiation or re-schedulement or restructuring, as a doubtful asset or a loss asset as the case may be. Necessary provision is required to be made as applicable to such asset till it is upgraded.

As per the revised prudential norms in respect of state borrowers norms are applicable scheme wise whereas in the case of private borrowers the norms are applicable borrower wise. Further in case of loans where there is a no securities or chances of recovery are remote 100% provision to be made assuming it as a loss assets.

3. ACCOUNTING FOR EMPLOYEE'S BENEFIT

The Institute of Chartered Accountants of India (ICAI) has revised the accounting standard 15 (AS-15) changing existing accounting standard of accounting of retirement benefits to accounting for employee's benefits. The Company has adopted the revised AS 15 w.e.f 01/04/2007 which inter-alia provides as under: -

a. The liability for employees benefits in respect of Gratuity is ascertained on actuarial valuation is provided and funded separately.

b. Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related services is rendered.

c. Post employment and other long term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amounts payable determined using actual valuation techniques. Actual gains and losses in respect of post employment and other long term benefits are charged to the profit and loss account.

d. The contribution to provident fund is charge to the revenue on monthly basis.

4. PRIOR PERIOD/ PREPAID ADJUSTMENTS.

During the year 2008-09, following changes has been made in the accounting policy in respect of PRIOR PERIOD/ PREPAID ADJUSTMENTS:-

(i) Considering the nature of business, interest income/expenditure for the earlier years ascertained and determined during the year is accounted for in the year in which it is so ascertained/determined.

(ii) Other items not exceeding Rs.5,00,000/- in each case are accounted for under natural heads of account.

5. GRANTS/FUNDS FROM GOVERNMENT

(i) During the year 2008-09, the company has adopted new accounting policy in respect of GRANTS/FUNDS FROM GOVERNMENT which is as follows :-

Un-disbursed funds of grant received for further disbursements are classified as current liabilities. Interest wherever earned on such funds is either credited to respective grant account if terms of the grant so requires or to “other income”.

6. CURRENT TAX AND DEFERRED TAX

During the half year ended September 30’2009, The Company has passed a Board Resolution that it has no intention to make withdrawal from the Special Reserve created and maintained under section 36(1)(viii) of the Income Tax Act 1961. Hence, the special reserve created and maintained is not capable of being reversed and thus it becomes a permanent difference as per AS 22 issued by the Institute of Chartered Accountants of India. Accordingly, the Company has not created DTL of Rs 730.8million on account of Special Reserve created and maintained under section 36(1)(viii) of The Income Tax Act 1961 for the six months period ended on 30 Sept’09 and has also reversed the DTL of Rs 9645.7million created in earlier years.

7. BOND ISSUE

During the year 2008-09, the company has implemented a new provision regarding Bond Issue which is as under:-

Expenditure incurred on raising of funds is charged to the Profit and Loss Account in the year in which it is incurred except the discount/interest on the Commercial Papers, which are amortized proportionately over the period of its tenure.

<u>REC – POWER DISTRIBUTION CORPORATION LIMITED</u>

8. Income Recognition

The Accounting Policy on revenue recognition has since been revised w.e.f. 1.4.09 to dispensed with revenue recognition of mobilisation advances and incorporated provision of revenue recognition of estimated prorata value for the work completed but not billed. Thereby, the mobilisation advances are shown under current liabilities and value of unbilled work are shown as accrued income under current assets.

9. There is no change in Accounting Policies in case of REC Transmission Projects Co. Ltd. (RTPCL), North Karanpura Transmission Co. Ltd.(NKTCL) (A wholly owned subsidiary of RTPCL) and Talcher II Transmission Company Ltd. (TTCL) (A wholly owned subsidiary of RTPCL).

CONSOLIDATED SUMMARY OF ACCOUNTING RATIOS

The summary of accounting ratios of the company for the financial year ended March 31, 2008 and 2009 and for the period ended September 30, 2009 of REC and its Subsidiaries is as set out below.

PARTICULARS	For the Year ended 31st March		September 30, 2009
	2008	2009	
Profit After Tax and before Extra ordinary items (Rs. million)	9,655.87	13,780.14	9,290.57
Weighted average number of shares outstanding during the year for basic EPS (in million)	786.37	858.66	858.66
Weighted average number of shares outstanding during the year for diluted EPS (in million)	786.37	858.66	858.66
Net Worth (Rs. million)	59,941.68	68,509.88	77,306.24
Basic Earning Per Share (Rs.)	12.28	16.05	10.82
Diluted Earning Per Share (Rs.)	12.28	16.05	10.82
Net Assets Value Per Share (Rs.)	76.23	79.79	90.03
Return on Net Worth (%)	16.11	20.11	12.02

Formulae:

$$\text{Basic Earnings per Share (Rs.)} = \frac{\text{Profit / (Loss) after Tax and before extraordinary items}}{\text{Weighted average number of equity shares outstanding during the Period / year}}$$

$$\text{Diluted Earnings per Share (Rs.)} = \frac{\text{Profit / (Loss) after Tax and before extraordinary items}}{\text{Weighted average number of diluted equity shares outstanding during the Period / year}}$$

$$\text{Net Asset Value Per Share (Rs.)} = \frac{\text{Net Worth after adjustment of miscellaneous expenditures to the extent not written off and before Revaluation Reserve}}{\text{Number of Equity Shares Outstanding at the end of the period / year}}$$

$$\text{Return on Net Worth (\%)} \quad \frac{\text{Profit / (Loss) after Tax and before extraordinary items}}{\text{Net Worth after adjustment of miscellaneous expenditures to the extent not Written off and before Revaluation Reserve}}$$

ANNEXURE VIII

CONSOLIDATED CAPITALIZATION STATEMENT

(Rs in million)

	As at September 30, 2009	**As Adjusted for proposed Issue ***
Debt:		
Short Term Debt	17,950.00	
Long Term Debt	498,073.93	
Total Debt	516,023.93	
Shareholders' Fund		
Share Capital	8,586.60	
Reserve & Surplus	72,655.82	
Net Reserve (Net of Revaluation)	72,655.82	
Shareholders Funds	81,242.42	
Long Term Debt/ Shareholders Funds (times)	6.13	
Total Debt / Shareholders Funds (times)	6.35	

(1) Short term debts represent debts which are due within 12 months from September 30, 2009

(2) Long term debts represent debts other than Short Term debts as defined in (1) above.

(3) The figures disclosed above are based on the Restated consolidated Summary Statement of Assets and Liabilities of the Company as at 30th September, 2009.

(4) Long Term Debts to Equity $\frac{\text{Long Term Debts}}{\text{Shareholders Funds}}$

(5) Total Debt to Equity ratio $\frac{\text{Total debts}}{\text{Shareholders Funds}}$

*As this is an issue of Equity Shares by way of Book Building Process, the post issue figures will be updated after the discovery of issue price.

There has been no change in the share capital of the Company since September 30, 2009.

CONSOLIDATED STATEMENT OF TAX SHELTERS

The summary of accounting ratios of the company for the financial year ended March 31, 2008 and 2009 and for the period ended September 30, 2009 of REC and its Subsidiaries is as set out below.

Rs in Million

Particulars	For the Year ended 31st March		September 30, 2009
	2008	2009	
Restated Profit before Tax (A)	**13,158.61**	**19,198.39**	**12,533.26**
Tax Rate (%)	**33.99**	**33.99**	**33.99**
Tax on Actual rate on profits	**4,472.61**	**6,525.53**	**4,260.06**
Adjustments:			
Permanent Differences:			
Excess Provision written back on account of Stamp Duty	-1.84		
Excess provision written back on account of other expenses		-361.10	-287.62
Benevolent Fund	0.06	0.45	0.19
Provision for Bad & Doubtful Debts	399.93	23.71	2.22
Delay in deposit of P.F./Service Tax	0.20		
Loss on sale of Fixed Assets	0.08	-0.10	
Deduction u/s 36(1)(viii) of the Income Tax Act	-2,371.55	-3,277.61	-2,150.16
Deduction u/s 36(1)(viia)(c)of the Income Tax Act	-547.27	-784.22	-499.27
Dividend on Investment in Mutual Funds (Post tax)		-7.18	-56.05
Deduction u/s 10(23G) of the Income Tax Act,1961.			
Donations Paid	0.02	-	
Adjustment on Account of Restatement :			
Agency Charges on RGGVY Change in Policy	-22.40	22.40	
Provision for Taxation of Earlier years	1.83		
Prior Period Adjustments	-9.54	7.70	-3.84
Decline in Fall in Value of Investment			
Total Permanent Differences (B)	**-2,550.46**	**-4,375.95**	**-2,994.53**
Timing Difference:			
Difference between book depreciation and tax depreciation	-4.61	-4.34	-1.26
Expenses Allowed u/s 35DDA	-1.14		
Provision for Leave encashment	64.45	16.01	5.25
Provision for post retirement health scheme.			
Expenses Disallowed u/s 40a (ia)	-305.72		
Notional Increase in Value of Investment (Small is Beautiful)	-2.39	10.53	-9.29
Provision for Other Employees Benefit		58.34	7.07
Provision For Ex-gratia	42.56		-42.56

Rs in Million

Particulars	For the Year ended 31st March		September 30, 2009
	2008	2009	
Adjustment on Account of Restatement :			
Prepaid Expenses	0.40	-0.95	
Total Timing differences[C]	**-206.44**	**79.59**	**-40.79**
Net Adjustments (B+C)	**-2,756.90**	**-4,296.36**	**-3,035.32**
Tax Saving thereon	**-937.07**	**-1,460.33**	**-1,031.71**
Profit as per Income Tax Return (D)=(A+B+C)	**10,401.70**	**14,902.02**	**-**
Tax on Return Income	**3,535.54**	**5,065.20**	**-**
Add: Tax Savings (Shelter)	**937.07**	**1,460.33**	**-**
Tax As per Restated Profit Before Tax	**4,472.61**	**6,525.53**	**-**

ANNEXURE-X

CONSOLIDATED STATEMENT OF LOANS (SECURED AND UNSECURED)

(Rs in million)

Particulars	As at 31st March		As at September 30, 2009
	2008	2009	
A.SECURED LOANS			
Term Loan from Banks (Secured against the receivables of the SEB's/State Power Corporation)	23,220.00	20,532.50	18,983.39
Loan from Life Insurance Corporation (LIC) (Secured against the receivables of the SEB's/State Power Corporation)	35,000.00	33,500.00	33,500.00
Loan through Bonds (Secured by charge against specific loans advanced to SEB's, State Power Corporations etc. and/immovable property at Maharashtra as per the terms of the private placement and to the satisfaction of the respective trustees)	235,999.51	322,104.02	377,363.41
Interest Accrued and due on above	-	-	62.57
Sub Total (A)	**294,219.51**	**376,136.52**	**429,909.37**
(B) UNSECURED LOANS			
From Government of India	819.25	647.45	601.66
Term Loan From Banks	32,408.00	40,478.00	46,522.86
Cash Credit Limits from Banks	-	-	-
Commercial Papers		12,950.00	17,950.00
External Commercial Borrowings (Long Term)	10,484.50	14,936.80	16,829.24
Loan through Bonds			
Non – Cumulative, Guaranteed by Government of India -			
- Long Term	2,396.60	1,710.80	1,710.80
- Others	2,500.00	2,500.00	2,500.00
Sub Total (B)	**48,608.35**	**73,223.05**	**86,114.56**
Grand Total (A+B)	**342,827.86**	**449,359.57**	**516,023.93**

(A) Secured Loans

There are no secured loans taken from the directors, promoters, promoters group, group companies or associated companies for the aforementioned years.

(B) Unsecured Loans

(1) Except as mentioned above, there are no further loans taken from promoters/directors/group entities.
(2) There are no default on aforementioned loans and no penalty has been levied till date.
(3) The abovementioned loan cannot be recalled by the lenders.

Note: Schedule forming part of this Annexure stating the details of principal terms of loan and assets as on September 30, 2009, charged as security in case of secured loans is attached.

SCHEDULE TO ANNEXURE X - STATEMENT OF LOANS (SECURED AND UNSECURED)

As at September 30, 2009

A Secured borrowings availed by our Company

(1) Secured term loansfrom banks availed by our Company

Name of the Lender	Facility granted and loan documentation	Facility (Rs. million)	Amount outstanding (Rs. million) as on September 30, 2009	Rate of interest (%)	Repayment schedule
Syndicate Bank#	Term loan agreement dated April 28, 2005	1,000	750.00	6.78, being BPLR minus 4.22, payable on monthly rests.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Bank of Maharashtra#	Term loan agreement dated November 23, 2005	250	218.75	6.90, being BPLR minus 4.35, payable on quarterly basis.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Union Bank of India#	Term loan agreement dated November 23, 2005	1,250	1,093.75	7.00, being BPLR minus 3.75, with a minimum of 7.00, payable on monthly rests. Interest shall be reset after five years.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Central Bank of India#	Term loan agreement dated November 23, 2005 (1)	2,000	2,000.00	6.50, payable on monthly rests.	Seven year tenor with a three year moratorium, repayable in four yearly equal installments.
State Bank of Travancore#	Term loan agreement dated December 7, 2005 (2)	1,500	1,312.50	7.00, being BPLR minus 4.00, payable on monthly rests.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
State Bank of Patiala#	Term loan agreement dated December 9, 2005 (2)	2,000	1,857.14	7.00, payable on monthly rests. Interest shall be reset after 5 years.	10 year tenor with a three year moratorium, repayable in 14 half-yearly equal installments.
State Bank of Travancore#	Term loan agreement dated March 23, 2005 (2)	1,000	1,000.00	6.75, being BPLR minus 4.25, payable on monthly rests.	10 year tenor with a five year moratorium, repayable in 10 half-yearly equal installments.
Canara Bank#	Term loan agreement dated March 23, 2005	2,000	1,250.00	6.80, being BPLR minus 3.90, payable on monthly rests.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Syndicate Bank#	Term loan agreement dated November 23, 2005	1,000	875.00	7.00, being BPLR minus 4, payable on monthly rests.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Bank of Maharashtra#	Term loan agreement dated March 23, 2005	2,250	1,406.25	6.90, being BPLR minus 4.35, payable on quarterly rests.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.

Name of the Lender	Facility granted and loan documentation	Facility (Rs. million)	Amount outstanding (Rs. million) as on September 30, 2009	Rate of interest (%)	Repayment schedule
State Bank of Saurashtra[#]	Term loan agreement dated March 23, 2005 [(2)(3)(4)]	1,000	970.00	6.75, being BPLR minus 4.25, subject to a maximum of 7.25, payable monthly.	10 year tenor with a five year moratorium, repayable in 10 half-yearly equal installments commencing from September 2010.
Union Bank of India[#]	Term Loan Agreement dated March 31, 2005 [(5)]	1,000	750.00	6.80, being BPLR minus 3.95, payable monthly.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Union Bank of India[#]	Term Loan Agreement dated April 28, 2005 [(5)]	2,000	1,500.00	7.00, being BPLR minus 3.95, payable monthly.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Bank of Maharashtra[#]	Term Loan Agreement dated December 12, 2007	1,000	1,000.00	9.25, being BPLR minus 4.00, payable monthly.	Five year tenor with two year moratorium, repayable in three annual equal installments.
Canara Bank[#]	Term Loan Agreement dated February 29, 2008	3,000	3,000.00	8.75, being BPLR minus 4.00, payable on monthly rests.	Five year tenor with two year moratorium, repayable in three annual equal installments.
Total Term Loans from banks			**18,983.39**		

(2) Secured term loans from Life Insurance Corporation of India availed by our Company

Name of the Lender	Facility granted and loan documentation	Facility (Rs. million)	Amount outstanding (Rs. million) as on September 30, 2009	Rate of interest (%)	Repayment schedule
Life Insurance Corporation of India ("**LIC**") [†]	Term loan agreement dated August 7, 2004 [(2)(3)(4)(5)]	20,000	20,000.00	7.35, being annualized G-Sec for 10 years + 100 bps, payable annually.	15 year tenor with a five year moratorium, repayable in 10 equal annual installments commencing April 1, 2010.
LIC[#†]	Term loan agreement dated March 24, 2004 [(2)(3)4)]	5,000	4,500.00	6.23, being average 10 years' G-Sec for a period of seven days reckoned two working days prior to the date of disbursement.	Repayable in 10 equal annual installments after a moratorium of five years.
LIC[#†]	Term loan agreement dated January 29, 2004 [(2)(3)(4)]	10,000	9,000.00	6.24, being average 10 years G-Sec reckoned from one week prior to the date of disbursement.	Repayable in 10 equal annual installments after a moratorium of five years
Total Term Loans from LIC			**33,500.00**		

[#] *The term loan is secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to IL&FS Trust Company Limited ("**ITCL**"), and the security trustee for the charged* *receivables is IDBI Trusteeship Services Limited ("**ITSL**") on the basis of joint hypothecation agreement dated January 25, 2008.*

† *LIC reserves the right to recall the loan if our Company's credit quality as measured by CRISIL, deteriorates below investment grade viz. "BBB". Further LIC reserves the right to reset the interest rate in case our Company's rating as measured by CRISIL falls below "AAA".*

(1) *Our Company has undertaken not to transfer, encumber, alienate or part with the possession in any manner, whatsoever, the assets owned by or belonging to them without the consent of the lender in writing in the event of default.*

(2) *Our Company has undertaken to carry out such alterations in its Articles and Memorandum, as may be necessary in the opinion of the lender to safeguard its interest arising out of the facility agreement.*

(3) *Our Company has covenanted to maintain its credit corporate rating of 'AAA' as measured by the external credit agency during the entire tenor of the facility, further, our Company has agreed to raise capital as stipulated in the Loan Agreement and promoters shall subscribe to such share capital to the extent stipulated by the lender. In addition, our Company has agreed to broad-base its Board in consultation with and to the satisfaction of the lender if called upon to do so.*

(4) *Prior consent of the lender will be required for our Company to (a) issue any debenture, raise any loans, deposits from the public, equity or preferential capital or change its capital structure; (b) prepay any loan availed of by it from any other party; (c) pay any commission to its Promoter, Directors, managers or other persons for furnishing guarantees or indemnities or for undertaking any other liability in connection with any financial assistance obtained for or by our Company; (d) make any investment by way of deposit, loans, share capital, etc. in any concern; (e) create any subsidiary or permit any company to become its subsidiary; (f) sell or otherwise dispose of any or all of its present or future revenues or cash flows or other dues received by our Company or create or permit thereon any encumbrance.*

(5) *Prior consent of the lender will be required for our Company to (a) undertake any new project, diversification, modernization or substantial expansion of the project described in the agreement; (b) declare or pay any dividend to its shareholders during any financial year unless it has paid all the dues to lender up to the date on which the dividend is proposed to be declared; (c) undertake or permit any merger, consolidation, reorganization scheme or arrangement or compromise with its creditors or shareholders or effect any scheme of amalgamation or reconstruction; (d) revalue its assets at any time during the currency of the loan; (e) carry on any general trading activities other than the sale of its own products.*

(6) *The loan shall be utilized only for such purposes for which the facility has been granted.*

(3) Secured bonds issued by our Company

(3) (a) Secured tax free bonds issued by our Company:

Set forth below is a brief summary of our outstanding secured tax free bonds. These bonds have been issued on a private placement basis and are currently listed on the 'wholesale debt market' segment of the NSE.

S. No.	Nature of bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (% p.a.)	Tenor/ redemption terms
1.	Secured non-convertible 'priority sector tax-free REC-2010' bonds ('41st Series') in the nature of debentures, allotted on February 22, 2000 (1) (2) (3) (4) #	750	750	8.25	Redeemable at par ten years from date of allotment, being, February 22, 2010.
2.	Secured non-convertible 'priority sector tax-free bonds' ('53rd Series'), allotted on March 23, 2001(4) #	500	500	7.10	Redeemable at par ten years from date of allotment, being, March 23, 2011.
Total Tax Free Bonds			**1,250**		

\# *The bond is secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to ITCL, and the security trustee for the charged receivables is ITSL on the basis of joint hypothecation agreement dated January 25, 2008*

(1) *Subject to the approval of the GoI, the bondholders shall have the right to appoint a nominee director on the Board of our Company, in the event our Company persistently defaults in payments of interest/ principal on the due dates.*

(2) *Our Company is required to hypothecate the secured assets or any further assets with the trustee, upon the terms and conditions hereof, in the event of the value of the secured assets diminishing for any reason including on account of any loss or damage thereof, such that the value of the secured assets shall not at any time be less than 1.5 times of the outstanding value of the bonds.*

(3) *Our Company is required to obtain the prior consent of the trustee in the event our Company makes or attempts to make any alterations in the provisions of its Memorandum or Articles which may determinately affect the interests of the bondholders.*

(4) *Our Company is required to obtain the prior consent of the trustee in the following events: (a) Our Company ceases or threatens to cease to carry on its business or (b) Our Company makes or attempts to make any alteration to its Memorandum and Articles which may prejudice the interest of the bondholders.*

(3)(b) Secured taxable bonds issued by our Company:

Set forth below is a brief summary of our secured outstanding taxable bonds. These bonds have been issued on private placement basis and are currently listed on the 'whole sale debt market segment' in the NSE.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ Redemption Terms
1.	Secured non-convertible redeemable 'taxable priority sector bonds – 2010' ('66th Series') in the nature of debentures, allotted on January 31, 2003#	2,740	1,390	6.00, payable annually	Redeemable at par on the expiry of seven years from the date of allotment, with a put and call option at par at the end of five years from the date of allotment.
2.	Secured non-convertible redeemable 'taxable non-priority sector bonds – 2014' ('69th Series') in the nature of debentures, allotted on January 23, 2004 #	6,692	6,692	6.05, payable annually	Redeemable at par in five equal installments at the end of each sixth/ seventh/ eighth/ ninth and tenth year respectively from the date of allotment.
3.	Secured non-convertible redeemable 'taxable priority sector bonds – 2011' ('72nd Series') in the nature of debentures, allotted on August 18, 2004##	5,855	1,137	6.60, payable annually	Redeemable at par on the expiry of seven years from the date of allotment, with a put and call option, at par, at the end of five years from the date of allotment.
4.	Secured non-convertible redeemable 'taxable non-priority sector bonds – 2014' ('73rd Series') in the nature of debentures, allotted on October 8, 2004 ##	2,339	2,339	6.90, payable annually	Redeemable at par in five equal installments at the end of each sixth/ seventh/ eighth/ ninth and tenth year, respectively, from the deemed date of allotment.
5.	Secured non-convertible redeemable 'taxable non-priority sector bonds – 2015' ('75th Series') in the nature of debentures, allotted on March 17, 2005##	5,000	5,000	7.20, payable annually	Redeemable at par in ten equal installments redeemed at the end of each fifth year and six months, sixth, sixth year and six months, seventh, seventh year and six months, eighth, eighth year and six months, ninth, ninth year and six months, and tenth year, respectively, from the date of allotment.
6.	Secured non convertible redeemable 'taxable bonds - 2015' ('77th Series') in the nature of debentures, allotted on June 30, 2005###	9,855	9,855	7.30, payable annually	Redeemable at par in five equal installments at the end of each sixth, seventh, eighth, ninth and tenth year, respectively, from the date of allotment
7.	Secured non convertible redeemable 'taxable bonds - 2016' ('78th Series') in the nature of debentures, allotted on January 31, 2006###	17,957	17,957	7.65, payable annually	Redeemable at par on the expiry of ten years from the date of allotment.
8.	Secured non-convertible redeemable 'taxable bonds-2016' ('79th Series') in the nature of debentures, allotted on March 14,	5,000	5,000	7.85, payable half yearly	Redeemable at par on the expiry of ten years from the date of allotment.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ Redemption Terms
9.	Secured non convertible redeemable 'taxable bonds – 2016' ('80th Series') in the nature of debentures, allotted on March 20, 2006###	5,000	5,000	8.20, payable annually	Redeemable at par on the expiry of ten years from the date of allotment.
10.	Secured non convertible redeemable 'taxable bonds - 2017' ('81st Series') in the nature of debentures, allotted on January 20, 2007###	3,148	3,148	8.85, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
11.	Secured non convertible redeemable 'taxable bonds – 2017' ('82nd Series') in the nature of debentures allotted on September 28, 2007###	8,831	8,831	9.85, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
12.	Secured non convertible redeemable 'taxable bonds – 2018' ('83rd Series') in the nature of debentures, allotted on February 28, 2008 ###	6,852	6,852	9.07, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
13	Secured non convertible redeemable 'taxable bonds – 2013' ('84th Series') in the nature of debentures, allotted on April 4, 2008###	10,000	10,000	9.45, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
14	Secured non convertible redeemable 'taxable bonds - 2018' ('85th Series') in the nature of debentures, allotted on June 13, 2008* ###	5,000	5,000	9.68, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
15	Secured non convertible redeemable 'taxable bonds - 2013' ('86th Series') in the nature of debentures, allotted on July 24, 2008###	7,279	7,279	10.75, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
16	Secured non convertible redeemable 'taxable bonds - 2018' ('86th A Series') in the nature of debentures, allotted on July 29, 2008###	5,000	5,000	10.70, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
17	Secured non convertible redeemable 'taxable bonds - 2011' ('86th B - I Series') in the nature of debentures, allotted on August 14, 2008###	9,242	9,242	10.95, payable annually	Redeemable at par on the expiry of three years from the date of allotment.
18	Secured non convertible redeemable 'taxable bonds – 2013' ('86th B – II Series') in the nature of debentures, allotted on August 14, 2008###	3,541	3,541	10.90, payable annually	Redeemable at par on the expiry of five years from the date of allotment.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ Redemption Terms
19	Secured non convertible redeemable 'taxable bonds – 2018' ('86th B – III Series') in the nature of debentures, allotted on August 14, 2008 ###	4,320	4,320	10.85, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
20	Secured non convertible redeemable 'taxable bonds – 2013' ('87th - I Series') in the nature of debentures, allotted on September 30, 2008###	3,702	3,702	10.90, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
21	Secured non convertible redeemable 'taxable bonds – 2018' ('87th - II Series') in the nature of debentures, allotted on September 30, 2008. ###	6,574	6,574	10.85, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
22	Secured non convertible redeemable 'taxable bonds – 2013' ('87th A - I Series') in the nature of debentures allotted on October 24, 2008 ###	2,497	2,497	11.35, payable annually	Redeemable at par on the expiry of five years from the date of allotment with put and call option at par at the end of three years from the date of allotment.
23	Secured non convertible redeemable 'taxable bonds – 2018' ('87th A - II Series') in the nature of debentures, allotted on October 24, 2008###	364	364	11.20, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment with put and call option at par at the end of five years from the date of allotment.
24	Secured non convertible redeemable 'taxable bonds – 2018' ('87th A - III Series') in the nature of debentures, allotted on October 24, 2008 ###	618	618	11.15, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
25	Secured non convertible redeemable 'taxable bonds – 2011' ('87th B Series') in the nature of debentures, allotted on November 3, 2008. ###	9,409	9,409	11.75, payable annually	Redeemable at par on the expiry of three years from the date of allotment.
26	Secured non convertible redeemable 'taxable bonds – 2010' ('87th C – I Series') in the nature of debentures, allotted on November 26, 2008###	2,291	2,291	11.45, payable semi annually	Redeemable at par on the expiry of 18 months from the date of allotment.
27	Secured non convertible redeemable 'taxable bonds – 2010' ('87th C - II Series') in the nature of debentures allotted on November 26, 2008 ###	5,915	5,915	11.45, payable semi annually	Redeemable at par on the expiry of two years from the date of allotment.
28	Secured non convertible redeemable 'taxable bonds – 2013' ('87th C - III Series') in the nature of debentures, allotted on November 26, 2008###	8,600	8,600	11.50, payable annually	Redeemable at par on the expiry of five years from the date of allotment.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ Redemption Terms
29	Secured non convertible redeemable 'taxable bonds – 2019' ('88th Series') in the nature of debentures, million allotted on January 15, 2009###	14,950	14,950	8.65, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
30	Secured non convertible redeemable 'taxable bonds – 2012' ('89th- I Series') in the nature of debentures, allotted on June 2, 2009†	6,715	6,715	7.00, payable annually	Redeemable at par on the expiry of three years from the date of allotment.
31	Secured non convertible redeemable 'taxable bonds – 2014' ('89th II Series') in the nature of debentures, allotted on June 2, 2009†	2,550	2,550	7.70, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
32	Secured non convertible redeemable 'taxable bonds – 2019' ('90th Series') in the nature of debentures, allotted on August 3, 2009††	20,000	20,000	8.80, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
33	Secured non convertible redeemable 'taxable bonds – 2012' ('90th A Series I') in the nature of debentures, allotted on August 5, 2009††	10,000	10,000	7.15, payable annually	Redeemable at par on the expiry of three years from the date of allotment.
34	Secured non convertible redeemable 'taxable bonds – 2014' ('90th A Series II') in the nature of debentures, allotted on August 5, 2009††	10,000	10,000	8.00, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
35	Secured non convertible redeemable 'taxable bonds – 2014' ('90th B Series- I') in the nature of debentures, allotted on September 4, 2009††	8,839	8,839	8.35, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
36	Secured non convertible redeemable 'taxable bonds – 2019' ('90th B Series- II') in the nature of debentures, allotted on September 4, 2009††	8,682	8,682	8.72, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
	Application money (in respect of following bonds				
37	Secured non convertible redeemable 'taxable bonds – 2012' ('90th C Series- I') in the nature of debentures, allotted on October 6, 2009††	14,175	14,175	7.90, payable annually	Redeemable at par on the expiry of three years from the date of allotment.
38	Secured non convertible redeemable 'taxable bonds – 2019' ('90th C Series- II') in the nature of debentures, allotted on October 6, 2009††	10,400	10,400	8.80, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ Redemption Terms
39	Interest accrued and due on '90th C Series- I' & '90th C Series- II' bonds		62.57		
Total Secured Taxable Bonds			**2,63,926.57**		

The bond is secured by a charge on (a) the receivables of our Company and the security trustee for the charged receivables is ITCL, and (b) mortgage of premises at 51 and 52/58-B, 5th floor, Mittal Tower, Block II, Backbay Scheme, Nariman Point, Colaba, Mumbai 400 005, Maharashtra, India on the basis of joint hypothecation agreement dated January 25, 2008

The bond is secured by a charge on (a) the receivables of our Company, both present and future, save and except receivables hypothecated to ITCL, and the security trustee for the charged receivables is ITSL, and (b) mortgage of premises at 51 and 52/58-B, 5th floor, Mittal Tower, Block II, Backbay Scheme, Nariman Point, Colaba, Mumbai 400 005, Maharashtra, India on the basis of joint hypothecation agreement dated January 25, 2008

The bond is secured by (a) a charge on the receivables of our Company, both present and future, save and except receivables hypothecated to ITCL, and the security trustee for the charged receivables is ITSL and, (b) mortgage of Flat no. 640, Asiad Games Village, New Delhi 110 049, India *on the basis of joint hypothecation agreement dated January 25, 2008*

* *We have entered into a swap transaction with respect to this bond series.*

† *The deeds in relation to hypothecation are yet to be entered into, as on the date of filing of the Draft Red Herring Prospectus.*

†† *The deeds in relation to creation of trust and hypothecation are yet to be entered into, as on the date of filing of the Draft Red Herring Prospectus.*

(1) *Our Company has undertaken not to create any subsidiary except as previously agreed in writing.*

(2) *The prior consent of the trustee is required in the event our Company undertakes or permits any merger, consolidation, reorganization scheme or arrangement or compromise with its creditors or shareholders or scheme of amalgamation or reconstruction.*

(3) *Our Company has undertaken not to declare or pay any dividend to its shareholders during any financial year unless it has paid the installment of principal and interest then due and payable on the bonds, or has made provision satisfactory to the trustees for making such payment.*

(4) *Our Company has undertaken not to carry out any new project, diversification, modernization, or substantial expansion of any project without permission of the trustees.*

(5) *The prior consent of the trustee is required in the event our Company should create or suffer any mortgage, charge, lien or hypothecation or other encumbrance affecting the hypothecation.*

(6) *Our Company shall make further issue of bonds or raise further loans to be secured on a pari passu basis with the security created on such terms as may be mutually acceptable to our Company, the trustee and the investment institutions participating in the bond issue.*

(7) *Our Company is required to obtain prior consent of the trustee for events including, inter alia, taking any action for reduction of capital by our Company or any alteration of our Memorandum and Articles which affects the interest of the bondholders.*

3(c) Capital gains tax exemption bonds under Section 54EC of the IT Act

Set forth below is a brief summary of our outstanding capital gains tax exemption bonds issued under Section 54EC of the IT Act, together with a brief description of certain significant terms of such financing arrangements. These bonds are not proposed to be listed on any stock exchange.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ redemption terms
1.	'54 EC long term capital gains tax exemption Series I Bonds' issued in Fiscal 2002 #	34,134	98.23	5.25, payable annually*	Redemption at par on the expiry of five years from the deemed date of allotment, at 8.70% to 7.35% p.a. payable annually or semi annually with a put option at the end of three years from the date of allotment.
2.	'54 EC long term capital gains tax exemption Series II Bonds' issued in Fiscal 2003 ## (1)(2)(3)(4)	15,971	76.63	5.25, payable annually*	Redemption at par on the expiry of five years from the deemed date of allotment at 7.25% to 6.00% p.a. payable annually / semi-annually, with a put option at the end of three years from the date of

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ redemption terms
					allotment.
3.	'54 EC long term capital gains tax exemption Series III Bonds', issued in Fiscal 2004 ## (1)(2)(3)(4)	13,626	187.90	5.60, payable annually*	Redemption at par on the expiry of five years from the deemed date of allotment at 5.15% to 5.60% p.a. payable annually, with a put option at the end of three years from the date of allotment.
4.	'54 EC long term capital gains tax exemption Series IV Bonds' issued in Fiscal 2005 ## (1)(2)(3)(4) (5)	22,895	1,612.51	5.15, 7.00**, 5.50 and 5.60, payable annually	Redemption at par on the expiry of 5 or 7 years, as applicable, from the deemed date of allotment at 5.15%, 5.50% and 5.60% payable annually, with a put and call option at the end of 3 or 5 years, respectively, from the date of allotment.
5.	'54 EC long term capital gains tax exemption Series V Bonds, issued in Fiscal 2006 ## (1)(2)(3)(4)	33,932	4,426.25	5.65 and 5.50, payable annually	Redemption at par on the expiry of five years from the deemed date of allotment at 5.50% to 5.65% p.a. payable annually, with a put and call option at the end of three years from the date of allotment.
6.	'54 EC long term capital gains tax exemption Series VI Bonds', issued in Fiscal 2007 ### (1)(2)(3)(4) (5)	44,942.13	7,524.30	5.50, payable annually	Redemption at par on the expiry of five years from the deemed date of allotment at 5.50% p.a. payable annually, with a put and call option at the end of three years from the date of allotment.
7.	'54 EC long term capital gains tax exemption Series VI-A Bonds' issued in Fiscal 2007 ### (1)(2)(3)(4)	28,587	28,586.70	5.25, payable annually	Redemption at par on the expiry of three years from the deemed date of allotment.
8.	'54 EC long term capital gains tax exemption Series VII Bonds' issued in Fiscal 2008 †(1)(2)(3)(4)(5)	34,027	34,027.44	5.50, payable annually	Redemption at par on the expiry of three years from the deemed date of allotment.
9	'54 EC long term capital gains tax exemption Series VIII Bonds' issued in Fiscal 2009 † (1)(2)(3)(4)(5)	37514.89 (comprising of Rs. 25,252 million in Fiscal 2009 and Rs. 10,343.25 million in Fiscal 2010)	35,595.58	5.75 and 6.25, payable annually	Redemption at par on the expiry of three years from the deemed date of allotment.***
Total Secured Capital gains Bonds			**112,135.54**		

The bond is secured by a charge on (a) the receivables of our Company and the security trustee for the charged receivables is ITCL, and (b) mortgage over our Company's immovable properties aggregating Rs. 385 million, situated at Tehsil Hirgangat, district Wardha, Maharashtra, measuring 2.42 acres on the basis of joint hypothecation agreement dated January 25, 2008

The bond is secured by a charge on (a) the receivables of our Company and the security trustee for the charged receivables is ITCL, and (b) mortgage over our Company's immovable properties situated at 51 and 52/58-B, 5th Floor, Mittal Tower, Block II, Backbay Scheme, Nariman Point, Colaba, Mumbai 400 005, Maharashtra, India on the basis of joint hypothecation agreement dated January 25, 2008

The bond is secured by a charge on the receivables of our Company and the security trustee for the charged receivables is ITCL, and mortgage over Company's immovable properties situated at Flat No. 641, Asiad Village Complex, New Delhi110 049, India on the basis of joint hypothecation agreement dated January 25, 2008

† The bond is secured by a charge on (a) the receivables of our Company, both present and future, save and except receivables hypothecated to ITCL, and the security trustee for the charged receivables is ITSL, and (b) mortgage over Company's immovable properties situated at Flat No. 641, Asiad Village Complex, New Delhi 110 049, India on the basis of joint hypothecation agreement dated January 25, 2008

* Present rate of interest on the outstanding amount.

** Coupon rate of 5.15% has been revised to 7% with regard to allotment pertaining to the period May 12, 2004 to December 15, 2004.

*** The issue is open up to March 31, 2010. The security in relation to the bonds allotted in Fiscal 2010 is intended to be created thereafter. However, the amount collected in Fiscal 2009 is 25,252, security in relation to which has been creatsed. For such bonds issued in Fiscal 2009, the security is in the form of a charge on (a) the receivables of our Company, both present and future, save and except receivables hypothecated to ITCL, and the security trustee for the charged receivables is ITSL, and (b) mortgage over Company's immovable properties situated at Flat No. 641, Asiad Village Complex, New Delhi 110 049, India on the basis of joint hypothecation agreement dated January 25, 2008.

(1) The prior consent of the trustee is required in the event our Company creates any subsidiary.

(2) The prior consent of the trustee is required in the event of any amalgamation, consolidation, reconstruction, reorganization scheme or arrangement or any compromise with our Company's creditors or shareholders.

(3) Our Company has undertaken not to declare or pay any dividend to its shareholders during any financial year unless it has paid the installment of principal and interest then due and payable on the bonds, or has made provision satisfactory to the trustees for making such payment.

(4) Our Company has undertaken not to carry out any new project, diversification, modernization, or substantial expansion of any project.

(5) Our Company is required to obtain prior consent of the trustee for events including, inter alia, taking any action for reduction of capital by our Company or any alteration of our Memorandum and Articles.

3(d) Infrastructure bonds issued by our Company under Section 88(C) of the IT Act

Set forth below is a brief summary of our outstanding infrastructure bonds together with a brief description of certain significant terms of such financing arrangements.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ Coupon Rate (%)	Redemption
1.	'REC Infrastructure Bonds' ('Series-I and II') issued in Fiscal 2002 and Fiscal 2003, respectively # (1)	885	52.82	5.25, payable annually*	Redeemable at par at the end of five years from the deemed date of allotment at 9% to 7.50% p.a. payable annually, with a put option at the end of three years from the date of allotment, being March 31, 2008. ##
2.	'REC Infrastructure Bonds' ('Series-III') issued in Fiscal 2004 # (1)	161	19.05	5.60, payable annually	Redeemable at par at the end of five years from the deemed date of allotment at 5.60% p.a. payable annually, with a put option at the end of three years from the date of allotment, being March 31, 2009. ##
3.	'REC Infrastructure Bonds' ('Series-IV') issued in Fiscal 2005 # (1)(2)	1,885	42.00	6.25, payable annually	Redeemable at par at the end of 3 or 5 years, as applicable, from the date of allotment at 6% to 6.25% p.a. payable annually, being March 31, 2010.
Total Infrastructure Bonds			**113.87**		
Total Secured Loans through Bonds			**377,425.98**		
Total Secured Loans (1+2+3)			**429,909.37**		

The bond is secured by a mortgage over Company's immovable properties situated at Nos. 51, 52/58-B, 5th Floor, Mittal Tower, Block II of Backbay Scheme, Nariman Point, Colaba, Mumbai 400 005, Maharashtra, India.

The bonds issued in Series I, II and III, have matured, as on the date of this Draft Red Herring Prospectus. However, the amounts outstanding in relation to these bonds are reflected in the balance sheet of our Company.

* Present rate of interest on outstanding amounts.

(1) The prior consent of the trustee is required in the event our Company undertakes or permits any amalgamation, consolidation, reorganization, reconstruction scheme or arrangement or any compromise with its creditors or shareholders.

(2) The bondholders shall have the power to sanction (a) any reconveyance, release or substitution of secured assets; (b) any compromise or arrangement between our Company and such bondholders; as well as the power to assent to any scheme for amalgamation or reconstruction of our Company.

B Unsecured borrowings availed by our Company

B(1) Long term loans availed by our Company from the MoF

Set forth below is a brief summary of our outstanding unsecured long term borrowings from the MoF, GoI with a brief description of certain significant terms of such financing arrangements.

These loans were sanctioned for relending to the state governments to be used for relending to state governments/state electricity board for rural electrification programme in the state plans under the 'Minimum Needs Programme'. There is a rebate of 0.25% for prompt repayment or interest payments on these loans.

Facility granted and loan documentation	Amount outstanding, as on September 30, 2009 (Rs. million)	Rate of interest (% p.a.)*
Sanction letter 37(15) PF-I/79-34 dated January 9, 1980 for Rs. 100 million	4.00	5.50% for the first ten years; 5.75% for the next ten years, and 6.50% for the remaining ten years
Sanction letter 37(15) PF-I/79 dated February 27, 1980 for Rs. 150 million	6.00	5.50% for the first ten years; 5.75% for the next ten years, and 6.50% for the remaining ten years
Sanction letter 37(15) PF-I/79 dated March 20, 1980 for Rs. 158.70 million	6.35	5.50% for the first ten years; 5.75% for the next ten years, and 6.50% for the remaining ten years
Sanction letter 37(4)PF-I/80 dated April 8, 1980 for Rs. 100 million	4.00	5.50% for the first ten years; 5.75% for the next ten years, and 6.50% for the remaining ten years
Sanction letter 37(4)PF-I/80 dated May 21, 1980 for Rs. 50 million	2.00	5.50% for the first ten years; 5.75% for the next ten years, and 6.50% for the remaining ten years
Sanction letter 37(4) PF-I/80 dated August 4, 1980 for Rs. 50 million	2.00	5.50% for the first ten years; 5.75% for the next ten years, and 6.50% for the remaining ten years
Sanction letter 37(4)/PF-I/80 dated December 22, 1980 for Rs. 100 million	8.00	5.50% for the first ten years; 5.75% for the next ten years, and 6.50% for the remaining ten years
Sanction letter 37(4)/PF-I/80 dated March 23, 1981 for Rs. 152.3 million	12.18	5.50% for the first ten years; 5.75% for the next ten years, and 6.50% for the remaining ten years
Sanction letter 37(12) PF-I/81 dated May 28, 1981 for Rs. 100 million	8.00	5.50% for the first ten years; 5.75% for the next ten years, and 6.50% for the remaining ten years
Sanction letter 37(3)/PF-I/81 dated December 15, 1981 for Rs. 150 million	18.00	6.00% for the first ten years; 6.25% for the next ten years, and 7.00% for the remaining ten years
Sanction letter 37(12)PF-I/81 dated February 1, 1982 for Rs. 100 million	12.00	6.00% for the first ten years; 6.25% for the next ten years, and 7.00% for the remaining ten years
Sanction letter 37(12)PF-I/81dated March 18, 1982 for Rs. 100 million	12.00	6.00% for the first ten years; 6.25% for the next ten years, and 7.00% for the remaining ten years
Sanction letter 37(12)PFI/81dated March 30, 1982 for Rs. 45.3 million	5.44	6.00% for the first ten years; 6.25% for the next ten years, and 7.00% for the remaining ten years
Sanction letter 37(4)PF-I/82-7 dated May 1, 1982 for Rs. 95 million	11.40	6.00% for the first ten years; 6.25% for the next ten years, and 7.00% for the remaining ten years
Sanction letter 37(4)/PF-I/82 dated November 30, 1982 for Rs. 100 million	16.00	6.00% for the first ten years; 6.25% for the next ten years, and 7.00% for the remaining ten years
Sanction letter 37(4)/PF-I/82 dated January 13, 1983 for Rs. 100 million	16.00	6.00% for the first ten years; 6.25% for the next ten years, and 7.00% for the remaining ten years
Sanction letter 37(4)/PF-I/82 dated February	24.00	6.00% for the first ten years; 6.25% for the

Facility granted and loan documentation	Amount outstanding, as on September 30, 2009 (Rs. million)	Rate of interest (% p.a.)*
23, 1983 for Rs. 150 million		next ten years, and 7.00% for the remaining ten years
Sanction letter 37(4)/PF-I/82 dated March 30, 1983 for Rs. 126.4 million	20.22	6.00% for the first ten years; 6.25% for the next ten years, and 7.00% for the remaining ten years
Sanction letter 37(3) PF-I/83-20 dated May 20, 1983 for Rs. 150 million	24.00	6.00% for the first ten years; 6.25% for the next ten years, and 7.00% for the remaining ten years
Sanction letter 37(3)/PF-I/83 74 dated December 6, 1983 for Rs. 150 million	30.00	6.00% for the first ten years; 6.25% for the next ten years, and 7.00% for the remaining ten years
Sanction letter 37(3)/PF-I /83-22 dated January 30, 1984 for Rs. 150 million	30.00	6.00% for the first ten years; 6.25% for the next ten years, and 7.00% for the remaining ten years
Sanction letter 37(3)PF-I/83-122 dated March 26, 1984 for Rs. 138.6 million	27.72	6.00% for the first ten years; 6.25% for the next ten years, and 7.00% for the remaining ten years
Sanction letter 37(6)PF-I/84-4 dated April 10, 1984 for Rs. 74.7 million	14.94	6.00% for the first ten years; 6.25% for the next ten years, and 7.00% for the remaining ten years
Sanction letter 37(6)PF-I/84-13 dated June 2, 1984 for Rs. 100 million	20.00	6.50% for the first ten years; 6.75% for the next ten years, and 7.50% for the remaining ten years
Sanction letter 37(6)/PF-I/84-30 dated September 14, 1984 for Rs. 100 million	20.00	6.50% for the first ten years; 6.75% for the next ten years, and 7.50% for the remaining ten years
Sanction letter 37(6)/PF-I/84.39 dated November 12, 1984 for Rs. 100 million	24.00	6.50% for the first ten years; 6.75% for the next ten years, and 7.50% for the remaining ten years
Sanction letter 37(6)PF-I/84-49 dated January 18, 1985 for Rs. 74 million	17.76	6.50% for the first ten years; 6.75% for the next ten years, and 7.50% for the remaining ten years
Sanction letter 37(2)PF-I/85 dated April 17, 1985 for Rs. 75 million	18.00	6.50% for the first ten years; 6.75% for the next ten years, and 7.50% for the remaining ten years
Sanction letter 37(2)PF-I/85-16 dated June 18, 1985 for Rs. 75 million	18.00	6.50% for the first ten years; 6.75% for the next ten years, and 7.50% for the remaining ten years
Sanction letter 37(2)PF-I/85-25 dated July 8, 1985 for Rs. 75 million	18.00	7.00% for the first ten years; 7.25% for the next ten years, and 8.00% for the remaining ten years
Sanction letter 37(2)/PF-I/85-59 dated November 22, 1985 for Rs. 200 million	56.00	7.00% for the first ten years; 7.25% for the next ten years, and 8.00% for the remaining ten years
Sanction letter 37(2)PF-I/85-88 dated February 4, 1986 for Rs. 200 million	56.00	7.00% for the first ten years; 7.25% for the next ten years, and 8.00% for the remaining ten years
Sanction letter 37(2)/PF-I/85-100 dated March 6, 1986 for Rs. 141.6 million	39.65	7.00% for the first ten years; 7.25% for the next ten years, and 8.00% for the remaining ten years
Total Loans from Government of India	**601.66**	

* *Tenor of 30 years with a moratorium of five years repayable in 25 equal annual installments commencing from the sixth anniversary of the facility. The moratorium is applicable on the payment of principal amount.*

B(2(a) Unsecured long term loans from banks availed by our Company

Set forth below is a brief summary of our outstanding unsecured long term borrowings.

Name of the Lender	Loan documentation	Facility (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Rate of interest (% p.a.)	Terms of repayment*
UCO Bank	Term loan agreement dated November 23, 2005 (1)(2)	2,000	1,857.14	7.00 (BPLR minus 4), payable on monthly rests. Interest to be reset after 5 years.	Ten year tenor with a 3 year moratorium, repayable in 14 half-yearly equal installments.
Canara Bank	Term loan agreement dated December 6, 2004 (2)	2,000	1,000.00	6.80 (BPLR minus 3.90), payable on monthly rests. Interest to be reset after 3 years.	Seven year tenor with a two year moratorium, repayable in 10 equal installments.
Bank of Baroda	Term loan agreement dated December 30, 2004 (2)	2,500	1,250.00	6.00 (BPLR minus 4.50), payable on monthly rests.	Seven year tenor with a two year moratorium, repayable in 10 half-yearly equal installments.
Andhra Bank	Term loan agreement dated September 13, 2007 (2)	3,000	2,500.00	9.40 (BPLR minus 3.85 + 0.25), payable on quarterly rests.	Five year tenor with a two year moratorium, repayable in 6 half-yearly installments.
Bank of Baroda	Term loan agreement dated December 7, 2006 (2)	5,000	3,750.00	8.17 (BPLR minus 3.31), payable on monthly rests.	Five year tenor with a one year moratorium, repayable in four equal installments.
Corporation Bank	Term loan agreement dated June 24, 2005 (1)(2)	3,250	2,785.72	6.93 (G-Sec plus 0.35), payable half-yearly. Interest to be reset after 5 years.	10 year tenor with a three year moratorium, repayable in 14 equal half yearly installments.
Central Bank of India	Term loan agreement dated February 25, 2009 (2)	5,000	5,000.00	7.50 (BPLR minus 4.50), payable on monthly rests.	Five years tenor with a bullet repayment on maturity from date of first disbursement
UCO Bank	Term loan agreement dated March 30, 2009 (1)(2)	3,500	3,500.00	7.00 (RBI REPO Rate + 2.00 up to September 30, 2009 or till such time the REPO linked scheme remain in-force. Thereafter, BPLR linked rate on mutually agreed terms), payable on monthy rests.	Five years tenor with a bullet repayment on maturity from date of first disbursement
United Bank of India	Term loan agreement dated June 12, 2009	6,000	6,000.00	RBI REPO Rate (175 bps to March 31, 2010 or till such time the REPO linked scheme remain in-force. Thereafter, BPLR minus 4.50)	Five years tenor with a bullet repayment on maturity from date of first disbursement
Allahabad Bank	Term loan agreement dated December 12, 2007 (2)	3,500	2,280.00	9.40 (BPLR minus 3.85), payable on monthly rests.	Five years tenor with two year moratorium, repayable in three annual equal installments.
United Bank of India	Term loan agreement dated September 11,	2,500	2,180.00	6.50 (175 bps over RBI reference REPO for mutual	5 years tenor repayable after 5 year period such that the entire loan will be repaid

Name of the Lender	Loan documentation	Facility (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Rate of interest (% p.a.)	Terms of repayment*
	2009 [(3)]			funds and non-banking financial institutions, till such time the facility is available, after which the interest rate will be BPLR minus 4.50, at monthly rests)	within 5 years from the date of first disbursement.
Bank of Maharashtra	Term loan agreement dated September 11, 2009	1,000	Nil	7.00 (BPLR minus 5.25 with a minimum of 7.00) with monthly rests	Three years tenor repayable by a bullet payment at the expiry of three years from the date of disbursement of first tranche of the facility.
Bank of Maharashtra	Term loan agreement dated July 14, 2009	1,000	1,000.00	7.00 (BPLR minus 5.25 with a minimum of 7.00) with monthly rests	Three years tenor repayable by a bullet payment at the expiry of three years from the date of disbursement of first tranche of the facility.
Punjab and Sind Bank	Term loan agreement dated July 14, 2009	4,350	1,370.00	7.50 per annum for the first year and BPLR (as on September 1, 2009) minus 4.50% from the second year onwards with monthly rests	Three years from the date of the drawal of loan amount in one lump sum
HDFC Bank	Term loan agreement dated July 23, 2009	5,000	5,000.00	6.50 (RBI REPO rate + 175 basis points per annum), payable on monthly rests	Two years from the date of the drawal of loan amount
Total Loans term loans from banks			**39,472.86**		

* *The moratorium period, wherever provided, is applicable on payment of principal amount.*

(1) *Prior consent of the lender will be required for our Company to sell or otherwise dispose of any or all of its present or future revenues or cash flows or other dues received by our Company or create or permit thereon any encumbrance.*

(2) *The loan shall be utilized only for such purposes for which the facility has been granted*

(3) *Our Company shall not induct any person on its Board who is declared a wilful defaulter by a bank of financial institution, and if any Director is so declared, our Company shall take expeditious steps for his removal.*

(4) *The loans are payable on demand.*

B (2)(b) Unsecured short term loans availed by our Company

Set forth below is a brief summary of our outstanding unsecured short term.

Name of the lender	Loan documentation	Facility (Rs. million)	Amount outstanding as on September 30, 2009 (Rs. million)	Rate of interest (%)	Terms of repayment*
Bank of Baroda	Short-term loan agreement dated February 10, 2009.	5,000	5,000	8.25, payable monthly	Bullet repayment in 12 months.

Name of the lender	Loan documentation	Facility (Rs. million)	Amount outstanding as on September 30, 2009 (Rs. million)	Rate of interest (%)	Terms of repayment*
IndusInd bank	Short-term loan agreement dated April 22, 2009	1,500	1,050	4.25%	Bullet repayment (days lock in) Bullet repayment
Axis bank	Short-term loan agreement dated October 06, 2008.	1,000	1,000	4.25% below Axis BPLR compounding and payable with monthly rests	Bullet repayment in 12 months.
Total Unsecured short term loans from banks			**7,050**		
Total Term loans from banks B(2)(a)+B(2)(b)			**46,522.86**		

B (3) Commercial Paper

Set forth below is a brief summary of commercial papers issued by our Company, in accordance with the Non-Banking Companies (Acceptance of Deposits through Commercial Paper) Directions, 1989, as amended, issued by the RBI.

ISIN No.	Issuing and paying agency	Date of Issue	Amount (Rs. million)	Rate (% p.a.)	Maturity date
INE 020B 14011	HDFC Bank Limited, Mumbai	November 11, 2008	2,950	11.30	November 10, 2009
INE 020B 14037	HDFC Bank Limited, Mumbai	April 21, 2009	10,000	5.93	April 20, 2010
INE 020B 14045	HDFC Bank Limited, Mumbai	August 20, 2009	5,000	5.98	August 19, 2010
Total commercial papers			**17,950**		

B(4) Foreign currency borrowings of our Company

Set forth below is a brief summary of foreign currency borrowings.

Name of Lender(s)	Facility/ Loan Documentation	Facility	Amount Outstanding, as on September 30, 2009	Interest Rate (% p.a., unless otherwise specified)	Tenor/ Repayment Terms
Japan International Cooperation Agency#	Loan agreement dated March 31, 2006 (1)**	JPY 20,629 million	Rs. 4,753.28 million i.e., JPY 10,642 million	0.75	15 years tenor with a moratorium of five years. Repayable in semi-annual installments beginning March 20, 2011 (JPY 982.340 million), and in equal installments ending March 20, 2021 (JPY 982.333 million).
Japan International Cooperation Agency#	Loan agreement dated March 10, 2008 (1)**	JPY 20,902 million	Rs. 523.00 million i.e., JPY 1,016 million	0.65, payable semi-annually)	15 years tenor with a moratorium of five years. Repayable in semi-annual installments beginning March 20, 2013 (JPY 995.340 million), and in equal installments ending March 20, 2023 (JPY 995.333 million).
KfW, Frankfurt am	Loan agreement dated August 8,	Euro 70 million	Rs. 2,850.33 million i.e.,	3.73	12 years tenor with a moratorium of three years.

Name of Lender(s)	Facility/ Loan Documentation	Facility	Amount Outstanding, as on September 30, 2009	Interest Rate (% p.a., unless otherwise specified)	Tenor/ Repayment Terms
Main [#]	2006 [*(2)**]		EURO 44 million		Repayable in 19 consecutive semi-annual installments starting December 30, 2009.
KfW, Frankfurt am Main [#]	Loan agreement dated March 16, 2009 [*(2) **]	Euro 70 million	Nil	2.89	12 years with a moratorium of three years. Repayable in 18 consecutive semi-annual installments starting June 30, 2012.
Syndicated unsecured borrowings^	Syndicated facility agreement dated March 21, 2007, [^] [(3) (4) (5) (6)]	JPY 23,570 million	Rs. 8,702.63 million i.e., JPY 23,570 million	6 months JPY LIBOR plus 0.48.^^	Five years tenor; repayable at the expiry of five years from date of drawdown, being on March 26, 2012.
Total Foreign currency loan			**16,829.24**		

[#] *Secured by a guarantee provided by the Republic of India, represented by its President for the entire amount.*

^ *The two original lenders, being. Standard Chartered Bank and DEPFA Investment Bank have entered into a separate agreement dated April 23, 2007, pursuant to which they have transferred part of respective shares of their loans to nine different lenders, i.e., Kommunal Kredit International Bank Limited, BNP Paribas, DZ Bank AG, Bank of China (Hong Kong) Limited, Bank of Taiwan, the Export-Import Bank of the Republic of China, Cathay United Bank, Intesa Sanpaolo S.p.A, Mega International Commercial Bank.*

^^ *After giving effect to our foreign currency hedge, our effective annual cost of borrowings under this facility in Fiscal 2008 is 6.75% p.a.*

Our Company has also entered into two contribution agreements with KfW, dated August 8, 2006 and March 16, 2009 for a grant of Euro 500,000 each, to be utilized for capacity building measures by our Company and the Discoms implementing KfW-assisted projects. The amount received by our Company under this agreement is not repayable except in the event that (a) certain obligations cast upon our Company are violated, or (b) the said amount is not used for the stipulated purpose(s).

(1) *In the event our Company creates a statutory or other lien on any of its assets, it is obligated to include an express covenant providing the lender with a proportionate lien securing the payment of the principal, interest and other charges of the present loan. Further, the prior consent of the lender is required in the event our Company assigns or transfers any assets partly or wholly financed from this facility, except in the course of ordinary business or if such assignment or transfer does not materially affect our Company's ability to service the loan.*

(2) *Our Company is required to keep the lender informed of the happening of any 'events of default', and is required to attempt to remedy such default within the period specified by KfW, such events including (a) our Company failing to meet any payment or other obligations under this agreement; (b) appointment of a receiver/ liquidation/ compulsory or voluntary winding up; (c) declaration of a moratorium in respect of any of our Company's indebtedness; (d) bankruptcy; (e) discontinuance of our Company's business; (f) the sale of an essential portion of our Company's assets; (g) our Company being unable to prove that loan amounts have been used for the sanctioned purpose (i.e., HVDS projects); (h) any alteration in our Company's legal status, control, nature or scale of our Company's business, which may be judged detrimental to KfW's interest.*

(3) *In the event our Company creates a lien on any of its assets, it is obligated to include an express covenant providing the lenders with a proportionate lien securing the payment of the principal, interest and other charges of the present loan. However, this restriction shall not be applicable in the following events: (a) the lien arising as a consequence of operation of law and in the ordinary course of our Company's trading activities in respect of any obligation which is less than 30 days overdue; (b) loans not exceeding US$ 1 million; (c) loans in foreign currency and obtained from international multilateral agencies; (d) rupee loans raised from the Indian market; or (e) if the majority lenders under this facility, (i.e., lenders whose participation in the facility is at least 51%, depending on the extent of drawdown by our Company) provide their written consent for availing of such loans.*

(4) *Our Company shall require lender's consent, through the agent, being Standard Chartered Bank, for any of the following events: (a) effecting a merger or consolidation with any entity; (b) taking any steps with a view to dissolution, liquidation or winding up or becoming subject to any kind of reconstruction or reorganization scheme or arrangement; (c) acquiring any assets or business that may adversely affect the lender's interest or if such business is not within the core business activities of our Company; (d) assigning or transferring any of its obligations under the present loan, or transferring any assets wholly or partly financed from the present loan, except in the ordinary course of business; or if such assignment or transfer is not material too's ability to service the loan.*

(5) *During the tenor of this loan, (a) Our Company is required to maintain a capital adequacy ratio ("CAR") of at least 10%; (b) our Company's total unsecured debt shall not exceed 50% of its total debt; (c) our Company's interest coverage ratio shall not be less than 1.3.*

(6) *Our Company is required to intimate the lender of the details of any plan which may result in an important modification of the project for which this facility was sanctioned, and these shall be the subject of agreement between the bank and our Company.*

B (5) Government guaranteed bonds issued by our Company

Set forth below is a brief summary of our outstanding government guaranteed bonds. These bonds are listed on the 'whole sale debt market' segment in the NSE.

Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on September 30, 2009 (Rs. million)	Interest/ coupon rate (% p.a.)	Redemption date	Security
'SLR Bond XXI' issued on December 29, 1989	690.80	690.80	11.50, payable half yearly	December 29, 2009	GoI guarantee through a MoP letter dated December 27, 1989.
SLR Bond XXII issued on December 27, 1990	490	490.00	11.50, payable half yearly	December 27, 2010	GoI guarantee through a MoP letter dated January 9, 1991.
'SLR Bond XXIII' (1st tranche) issued on December 5, 1991	226.50	226.50	12.00, payable half yearly	December 5, 2011	GoI guarantee through a MoP letter dated February 3, 1992.
'SLR Bond XXIII' (2nd tranche) issued on February 21, 1992	303.50	303.50	12.00, payable half yearly	February 21, 2012	GoI guarantee through a MoP letter dated February 3, 1992.
Total Govt. Guaranteed Bonds		**1,710.80**			

B (6) Other unsecured bonds issued by our Company

Set forth below is a brief summary of certain of our other outstanding unsecured bonds. These bonds are listed on the whole sale debt market segment in the NSE.

Nature of the bond	Total value of bond (Rs. million)	Amount outstanding (Rs. million)	Interest rate (% p.a)	Redemption date
'74th Taxable non-priority sector bond' issued on December 31, 2004*	2,500	2,500	7.22 payable half yearly.	December 31, 2014
Total Other unsecured Bonds		**2,500**		
Total Unsecured Loans (B1 to B6)		**86,114.56**		

* *We have entered into a swap transaction with respect to this bond series.*

Grand Total Secured and Unsecured Borrowings		**516,023.93**		

ANNEXURE-XI

CONSOLIDATED STATEMENT OF LOAN ASSETS

(Rs in million)

Particulars	As at 31st March		As at September 30, 2009
	2008	2009	
i) State Electricity Boards/Corpn., Co-operatives and State Governments			
(a) Unsecured, considered good and guaranteed by respective State Governments	190,756.15	209,385.94	217,672.26
(b) Classified Doubtful	1,156.50	3.61	20.05
ii) State Electricity Boards/Corpn. (Secured by hypothecation of materials with respective State Electricity Boards/Corp.)			
(a) Considered Good	163,995.03	239,096.04	294,292.72
(b) Classified Doubtful	-	-	-
iii) Others (Secured by hypothecation of tangible assets)			
(a) Considered Good	12,548.17	29,102.63	37,488.46
(b) Classified Doubtful	1,187.92	205.24	-
iv) Others (Secured by Bank Guarantee)- Considered good	-	-	-
v) Others (Unsecured)			
(a) Considered Good	15,687.09	28,254.61	29,272.73
(b) Classified Doubtful	-	-	-
Interest accrued and due on Loans	252.36	182.80	535.89
Interest accrued on rescheduled loans	7,581.90	7,583.59	7,371.17
Total	**393,165.12**	**513,814.46**	**586,653.28**

Loan Assets represent loans granted to the borrowers over a long period and these are not the Sundry Debtors; therefore age-wise analysis of sundry debtors is not applicable.

However, the doubtful loan assets have been shown as per the Prudential Norms adopted by the Company.

CONSOLIDATED STATEMENT OF LOAN AND ADVANCES

(Rs in million)

Particulars	As at 31st March		As at September 30, 2009
	2008	2009	
To Employees (Secured)	27.10	23.85	21.54
To Employees (Unsecured)	11.78	85.34	69.06
Advance Income Tax & TDS	6,076.22	10,898.18	14,002.44
Income Tax Recoverable (Bond)	0.03	0.03	387.05
Advances Recoverable in cash or kind (Unsecured considered good)	88.38	46.41	134.72
Prepaid financial charges on Commercial Paper	-	408.37	589.27
Total	**6,203.51**	**11,462.18**	**15,204.08**

Loans and advances due from directors, promoters, group companies:

Particulars	As at 31st March		As at September 30, 2009
	2008	2009	
Directors	0.08	1.07	0.82

Except as provided above, there are no loans and advances due from directors, promoters, group companies, subsidiaries for the aforementioned years.

ANNEXURE-XIII

CONSOLIDATED STATEMENT OF INVESTMENTS

(Rs in million)

Particulars	As at 31st March		As at September 30, 2009
	2008	2009	
A) Investment in shares			
(I) In quoted shares	-	-	-
Total of investment in quoted shares (I)	-	-	-
(II) In unquoted shares			
- In other Companies			
Investment in Indian Energy Exchange	12.50	12.50	12.50
Total of investment in quoted and unquoted share (A) [I+II]	**12.50**	**12.50**	**12.50**
B) Other Investments			
Non Trade Investments in 8% Government of Madhya Pradesh Power Bonds – II	11,318.40	9,903.60	9,903.60
KSK Energy Ventures Limited Investment in Units of Small is Beautiful Fund – At Net Asset Value	142.07	131.54	121.34
Total of Other Investments (B)	**11,460.47**	**10,035.14**	**10,024.94**
Total (A+B)	**11,472.97**	**10,047.64**	**10,037.44**
Book value of investment in quoted Equity share	-	-	-
Market value of investment in quoted Equity share	-	-	-

ANNEXURE-XIV

CONSOLIDATED STATEMENT OF CURRENT LIABILITIES AND PROVISIONS

(Rs in million)

Particulars	As at 31st March		As at September 30, 2009
	2008	2009	
A) Current Liabilities			
(a) Creditors for Expenses			
- Dues of creditors other than small scale ind. Undertakings	855.43	424.46	495.29
(b) Advances Receipts	115.73	270.63	460.64
(c) Other Liabilities	0.76	9.83	19.17
(d) Grant in Aid from Government of India	7,185.56	10,506.73	10,232.99
Interest accrued but not due on bonds	5,400.94	11,768.38	10,065.31
Interest accrued but not due on Government/LIC Loans	1,248.82	1,284.19	1,402.52
Unclaimed interest on Bonds and Govt. Loans	70.95	124.35	106.96
Unclaimed Principal on Bonds and Govt. Loans	11.16	8.31	36.99
Overdraft in Current Account with Bank	-	-	-
Sub Total (A)	**14,889.35**	**24,396.88**	**22,819.87**
B) Provisions			
(a) Income Tax	5,900.92	10,973.81	14,194.08
(b) Post Retirement Health Scheme	183.54	224.48	234.23
(c) Leave Encashment	146.47	162.48	170.47
(d) Gratuity	20.79	97.50	37.84
(e) Wealth Tax	0.02	3.38	1.83
(f) Proposed Dividend	2,575.98	2,147.15	-
(g) Corporate Dividend Tax	437.79	364.90	364.82
(h) Provision for incentive	220.44	179.14	277.41
(i)Fringe Benefit Tax	1.70	3.68	3.61
(j)Provision for Medical Leave	12.64	70.98	78.04
(k) Leave Travel Concession	20.16	22.28	22.94
(l)Settlement Allowance on Retirement	1.53	1.75	1.81
(m) Wage Revision	81.68	128.00	229.83
(n) Contingencies	-	0.08	-
Sub Total (B)	**9,603.66**	**14,379.61**	**15,616.91**
Grand Total (A+ B)	**24,493.01**	**38,776.49**	**38,436.78**

ANNEXURE-XV

CONSOLIDATED STATEMENT OF OTHER INCOME

(Rs in million)

Particulars	For the Year ended 31st March		For the Six months ended	Nature (Recurring/ Non-Recurring)	Related / Non related to business
	2008	2009	September 30, 2009		
A. On Investment/Deposits Operations					
Interest on Deposits	645.00	371.87	96.72	Recurring	Related
Interest on Govt. Securities	924.34	870.43	452.66	Recurring	Related
(Non Trade Investments in 8% Government of Madhya Pradesh Power Bonds – II)					
B. Other Income					
Interest on Staff Advance	2.83	4.96	1.46	Recurring	Related
Miscellaneous Income	14.23	15.67	16.72	Non Recurring	Related
Excess Provision written Back	-	0.04	296.91	Non Recurring	Related
Profit on sale of investment in venture fund	3.30	-	-	Non Recurring	Related
Provision of fall in value of investment in venture fund return back	2.39	-	-	Non Recurring	Related
Dividend on investment in venture fund		1.10	7.46	Non Recurring	Related
Interest from subsidiary companies	0.45	1.62	1.73	Non Recurring	Related
Provision for Bad debts written Back		361.06	-	Non Recurring	Related
Sub Total	**1,592.54**	**1,626.75**	**873.66**		
Consultancy Income of subsidiaries	13.64	56.90	48.62	Recurring	Relating
Total	**1,606.18**	**1,683.65**	**922.28**		
% of other income to Profit before tax and Extraordinary items	**12.12%**	**8.82%**	**7.36%**		

ANNEXURE-XVI

CONSOLIDATED STATEMENT OF DIVIDEND PAID

(All in million except percentage)

Particulars	For the Year ended 31st March	
	2008	2009
Equity Share Capital	8,586.60	8,586.60
No. of Equity Shares of Rs.10 each	858.66	858.66
Rate of Dividend (%)	30.00	45.00
Interim (%)	-	20.00
Final (%)	30.00	25.00
Amount of Dividend on Equity Shares	2,575.98	3,863.97
Interim	-	1,717.32
Final	2,575.98	2,146.65
Total Dividend Tax Paid	437.79	656.68

ANNEXURE – XVII

STATEMENT OF RELATED PARTY TRANSACTIONS IN CONSOLIDATED FINANCIAL STATEMENTS OF REC AND ITS SUBSIDIARIES FOR THE YEAR ENDED MARCH 31, 2008 AND 2009 AND HALF YEAR ENDED SEPTEMBER 30, 2009

1. **List of subsidiaries** (Excluding State controlled entities) consolidated for the year ended March 31, 2008 and 2009 and half year ended September 30, 2009

(ii) REC Power Distribution Co. Ltd. (RPDCL)

Wholly owned subsidiaries of REC Ltd.

(ii) REC Transmission Projects Co. Ltd. (RTPCL)
Wholly owned subsidiaries of REC Ltd.

(iii) North Karanpura Transmission Co. Ltd.(NKTCL)
(A wholly owned subsidiary of RTPCL)

(iv) Talcher II Transmission Company Ltd. (TTCL)
(A wholly owned subsidiary of RTPCL)

2. **Key Management Personnel:**

The key management personnel of RECL and its subsidiaries companies are as follows:

S. No.	Key Management Personnel	Designation	Company	Year/ Period
1	Sh. P. Uma Shankar	Chairman cum Managing Director	RECL RPDCL RTPCL	2007-08 (w.e.f. 01.03.2008), 2008-09 and September 2009
2	Sh. A.K.Lakhina	Chairman cum Managing Director	RECL RPDCL RTPCL	2007-08 (up to 29.02.2008)
3	Sh. H D Khunteta	Director (Finance)	RECL	2007-08, 2008-09 and September 2009
4	Sh. Guljit Kapoor	Director (Technical)	RECL	2008-09 (w.e.f. 01.12.2008) and September 2009
		Director	RTPCL	2007-08 and 2008-09 (up to 26.12.2008)
		Chairman & Director	NKTCL	2007-08 and 2008-09(up to 29.12.2008)
5	Sh. Bal Mukand	Director (Technical)	RECL	2007-08 and 2008-09(up to 30.11.2008)
6	Sh. Devender Singh	(Govt. Nominee Director)	RECL	2007-08, 2008-09 and September 2009
7	Sh. Rama Raman	Director	RPDCL RTPCL	2007-08, 2008-09 and September 2009
8	Sh. Sanjeev Garg	Director	RPDCL	2007-08, 2008-09 and September 2009
9	Sh. D.S.Ahluwalia	Director	RPDCL	2008-09(w.e.f.. 04.04.2008) and September 2009(up to 29.09.2009)
10	Sh. Ajeet Kumar Agarwal	Director	RTPCL	2008-09(w.e.f. 27.12.2008) and September 2009
11	Sh. Prakash J.Thakkar	Director	RTPCL	2007-08, 2008-09 and September 2009
		Chairman & Director	NKTCL	2008-09(w.e.f. 30.12.2008) and September 2009
		Chairman & Director	TTCL	2007-08, 2008-09 and September 2009
12	Sh. R K Arora	Director (w.e.f. 29.09.2009)	RPDCL	September 2009 (w.e.f.. 29.09.2009)
13	Ms Valli Natrajan	Director	TTCL NKTCL	2007-08, 2008-09 and September 2009
14	Ms Harinder Kaur Chani	Director	TTCL NKTCL	2007-08, 2008-09 and September 2009
15	Sh. T.S.C. Bosh	Addl. Director	TTCL NKTCL	September 2009 (w.e.f. 09.09.2009)
16	Sh. V K Singh	Addl. Director	TTCL	September 2009 (w.e.f. 09.09.2009)

S. No.	Key Management Personnel	Designation	Company	Year/ Period
			NKTCL	

(A) <u>Transaction with the related parties at (2) above</u>

A) Remuneration to Key Management Personnel

(Rs. million)

Year	Amount
Half year ending September 30, 2009	3.28
2008-2009	6.62
2007-2008	5.73

B) Amount of dues outstanding from key management personnel

(Rs. million)

Year	Amount
Half year ending September 30, 2009	0.82
2008-2009	1.07
2007-2008	0.08

SELECTED STATISTICAL INFORMATION

*The following information should be read together with our financial statements included in this Red Herring Prospectus as well as the section titled "**Management's Discussion and Analysis of Financial Condition and Results of Operations**" on page 147. The amounts presented in this section are based on our restated unconsolidated financial statements prepared in accordance with Indian GAAP and internally generated statistical data.*

NET INTEREST MARGIN ANALYSIS

The following table sets forth, for the periods indicated, the average balances for interest earning assets and interest bearing liabilities together with the related interest income and expense amounts, resulting in the presentation of the average yields and cost for each period.

The average balance for interest earning assets and interest-bearing liabilities is calculated as the mean of the opening and closing balances for such items of each period. Our calculation of the average balance is not comparable with other Indian banks and financial institutions, which calculate their average balances based on a daily, fortnightly or monthly average. We believe, however, that the volatility of our assets and liabilities is lower than most banks and financial institutions due to the make-up of our portfolio, which is concentrated on relatively longer-term assets and liabilities.

The average yield on interest-earning assets is the ratio of interest income to average interest-earning assets. The average cost of interest-bearing liabilities is the ratio of interest expense and other changes (including resource mobilization expenses) to average interest-bearing liabilities. The average balances in the table below include gross non-performing assets. The interest income and interest expense and other changes (including resource mobilization expenses) excludes extra-ordinary items.

(Rs. million, except percentages)

	Fiscal					
	2006			2007		
	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest Income/ expense	Average yield/ cost
Total interest-earning assets[(1)]	227,922	20,584	9.03%	278,817	26,517	9.51%
Total interest-bearing liabilities	217,088	13,570	6.25%	271,601	17,376	6.40%
Net interest income	10,834	7,014	2.78%	7,216	9,141	3.11%
Net interest margin[(2)]			3.08%			3.28%

(Rs. million, except percentages)

	Fiscal					
	2008			2009		
	Average balance	Interest income/ expense	Average yield/ cost	Average balance	Interest income/ expense	Average yield/ cost
Total interest-earning assets[(1)]	348,768	33,805	9.69%	445,689	47,549	10.67%
Total interest-bearing liabilities	322,819	20,632	6.39%	396,094	28,971	7.31%
Net interest income	25,949	13,173	3.30%	49,595	18,578	3.36%
Net interest margin[(2)]			3.78%			4.17%

(Rs. million, except percentages)

	For the six months ended September 30, 2009		
	Average balance	Interest income/ expense	Average yield/ cost[*]
Total interest-earning assets[(1)]	542,397	30,445	11.23%
Total interest-bearing liabilities	482,692	18,146	7.52%
Net interest income	59,705	12,299	3.71%
Net interest margin[(2)]			4.54%

[*] Annualized

(1) *Total interest earning assets consist of loans and deposits.*

(2) *The net interest margin is the ratio of net interest income to average interest-earning assets.*

The following table sets forth, for the periods indicated, the allocation of the changes in our interest income and interest expense and other charges (including resource mobilization expenses) between changes in average volume and changes in average rates. The changes in net interest income and interest expense and other charges (including resource mobilization expenses) between periods have been reflected as attributed either to volume or rate changes. For the purposes of this table, changes, which are due to both volume and rate, have been allocated solely to changes in rate.

For further information regarding the impact of changes in interest rates, see the section titled "***Management's Discussion and Analysis of Financial Condition and Result of Operations***" on page 147.

(Rs. million, except percentages)

	Fiscal 2007 vs. Fiscal 2006			**Fiscal 2008 vs. Fiscal 2007**		
	Net change in interest income or expense	**Change due to change in average volume (1)**	**Change due to change average rate(2)**	**Net change interest income or expense**	**Change due to change in average volume (1)**	**Change due to change average rate(2)**
Interest income	5,933	2,298	3,635	7,288	3,326	3,962
Interest expense(3)	3,806	1,704	2,102	3,256	1,638	1,618
Net interest income	2,127	594	1,533	4,032	1,688	2,344

(Rs. million, except percentages)

	Fiscal 2009 vs. Fiscal 2008		
	Net change interest income or expense	**Change due to change in average volume(1)**	**Change due to change average rate (2)**
Interest income	13,744	4,697	9,047
Interest expense(3)	8,339	2,342	5,997
Net interest income	5,405	2,355	3,050

(1) The change due to a change in average volume was calculated from the change in average balance over the two years multiplied by the average rate in the earlier year, ignoring the variation during the year.
(2) The change due to a change in average rate is the total change less the change due to volume.
(3) Including other charges and resource mobilization expenses.

FINANCIAL RATIOS

The following table sets forth, for the periods indicated, the yields, spreads and net interest margins on our interest-earning assets.

(Rs. million, except percentages)

	Fiscal				**For the six months ended September 30, 2009**
	2006	**2007**	**2008**	**2009**	
Interest income	20,584	26,517	33,805	47,549	30,445
Average interest-earning assets	227,922	278,817	348,768	445,689	542,397
Interest expense(1)	13,570	17,376	20,632	28,971	18,146
Average interest-bearing liabilities	217,088	271,601	322,819	396,094	482,692
Net interest income	7,014	9,141	13,173	18,578	12,299
Average total assets	273,671	331,221	396,214	494,948	597,818
Average interest-earning assets as a percentage of average total assets	83.28%	84.18%	88.03%	90.05%	90.73%
Average interest-bearing liabilities as a percentage of average total assets	79.32%	82.00%	81.48%	80.03%	80.74%
Yield(2)	9.03%	9.51%	9.69%	10.67%	11.23%
Cost of funds(3)	6.25%	6.40%	6.39%	7.31%	7.52%
Spread(4)	2.78%	3.11%	3.30%	3.36%	3.71%

Net interest margin[(5)]	3.08%	3.28%	3.78%	4.17%	4.54%

(1) Including other charges and resource mobilization expenses.
(2) Yield represents the ratio of interest income to average interest earning assets.
(3) Cost of funds represents the ratio of interest expense and other charges (including resource mobilization expenses) to average interest bearing liabilities.
(4) Spread is the difference between yield and cost of funds.
(5) Net interest margin is the ratio of net interest income to average interest-earning assets.

The difference between net interest margin and spread arises due to the difference in the amount of average interest-earning assets and average interest-bearing liabilities. If average interest-earning assets exceed average interest-bearing liabilities, net interest margin is greater than the spread. If average interest-bearing liabilities exceed average interest- earning assets, net interest margin is less than the spread.

RETURNS ON EQUITY AND ASSETS

The following table sets forth, for the periods indicated, selected financial ratios.

(Rs. million, except percentages)

	Fiscal				**For the six months ended September 30, 2009**
	2006	**2007**	**2008**	**2009**	
Profit after tax, as restated	6,471	7,969	9,584	13,847	9,281
Average total assets	273,671	331,221	396,214	494,948	597,818
Average net worth[(1)]	38,422	43,209	52,964	64,215	72,884
Profit after tax as a percentage of average total assets	2.36%	2.41%	2.42%	2.80%	1.55%
Profit after tax as a percentage of average net worth	16.84%	18.44%	18.09%	21.56%	12.73%
Average net worth as a percentage of average total assets	14.04%	13.05%	13.37%	12.97%	12.19%

(1) Net worth is defined as Shareholders' fund less Reserve for Bad and Doubtful Debts under section 36(1)(viia)(c) of Income Tax Act, 1961.

EMPLOYEE PRODUCTIVITY

The following table sets forth, for the periods indicated, employee productivity.

(Rs. million, except number of employees)

	As on March 31,				**As on September 30, 2009**
	2006	**2007**	**2008**	**2009**	
Loan disbursements (A)	74,891	107,329	129,529	171,573	91,224
Profit after tax, as restated (B)	6,471	7,969	9,584	13,847	9,281
Number of employees (C)	707	698	699	681	701
Loan disbursements per employee (A/C)	106	154	185	252	130
Profit per employee (B/C)	9	11	14	20	13

GROWTH STATISTICS

The following table sets forth, for the periods indicated, selected growth statistics.

(Rs. million, except percentages)

	Fiscal					**4-year CAGR**
	2005	**2006**	**2007**	**2008**	**2009**	
Loan sanctions	163,164	165,969	286,298	468,321	407,459	25.71%
Loan disbursements	74,407	74,891	107,329	129,529	171,573	23.23%
Loan operating Income	21,893	20,584	26,517	33,805	47,549	21.40%
Profit after tax as restated	7,788	6,471	7,969	9,584	13,847	15.47%
Loan assets	216,844	253,256	320,991	393,165	513,814	24.07%

	Fiscal					4-year CAGR
	2005	2006	2007	2008	2009	
Total assets	247,454	299,888	362,555	429,872	560,024	22.65%

(Rs. million, except percentages)

	For the six months ended September 30, 2009
Loan sanctions	315,003
Loan disbursements	91,224
Loan operating Income	30,445
Profit after tax as restated	9,281
Loan assets	586,653
Total assets	635,612

CONCENTRATION OF OUTSTANDING LOANS

The following table sets forth the ten individual borrowers and borrower groups to whom we had the greatest amount of loans outstanding as on September 30, 2009. A "borrower group" is defined to include all utilities in a state under the control of their respective state governments.

(Rs. million, except percentages)

Borrower	Outstanding loans	Percent of total outstanding loans
Punjab State Electricity Board	43,854	7.57%
Tamil Nadu State Electricity Board	43,197	7.46%
Andhra Pradesh Power Generation Corporation Limited	31,327	5.41%
Maharashtra State Electricity Distribution Company Limited	26,728	4.62%
Ajmer Vidyut Vitran Nigam Limited	23,894	4.13%
Maharashtra State Power Generation Corporation Limited	22,389	3.87%
Maharashtra State Electricity Transmission Corporation Limited	19,235	3.32%
Jaipur Vidyut Vitran Nigam Limited	17,689	3.06%
Andhra Pradesh Transmission Company	16,819	2.91%
Jodhpur Vidyut Vitran Nigam Limited	15,219	2.63%
TOTAL	**260,351**	**44.97%**

(Rs. million, except percentages)

Borrower Group	Outstanding loans	Percent of total outstanding loans
Andhra Pradesh	73,296	12.66%
Rajasthan	72,610	12.54%
Maharashtra	68,793	11.88%
Tamil Nadu	55,856	9.65%
Punjab	43,909	7.58%
Uttar Pradesh	37,699	6.51%
West Bengal	34,905	6.03%
Haryana	31,340	5.41%
Chattisgarh	25,163	4.35%
Uttaranchal	18,943	3.27%
TOTAL	**462,514**	**79.89**

In addition to our exposure to borrowers resulting from our outstanding loans, we may also have exposures to borrowers, including the ten individual borrowers and borrower groups referred to above, in the form of unfunded loan sanctions.

Classification of Assets

Standard Assets

A standard asset is defined as an asset that is not an NPA, in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business, or a deemed standard asset which is defined as a facility provided to a state utility against a state government undertaking for deduction from the Central Plan Allocation for making payment to our Company against its unpaid dues.

Non-performing Assets

A non-performing asset, or NPA, is defined as an asset that is a substandard asset, a doubtful asset or a loss asset.

Substandard Assets

A substandard asset is defined as:

- a non-performing asset for a period not exceeding 18 months; or
- an asset where the terms of the agreement regarding interest and/or principal have been renegotiated or rescheduled or restructured, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.

The rescheduling or restructuring or renegotiation of a standard infrastructure loan asset shall not cause it be reclassified if the revised project is found to be viable by the competent authority.

Doubtful Assets

A doubtful asset is defined as an asset which remains a substandard asset for a period not exceeding 18 months.

Loss Assets

A loss asset is defined as:

- an asset which has been identified as a loss asset by our Company to the extent it is not written off by our Company or the asset remains doubtful for a period exceeding 5 years, whichever is earlier; or
- an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.

Loans and advances and any other form of credit are classified as standard assets, sub-standard assets, doubtful assets and loss assets.

An asset which has been renegotiated or rescheduled or restructured shall be a substandard asset or continue to remain in the same category in which it was prior to its renegotiation or reschedulement or restructuring, as a doubtful asset or a loss asset as the case may be.

For purposes of application of prudential norms and provisioning norms, facilities granted to state or central sector entities are considered loan wise, and facilities granted to other entities are considered borrower wise.

(Rs. million, except percentages)

	As on March 31,			
	2006		2007	
	Amount	Percentage	Amount	Percentage
Standard assets[(1)]	241,376	98.27%	305,153	97.61%
Non-performing assets[(1)]	4,261	1.73%	7,469	2.39%
Substandard assets	1,031	0.42%	4,261	1.37%
Doubtful assets	1,410	0.57%	1,389	0.44%
Loss assets	1,820	0.74%	1,819	0.58%
Total loan assets	**245,637**		**312,622**	

(Rs. million, except percentages)

	As on March 31,			
	2008		2009	
	Amount	Percentage	Amount	Percentage

Standard assets(1)	382,987	99.18%	505,839	99.86%
Non-performing assets(1)	3,161	0.82%	689	0.14%
Substandard assets	2,577	0.67%	229	0.05%
Doubtful assets	128	0.03%	57	0.01%
Loss assets	456	0.12%	403	0.08%
Total loan assets	**386,148**		**506,528**	

(Rs. million, except percentages)

	As on September 30, 2009	
	Amount	Percentage
Standard assets(1)	578,726	99.96%
Non-performing assets(1)	215	0.04%
Substandard assets	22	-
Doubtful assets	-	-
Loss assets	193	0.04%
Total loan assets	**578,941**	

(1) For purposes of this table, our standard assets, non-performing assets and total loan assets represent amount of principal outstanding, excluding interest accrued and due on loan assets.

Provisioning and Write-offs

The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted is as follows.

Loss Assets

For loss assets, the entire asset is written off; in the event the asset is permitted to remain on the books for any reason, provision is made for 100% of the outstanding asset.

Doubtful Assets

- 100% provision to the extent to which the advance is not covered by the realizable value of the security to which our Company has a valid recourse shall be made. The realizable value is to be estimated on a realistic basis; Loans covered by GoI/state government guarantee or state government undertaking for deduction from the Central Plan Allocation or loans to any state government shall be treated as secured;

- In addition to item (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e. estimated realizable value of the outstanding) shall be made on the following basis :
  Up to one year 20%
  One year up to 3 years 30%
  More than 3 years 50%

Sub-standard assets

A provision of 10% shall be made.

The table below sets forth, for the periods indicated, the changes in our provisions.

(Rs. million)

	Fiscal			
	2006	2007	2008	2009
Opening Balance	207	207	418	817
Add: Provisions made during the year	-	211	399	24
Less: Write-off/write-back during the year	-	-	-	361
Closing Balance	**207**	**418**	**817**	**480**

(Rs. million)

	For the six months ended September 30, 2009
Opening Balance	480
Add: Provisions made during the period	2
Less: Write-off/write-back during the period	287
Closing Balance	195

NPA Analysis

As on September 30, 2009, Rs. 215 million of our loan assets have been categorized as non-performing. As on September 30, 2009, our gross NPAs as a percentage of gross loan assets were 0.04% and our net NPAs as a percentage of net loan assets were less than 0.01%. We define net NPAs as gross NPAs less write-offs and our loan loss provisions. As on September 30, 2009, we have made such provisions for 90.69% of our gross NPAs.

The following table sets forth, for the periods indicated, information about our NPAs:

(Rs. million, except percentages)

	As on March 31,					
	2006			2007		
	Loan Assets (1)	NPA	NPA as a % of loan assets	Loan Assets (1)	NPA	NPA as a % of loan assets
Total gross(1)	245,637	4,261	1.73	312,622	6,197	1.98
Provisions and write-offs	207	207	-	418	418	-
Net	245,430	4,054	1.65	312,204	5,779	1.85

(Rs. million, except percentages)

	As on March 31,					
	2008			2009		
	Loan Assets (1)	NPA	NPA as a % of loan assets	Loan Assets (1)	NPA	NPA as a % of loan assets
Total gross(1)	386,148	3,161	0.82	506,528	689	0.14
Provisions and write-offs	817	817	-	480	480	-
Net	385,331	2,344	0.61	506,048	209	0.04

(Rs. million, except percentages)

	As on September 30, 2009		
	Loan Assets (1)	NPA	NPA as a % of loan assets
Total gross(1)	578,941	215	0.04
Provisions and write-offs	195	195	-
Net	578,746	20	0.00

(1) For purposes of this table, our total gross loan assets represent the amount of principal outstanding, excluding interest accrued and due. Our interest accrued and due was Rs. 7,826 million, Rs. 8,787 million, Rs. 7,834 million, Rs. 7,766 million and Rs. 7,907 million for Fiscal 2006, Fiscal 2007, Fiscal 2008, Fiscal 2009 and for the six months ended September 30, 2009 respectively. Our net loan assets (net of provisions and write offs) including interest accrued and due were Rs. 253,256 million, Rs. 320,991 million, Rs. 393,165 million, Rs. 513,814 million and Rs. 586,653 million for Fiscal 2006, Fiscal 2007, Fiscal 2008, Fiscal 2009 and for the six months ended September 30, 2009, respectively.

Rescheduled Assets

We define rescheduled assets as assets where the terms of the agreement regarding interest and/or principal have been renegotiated, rescheduled or restructured. Rescheduled assets are classified as substandard assets (or classified in the same category of asset as it existed prior to its renegotiation, rescheduling or restructuring) until the expiry of one year of satisfactory performance under the renegotiated, rescheduled or restructured terms except loans where interest rates have been reduced under our interest restructuring scheme. The rescheduling, restructuring or renegotiation of a standard infrastructure loan asset will not cause such asset to be reclassified as a substandard asset if the revised project is found to be viable by the competent authority.

Income in respect of rescheduled loans is recognized on an accrual basis only when there is reasonable expectation of certainty of receipt of dues and a legally binding memorandum of understanding has been entered into by the parties

The table below sets forth, for the periods indicated, our rescheduled assets.

(Rs. million)

Rescheduled assets	**Fiscal**			
	2006	**2007**	**2008**	**2009**
Standard assets	23,031	22,092	22,157	22,803
Substandard assets	-	-	1,207	-
Doubtful assets	1,272	1,272	-	-
Total rescheduled assets	**24,303**	**23,364**	**23,364**	**22,803**

(Rs. million)

Rescheduled assets	**For the six months ended September 30, 2009**
Standard assets	22,707
Substandard assets	-
Doubtful assets	-
Total rescheduled assets	**22,707**

RESOURCES

The following table sets forth, as on the dates indicated, total indebtedness classified by Rupee-denominated and foreign currency-denominated sources. The Rupee equivalents of foreign currency-denominated debts (other than those that are already fully hedged) are translated with reference to rates of exchange prevailing as at the end of all the periods indicated.

(Rs. million)

	As on March 31,								**As on September 30, 2009**	
	2006		**2007**		**2008**		**2009**			
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Rupee	240,392	100.00	294,089	97.12	332,343	96.94	434,423	96.68	499,195	96.74
Taxable bonds	79,795	33.19	69,688	23.01	89,921	26.23	179,223	39.89	266,427	51.63
54EC long term tax exemption bonds	80,281	33.40	139,394	46.03	147,071	42.90	143,943	32.03	112,135	21.73
Infrastructure bonds	2,399	1.00	2,287	0.76	257	0.07	188	0.04	114	0.02
Tax-free bonds	1,250	0.52	1,250	0.41	1,250	0.36	1,250	0.28	1,250	0.24
SLR bonds	3,847	1.60	3,497	1.15	2,397	0.70	1,711	0.38	1,711	0.33
Term loans	71,620	29.79	76,968	25.43	90,628	26.44	94,511	21.04	99,006	19.19
GoI loans	1,200	0.50	1,005	0.33	819	0.24	647	0.14	602	0.12
CP	-	-	-	-	-	-	12,950	2.88	17,950	3.48
Other	-	-	-	-	-	-	-	-	-	-
Non-Rupee	-	-	8,721	2.88	10,485	3.06	14,937	3.32	16,829	3.26
Total	240,392	100.00	302,810	100.00	342,828	100.00	449,360	100.00	516,024	100.00

The following table sets forth, for the periods indicated, new borrowings classified by Rupee-denominated and foreign currency-denominated sources and the percentage of total new borrowings for each type. The Rupee equivalents of foreign currency-denominated debts (other than those that are already fully hedged) are translated with reference to rates of exchange prevailing as at the end of all the periods indicated.

(Rs. million, except percentages)

	Fiscal							
	2006		2007		2008		2009	
	Amount	%	Amount	%	Amount	%	Amount	%
Rupee	90,594	100.00	85,675	90.76	81,990	97.87	150,004	97.05
Taxable bonds	37,812	41.74	3,148	3.33	25,683	30.66	89,302	57.77
54EC long term tax exemption bonds	33,932	37.46	73,529	77.89	34,027	40.61	25,252	16.34
Infrastructure bonds	-	-	-	-	-	-	-	-
Tax-free bonds	-	-	-	-	-	-	-	-
SLR bonds	-	-	-	-	-	-	-	-
Term loans	18,850	20.80	8,998	9.54	22,280	26.60	22,500	14.56
GoI loans	-	-	-	-	-	-	-	-
CP	-	-	-	-	-	-	12,950	8.38
Other	-	-	-	-	-	-	-	-
Non-Rupee	-	-	8,721	9.24	1,782	2.13	4,566	2.95
Total	90,594	100.00	94,396	100.00	83,772	100.00	154,570	100.00

(Rs. million, except percentages)

	Six months ended September 30, 2009	
	Amount	%
Rupee	134,254	98.61
Taxable bonds	91,361	67.10
54EC long term tax exemption bonds	10,343	7.60
Infrastructure bonds	-	-
Tax-free bonds	-	-
SLR bonds	-	-
Term loans	17,550	12.89
GoI loans	-	-
CP	15,000	11.02
Other	-	-
Non-Rupee	1,890	1.39
Total	136,144	100.00

For additional information on our financial indebtedness, see the section titled "***Financial Indebtedness***" on page 179.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP, US GAAP AND IFRS

The summarized financial information and financial statements included in this Red Herring Prospectus have been prepared in accordance with the requirements of the Companies Act and accounting principles generally accepted in India which differ in certain respects from the accounting principles generally accepted in the United States and from the International Financial Reporting Standards ("IFRS").

The following table summarizes significant differences between Indian GAAP, US GAAP and IFRS, insofar as they affect financial information reported in this Red Herring Prospectus. The summary below should not be construed to be exhaustive as no attempt has been made to quantify the effects of those differences, nor has a complete reconciliation of Indian GAAP, US GAAP and IFRS been undertaken. Had any such quantification or reconciliation been done by our management, other potential significant accounting and disclosure differences may have come to our attention which have not been identified below.

Potential investors should consult their own professional advisors for an understanding of the principal differences between the Indian GAAP, US GAAP and IFRS and how these differences might affect the financial statements of our Company as given in this document.

Particulars	Indian GAAP	US GAAP	IFRS
Format and content of financial statements	Entities are required to present balance sheets, profit and loss accounts and, if listed or proposing listing, cash flows for two years together with accounting policies, schedules and notes. Format for presentation of financial statements is as prescribed by the relevant statute.	Entities are required to present balance sheets, income statements, comprehensive income statements, statements of shareholders' equity, cash flows together with accounting policies and notes to the financial statements for a period of two years. Public Companies are required to attach the aforesaid statements for a period of three years except the balance sheet for the third year. No specific format is mandated. Generally items are presented on the face of the balance sheet in decreasing order of liquidity. Income statement items may be presented using a single-step or a multiple step format. Expenditure must be presented by function.	Entities are required to present balance sheets, income statements, statements of changes in equity, cash flows and notes, comprising a summary of significant accounting policies and other explanatory notes for a period of two years.
Changes in accounting policies	Any change in an accounting policy which has a material effect should be disclosed. The impact of, and the adjustments resulting from such change, if material, should be shown in the financial statements of the period in which such change is made, to reflect the effect of such change. Where the effect of such change is not ascertainable, wholly or in part, the fact should be indicated.	Any change in an accounting policy should be accounted for retrospectively, with comparative information restated and the amount of the adjustment relating to prior periods adjusted against the opening balance of retained earnings of the earliest year presented. An exemption applies when it is impracticable to change comparative information.	Any change in an accounting policy should be accounted for retrospectively, with comparative information restated and the amount of the adjustment relating to prior periods adjusted against the opening balance of retained earnings of the earliest year presented. An exemption applies when it is impracticable to change comparative information.

Particulars	Indian GAAP	US GAAP	IFRS
	If a change is made in the accounting policies which has no material effect on the financial statements for the current period, but which is reasonably expected to have a material effect in later periods, the fact of such change should be appropriately disclosed in the period in which the change is adopted.		
Revenue recognition-Interest	Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable	Interest income is recognised using the effective interest method.	Interest income is recognised using the effective interest method.
Prior Period Items	Adjust the error or omission in the period in which it is discovered and corrected with appropriate disclosure.	Material prior period errors are corrected retrospectively in the first financial statements issued after their discovery.	Material prior period errors are corrected retrospectively in the first financial statements issued after their discovery.
Extraordinary Items	Extraordinary items of such size and nature that requires separate disclosure to explain the performance of the entity are disclosed separately, net of income taxes, on the face of the income statement or in the notes, provided the total of all such items is shown on the face of the income statement. Exceptional items usually shown on the face of the income statement or in the notes.	Disclosure of individual extraordinary items; including gains or losses from the early extinguishments of debt, if material, net of taxes, is made either on the face of the income statement or in the notes, provided the total of all such items is shown on the face of the income statement. Disclosure of tax impact is either on the face of income statement or in the notes to financial statements.	No concept of Extraordinary items
Allowance for credit losses	Prior to April 1, 2007, we followed prudential norms relating to loan assets classification and provision for bad and doubtful debts as dictated by our accounting policies. Effective for periods after fiscal 2007, our Company has formulated revised prudential norms, approved by BoD of REC.	Loans are identified for impairment. Impaired Loans are reported after considering the impact of impairment. The impairment is measured by comparing the carrying amount of the loan to the present value of expected future cash flows or the fair value of the collateral (discounted at the loan's effective rate).	Loans are initially measured at fair value plus transaction costs that are directly attributable to the issue of the loan. Subsequently, measurements are made at amortised costs using the effective interest method. At each Balance Sheet date, loan receivable are assessed to determine whether there is any objective evidence that such loans are impaired. If there is an objective evidence of impairment, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of future cash flows discounted at the loan's original effective interest rate.
Foreign exchange translation	AS11 "The Effects of Changes in Foreign	Gains or losses arising from foreign currency transactions	Gains or losses arising out of foreign exchange

Particulars	Indian GAAP	US GAAP	IFRS
	Exchange Rates" deals with accounting for foreign exchange transactions. Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items are restated at year-end exchange rates. Exchange differences arising on transactions and translation of monetary items are recognized as income or expense in the year in which they arise. Foreign exchange losses that relate to foreign borrowings incurred to finance an asset are treated as a part of borrowing cost and are capitalised subject to exercise of the option by the entity only upto 01.04.2011. Translation differences arising on a monetary item that, in substance, forms part of an enterprise's net investment in a non-integral foreign operation should be accumulated in a foreign currency translation reserve in the enterprise's financial statements until the disposal of the net investment, at which time they should be recognized as income or as expenses. Translation of foreign operations integral to the reporting enterprise requires foreign exchange gains or losses to be recognized in the income statement	are included in determining net income. For the purposes of consolidating a foreign subsidiary, its financial statements are translated into the parent's reporting currency. Assets and liabilities are translated using the balance sheet rate of exchange. Amounts in the income statements are translated using the weighted average rate for the period. Translation differences that arise are reported in a separate component of shareholders' equity. The concept of capitalization of exchange fluctuations, arising from foreign liabilities incurred for acquiring fixed assets does not exist.	translation differences are required to be included in the determination of net income, unless these differences are regarded as an adjustment to interest costs, which are eligible for capitalisation as borrowing costs on fixed assets. For the purposes of consolidating a foreign subsidiary, its financial statements are translated into the parent's reporting currency. Assets and liabilities are translated using the balance sheet rate of exchange. Amounts in the income statements are translated using the weighted average rate for the period. Translation differences that arise are reported in a separate component of shareholders' equity. The concept of capitalization of exchange fluctuations, arising from foreign liabilities incurred for acquiring fixed assets does not exist
Deferred taxation	Deferred taxes are required to be provided for the tax effect of timing differences between taxable income and accounting income using substantively enacted tax rates. Deferred tax assets arising due to unabsorbed depreciation or carry forward of losses are recognized only to the extent that there is virtual certainty that sufficient	Deferred tax liabilities and assets are recorded for the tax effect of temporary differences between the carrying amount and tax base of assets and liabilities and operating loss carry- forwards, at currently enacted tax rates, expected to be in force when the temporary differences reverse. Changes in tax rates are reported in the income statement in the period of enactment.	Deferred income taxes are recognised for the future tax effects of temporary differences between the carrying amount and tax base of assets and liabilities and operating loss carry-forwards, at the enacted or substantively enacted tax rates. Deferred tax assets and liabilities must be recognised regardless of when the temporary difference is likely to

Particulars	Indian GAAP	US GAAP	IFRS
	future taxable income will be available against which such deferred tax assets can be realized. Other deferred tax assets are recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.	A valuation allowance is made against deferred taxes if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.	reverse. Deferred tax assets must be recognised when it is probable that sufficient taxable profits/ reversible differences will be available against which the deferred tax assets can be utilised.
Proposed dividend	Proposed dividends are recognised in the financial statements in the period to which they relate, even if they are subject to shareholders' approval.	Proposed Dividends are disclosed in Notes to Accounts.	Proposed Dividends are disclosed in Notes to Accounts.
Employee Benefits/Retirement Benefit	The long term employee benefits are accounted for on actuarial valuation basis. Actuarial gains/ losses are fully recognized in the year they accrue.	The long term employee benefits are accounted for on actuarial valuation basis. Actuarial gains/ losses are subject to corridor approach and actuarial gains/ losses beyond the corridor are recognised over the average working life of the employees.	The long term employee benefits are accounted for on actuarial valuation basis. Actuarial gains/ losses are subject to corridor approach and actuarial gains/ losses beyond the corridor are recognised over the average working life of the employees. However, Immediate recognition of actuarial gains and losses is permitted through other comprehensive Income.
Depreciation	Depreciation is generally charged at rates prescribed by the Companies Act. These rates are the minimum rates, and companies are permitted to charge depreciation at higher rates, in order to write off the cost of assets over their useful lives, if shorter.	Depreciation is provided in a systematic and rational manner over the estimated useful economic life of the assets.	The depreciable amount of an item of property, plant and equipment are allocated on a systematic basis over its useful life.
Off-balance sheet items	Contingencies are possible obligations whose outcome will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the entity's control. It can also be a present obligation that is not recognized because it is not probable that there will be an outflow of economic benefits or the amount of the outflow cannot be reliably measured. Contingent	Securities Exchange Commission registrants are required to provide extensive disclosures of material off-balance sheet items, contingent liabilities and financial guarantees. Commitments and contingencies are required to be disclosed.	Contingencies are possible obligations whose outcome will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the entity's control. It can also be a present obligation that is not recognized because it is not probable that there will be an outflow of economic benefits or the amount of the outflow cannot be reliably measured. Contingent liabilities are disclosed unless the probability of

Particulars	Indian GAAP	US GAAP	IFRS
	liabilities are disclosed unless the probability of outflows is remote. Determination of liability mainly driven by Law.		outflows is remote. Determination of liability mainly driven by Constructive Obligation.
Fair values of financial instruments	Financial Assets and Liabilities are recognised and carried at Cost. There is a requirement of disclosure of Fair value, in few cases.	Financial Assets and liabilities are recognised at fair value and carried at fair value or at Amortised Cost, depending upon the category of Financial Assets and Liabilities.	Financial Assets and liabilities are recognised at fair value and carried at fair value or at Amortised Cost, depending upon the category of Financial Assets and Liabilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis of our Company's financial condition and results of operations together with the consolidated and unconsolidated financial statements included in this Red Herring Prospectus, along with the section titled "**Selected Statistical Information**," on page 133, which presents important statistical information about our business. You should also read the section titled "**Risk Factors**" on page xii, which discusses a number of factors and contingencies that could impact our financial condition and results of operations. The following discussion relates to our Company, and, unless otherwise stated, is based on our unconsolidated restated financial statements, which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Regulations and do not include the consolidated financial position or results of operation of our Subsidiaries for any period presented herein. We principally conduct our operations through our Company. Consequently, we do not believe the results of operation or financial position of our Subsidiaries on a consolidated basis has had a material impact on the unconsolidated financial position or results of operation of our Company for any period presented herein. Our consolidated restated financial statements, which have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Regulations, for the six months ended September 30, 2009, Fiscal 2008 and Fiscal 2009 are included in this Red Herring Prospectus. The following discussion is also based on internally prepared statistical information and other sources.*

Our Company's fiscal year ends on March 31 of each year so all references to a particular fiscal year are to the twelve months ended March 31 of that year.

For purposes of the discussion and analysis of the six months ended September 30, 2009, certain financial items have been analyzed against 50% of the corresponding item for Fiscal 2009. We believe that this analysis reflects the upward or downward trends in our business, as we do not believe our business is seasonal in nature except where otherwise noted.

OVERVIEW

We are a public financial institution in the Indian power infrastructure sector. We are engaged in the financing and promotion of transmission, distribution and generation projects throughout India. We believe our organization occupies a key position in the GoI's plans for the growth of the Indian power sector.

We assist our clients in formulating and implementing a broad array of power projects and finance those projects. Our clients primarily include Indian public sector power utilities at the central and state levels and private sector power utilities. We service our clients through a network of 18 project offices spread across India and one national level training centre at Hyderabad. Our project offices play an integral role in the development of our relationships with our clients, the operation and promotion of our business and in our loan appraisal, loan sanction and post-sanction monitoring processes. Our primary financial product is project-based long-term loans. We fund our business with market borrowings of various maturities, including bonds and term loans. Because our sources enable us to raise funds at competitive costs, we are able to price our financial products competitively.

We commenced our operations in 1969 for the purpose of developing the power infrastructure in rural areas. We have contributed to the development of rural India and India's agriculture through our funding of transmission and distribution projects in rural areas. Our mandate has evolved in accordance with the development priorities of the GoI and, since Fiscal 2003, permits us to finance all segments of the power sector including generation throughout the country. For Fiscal 2009, more than half of our loan sanctions related to generation projects and generation-related loan assets currently comprise more than a third of our total loan assets. In September 2009, our mandate was further extended to include financing other activities with linkages to power projects, such as coal and other mining activities, fuel supply arrangements for the power sector and other power-related infrastructure.

As of September 30, 2009, we are one of only 18 India public sector undertakings to be granted "Navratna" status by the Department of Public Enterprise by virtue of our operational efficiency and financial strength. The GoI has rated our performance as "Excellent" continuously since Fiscal 1994. We have also been ranked among the top ten public sector undertakings in India by the Ministry of Heavy Industries and Public Enterprises for Fiscal 2000, Fiscal 2001, Fiscal 2002 , Fiscal 2004 and Fiscal 2005.

Domestically, we hold the highest long-term borrowing domestic credit rating from each of CRISIL Limited, ICRA Limited, Fitch and CARE Limited. On an international basis, we hold long-term borrowing ratings from Fitch and Moody's that are on par with sovereign ratings for India.

The President of India, acting through nominees from the MoP, currently holds 81.82% of the issued and paid up equity capital of our Company. After the Issue, the GoI's shareholding will be 66.80% of the diluted post issue paid up equity capital of our Company. The GoI, acting through the MoP, oversees our operations and has power to appoint Directors to our Board.

We have experienced growing demand for our financial products, and therefore have demonstrated consistent growth in our business.

- Our loan sanctions and loan disbursements have grown at a CAGR of 25.71% and 23.23%, respectively, between Fiscal 2005 and Fiscal 2009.
- For Fiscal 2009, we sanctioned Rs. 407,459 million of loans, including Rs. 217,083 million relating to generation projects, Rs. 169,376 million relating to transmission and distribution projects and Rs. 21,000 million under short-term loans. For the six months ended September 30, 2009, we sanctioned Rs. 315,003 million of loans, including Rs. 191,025 million of loans relating to generation projects, Rs. 101,578 million of loans relating to transmission and distribution projects and Rs. 22,400 million under short-term loans.
- For Fiscal 2009, we disbursed Rs. 171,573 million of loans, including Rs. 78,506 million relating to generation projects, Rs. 72,667 million relating to transmission and distribution projects and Rs. 20,400 million under short-term loans. For the six months ended September 30, 2009, our loan disbursements amounted to Rs. 91,224 million, including Rs. 40,217 million relating to generation projects, Rs. 35,207 million relating to transmission and distribution projects and Rs. 15,800 million under short-term loans.
- Our Company's loan assets have grown at a CAGR of 24.07% from Rs. 216,844 million in Fiscal 2005 to Rs. 513,814 million in Fiscal 2009 as per its unconsolidated restated financial statements. As of September 30, 2009, our Company's loan assets were Rs. 586,653 million.
- Our Company's profit after tax as per its unconsolidated restated financial statements for Fiscal 2005, 2006, 2007, 2008, 2009 and for the six months ended September 30, 2009 was Rs. 7,788 million, Rs. 6,471 million, Rs. 7,969 million, Rs. 9,584 million, Rs. 13,847 million and Rs. 9,281 million, respectively. Our Company's profit after tax as per its consolidated restated financial statements for Fiscal 2008, 2009 and for the six months ended September 30, 2009 was Rs. 9,587 million, Rs. 13,865 million and Rs. 9,289 million, respectively.
- As on September 30, 2009, our Company had total assets of Rs. 635,612 million and a net worth of Rs. 77,279 million as per its unconsolidated restated financial statement. As on September 30, 2009, our Company had total assets of Rs. 635,703 million and a net worth of Rs. 77,306 million as per its consolidated restated financial statement.

FACTORS AFFECTING OUR COMPANY'S FINANCIAL RESULTS

Our Company's financial results are dependent on the performance of the Indian economy and the power sector generally and the projects our Company finances in particular. Power sector projects are subject to various risks and uncertainties, including those discussed in the section titled "***Risk Factors***" on page xii.

Economic growth and its impact on the power sector

Our Company's financial results are significantly affected by general economic conditions prevailing in India and in particular by developments in the power sector, including increases in the demand for power and expectations for power-related projects.

Our Company's recent growth has been driven by the increased investment in the power sector in India combined with the growth in the Indian economy over the last several years. For the period from Fiscal 2006 through Fiscal 2009, as per its unconsolidated restated financial statements our Company's average interest earning assets have grown from Rs. 227,922 million to Rs. 445,689 million, representing a CAGR of 25.05%. For the six months ended September 30, 2009, our Company's average interest earning assets stood at Rs. 542,397 million. Our Company's interest income has grown from Rs. 20,584 million in 2006 to Rs. 47,549 million for Fiscal 2009 as per its unconsolidated restated financial statement, representing a CAGR of 32.19%. Over this period, the aggregate change in interest income due to an increased volume of lending has been Rs. 10,321 million as per our Company's unconsolidated restated financial statements.

We believe that the power sector will continue to be one of the prime driving forces of the Indian economy and that the continued growth of the Indian economy will be met by increased investment in the power sector, both public and private. The Eleventh Plan, which came into effect for Fiscal 2007, contemplates substantially increasing India's power capacity by Fiscal 2012; and it was then estimated that the implementation of the GoI's power sector plans would require overall funds of Rs. 10,316,000 million for investment in transmission, distribution and generation. The estimates for the Twelfth Plan contemplate overall funds of Rs. 11,351,000 million for investment in transmission, distribution and generation. We believe our Company's business has been, and will continue to be, a prime beneficiary from the increased growth of, and investment into, the Indian power sector.

Policies and support of the GoI

Our Company is GoI-owned, operating in a regulated industry. Our Company's business and its industry are dependent, directly and indirectly, on the policies and support of the GoI in many significant ways, including with respect to the cost of its capital, the financial strength of its borrowers, the management and growth of its business and its industry and overall profitability. Any change in the policies and support that the GoI gives to our Company could impact its results of operation and financial condition.

For example, our Company has historically been able to reduce its cost of capital and reliance on commercial borrowings because of various forms of assistance received from GoI. However, a number of changes have reduced our Company's ability to access these types of lower cost fund. In particular, the GoI has not provided us any direct funding since 2001. Similarly, the GoI has not allowed us to issue SLR bonds since Fiscal 1999, tax-free bonds since Fiscal 2002 and infrastructure bonds since Fiscal 2006. In addition, in Fiscal 2007 the GoI placed a limitation on the extent of the tax benefits of our 54EC long term tax exemption bonds that are available to any given investor that has limited the investor demand for these bonds. Consequently, we are increasingly reliant on funding from the debt capital markets and commercial borrowings. For Fiscal 2006, taxable bonds and commercial term loans constituted 62.54% of our new borrowings. For the six months ended September 30, 2009, taxable bonds and commercial term loans constituted 79.99% of our new borrowings. As a result of these and other factors, our cost of funds has risen from 6.25% for Fiscal 2006 to 7.52% for the six months ended September 30, 2009. While we generally have been able to pass the increased cost of funds onto our customers over this period, we may not continue to be able to do so.

Our Company also benefits from direct tax benefits provided by the GoI. For a discussion of the tax benefits our Company receives from the GoI, see the section titled "***Statement of Tax Benefits***" on page 40.

The GoI may also implement policies that impact or are inconsistent with our Company's business objectives. We commenced our operations in 1969 for the purpose of developing the power infrastructure in rural areas. However, our mandate has evolved in accordance with the development priorities of the GoI and, since Fiscal 2003, permits us to finance all segments of the power sector throughout the country, including generation. As a consequence, our generation-related loan assets have grown from Rs. 30,914 million as on March 31, 2006, which constituted 12.59% of our outstanding loans, to Rs. 218,692 million as on September 30, 2009, which constituted 37.77% of our outstanding loans. Although our Company intends to continue to diversify its asset portfolio and continue to increase generation-related lending activity, our Company's lending capacity is not unlimited and the GoI could seek to refocus our Company's lending capacity on transmission and distribution projects or rural areas. Additionally, in September 2009, our mandate was further extended to include financing other activities with linkages to power projects, such as coal and other mining activities, fuel supply arrangements for the power sector and other power-related infrastructure.

Availability of cost effective funding sources and impact of interest rate volatility and competition

There is heavy competition among Indian public and private sector banks, foreign banks operating in India and financial institutions to lend to the power sector. These competitive pressures affect the Indian financial sector and our Company's growth will depend in large part on our Company's ability to respond in an effective and timely manner to competitive pressures.

Our Company's ability to compete effectively is dependent on its ability to maintain a low effective cost of funds. Our Company's borrowing costs have been competitive in the past due to direct and indirect benefits, including financing, our Company received from the GoI and as result of our Company's strong credit ratings, which may also be dependent on our Company's relationship with the GoI. If our Company is unable to access funds at an effective cost that is comparable to or lower than our Company's competitors, whether due to a change in GoI policy or a reduction in our Company's credit rating or due to other factors, our Company may not be able to offer competitive interest rates to our Company's borrowers.

For the six months ended September 30, 2009 and for Fiscal 2009, Fiscal 2008, Fiscal 2007 and Fiscal 2006, our Company's cost of funds has been 7.62%, 9.30%, 7.65%, 6.40% and 6.78% respectively. For Fiscal 2006 through Fiscal 2007, India's interest rate environment was generally increasing. However, in Fiscal 2008, India experienced a softened interest rate environment until it began to experience the effects of the subprime credit crisis and a resultant loss of liquidity in lending markets. Beginning August 2008, India saw increasing spreads and effective lending rate. Through March 2009, rates and spreads remained high notwithstanding the decrease in prime lending rates. Since March 2009, the interest rate environment has begun to normalize due to the fiscal stimulus announced by the GoI.

Our Company will be impacted by volatility in interest rates in our Company's operations. Interest rates are highly sensitive to many factors beyond our Company's control, including the monetary policies of the RBI, deregulation of the financial sector in India, domestic and international economic and political conditions and other factors. Due to these factors, interest rates in India have historically experienced and may continue to experience a relatively high degree of volatility.

A considerable portion of our Company's loan assets typically permit the borrowers to seek repricing. When interest rates decline, our Company's borrowers may increasingly seek re-pricing of our Company's loans to them based on the terms of their loan agreements with our Company or due to commercial considerations resulting from competitive conditions. Additionally, if our Company is unable or unwilling to competitively re-price our Company's loans, our Company will be subject to greater levels of pre-payments on our Company's loans.

When interest rates rise, our Company may be more susceptible to such increases than its competitors that have access to lower cost funds, particularly if our Company has a higher portion of floating rate borrowings or borrowings with shorter durations than that of our Company's competitors. If our Company's cost of borrowing is more susceptible to increases of interest rates than our Company's competitors, our Company may not be able to competitively price its loans.

For a discussion of the impact of interest rate changes on our Company's business, see the sections titled "Selected Statistical Information" on page 133 and "Management's Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations" on page 155.

Limited number and types of borrowers

Our Company is a power sector-specific public financial institution. This sector has a limited number of borrowers and our Company's past exposure has been, and future exposure is anticipated to be, large with respect to these borrowers. In addition, many of these borrowers are public sector utilities that are loss making and therefore may not have liquidity to repay their borrowings.

As on September 30, 2009, the individual borrower to whom our Company had the greatest amount of outstanding loans accounted for 7.57% of our total outstanding loans and the borrower group to which we had the greatest amount of outstanding loans in the aggregate accounted for 12.66% of its total outstanding loans. As on September 30, 2009, the ten individual borrowers to whom our Company had the greatest amount of outstanding loans in the aggregate accounted for 44.97% of its total outstanding loans and the ten borrower groups to which our Company had the greatest amount of outstanding loans in the aggregate accounted for 77.89% of its total outstanding loans. In addition to our Company's exposure to borrowers resulting from its outstanding loans, our Company may also have exposures to borrowers, including the ten individual borrowers and borrower groups referred to above, in the form of unfunded loan sanctions.

In particular, our Company has significant exposure to, and derive most of its income from various SEBs and SPUs. As on September 30, 2009 our Company had aggregate loans outstanding to state sector borrowers of Rs. 485,547 million, which constituted 84% of our Company's total loans outstanding. Historically, state sector utilities have had relatively weak financial position and have in the past defaulted on their indebtedness. Consequently, our Company has had to restructure loans sanctioned to certain SEBs, which resulted in our Company having to reschedule its loans and waive part of its interest dues on account of such restructuring. There can be no assurances that the applicable SEBs and SPUs will be able to perform under the terms of the rescheduled loans.

Any negative trends or financial difficulties, particularly among the borrowers and borrower groups to whom our Company has the greatest exposure, including SEBs and SPUs, could increase the level of NPAs in our Company's portfolio and make it unable to service its outstanding indebtedness, which would adversely affect its business and financial performance. For the foreseeable future, our Company expects to continue to have a significant concentration of loans to certain borrowers, including SEBs and SPUs.

Furthermore, as our Company continues to increase its exposure to generation projects, its individual loan size will likely increase in size, thereby increasing its exposure with respect to individual projects.

Tax benefits and incentives

Our Company has received and currently receives tax benefits by virtue of our Company's status as a lending institution, including as a result of our Company's lending within the infrastructure sector, which have enabled our Company to reduce its effective tax rate. For Fiscal 2006, Fiscal 2007, Fiscal 2008 and Fiscal 2009 our Company's effective tax liability as a percentage (computed by dividing current tax liability by profit before tax, as per our Company's unconsolidated restated financial statements) was 20.59%, 21.17%, 28.42% and 26.44% respectively, compared to statutory corporate tax rates (including surcharge and cess) of 33.66%, 33.66%, 33.99% and 33.99% in Fiscal 2006, Fiscal 2007, Fiscal 2008 and Fiscal 2009 respectively. The availability of these tax benefits is subject to the policies of the GoI, among other things, and there can be no assurances as to the amount of tax benefits that our Company will receive in the future, if any.

Exemption under Section 10(23G). Section 10(23G) of the Income Tax Act provides an exemption from tax on any income earned by infrastructure capital funds and companies by way of interest, long-term capital gains and dividends from investment made by way of providing long-term finance to an enterprise approved by the central government which is set up in any part of India for the generation or generation and distribution of power (provided the undertaking began to generate power at any time between April 1, 1993 and March 31, 2010 and started transmission or distribution of electricity by laying a network of new transmission or distribution lines at any time between April 1, 1999 and March 31, 2010). This section of the Income Tax Act has been withdrawn in the Finance Act, 2006. This impacted our Company's results for Fiscal 2007, Fiscal 2008 and 2009 and will continue to impact our Company's results as our Company's effective tax rate has increased by approximately 0.38%, 0.36% and 0.25% for Fiscal 2007, Fiscal 2008 and Fiscal 2009, respectively, as a result of the withdrawal of this section. However, the actual increase in the effective tax rate may be different based on actual deductions available.

Other exemptions available to our Company concerning provisions and reserves. Section 36(1)(viia)(c) of the Income Tax Act allows our Company to make a provision of 5% of our Company's income computed before making deduction under this clause and chapter VIA of the Income Tax Act as provision for bad and doubtful debts.

Section 36(1)(viii) of the Income Tax Act has allowed our Company deduction in respect of special reserve created and maintained of an amount not exceeding 40% of profits derived from the business of providing long-term finance. However, for periods subsequent to Fiscal 2007, the amount has been reduced to 20%. This has had an impact on our Company's results for Fiscal 2008 and Fiscal 2009 and will continue to impact our Company's results as its effective tax rate has increased by approximately 5.84% and 5.62%, respectively as a result of the reduction. However, the actual increase in the effective tax rate may be different based on actual deductions available.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those that are important both to the portrayal of our Company's financial condition and results of operations and that also require management's most subjective and complex judgments. In order to provide an understanding about how management forms its judgment about the most appropriate accounting policy to be followed for complex transactions and future events, our Company identifies the following critical accounting policies:

Accounting convention

Our Company's financial statements are prepared under the historical cost convention on accrual basis and in accordance with generally accepted accounting principles and applicable accounting standards in India. The financial statements adhere to the relevant presentational requirement of the Companies Act, 1956.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure thereof at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The difference between the actual results and estimates are recognized in the period in which results materialize.

Income recognition on non-performing assets

Income on non-performing loan assets for which interest or principal has become overdue for two quarters or more is recognized as and when received and appropriated. Any such income recognized before the asset becomes non-performing and remaining unrealized is reversed. Unless otherwise agreed, the recoveries from the borrowers are appropriated in the order of: (i) costs and expenses of our Company; (ii) penal interest including interest tax, if any, (iii) overdue interest including interest tax, if any, and (iv) repayment of principal, the oldest being adjusted first.

In respect of loans whose terms are restructured, renegotiated or rescheduled, income is recognized on an accrual basis when it is reasonably expected that there is no uncertainty of receipt of dues from the borrowers and a legally binding memorandum of agreement has been executed and there has been satisfactory performance under the renegotiated or rescheduled or restructured terms till a period of at least one year from the effective date of the corresponding memorandum of understanding.

Classification of Assets

Standard Assets

A standard asset is defined as an asset that is not an NPA, in respect of which no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business, or a deemed standard asset which is defined as a facility provided to a state utility against a state government undertaking for deduction from the central plan allocation for making payment to our Company against its unpaid dues.

Non-performing Assets

A non-performing asset, or NPA, is defined as an asset that is a substandard asset, a doubtful asset or a loss asset.

Substandard Assets. A substandard asset is defined as:

- a non-performing asset for a period not exceeding 18 months; or
- an asset where the terms of the agreement regarding interest and/or principal have been renegotiated or rescheduled or restructured, until the expiry of one year of satisfactory performance under the renegotiated or rescheduled or restructured terms.

The rescheduling or restructuring or renegotiation of a standard infrastructure loan asset shall not cause it be reclassified if the revised project is found to be viable by the competent authority.

Doubtful Assets. A doubtful asset is defined as an asset which remains a substandard asset for a period not exceeding 18 months.

Loss Assets. A loss asset is defined as:

- an asset which has been identified as a loss asset by our Company to the extent it is not written off by our Company or the asset remains doubtful for a period exceeding 5 years, whichever is earlier; or
- an asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security or due to any fraudulent act or omission on the part of the borrower.

Loans and advances and any other form of credit are classified as standard assets, sub-standard assets, doubtful assets and loss assets.

An asset which has been renegotiated or rescheduled or restructured shall be a substandard asset or continue to remain in the same category in which it was prior to its renegotiation or reschedulement or restructuring, as a doubtful asset or a loss asset as the case may be.

For purposes of application of prudential norms and provisioning norms, facilities grated to state or central sector entities are considered loan wise, and facilities granted to other entities are considered borrower wise.

Provisioning against loans

The provisioning requirement in respect of loans, advances and other credit facilities including bills purchased and discounted is as follows.

Loss Assets

For loss assets, the entire asset is written off; in the event the asset is permitted to remain on the books for any reason, provision is made for 100% of the outstanding asset.

Doubtful Assets

(a) 100% provision to the extent to which the advance is not covered by the realizable value of the security to which our Company has a valid recourse shall be made. The realizable value is to be estimated on a realistic basis; Loans covered by GoI/state government guarantee or state government undertaking for deduction from the Central Plan Allocation or loans to any state government shall be treated as secured;

(b) In addition to item (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e. estimated realizable value of the outstanding) shall be made on the following basis :

Up to one year	20%
One year up to 3 years	30%
More than 3 years	50%

Sub-standard assets. A provision of 10% shall be made.

Investments

Long-term investments are carried at cost less provisions, if any, for diminutions in the value of such investment. Current investments are carried at the lesser of cost or fair value.

Treatment of grants received from the GoI

Undisbursed funds of grant received by our Company are classified as current liabilities. Interest earned on such funds is either credited to the grant account if required by the terms of the grant or to "other income."

Provisions, contingent liabilities and contingent assets

A provision is recognized when our Company has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount of the obligation can be made. Provisions are determined based on management's estimate of the amount required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect then current management estimates.

Prior period and prepaid adjustments. Interest income/ expenditure for the earlier years ascertained and determined during the year is accounted for in the year in which it is so ascertained/ determined. Other items not exceeding Rs. 500,000 in each case are accounted for under natural heads of account. For purposes of the restated financial statements included in this Red Herring Prospectus such prepaid and prior period items have been adjusted in respective years.

Employee benefits. Our Company's liability for employee benefits in respect of gratuity is ascertained on actuarial valuation is provided and funded separately. Short term employee benefits are recognized as an expense at the undiscounted amount in the profit and loss account of the year in which the related services are rendered. Post employment and other long-term employee benefits are recognized as an expense in the profit and loss account for the year in which the employee has rendered services. The expense is recognized at the present value of the amounts payable determined based on actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long-term benefits are charged to the profit and loss account.

Transaction in foreign currency. Foreign currency transactions are initially recorded at the exchange rate prevailing on the date of transaction. Foreign currency loans/ liabilities are translated/ converted with reference to the rates of exchange ruling at year-end and the resultant exchange fluctuation is charged to Profit and Loss account.

For further details about our Company's accounting policies and changes in our Company's accounting policies during Fiscal 2005 through the September 30, 2009, see Annexures IV, V and VI to the Financial Statements in the section titled "***Financial Statements***" on page F-1.

PERFORMANCE INDICATORS

Our Company uses a variety of tools to measure its performance from year on year. These indicators are presented in tabular form in the section titled "***Selected Statistical Information***" on page 133. These measures are broadly grouped as (i) net interest margin analysis, (ii) financial ratios, (iii) returns on equity and assets, (iv) employee productivity, (v) growth statistics, (vi) concentration of outstanding loans, (vii) NPAs, reschedulements and provisions, and (viii) resources.

Under net interest margin analysis our Company tries to measure the efficiency of our Company's borrowing and lending operations using tools such as

- Net interest income, which represents our Company's total interest income net of total interest expense and other charges (including resource mobilization expenses);
- Net interest margin, which is the ratio of net interest income to average interest earning assets yield on average earning assets;
- Yield, which is the ratio of interest income to the yearly average of interest earning assets;
- Cost of funds, which is the ratio of interest expense and other charges (including resource mobilization expenses) to the yearly average of interest bearing liabilities;
- Spread, which is the difference between yield and cost of funds; and
- Net interest margin, which is the ratio of net interest income to average interest earning assets.

For additional details on the calculation of certain performance indicators included in the discussion that follows, including the definitions thereof, see the section titled "***Selected Statistical Information***" on page 133.

RESULTS OF OPERATIONS

Income

Our Company's income consists of income from operations and other income, which has been grouped into the following components for purposes of the discussion that follows:

- Income from operations, which includes interest from loans to power sector projects, income on re-schedulement of loans, processing fees, management consultancy fees, service and commitment charges related to loans;
- Other income, which includes interest on deposits, interest on government securities, interest on staff advances and miscellaneous income; and
- Profit from sale of assets, which has not been material for any period discussed below.

Expenditure

The largest component of our Company's expenditure is interest expense and other charges related to our Company's borrowings. Other charges include commitment and agency fees and related bank charges.

Our Company's expenditure has been grouped into the following components for purposes of the discussion that follows:

- Interest expense and other charges related, including resource mobilization expenses. Other charges include commitment and agency fees and related bank charges. Resource mobilization expenses include listing fees, trusteeship fees, agency fees, upfront fees and issuance expenses associated with our Company's procurement of loans and issuance of bonds;
- Establishment expenses, which include staff costs comprising salaries, contributions to provident, gratuity and superannuation funds and other staff welfare expenses;
- Administrative expenses, which include rent, rates and taxes, electricity, repairs and maintenance, insurance, travel expenses, printing and stationery, communications, advertising and publicity, audit and other professional fees, directors' fees and miscellaneous expenses;
- Loss on sale of assets;
- Provisions for bad and doubtful debts, which include provisions for doubtful loans and debts and provisions against standard assets;
- Depreciation; and
- Provisions for decline in the value of investments.

Our Company's extraordinary items include interest swapping premium and exchange loss or gains, which are adjusted net of tax.

Summary Results of Operations

The following is a summary of our Company's results of operations derived from our Company's unconsolidated restated financial statements included in this Red Herring Prospectus under the section titled "***Financial Statements***" on page F-1.

(Rs. million)

	Fiscal				**For the six months ended September 30, 2009**
	2006	**2007**	**2008**	**2009**	
Income					
Income from operations	20,584	26,517	33,805	47,549	30,445
Other Income (1)	1,737	1,892	1,592	1,627	873
	22,321	**28,409**	**35,397**	**49,176**	**31,319**

	Fiscal 2006	2007	2008	2009	For the six months ended September 30, 2009
Expenditure					
Interest and other charges	13,403	17,155	20,541	28,873	18,041
Establishment expenses	354	499	923	872	533
Administrative expenses	120	149	179	227	106
Loss on sale of assets	0.03	-	0.12	-	-
Resource mobilization expenses	166	221	91	98	105
Provision for bad and doubtful debts	-	210	400	24	2
Depreciation	11	11	14	14	7
Provision for decline in value of investments	2	-	-	10	-
Total Expenditure	**14,057**	**18,245**	**22,147**	**30,118**	**18,795**
Profit before tax and extra-ordinary items	8,264	10,164	13,250	19,058	12,524
Provision for taxation, deferred tax liability and fringe benefit tax	1,894	2,181	3,597	5,295	3,241
Profit after tax and before extra-ordinary items (A)	6,370	7,983	9,653	13,763	9,283
Extra-ordinary items (Net of Taxes) (B)	101	(14)	(69)	84	(2)
Profit after tax available for appropriations (A) + (B)	**6,471**	**7,969**	**9,584**	**13,847**	**9,281**

(1) Includes profit on sale of assets.

Six months ended September 30, 2009 compared to Fiscal 2009

Total Income

Our Company's total income for the six months ended September 30, 2009 was Rs. 31,319 million or 63.69% of its total income for Fiscal 2009. The increase consisted primarily of an increase in income from operations resulting from higher interest rates on our Company's loan assets as well as increased lending.

Income from Operations

Our Company's income from operations for the six months ended September 30, 2009 was Rs. 30,445 million or 64.03% of its income from operations for Fiscal 2009. The increase in our Company's income primarily resulted from increased interest income resulting from higher interest rates on our Company's loan assets as well as increased lending in both the transmission and distribution sector and the generation sector.

Yields on our Company's average interest earning assets were 11.23% in the six months ended September 30, 2009, as compared to 10.67% for Fiscal 2009. The increase resulted primarily from our ability to price our products at a higher rate of interest to offset an increase in our cost of funds.

Our Company's loan disbursements for the six months ended September 30, 2009 were Rs. 91,224 million, or 53.17% of its loan disbursements for Fiscal 2009. Total loan disbursements in the six months ended September 30, 2009 included loan disbursements relating to generation projects of Rs. 40,217 million, or 51.23% of our generation-related loan disbursements for Fiscal 2009, loan disbursements relating to transmission and distribution projects of Rs. 35,207 million, or 48.45% of our Company's transmission and distribution-related loan disbursements for Fiscal 2009 and other loan disbursements of Rs. 15,800 million, or 77.45% of its other loan disbursements for Fiscal 2009.

Our Company's average interest earning assets increased by 21.70% to Rs. 542,397 million for the six months ended September 30, 2009 from Rs. 445,689 million, for Fiscal 2009.

Other Income

Our Company's other income for the six months ended September 30, 2009 was Rs. 874 million, or 53.72% of its other income for Fiscal 2009. Other income for the six months ended September 30, 2009 included write-backs of excess provisions of Rs. 297 million (2009: nil), interest on government securities of Rs 453 million, or 52% of interest on government securities for Fiscal 2009 and interest on deposits of Rs. 97 million, or 26% of interest on deposits for Fiscal 2009.

Total Expenditure

Our Company's total expenditure for the six months ended September 30, 2009 was Rs. 18,795 million, or 62.40% of its total expenditure for Fiscal 2009. The increased expenditure resulted primarily from increased interest expense derived from higher interest rates on our Company's borrowings as well as additional borrowings to fund the growth of our Company's lending. As a percentage of total income, our Company's expenditure decreased to 60.01% in the six months ended September 30, 2009 as compared to 61.25% in Fiscal 2009.

Interest and Other Charges (including Resource Mobilization Expenses)

The primary component of our Company's expenditure in the six months ended September 30, 2009 was interest and other charges (including resource mobilization expenses) related to our Company's borrowings of Rs. 18,146 million, or 62.64% of its interest and other charges (including resource mobilization expenses) for Fiscal 2009.

Our Company's overall cost of funds was 7.52% in the six months ended September 30, 2009, as compared to 7.31% for Fiscal 2009, primarily as a result of its use of taxable bonds and other forms of higher rate borrowings to repay redemptions on its 54EC long term tax exemption bonds and a higher interest rate environment in India. During Fiscal 2007, 77.89% of our Company's new borrowings consisted of 54EC long term tax exemption bonds, and these bonds generally became redeemable in Fiscal 2010. Effective for Fiscal 2008, the GoI placed a ceiling of Rs. 5 million on the amount of 54EC long term tax exemption bonds that could be used by an investors to offset capital gains. Consequently, our Company was no longer able to issue 54EC long term tax exemption bonds to the same extent it was able to in Fiscal 2007 and replaced borrowings in the form of 54EC long term tax exemption bonds with higher cost borrowings.

Our Company's average interest bearing liabilities increased by 21.86% to Rs. 482,692 million six months ended September 30, 2009 from Rs. 396,094 million for Fiscal 2009.

As a percentage of total income, interest and other charges (including resource mobilization expenses) decreased to 57.94% in the six months ended September 30, 2009 from 58.91% for Fiscal 2009.

Establishment Expenses

Our Company's establishment expenses, including staff costs, for the six months ended September 30, 2009 were Rs. 534 million, or 61.24% of establishment expenses, including staff costs, for Fiscal 2009. The increase was primarily due to upward pay revisions made during the first half of 2009.

Administrative Expenses

Our Company's administrative expenses for the six months ended September 30, 2009 were Rs. 106 million, or 46.70% of administrative expenses for Fiscal 2009. The decrease was primarily due to the absence in the six months ended September 30, 2009 of a donation to the Prime Minister's Natural Calamity Relief Fund during Fiscal 2009, which was partially offset by expenses associated with our Company's increased business activity.

Provisions for Bad and Doubtful Debts

In the six months ended September 30, 2009, our Company made net provisions for bad and doubtful debts of Rs. 2 million.

Depreciation

Depreciation on our Company's fixed assets was Rs. 7 million for the six months ended September 30, 2009.

Provision for Decline in Value of Investment

In the six months ended September 30, 2009, our Company made provisions for decline in value of investments of nil, as compared to Rs. 10.53 million in Fiscal 2009, which related to our Company's investment in units of the "*Small is Beautiful*" Fund. The provision made for decline in the value of this investment reflects the decrease in the published net asset value of the fund in accordance with AS-13. Consequently, neither an expert valuation or estimates were required in making such provisions. As on September 30, 2009 the net asset value of the fund was Rs. 9.69 per unit and our Company's book value for its investment in the fund was Rs. 121 million.

Profit before Tax and Extra-ordinary Items

Our Company's profit before tax and extra-ordinary items for six months ended September 30, 2009 was Rs. 12,524 million, or 65.72% of its profit before tax and extra-ordinary items for Fiscal 2009.

Our Company's net interest margin was 4.54% for the six months ended September 30, 2009, as compared to 4.17% for Fiscal 2009.

As a percentage of total income, our Company's profit before tax and extra-ordinary items was 39.99% in the six months ended September 30, 2009, as compared to 38.75% for Fiscal 2009.

Provision for Taxation, Deferred Tax Liability and Fringe Benefit Tax

Our Company's provisions created for current year taxation were Rs. 3,227 million for the six months ended September 30, 2009, or 64.04% of provisions created for current year taxation for Fiscal 2009, which primarily reflects proportionally higher profits. Our Company's effective tax rate for the six months ended September 30, 2009 was 25.77% as compared to 26.44% for Fiscal 2009. Our Company's provision created for deferred tax liability for the six months ended September 30, 2009 was Rs. 14 million, or 5.83% of provisions created for deferred tax liability for Fiscal 2009. The lower provision for deferred tax liability in the six months ended September 30, 2009 was as a result of lesser amount of timing difference items.

Profit after Tax and before Extra-ordinary Items

Our Company's profit after tax and before extra-ordinary items for the six months ended September 30, 2008 was Rs. 9,283 million, or 67.45% of profit after tax and before extra-ordinary items for Fiscal 2009. Our Company's earnings per share for the six months ended September 30, 2009 based on profit after tax and before extra-ordinary items, was Rs. 10.81 per equity share in the six months ended September 30, 2009, or 67.43% of earnings per share for Fiscal 2009.

Extra-ordinary Items (net of taxes)

Our Company incurred foreign exchange losses (net of taxes) amounting to Rs. 2 million in the six months ended September 30, 2009. During in the six months ended September 30, 2009, our Company made foreign currency borrowings equivalent to Rs. 1,890 million (as on September 30, 2009). The foreign exchange gain/loss resulted from the translation of the borrowings as at end of the period to Rupees at the exchange rate prevailing on the balance sheet date.

Profit after Tax available for Appropriations

Our Company's profit after tax including extra-ordinary items (net of taxes) for the six months ended September 30, 2009 was Rs. 9,281 million, or 67.03% of profit after tax including extra-ordinary items (net of taxes) for Fiscal 2009. Our Company's earnings per equity share based on profit after tax and before extra-ordinary items, for the six months ended September 30, 2009 was Rs. 10.81 per equity share, or 67.02% of earnings per share for Fiscal 2009.

Fiscal 2009 compared to Fiscal 2008

Total Income

Our Company's total income increased by Rs. 13,779 million, or 38.93%, from Rs. 35,397 million in Fiscal 2008 to Rs. 49,176 million in Fiscal 2009, consisting primarily of an increase in income from operations resulting from higher interest rates.

Income from Operations

Our Company's income from operations increased by Rs. 13,744 million, or 40.66%, from Rs. 33,805 million in Fiscal 2008 to Rs. 47,549 million in Fiscal 2009. The increase in our Company's income primarily resulted from higher interest rates on our Company's loan assets and increased lending in the generation sector.

Our Company's change to interest income due to higher interest rates was Rs. 9,047 million for Fiscal 2009 as compared to Fiscal 2008. Yields on our Company's average interest earning assets increased from an average of 9.69% in Fiscal 2008 to 10.67% in Fiscal 2009. The increase resulted primarily from effects of a higher interest rate environment in India resulting from the sub-prime crisis.

Our Company's net change to interest income due to increased lending was Rs. 4,697 million for Fiscal 2009 as compared to Fiscal 2008. Our Company's loan disbursements increased by Rs. 42,044 million, or 32.46%, from Rs. 129,529 million in Fiscal 2008 to Rs. 171,573 million in Fiscal 2009. The increase in total loan disbursements in Fiscal 2009 included an increase in loan disbursements relating to generation projects of Rs. 35,425 million, or 82.23%, and a marginal increase in loan disbursements relating to transmission and distribution projects of Rs. 2,039 million or 2.89%. The relatively lower growth in transmission and distribution sanctions resulted, in part, from our focus on generation-related lending to achieve asset diversification and our borrowers' use of RGGVY sanctions to fund transmission and distribution projects rather than loans, including our loan products. Our Company's average interest earning assets increased by Rs. 96,921 million, or 27.79%, from Rs. 348,768 million in Fiscal 2008 to Rs. 445,689 million for Fiscal 2009.

Other Income

Our Company's other income increased by Rs. 34 million, or 2.13%, from Rs. 1,593 million in Fiscal 2008 to Rs. 1,627 million in Fiscal 2009, primarily as a result of a increase in write-backs of excess provisions and interest on government securities, partially offset by a decrease in interest on deposits.

Total Expenditure

Our Company's total expenditure increased by Rs. 7,971 million, or 35.99%, from Rs. 22,147 million in Fiscal 2008 to Rs. 30,118 million in Fiscal 2009. The increased expenditure resulted primarily from increased interest expense derived from higher interest rates on our Company's new and existing borrowings as well as additional borrowings to fund the growth of our Company's lending. As a percentage of our Company's total income, our Company's expenditure was 61.25% in Fiscal 2009 as compared to 62.57% in Fiscal 2008.

Interest and Other Charges (including Resource Mobilization Expenses)

The primary component of our Company's expenditure was interest and other charges (including resource mobilization expenses) related to our Company's borrowings, which increased by Rs. 8,339 million, or 40.42%, from Rs. 20,632 million in Fiscal 2008 to Rs. 28,971 million in Fiscal 2009.

The change to interest expense and other charges (including resource mobilization expenses) due to higher interest rates was Rs. 5,997 million for the Fiscal 2009 as compared to Fiscal 2008. Our Company's overall cost of funds increased from 6.39% in Fiscal 2008 to 7.31% in Fiscal 2009, primarily as a result effects in India of the sub-prime crisis and our use of taxable bonds and other forms of borrowing to repay redemptions on 54EC long term tax exemption bonds.

Our Company's change to interest expense and other charges (including resource mobilization expenses) due to increased borrowing was Rs. 2,342 million for Fiscal 2009 as compared to Fiscal 2008. Our

Company's average interest bearing liabilities increased 22.70% from Rs. 322,819 million in Fiscal 2008 to Rs. 396,094 million in Fiscal 2009.

As a percentage of total income, interest payments and other charges (including resource mobilization expenses) increased from 58.29% in Fiscal 2008 to 58.91% in Fiscal 2009.

Establishment Expenses

Our Company's establishment expenses, including staff costs, decreased by Rs. 51 million, or 5.53%, from Rs. 923 million in Fiscal 2008 to Rs. 872 million in Fiscal 2009. The decrease was primarily due to provision for pay commission implementation near to accurate made in Fiscal 2009 with effect from 01.01.2007 as compared to made on an estimated basis in Fiscal 2008 and certain provisions for staff benefits not required in Fiscal 2009.

Administrative Expenses

Our Company's administrative expenses increased by Rs. 48 million, or 26.82%, from Rs. 179 million in Fiscal 2008 to Rs. 227 million in Fiscal 2009. The increase was primarily due to donation for the Prime Minister's Natural Calamity Relief Fund.

Provisions for Bad and Doubtful Debts

In Fiscal 2009, our Company's provisions with respect to outstanding loan assets primarily relating to defaults by certain private sector borrowers decreased by Rs. 376 million, or 94% from Rs. 400 million in Fiscal 2008 to Rs. 24 million in Fiscal 2009 primarily due to realization of certain debts considered doubtful earlier.

Depreciation

Depreciation on our Company's fixed assets remained relatively stable at Rs. 14 million in Fiscal 2008 and Fiscal 2009.

Provision for Decline in Value of Investment

For Fiscal 2009, our Company made provisions for decline in value of investments of Rs. 10.53 million, which primarily related to our Company's investment in units of the "*Small is Beautiful*" Fund, as compared to nil in Fiscal 2008.

Profit before Tax and Extra-ordinary Items

Our Company's profit before tax and extra-ordinary items increased by Rs. 5,808 million, or 43.83%, from Rs. 13,250 million in Fiscal 2008 to Rs. 19,058 million in Fiscal 2009.

Our Company's net interest margin increased from 3.78% in Fiscal 2008 to 4.17% in Fiscal 2009. Our Company's change in net interest income was Rs. 5,405 million for Fiscal 2009 as compared to Fiscal 2008.

As a percentage of total income, our Company's profit before tax and extra-ordinary items increased from 37.43% in Fiscal 2008 to 38.75% in Fiscal 2009.

Provision for Taxation, Deferred Tax Liability and Fringe Benefit Tax

Our Company's provisions created for current year taxation were Rs. 5,039 million for Fiscal 2009 as compared to Rs. 3,765 million for Fiscal 2008, which primarily reflects higher profits. Our Company's effective tax rate for Fiscal 2009 was 26.44% as compared to 28.42% for Fiscal 2008.

Our Company's provisions created for deferred tax liability for Fiscal 2009 were Rs. 240 million as compared to write-back of excess provisions for deferred tax liability of Rs. 177 million for Fiscal 2008. The higher provision for deferred tax liability in Fiscal 2009 was created on account of higher amount of timing difference items for provision.

Our Company's provisions created for fringe benefit tax for Fiscal 2009 were Rs. 15 million as compared to Rs. 11 million for Fiscal 2008.

Profit after Tax and before Extra-ordinary Items

Our Company's profit after tax and before extra-ordinary items increased by Rs. 4,110 million, or 42.58%, from Rs. 9,653 million in Fiscal 2008 to Rs. 13,763 million in Fiscal 2009. Our Company's earnings per share based on profit after tax and before extraordinary items increased to Rs. 16.03 per equity share in Fiscal 2009 as compared to Rs. 12.28 per equity share in Fiscal 2008.

Extra-ordinary Items (net of taxes)

Our Company made foreign exchange gains of Rs. 85 million (net of taxes) in foreign exchange in Fiscal 2009 as compared to foreign exchange losses (net of taxes) of Rs. 69 million in Fiscal 2008. During Fiscal 2009, our Company made foreign currency borrowings equivalent to Rs. 4,566 million as on March 31, 2009. The foreign exchange gain/loss resulted from the translation of these borrowing to Rupees at the exchange rate prevailing on the balance sheet date.

Profit after Tax available for Appropriations

Our Company's profit after tax including extra-ordinary items (net of taxes) increased by 44.48% from Rs. 9,584 million in Fiscal 2008 to Rs. 13,847 million in Fiscal 2009. Our Company's earnings per equity share increased from Rs. 12.19 per equity share in Fiscal 2008 to Rs. 16.13 per equity share in Fiscal 2009.

Fiscal 2008 compared to Fiscal 2007

Total Income

Our Company's total income increased by Rs. 6,988 million, or 24.60%, from Rs. 28,409 million in Fiscal 2007 to Rs. 35,397 million in Fiscal 2008, consisting primarily of an increase in income from operations resulting from higher interest rates on our Company's loan assets as well as increased lending.

Income from Operations

Our Company's income from operations increased by Rs. 7,288 million, or 27.48%, from Rs. 26,517 million in Fiscal 2007 to Rs. 33,805 million in Fiscal 2008. The increase in our Company's income primarily resulted from increased interest income resulting from higher interest rates on our Company's loan assets as well as increased lending in both the transmission and distribution sector and the generation sector.

Our Company's change to interest income due to higher interest rates was Rs. 3,962 million for Fiscal 2008 as compared to Fiscal 2007. Yields on our Company's average interest earning assets increased from an average of 9.51% in Fiscal 2007 to 9.69% in Fiscal 2008.

Our Company's change to interest income due to increased lending was Rs. 3,326 million for Fiscal 2008 as compared to Fiscal 2007. Our Company's average interest earning assets increased by Rs. 69,951 million from Rs. 278,817 million in Fiscal 2007 to Rs. 348,768 million for Fiscal 2008. Our Company's loan disbursements increased by Rs. 22,200 million, or 20.68%, from Rs. 107,329 million in Fiscal 2007 to Rs. 129,529 million in Fiscal 2008. The increase in total loan disbursements in Fiscal 2008 included an increase in loan disbursements relating to transmission and distribution projects of Rs. 22,788 million, or 47.63%, and an increase in loan disbursements relating to generation projects of Rs. 171 million or 0.40%. Although our Company had undertaken to diversify its asset portfolio during 2008, due to the longer gestation period associated with generation projects, prior period generation-related loan sanctions had not fully materialised into generation-related loan disbursement during Fiscal 2008.

Other Income

Our Company's other income decreased by Rs. 299 million, or 15.80%, from Rs. 1,892 million in Fiscal 2007 to Rs. 1,593 million in Fiscal 2008, primarily as a result of a decrease in interest on deposits due to lower balances.

Total Expenditure

Our Company's total expenditure increased by Rs. 3,902 million, or 21.39%, from Rs. 18,245 million in Fiscal 2007 to Rs. 22,147 million in Fiscal 2008. The increased expenditure resulted primarily from increased interest expense derived from higher interest rates on our Company's new and existing borrowings as well as additional borrowings to fund the growth of our Company's lending. As a percentage of its total income, our Company's expenditure was 62.57% in Fiscal 2008 as compared to 64.22% in Fiscal 2007.

Interest and Other Charges (including Resource Mobilization Expenses)

The primary component of our Company's expenditure was interest expense and other charges (including resource mobilization expenses) related to its borrowings, which increased by Rs. 3,256 million, or 18.74%, from Rs. 17,376 million in Fiscal 2007 to Rs. 20,632 million in Fiscal 2008.

Our Company's change to interest expense and other charges (including resource mobilization expenses) due to increased borrowing was Rs. 1,638 million for Fiscal 2008 as compared to Fiscal 2007. Our Company's average interest bearing liabilities increased by 18.86% increase in interest bearing liabilities from Rs. 271,601 million in Fiscal 2007 to Rs. 322,819 million in Fiscal 2008.

Our Company's change to interest expense and other charges (including resource mobilization expenses) due to changes in rate was Rs. 1,618 million for Fiscal 2008 as compared to Fiscal 2007. Our Company's overall cost of funds remained relatively stable at 6.40% in Fiscal 2007 and 6.39% in Fiscal 2008 largely as a result of our Company's continued use of 54EC long term tax exemption bonds, which bear a lower rate of interest due to tax benefit features available to bondholders. 54EC long term tax exemption bonds represented 40.61% of our new borrowings in 2008 and 77.89% in 2007.

As a percentage of total income, interest expense and other charges (including resource mobilization expenses) decreased from 61.16% in Fiscal 2007 to 58.29% in Fiscal 2008.

Establishment Expenses

Our Company's establishment expenses, including staff costs, increased by Rs. 424 million, or 84.97%, from Rs. 499 million in Fiscal 2007 to Rs. 923 million in Fiscal 2008. The increase was primarily due to provisions made on account of wage revision, a corresponding increase in staff benefits, induction of executives at senior level and the impact of actuarial valuations as per AS-15 (Revised) of ICAI.

Administrative Expenses

Our Company's administrative expenses increased by Rs. 30 million, or 20.13%, from Rs. 149 million in Fiscal 2007 to Rs. 179 million in Fiscal 2008. The increase was primarily due to increase in rent for additional office space and travelling expenses corresponding to the increase in Company's activities.

Provisions for Bad and Doubtful Debts

In Fiscal 2008, our Company's provisions with respect to outstanding loan assets increased by Rs. 190 million, or 90.48% from Rs. 210 million in Fiscal 2007 to Rs. 400 million in Fiscal 2008 primarily due to provision relating to income in respect of wind farm projects that have subsequently been reclassified as standard assets

Depreciation

Depreciation on our Company's fixed assets increased by Rs. 3 million from Rs. 11 million in Fiscal 2007 to Rs. 14 million in Fiscal 2008.

Profit before Tax and Extra-ordinary Items

Our Company's profit before tax and extra-ordinary items increased by Rs. 3,086 million, or 30.36%, from Rs. 10,164 million in Fiscal 2007 to Rs. 13,250 million in Fiscal 2008.

Our Company's net interest margin increased from 3.28% in Fiscal 2007 to 3.78% in Fiscal 2008. Our Company's change in net interest income was Rs. 4,032 million for Fiscal 2008 as compared to Fiscal 2007.

As a percentage of total income, our Company's profit before tax and extra-ordinary items increased from 35.78% in Fiscal 2007 to 37.43% in Fiscal 2008.

Provision for Taxation, Deferred Tax Liability and Fringe Benefit Tax

Our Company's provisions created for current year taxation were Rs. 3,765 million for Fiscal 2008 as compared to Rs. 2,152 million for Fiscal 2007, which primarily reflects higher profit and also increase in effective tax rate. Our Company's effective tax rate for Fiscal 2008 was 28.42% as compared to 21.17% for Fiscal 2007. The increase in effective tax rate is due to the reduction in exemption from 40% to 20% on Long Term finance income under Section 36 (1) (viii) of the Income Tax Act, 1961.

Our Company's wrote- back provisions created for deferred tax liability of Rs. 177 million for Fiscal 2008 as compared to new provisions of Rs. 12 million for Fiscal 2007. The lower provision for deferred tax liability in Fiscal 2008 was as a result of lesser amount of timing difference items.

Our Company's provisions created for fringe benefit tax for Fiscal 2008 were Rs. 11 million as compared to Rs. 7 million for Fiscal 2007.

Profit after Tax and before Extra-ordinary Items

Our Company's profit after tax and before extra-ordinary items increased by Rs. 1670 million, or 20.92%, from Rs. 7,983 million in Fiscal 2007 to Rs. 9,653 million in Fiscal 2008. Our Company's earnings per share based on profit after tax and before extraordinary items increased to Rs. 12.28 per equity share in Fiscal 2008 as compared to Rs. 10.23 per equity share in Fiscal 2007.

Extra-ordinary Items (net of taxes)

Our Company lost Rs. 69 million in foreign exchange losses (net of taxes) in Fiscal 2008 as compared to foreign exchange losses (net of taxes) of Rs. 14 million in Fiscal 2007. During Fiscal 2008, our Company made foreign currency borrowings which was equivalent to Rs. 1,782 million as on March 31, 2008. The foreign exchange losses resulted from the translation of the outstanding borrowings to Rupees at the exchange rate prevailing on the balance sheet date.

Profit after Tax available for Appropriations

Our Company's profit after tax including extra-ordinary items (net of taxes) increased by 20.27% from Rs. 7,969 million in Fiscal 2007 to Rs. 9,584 million in Fiscal 2008. Our Company's earnings per equity share increased from Rs. 10.21 per equity share in Fiscal 2007 to Rs. 12.19 per equity share in Fiscal 2008.

Fiscal 2007 compared to Fiscal 2006

Total Income

Our Company's total income increased by Rs. 6,088 million, or 27.27%, from Rs. 22,321 million in Fiscal 2006 to Rs. 28,409 million in Fiscal 2007, consisting primarily of an increase in income from operations resulting from increased lending.

Income from Operations

Our Company's income from operations increased by Rs. 5,933 million, or 28.82%, from Rs. 20,584 million in Fiscal 2006 to Rs. 26,517 million in Fiscal 2007. The growth in our Company's income primarily resulted from higher interest rates on our Company's loan assets as well as increased lending in the transmission and distribution and generation sectors.

Our Company's change to interest income due to higher interest rates was Rs. 3,635 million for Fiscal 2007 as compared to Fiscal 2006. Yields on our Company's average interest earning assets increased from an average of 9.03% in Fiscal 2006 to 9.51% in Fiscal 2007. The increase resulted primarily from increases in our Company's lending rates with respect to new loan assets which was driven by an increased interest rate environment in India during Fiscal 2007.

Our Company's change to interest income due to increased lending was Rs. 2,298 million for Fiscal 2007 as compared to Fiscal 2006. Our Company's loan disbursements increased by Rs. 32,438 million, or 43.31%, from Rs. 74,891 million in Fiscal 2006 to Rs. 107,329 million in Fiscal 2007. The increase in total loan disbursements in Fiscal 2007 included an increase in loan disbursements relating to generation projects of Rs. 27,376 million or 176.23%, and an increase in loan disbursements relating to transmission and distribution projects of Rs. 20,033 million, or 72.04%. Our Company's average interest earning assets increased by Rs. 50,895 million from Rs. 227,922 million in Fiscal 2006 to Rs. 278,817 million for Fiscal 2007.

Other Income

Our Company's other income increased by Rs. 154 million, or 8.87%, from Rs. 1,738 million in Fiscal 2006 to Rs. 1,892 million in Fiscal 2007, primarily as a result of a decrease in write back of provisions for bad and doubtful debts in Fiscal 2007.

Total Expenditure

Our Company's total expenditure increased by Rs. 4,188 million, or 29.79%, from Rs. 14,057 million in Fiscal 2006 to Rs. 18,245 million in Fiscal 2007. The increased expenditure resulted primarily from increased interest expense derived from both higher cost of funds and additional borrowings to fund the growth of our Company's financing business. As a percentage of our Company's total income, its expenditure was 64.22% in Fiscal 2007 as compared to 62.98% in Fiscal 2006.

Interest and Other Charges (including Resource Mobilization Expenses)

The primary component of our Company's expenditure was interest and other charges (including resource mobilization expenses) related to its borrowings, which increased by Rs. 3,806 million, or 28.05%, from Rs. 13,570 million in Fiscal 2006 to Rs. 17,376 million in Fiscal 2007.

Our Company's change to interest expense and other charges (including resource mobilization expenses) due to changes in rate was Rs. 2,102 million for Fiscal 2007 as compared to Fiscal 2006. Our Company's overall cost of funds increased from 6.25% in Fiscal 2006 to 6.40% in Fiscal 2007. The increase resulted primarily from the increased interest rate environment in India during Fiscal 2007, which was significantly offset by our use of 54EC long term tax exemption bonds for new borrowers. For Fiscal 2007, 54EC long term tax exemption bonds constituted 77.89% of our new borrowings, as compared to 37.46% in Fiscal 2006. 54EC long term tax exemption bonds constituted 46.03% of our total indebtedness as on March 31, 2007, as compared to 33.40% as on March 31, 2006.

Our Company's change to interest expense (including other charges and resource mobilization expenses) due to increased borrowing was Rs. 1,704 million for Fiscal 2007 as compared to Fiscal 2006. This increase reflects a 25.11% increase in our Company's average interest bearing liabilities from Rs. 217,088 million in Fiscal 2006 to Rs. 271,601 million in Fiscal 2007, reflecting our Company's increased borrowings to fund the growth of its financing business in both the transmission and distribution and generation sectors.

As a percentage of total income, interest and other charges (including resource mobilization expenses) increased from 60.79% in Fiscal 2006 to 61.16% in Fiscal 2007.

Establishment Expenses

Our Company's establishment expenses, including staff costs, increased by Rs. 145 million, or 40.96%, from Rs. 354 million in Fiscal 2006 to Rs. 499 million in Fiscal 2007. The increase was primarily due to our Company's recruitment of new employees during February 2006 and normal increases in pay and allowances.

Administrative Expenses

Our Company's administrative expenses increased by Rs. 29 million, or 24.17%, from Rs. 120 million in Fiscal 2006 to Rs. 149 million in Fiscal 2007, reflecting an increase in the overall activities of our Company.

Provisions for Bad and Doubtful Debts

In Fiscal 2007, our Company established additional provisions of Rs. 211 million with respect to outstanding loan assets primarily relating to defaults by certain private sector borrowers. In Fiscal 2006, our Company did not record any additional provisions.

Depreciation

Depreciation on our Company's fixed assets remained relatively stable at Rs. 11 million in Fiscal 2006 and Fiscal 2007.

Provision for Decline in Value of Investment

For Fiscal 2007, our Company made provisions for decline in value of investments of nil, as compared to Rs. 1.80 million in Fiscal 2006.

Profit before Tax and Extra-ordinary Items

Our Company's profit before tax and extra-ordinary items increased by Rs. 1,900 million, or 22.99%, from Rs. 8,264 million in Fiscal 2006 to Rs. 10,164 million in Fiscal 2007.

Our Company's net interest margin increased from 3.08% in Fiscal 2006 to 3.28% in Fiscal 2007. Our Company's change in net interest income was Rs. 2,127 million for Fiscal 2007 as compared to Fiscal 2006.

Our Company's net interest income increased from Rs. 7,014 million in Fiscal 2006 to Rs. 9,141 million in Fiscal 2007. As a percentage of total income, our Company's profit before tax and extra-ordinary items decreased from 37.02% in Fiscal 2006 to 35.78% in Fiscal 2007.

Provision for Taxation, Deferred Tax Liability and Fringe Benefit Tax

Our Company's provisions created for current year taxation were Rs. 2,152 million for Fiscal 2007 as compared to Rs. 1,700 million for Fiscal 2006, which primarily reflects increased taxes on our Company's greater profits. Our Company's effective tax rate for Fiscal 2007 was 21.17% as compared to 20.59% for Fiscal 2006.

Our Company's provisions created for deferred tax liability for Fiscal 2007 was Rs. 12 million as compared to write- backs of Rs. 139 million for Fiscal 2006.

Our Company's provisions created for fringe benefit tax for Fiscal 2007 were Rs. 7 million as compared to Rs. 8 million for Fiscal 2006.

Profit after Tax and before Extra-ordinary Items

Our Company's profit after tax and before extra-ordinary items increased by Rs. 1,614 million, or 25.34%, from Rs. 6,369 million in Fiscal 2006 to Rs. 7,983 million in Fiscal 2007. Our Company's earnings per share based on profit after tax and before extraordinary items increased to Rs. 10.23 per equity share in Fiscal 2007 as compared to Rs. 8.16 per equity share in Fiscal 2006.

Extra-ordinary Items (net of taxes)

Our Company incurred foreign exchange losses (net of taxes) amounting to Rs. 14 million in Fiscal 2007. During Fiscal 2007, our Company made foreign currency borrowings of approximately Rs. 8,721 million as on March 31, 2007. The foreign exchange loss resulted from the translation of these borrowings to Rupees at the exchange rate prevailing on the balance sheet date.

Our Company received an interest swapping premium income (net of taxes) of Rs. 101 million for Fiscal 2006. Our Company did not engage in interest swapping during Fiscal 2007.

Profit after Tax available for Appropriations

Our Company's profit after tax including extra-ordinary items (net of taxes) increased by 23.15% from Rs. 6,471 million in Fiscal 2006 to Rs. 7,969 million in Fiscal 2007. Our Company's earnings per equity share increased from Rs. 8.29 per equity share in Fiscal 2006 to Rs. 10.21 per equity share in Fiscal 2007.

RELATED PARTY TRANSACTIONS

The principal related parties are our Company's Subsidiaries (for purposes of the unconsolidated financial statements), its affiliates and key management personnel. Other than equity commitments, our Company does not have any obligation to provide financial support or meet any obligations of these related parties. For further information, see the section titled "***Financial Statements-Annexure XVII***" on page F-58.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

As our Company's business consists of borrowing funds and on-lending such funds to its customers in the form of loan products, our Company may experience timing differences between receipt of fund from borrowings and on-lending of such funds. These timing differences result in ongoing, but temporary cash balances on our Company's books.

As on September 30, 2009, our Company had cash and cash equivalents of Rs. 17,819 million. As on March 31, 2009, 2008, 2007 and 2006, our Company had cash and cash equivalents of Rs. 18,860 million, Rs. 12,530 million, Rs. 22,973 million and Rs. 19,136 million, respectively.

(Rs. million)

	Fiscal				For the six months ended September 30, 2009
	2006	**2007**	**2008**	**2009**	
Net cash flow from (used in) operating activities including loan disbursements less repayments	(31,265)	(58,662)	(62,027)	(99,986)	(65,254)
Net cash flow from (used in) lending and investment activities	518	1,312	320	1,372	(29)
Net cash flow from (used in) financing activities	45,029	61,186	51,265	104,944	64,242
Net cash and cash equivalents at the end of the year	19,136	22,973	12,530	18,860	17,819

Cash flow used in operating activities. Outward cash flows relating to loans and advances our Company disburses (net of repayments) is reflected in operating activities by way of increase in loan assets, whereas the inward cash flows from external funding our Company procures (net of repayments) to disburse these loans and advances are reflected in financing activities. Therefore, our Company's disbursement of loans is the primary cause of our Company's negative cash flow from operating activities.

Our Company's cash flows from operations are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

Our Company's cash flow used in operations increased by 5.74% from Rs. 58,662 million in Fiscal 2007 to Rs. 62,027 million in Fiscal 2008 and increased by 61.20% to Rs. 99,986 million in Fiscal 2009 from Fiscal 2008. Our Company's cash flow used in operations for the six months ended September 30, 2009 was Rs. 65,254 million, or 65.26% of the cash flow used in Fiscal 2009.

Cash flow used in operating activities in Fiscal 2007 of Rs. 58,662 million resulted primarily from increase in our Company's loans and advances (net of repayments) of Rs. 67,945 million and an outflow of Rs. 2,204 million for direct taxes paid, which was partial offset by our Company's profits, which on a non-cash basis were Rs. 10,357 million, and a decrease in current liabilities of Rs. 1,168 million.

Cash flow used in operating activities in Fiscal 2008 of Rs. 62,027 million resulted primarily from increase in our Company's loans and advances (net of repayments) of Rs. 72,574 million and an outflow of Rs. 7,507 million for direct taxes paid, which was partial offset by our Company's profits, which on a non-cash basis were Rs. 13,641 million, and a decrease in current liabilities of Rs. 6,383 million. An adjustment of Rs. 16.38 million has been made to the statement of cash flow used in operating activities in Fiscal 2008 in accordance with AS-15 (revised) which came into effect from April 1, 2007 and required our Company to transfer such amount from its general reserve to its profit and loss account for the transition period up to March 31, 2006.

Cash flow used in operating activities in Fiscal 2009 of Rs. 99,986 million resulted primarily from increase in our Company's loans and advances (net of repayments) of Rs. 120,673 million and an outflow of Rs. 4,824 million for direct taxes paid, which was partial offset by our Company's profits, which on a non-cash basis were Rs. 19,128 million, and a net decrease in our Company's current liabilities by Rs. 6,386 million.

Cash flow used in operating activities in the six months ended September 30, 2009 of Rs. 65,254 million resulted primarily from increase in our Company's loans and advances (net of repayments) of Rs. 72,841 million and an outflow of Rs. 3,107 million for direct taxes paid, which was partial offset by our Company's profits, which on a non-cash basis were Rs. 12,523 million, and a net decrease in our Company's current liabilities by Rs. 1,170 million.

Cash flow used in investing activities. Our Company's cash flow from investing activities in Fiscal 2007 was Rs. 1,312 million, and consisted mainly of cash inflows of (i) Rs. 1,415 million relating to receipt of payments of principal on the 8% Government of Madhya Pradesh Power Bonds-II and (ii) Rs. 56 million relating to sale of investments in units of "*Small is Beautiful*" Fund. Our Company had cash outflows of (i) Rs. 155 million relating to purchase of additional units of 'Small is Beautiful' Fund; and (ii) Rs. 5 million used for the purchase of fixed assets, which were partially offset by cash inflows from the sale of certain fixed assets of Rs. 2 million.

Our Company's cash flow from investing activities in Fiscal 2008 was Rs. 320 million, and consisted mainly of cash inflows of (i) Rs. 472 million relating to receipt of payments of principal on the 8% Government of Madhya Pradesh Power Bonds-II and (ii) Rs. 38 million relating to income on investments in units of "*Small is Beautiful*" Fund. Our Company had cash outflows of (i) Rs. 12 million relating to investment in shares of Indian Energy Exchange; (ii) Rs. 19 million relating to other increased investments; and (iii) Rs. 157 million used for the purchase of fixed assets being land at Gurgaon in the National Capital Region of Delhi.

Our Company's cash flow from investing activities in Fiscal 2009 was Rs. 1,372 million, and consisted mainly of cash inflows of Rs. 1,415 million relating to receipt of payments of principal on the 8% Government of Madhya Pradesh Power Bonds-II. Our Company had cash outflows of Rs. 45 million used mainly for the renovation of additional office space in our Company's office at Bhikajikama Place, Delhi due to our Company's increased operational activities and for ERP related payments.

Our Company's cash outflow used in investing activities during the six months ended September 30, 2009 was Rs. 29 million, and consisted mainly of cash inflows of Rs. 19 million relating to sale of investments in units of "*Small is Beautiful*" Fund and Rs. 7 million from income on investments in units of "*Small is Beautiful*" Fund. Our Company had a cash outflow of Rs. 57 million used for the purchase of fixed assets, primarily for the costs involved in the execution of the conveyance deed for land at Gurgaon and for ERP related payments.

Cash flow from financing activities. Our Company's cash flow from financing activities in Fiscal 2007 was Rs. 61,186 million, comprised of cash inflow of (i) Rs. 87,209 million constituting of issuance of taxable bonds and 54EC long term tax exemption bonds; (ii) Rs. 11,998 million from unsecured loans from banks; (iii) Rs. 8,721 million raised by way of external commercial borrowings; and (iv) Rs. 30,467 million received by way of grants from the GoI. The cash outflows comprised of (i) Rs. 38,665 million on account of redemption of taxable bonds, 54EC long term tax exemption bonds and other bonds; (ii) Rs. 6,650 million by way of repayment of term loans from banks; (iii) Rs. 30,544 million by way of disbursements of grants; and (iv) Rs. 195 million on account of repayment of government loan. Our Company's cash outflow also included Rs. 1,155 million paid towards dividend and related dividend tax.

Our Company's cash flow from financing activities in Fiscal 2008 was Rs. 51,265 million, comprised of cash inflow of (i) Rs. 60,739 million constituting of issuance of taxable bonds and 54EC long term tax exemption bonds; (ii) Rs. 43,725 million from unsecured loans from banks; (iii) Rs. 1,668 million raised by way of external commercial borrowings; (iv) Rs. 39,029 million received by way of grants from the GoI and (v) Rs. 7,979 million received by the issue of shares. The cash outflows comprised of (i) Rs. 35,959 million on account of redemption of taxable bonds, 54EC long term tax exemption bonds and other bonds; (ii) Rs. 30,065 million by way of repayment of term loans from banks; (iii) Rs. 33,594 million by way of disbursements of grants; and (iv) Rs. 186 million on account of repayment of government loan. Our Company's cash outflow also included Rs. 2,071 million paid towards dividend and related dividend tax.

Our Company's cash flow from financing activities in Fiscal 2009 was Rs. 104,944 million, comprised of cash inflow of (i) Rs. 138,073 million constituting of issuance of taxable bonds and 54EC long term tax exemption bonds; (ii) Rs. 53,746 million from unsecured loans from banks; (iii) Rs. 4,567 million raised by way of external commercial borrowings; (iv) Rs. 54,462 million received by way of grants from the GoI, and (v) Rs. 12,950 million received by way of issue of commercial paper. The cash outflows comprised of (i) Rs. 52,655 million on account of redemption of taxable bonds, 54EC long term tax exemption bonds and other bonds; (ii) Rs. 49,864 million by way of repayment of term loans from banks; (iii) Rs. 51,141 million by way of disbursements of grants; and (iv) Rs. 172 million on account of repayment of government loan. Our Company's cash outflow also included Rs. 3,014 million paid towards dividend and related dividend tax and Rs. 2,009 million paid towards interim dividend and related tax on interim dividend.

Our Company's cash flow from financing activities during the six months ended September 30, 2009 was Rs. 64,242 million, comprised of cash inflow of (i) Rs. 101,767 million constituting of issuance of taxable bonds and 54EC long term tax exemption bonds; (ii) Rs. 14,602 million from unsecured loans from banks; (iii) Rs. 1,890 million raised by way of foreign currency loan; (iv) Rs. 12,233 million received by way of grants from the GoI, and (v) Rs. 15,000 million received by way of issue of commercial paper. The cash outflows comprised of (i) Rs. 46,445 million on account of redemption of taxable bonds, 54EC long term tax exemption bonds and other bonds; (ii) Rs. 10,106 million by way of repayment of term loans from banks; (iii) Rs. 12,506 million by way of disbursements of grants; and (iv) Rs. 46 million on account of repayment of government loan. Our Company's cash outflow also included Rs. 2,147 million paid towards dividend and Rs. 10,000 million paid towards repayment of commercial paper.

FINANCIAL CONDITION

The following table sets forth the net assets as on March 31, 2007, 2008, 2009 and September 30, 2009:

(Rs. million)

Particulars	**As on March 31**			**As on September 30, 2009**
	2007	**2008**	**2009**	
Total assets	362,555	429,873	560,024	635,612
Total liabilities	314,510	367,296	488,097	554,397
Net Assets	48,045	62,577	71,927	81,215

Our Company's net assets, which it defines as its total assets less its total liabilities, increased by 30.25% from Rs. 48,045 million as on March 31, 2007 to Rs. 62,577 million as on March 31, 2008 and by 14.94% from Rs. 62,577 million as on March 31, 2008 to Rs. 71,927 million as on March 31, 2009. Our Company's net assets increased by 12.91% from Rs. 71,927 million as on March 31, 2009 to Rs. 81,215 million as on September 30, 2009.

Assets

The following table sets forth the principal components of our Company's assets as on March 31, 2007, 2008, 2009 and September 30, 2009:

(Rs. million)

Particulars	**As on March 31**			**As on September 30**
	2007	**2008**	**2009**	**2009**
Fixed assets	636	779	809	859
Investments	11,945	11,474	10,049	10,038
Loans	320,991	393,165	513,814	586,653
Cash and bank balances	22,973	12,530	18,860	17,819
Loans and advances	2,365	6,204	11,448	15,161
Other current assets	3,502	5,401	4,965	5,017
Deferred Tax Asset	**143**	**320**	**79**	**65**
Total assets	**362,555**	**429,873**	**560,024**	**635,612**

Our Company's total assets increased by 18.57% from Rs. 362,555 million as on March 31, 2007 to Rs. 429,873 million as on March 31, 2008 and by 30.28% from Rs. 429,873 million as on March 31, 2008 to Rs. 560,024 million as on March 31, 2009. Our Company's total assets increased by 13.50% from Rs. 560,024 million as on March 31, 2009 to Rs. 635,612 million as on September 30, 2009. The most significant element of these increases were increases in loan assets.

Our Company's total average interest-earning assets increased by 25.09% from Rs. 278,817 million as on March 31, 2007 to Rs. 348,768 million as on March 31, 2008 and by 27.79% from Rs. 348,768 million as on March 31, 2008 to Rs. 445,689 million as on March 31, 2009. Our Company's total average interest-earning assets increased by 21.70% from Rs. 445,689 million as on March 31, 2009 to Rs. 542,397 million as on September 30, 2009.

Our Company's fixed assets have increased from Rs. 636 million as on March 31, 2007 to Rs. 859 million as on September 30, 2009. The increase largely relates to our Company's purchase of land in Gurgaon, Haryana during Fiscal 2007 amounting to Rs. 317 million and in Fiscal 2008 amounting to Rs. 143 million.

Our Company's loans and advances have increased from Rs. 2,365 million as on March 31, 2007 to Rs. 15,161 million as on September 30, 2009. Loans and advances primarily consist of advance income tax paid and credits due to tax deducted at source available to our Company for each year, and a corresponding provision for income tax is created as an offsetting liability while the assessments by the IT Department are ongoing. Consequently, the increase in loans and advances is primarily due to the increased business activities of our Company and the consequent increase in advance tax paid and tax deducted at source.

Liabilities

The following table sets forth the principal components of our Company's liabilities as on March 31, 2007, 2008, 2009 and September 30, 2009:

(Rs. million)

Particulars	**As on March 31,**			**As on September 30,**
	2007	**2008**	**2009**	**2009**
Loan funds	302,810	342,828	449,360	516,024
Current liabilities	7,145	14,866	24,367	22,761
Provisions	4,555	9,602	14,370	15,612

Total liabilities	**314,510**	**367,296**	**488,097**	**554, 397**

Our Company's total liabilities increased by 16.78% from Rs. 314,510 million as on March 31, 2007 to Rs. 367,296 million as on March 31, 2008 and by 32.89% from Rs. 367, 296 million as on March 31, 2008 to Rs. 488,097 million as on March 31, 2009. Our Company's total liabilities increased by 13.58% from Rs. 488,097 million as on March 31, 2009 to Rs. 554,397 million as on September 30, 2009. The most significant element of these increases was on account of higher outstanding borrowings.

Our Company's total average interest-bearing liabilities increased by 18.86% from Rs. 271,601 million as on March 31, 2007 to Rs. 322,819 million as on March 31, 2008 and by 22.70% from Rs. 322,819 million as on March 31, 2008 to Rs. 396,094 million as on March 31, 2009. Our Company's total average interest-bearing liabilities increased by 21.86% from Rs. 396,094 million as on March 31, 2009 to Rs. 482,692 million as on September 30, 2009.

CAPITAL RESOURCES

Equity

Equity from GoI was an important source of funding for us in the earlier years of our Company's operations. Since Fiscal 2002, our Company has become more reliant on other sources of funding, such as borrowings. In March 2008, we conducted our initial public offering of equity shares which included a fresh issue of 78,060,000 equity shares and resulted in net proceeds to our Company of approximately Rs. 8,009 million. Our Company's cash flow from operations, which is discussed above, contributes to our Company's liquidity, reserves and surplus on an ongoing basis

Loan Funds

Our Company's loan funds comprise of secured and unsecured loans. Our Company's loan funds have shown a substantial increase on account of higher outstanding loan borrowings. As on March 31, 2009, our Company's loan funds increased by Rs. 106,532 million or 31.07 %, to Rs. 449,360 million from Rs. 342,828 million as on March 31, 2008. As on September 30, 2009, our Company's loan funds were Rs. 516,024 million. This increase was due to higher resource raising mainly on account of taxable secured bonds. Our Company's business consists of borrowing funds and on-lending such funds to its customers in the form of loan products. Consequently, growth in our Company's business has been marked by an increase in its loan assets.

Secured Loans

Our Company's secured loans include funds generated from placement of bonds and commercial borrowings.

Placements of secured bonds. A major source of our Company's financing is placements of bonds with banks, mutual funds, insurance companies and individuals. The type of bonds our Company has outstanding include tax-free bonds, taxable bonds, 54EC long term tax exemption bonds and infrastructure bonds. The primary types of bonds we currently issue include 54EC long term tax exemption bonds and taxable bonds. As on September 30, 2009, our Company had aggregate outstanding bonds of Rs. 377,426 million, which comprised of Rs. 1,250 million of tax-free bonds, Rs. 263,927 million towards taxable secured bonds, Rs. 112,135 million of 54EC long term tax exemption bonds and Rs. 114 million of infrastructure bonds.

Commercial borrowings. Our Company makes medium to long-term rupee-denominated borrowings through term loans from banks and financial institutions. Our Company also draw overdraft facility from banks against its term deposits with them. As on September 30, 2009, the aggregate amount of outstanding rupee-denominated commercial borrowings was Rs. 52,483 million which includes term loans of Rs. 18,983 million from banks and Rs. 33,500 million from the Life Insurance Corporation of India.

Unsecured Loans

Our Company's unsecured loans include borrowings from the GoI, short-term loans from banks, external commercial borrowings, loans through bonds, commercial paper and cash credit limits.

Term loans. Our Company makes rupee-denominated borrowings through loans from banks. As on September 30, 2009, our Company had Rs. 46,523 million as outstanding term loans from banks.

Loans from the GoI. Our Company historically made rupee-denominated borrowings through loans from the GoI. As on September 30, 2009, our Company had Rs. 602 million as outstanding loans from the GoI.

External commercial borrowings. As on September 30, 2009, our Company had foreign currency borrowings which was equivalent to Rs. 16,829 million.

Loans through GoI-guaranteed bonds. Our Company also generates funds through the issuance of long-term and short-term cumulative bonds, which are guaranteed by the GoI. As on September 30, 2009, our Company had outstanding long-term and short-term cumulative GoI-guaranteed bonds of Rs. 4,210 million.

Commercial paper. In addition to secured bonds, i.e. tax-free bonds, taxable bonds, 54EC long term tax exemption bonds, infrastructure bonds and unsecured GoI-guaranteed bonds, our Company also generates funds through the issuance of commercial paper. As on September 30, 2009, our Company had aggregate outstanding commercial paper of Rs. 17,950 million.

Our Company's principal financing requirements is primarily the procurement of funds to repay indebtedness and to meet lending requirements associated with our Company's business. Historically, our Company's major liquidity requirements have been the capital resources described above and our Company expects to continue to utilize these resources to meet our Company's future working capital and other capital requirements.

Our Company has also consistently paid dividends in the past and has paid dividends of Rs. 1,770 million in Fiscal 2007 and Rs. 2,576 million for Fiscal 2008. For Fiscal 2009 our Company has paid a total dividend of Rs. 3,864 million.

OFF-BALANCE SHEET ARRANGEMENTS AND FINANCIAL INSTRUMENTS

Contingent Liabilities

The following table sets forth the principal components of our Company's contingent liabilities as on March 31, 2007, 2008, 2009 and September 30, 2009:

(Rs. million)

Particulars	As on March 31			As on September 30, 2009
	2007	2008	2009	
Claim against the Corporation not acknowledged as debts	163	633	347	312
Estimated amount of the contracts remaining to be executed on capital account and not provided for	67	36	117	99
Others	-	5,649	13,426	20,154
Total	**230**	**6,318**	**13,890**	**20,565**

Contingent liabilities increased from Rs. 230 million as on March 31, 2007 to Rs. 6,318 million as on March 31, 2008, increased to Rs. 13,890 million as on March 31, 2009 and increased to Rs. 20,565 million as on September 30, 2009. The reason for the increase in contingent liabilities for the year ended March 31, 2009 was on account of outstanding commitments against letters of comfort issued to various banks. The reason for increase in contingent liabilities at the end of the six months period on September 30, 2009 was also due to the letters of credit commitments and a demand of Rs. 36 million from the Income Tax Department.

In addition, on November 19, 2009, our Company entered into a agreement with NTPC Limited, Power Finance Corporation Limited and Power Grid Corporation of India Limited to set up a joint venture company to carry out and promote the business of "Energy Efficiency, Energy Conservation and Climate Change". Consequently, the said joint venture company, Energy Efficiency Services Limited ("**EESL**") has been incorporated as on December 10, 2009. Our Company's total equity commitment for EESL is Rs. 475 million. To begin with, it has been decided to keep the initial paid up equity capital at Rs 25 million, to which our Company has subscribed its 25% share, equivalent amounting to Rs 6.25 million. As on the date of filing of this Red Herring Prospectus, the unfunded equity committment of our Company thus remains at Rs 468.75 million.

Undisbursed Approvals

Our Company also issues in the ordinary course of its business loan sanctions which are not accounted for as a liability on our Company's balance sheet. As of September 30, 2009, our Company had documented, unfunded outstanding loan sanctions of Rs. 542,220 million.

FOREIGN EXCHANGE TRANSACTIONS

In Fiscal 2006, we entered into a loan agreement with JICA for financial assistance of JPY 20,629 million, which was equivalent to Rs. 11,006 million as on September 30, 2009. Loans under this agreement bear a fixed interest rate of 0.75% per annum and mature in 2021. The GoI has guaranteed borrowings under this facility for which we pay a guarantee fee. As of September 30, 2009, JPY 10,642 million (equivalent to Rs. 4,753 million) has been drawn under this facility.

In Fiscal 2007, our Company entered into a syndicated loan agreement through Standard Chartered Bank, London and DEPFA Investment Bank Limited, Cyprus for the Japanese Yen equivalent of US$200 million which, at the time of draw-down, equated to JPY 23,570 million, and was equivalent to Rs. 8,703 million as on September 30, 2009. Loans under this agreement bear a variable interest at a spread of 48 basis points over six-month JPY libor and mature in 2012. As on September 30, 2009, this loan facility was fully drawn and the outstanding amount equated to Rs. 8,703 million. As on September 30, 2009 our effective annual cost of funds under this agreement (after hedging fully) was 6.75%.

In Fiscal 2007, we entered into a loan agreement with KfW for financial assistance of Euro 70 million, which was equivalent to Rs. 4,917 million as on September 30, 2009. Loans under this agreement bear a fixed interest rate of 3.73% per annum and mature in 2018. The GoI has guaranteed borrowings under this facility for which we pay a guarantee fee. As of September 30, 2009, Euro 44 million (equivalent to Rs. 2,848 million) has been drawn under this facility. Subsequent to September 30, 2009 (through October 31, 2009), we made additional borrowings under this facility of Euro 6.77 million, which was equivalent to Rs. 474 million as on October 31, 2009.

In Fiscal 2008, we entered into a second loan agreement with JICA for financial assistance of JPY 20,902 million, which was equivalent to Rs. 11,151 million as on September 30, 2009. Loans under this agreement bear a fixed interest rate of 0.65% per annum and mature in 2023. As of September 30, 2009, JPY 1,016 million (equivalent to Rs. 523 million) has been drawn under this facility.

In Fiscal 2009, we entered into the second loan agreement with KfW for financial assitance of Euro 70 million which was equivalent to Rs. 4917 million as on September 30, 2009. Loans under this agreement bear a fixed interest rate of 2.89% per annum and mature in 2020. The GoI has guaranteed borrowings under this facility for which we pay a guarantee fee. As of September 30, 2009 no amounts have been drawn under this facility.

HEDGING TRANSACTIONS

Our Company has entered into three interest rate swap agreements for purposes of mitigating interest rate liability.

Under the first agreement, our Company pays a floating rate of interest in exchange for receipt from the counterparty of a fixed rate of interest on a notional amount of Rs. 2,500 million. Payments under this agreement are denominated in dollars.

Our Company also has two separate agreements pursuant to which it pays a floating rate of interest in exchange for receipt from the counterparty of a fixed rate of interest on a notional amount of Rs. 5,000 million each. Payments under each of these agreements are denominated in Japanese Yen.

In addition, our Company currently enters into foreign currency swap transactions at the time of each drawdown under foreign currency denominated borrowings to fully hedge its foreign currency liabilities.

CAPITAL EXPENDITURE

Our Company's business has not in the past required substantial capital expenditure. Our Company's fixed assets of Rs. 859 million as on September 30, 2009 consist mainly of land, buildings, furniture and fixtures, computers, office equipments, vehicles and capital work in progress. Our Company's capital expenditure for the six month period ended September 30, 2009, Fiscal 2009, Fiscal 2008 and Fiscal 2007 were Rs. 57 million, Rs. 204 million, Rs. 181 million and Rs. 329 million, respectively.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Our Company's contractual obligations and commercial commitments consist principally of the following, as on September 30, 2009, classified by maturity:

(Rs. million)

Contractual Obligation	Payment due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations					
Bonds	269,325	4,669	58,280	78,605	127,771
ECB-1	8,703	-	8,703	-	-
54EC	112,136	57,568	54,568	-	-
Infrastructure bonds	114	114	-	-	-
Term Loans	58,456	5,642	27,841	22,508	2,465
LIC Loan	33,500	1,500	7,000	7,000	18,000
GoI Loan	601	149	236	157	59
Foreign Currency loan					
Kfw	3,323	465	1,376	1,255	227
JICA	5,879	-	2,930	2,039	910
Total	492,037	70,107	160,934	111,564	149,432

CHANGE IN PROVISIONING FOR CERTAIN DEFERRED TAX LIABILITIES

Pursuant to Section 36(1)(viii) of the Income Tax Act, 1961, our Company is eligible for a tax deduction of up to 20% of its profits derived from the long-term financing of the power sector if such amounts are placed in a special reserve with the intention of use in our Company's business. Historically, the amounts placed in the reserve were treated as capable of reversal and our Company recorded a deferred tax liability to account for such a reversal and the possible tax consequences thereof. The Board of Directors of our Company, at its meeting held on October 29, 2009, passed a resolution that our Company had no intention to make withdrawals from the special reserve and, accordingly, that the special reserve was irreversible. Accordingly, our Company no longer creates a deferred tax liability with respect to amounts placed in the special reserve. An accounting policy to this effect has been incorporated in the financial statements of our Company for the half year ended September 30, 2009.

SIGNIFICANT DEVELOPMENTS AFTER SEPTEMBER 30, 2009 THAT MAY AFFECT OUR COMPANY'S FUTURE FINANCIAL OPERATIONS

In accordance with clause 41 of the listing agreement to be entered with the Stock Exchanges, we have disclosed the unaudited financial results of our Company on a standalone basis for the quarter and nine months ended December 31, 2009 to the Stock Exchanges. The financial results, are set forth below.

Our loan sanctions for the three months ended December 31, 2009 were Rs. 70,654 million, which included generation-related loan sanctions of Rs. 10,617 million, transmission and distribution-related loan sanctions of Rs. 44,537 million and other loan sanctions of Rs. 15,500 million. Our loan disbursements for the three months ended December 31, 2009 were Rs. 60,183 million, which included generation-related loan disbursements of Rs. 18,054 million, transmission and distribution-related loan disbursements of Rs. 23,029 million and other loan disbursements of Rs. 19,100 million.

Additionally, on December 30, 2009 our Board of Directors declared an interim dividend of Rs. 3 per Equity Share for Fiscal 2010. The dividend was paid on or after January 12, 2010 to shareholders as per the record date of January 5, 2010.

There have been no other events, to our Company's knowledge, other than as described in this Red Herring Prospectus, which may be called "unusual" or "infrequent".

LIMITED REVIEW REPORT FOR THE QUARTER ENDED 31 DECEMBER, 2009

The Board of Directors
Rural Electrification Corporation Limited
Core-IV, SCOPE Complex
7 Lodi Road,
New Delhi 110003.

We have reviewed the accompanying statement of un-audited financial results of Rural Electrification Corporation Limited for the quarter ended 31st December, 2009. This statement is the responsibility of the Company's Management and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2400, *Engagements to Review Financial Statements* issued by the Institute of Chartered Accountants of India. The Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of un-audited financial results prepared in accordance with applicable accounting standards and other recognised accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the listing agreement to be entered with the Stock Exchanges including the manner in which it is to be disclosed, or that it contains any material misstatement.

For Bansal & Co
Chartered Accountants

(D.S. Rawat)
Partner
M. No. 83030
Firm Registration Number: 001113N

For K.G. Somani & Co
Chartered Accountants

(Bhuvnesh Maheshwari)
Partner
M. No. 88155
Firm Registration Number: 006591N

Place: New Delhi
Date: 13.01.2010

RURAL ELECTRIFICATION CORPORATION LIMITED: NEW DELHI
UN-AUDITED (STAND ALONE) FINANCIAL RESULTS FOR THE QUARTER ENDED 31.12. 2009

(Rs. in Lakhs except EPS, Number of shares and % of shareholding)

Sl. No.	Particulars	Quarter Ended 31.12.09	Quarter Ended 31.12.08	Nine Months Ended 31.12.09	Nine Months Ended 31.12.08	Year Ended 31.3.2009
		(Un-Audited)	(Un-Audited)	(Un-Audited)	(Un-Audited)	(Audited)
1	**Income**					
a	*Income from Operations*	*165,320*	*123,377*	*463,499*	*332,791*	*466,493*
b	*Other Operating Income*	*1,849*	*1,274*	*8,118*	*3,111*	*9,224*
	Total Income from Operations	***167,169***	***124,651***	***471,617***	***335,902***	***475,717***
2	**Expenditure**					
a	*Staff Cost*	*2,649*	*2,212*	*7,984*	*6,943*	*8,722*
b	*Other Expenditure*	*697*	*542*	*1,795*	*2,008*	*2,307*
c	*Interest & Finance Expenses*	*102,785*	*78,775*	*284,266*	*204,199*	*289,715*
d	*Provision – Bad and Doubtful Debts*	-	*(1,456)*	*22*	*(3,413)*	*237*
e	*Depreciation*	*35*	*47*	*107*	*139*	*136*
	Total Expenditure	***106,166***	***80,120***	***294,174***	***209,876***	***301,117***
3	***Profit from Operations before Other Income***	***61,003***	***44,531***	***177,443***	***126,026***	***174,600***
4	***Other Income***	*3,449*	*2,891*	*12,186*	*9,104*	***17,411***
5	***Profit(+)/Loss(-) before tax***	***64,452***	***47,422***	***189,629***	***135,130***	***192,011***
6	*Tax Expense*					
	- Current Year	*17,110*	*12,588*	*49,374*	*36,010*	*50,842*
	- Deferred Tax	*(65)*	*2,969*	*74*	*10,716*	*13,961*
	- Previous years (Refunds)	-	-	*(3,844)*	-	-
7	***Net Profit(+)/Loss(-)(5-6)***	***47,407***	***31,865***	***144,025***	***88,404***	***127,208***
8	*Paid up Equity Share Capital*	*85,866*	*85,866*	*85,866*	*85,866*	*85,866*
9	*Reserves & Surplus (Excluding Revaluation)*				-	*533,142*
10	***Basic & Diluted Earning Per Share (Rs. 10/-per share)***	***5.52***	***3.71***	***16.77***	***10.30***	***14.81***
11	*Public shareholding*					
	- Number of shares	*156,120,000*	*156,120,000*	*156,120,000*	*156,120,000*	*156,120,000*
	- % of shareholding	*18.18*	*18.18*	*18.18*	*18.18*	*18.18*
12	***Promoters and Promoter group Shareholding***					
a	***Pledged/Encumbered***					
	– Number of shares	*NIL*		*NIL*		*NIL*
	- % of shares(as a % of the total shareholding of Promoter and Promoter Group)	*NIL*		*NIL*		*NIL*

	- % of shares (as a % of the total share capital of the company)	*NIL*		*NIL*		*NIL*
b	***Non-Encumbered***					
	- Number of shares	*702,540,000*		*702,540,000*		*702,540,000*
	- % of shares (as a % of the total shareholding of the Promoter and Promoter Group)	*100*		*100*		*100*
	- % of shares (as a % of the total share capital of the company)	*81.82*		*81.82*		*81.82*

Notes:

1. Previous period figures have been regrouped and re-arranged wherever necessary.

2. The above stand alone financial results for the quarter ended December 31, 2009 were reviewed by the Audit Committee at the meeting held on January 13, 2010 and approved by the Board of Directors and taken on record at the meeting held on January 13, 2010.

3. Considering the opinions given by the various concerned authorities and also the practice followed by other similarly placed institutions of not creating deferred tax liability (DTL) on account of special reserve created and maintained under Section 36(1)(viii) of Income Tax Act, 1961 the Company is of the view that there is no requirement of DTL as per AS 22 of ICAI. Accordingly, the Company has not created deferred tax liability (DTL) of Rs. 3,851 Lacs for the quarter (Rs. 11,159 lacs for the nine months ended on 31.12. 2009) on account of the special reserve created and maintained under Section 36(1)(viii) of Income tax Act, 1961, and has also reversed the DTL of Rs. 96,457 lacs created in earlier years on this account in the six months period ended 30th September 2009 by transfer to Reserve and Surplus. Had the Company followed the same Accounting Policy as in the earlier years, the Profit after Tax for the quarter ended 31.12.2009 would have been lower by Rs. 3,851 lacs and Rs. 11,159 lacs for the nine months ended 31.12.2009.

4. In line with the decisions of Authority for Advance Ruling and Tax Appellate Tribunal for different assessment years, the Company till 30th September, 2009 has accounted for Rs. 3,844 Lacs towards refund of Income Tax due from the Income Tax Department out of which Rs. 2,050 lacs has been received during the quarter.

5. During the current financial year, the Company has started recognizing the income of Agency charges from the RGGVY scheme on the basis of the amount sanctioned/ receipt from Ministry of Power as against the earlier policy of recognition on the basis of disbursement of subsidy/ loan. This has resulted in decrease in profit by Rs. 2 lac upto 31st December 2009.

6. Pending implementation of revision of Wage Revision in line with notification of Government, provision of Wave Revision for Rs. 503 lacs for the quarter (Rs. 1,521.24 lacs for the nine months ended 31.12.2009) has been made on estimated basis.

7. The Corporation has declared an interim dividend of Rs. 3 per Equity Share of Rs. 10 each for the Financial Year 2009-10.

8. The Corporation presently does not have more than one segment eligible for reporting in terms of Accounting Standard - 17.

9. These results have been subjected to limited review by the Joint Statutory Auditors of the Company.

10. Pursuant to Clause 41 of the listing agreement entered into with the Stock Exchanges, the details of investors complaints are given below:-

Listed Securities	Pending as on 01.10.2009	Received during the quarter	Resolved during the quarter	Pending as on 31.12.2009
Debt Securities	Nil	5	5	Nil
Equity Shares	Nil	324	317	7

Place: New Delhi **For Rural Electrification Corporation Limited**

Date: 13.01.2010

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(P.Uma Shankar)

Chairman & Managing Director

ANALYSIS OF CERTAIN CHANGES

Significant economic changes

Except as described in the section titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" beginning on page 147, to the best of our Company's knowledge, there are no significant economic changes that will have a material adverse impact on the operations and finances of our Company.

Known trends or uncertainties

Our Company's business has been impacted and we expect will continue to be impacted by the trends identified above in the section titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations-Factors Affecting our Company's Financial Results***" on page 147 and the uncertainties described in the section titled "***Risk Factors***" on page xii. To our Company's knowledge, except as we have described in this Red Herring Prospectus, there are no known factors, which we expect to have a material adverse impact on our Company's revenues or income from continuing operations.

Seasonality of business

Our Company's business is not affected by any seasonal changes.

Increase in our Company's revenue

In addition to increase in the volume of our Company's lending and investing activities, the introduction of new financial products and services in the ordinary course of business would also contribute to increase in our Company's revenue.

Significant Regulatory Changes

Except as described in the section titled "***Regulations and Policies***" on page 83, there have been no significant regulatory changes that could affect our Company's income from continuing operations.

Future relationship between expenditure and revenues

Except as described in the sections titled "Risk Factors", "Our Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Selected Statistical Information" on pages xii, 57, 147 and 133, respectively, to the best of our Company's knowledge, there is no future relationship between expenditure and revenues that will have a material adverse impact on the operations and finances of our Company.

New products or business segment

Our Company designs new products from time to time based on needs of our Company's clients. Apart from the new products under development as mentioned in section titled "***Our Business***" on page 57, our Company has no current plans to develop new products or establish any new business segments.

Dependence on few customers

As described in the section titled "***Selected Statistical Information-Concentration of Outstanding Loans***" on page 133, our Company's infrastructure loans are concentrated in the power sector and to certain borrowers.

Competitive conditions

Our Company expects competition to increase in the infrastructure lending sector due to, among other things, the increase of new participants, as described above in "Factors Affecting our Company's Financial Results" on page 148 and in the section titled "***Risk Factors***" on page xii.

FINANCIAL INDEBTEDNESS

Set forth below is a brief summary of our Company's significant outstanding secured borrowings of Rs. 428,990.00 million and unsecured borrowings of Rs. 93,460.26 million, as on October 31, 2009, together with a brief description of certain significant terms of such financing arrangements.

I Secured borrowings availed by our Company

I.1 Secured term loans availed by our Company

Set forth below is a brief summary of our secured term loans aggregating Rs. 50,483.40 million, as on October 31, 2009.

Name of the Lender	Facility granted and loan documentation	Facility (Rs. million)	Amount outstanding (Rs. million) as on October 31, 2009	Rate of interest (%)	Repayment schedule
Syndicate Bank#	Term loan agreement dated April 28, 2005	1,000	625.00	6.78, being BPLR minus 4.22, payable on monthly rests.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Bank of Maharashtra#	Term loan agreement dated November 23, 2005	250	218.75	6.90, being BPLR minus 4.35, payable on quarterly basis.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Union Bank of India#	Term loan agreement dated November 23, 2005	1,250	1,093.75	7.00, being BPLR minus 3.75, with a minimum of 7.00, payable on monthly rests. Interest shall be reset after five years.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Central Bank of India#	Term loan agreement dated November 23, 2005 (1)	2,000	2,000.00	6.50, payable on monthly rests.	Seven year tenor with a three year moratorium, repayable in four yearly equal installments.
State Bank of Travancore#	Term loan agreement dated December 7, 2005 (2)	1,500	1,312.50	7.00, being BPLR minus 4.00, payable on monthly rests.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
State Bank of Patiala#	Term loan agreement dated December 9, 2005 (2)	2,000	1,857.14	7.00, payable on monthly rests. Interest shall be reset after 5 years.	10 year tenor with a three year moratorium, repayable in 14 half-yearly equal installments.
State Bank of Travancore#	Term loan agreement dated March 23, 2005 (2)	1,000	1,000.00	6.75, being BPLR minus 4.25, payable on monthly rests.	10 year tenor with a five year moratorium, repayable in 10 half-yearly equal installments.
Canara Bank#	Term loan agreement dated March 23, 2005	2,000	1,250.00	6.80, being BPLR minus 3.90, payable on monthly rests.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Syndicate Bank#	Term loan agreement dated November 23, 2005	1,000	875.00	7.00, being BPLR minus 4, payable on monthly rests.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.

Name of the Lender	Facility granted and loan documentation	Facility (Rs. million)	Amount outstanding (Rs. million) as on October 31, 2009	Rate of interest (%)	Repayment schedule
Life Insurance Corporation of India ("**LIC**") †	Term loan agreement dated August 7, 2004 (2)(3)(4)(5)	20,000	20,000.00	7.35, being annualized G-Sec for 10 years + 100 bps, payable annually.	15 year tenor with a five year moratorium, repayable in 10 equal annual installments commencing April 1, 2010.
LIC#†	Term loan agreement dated March 24, 2004 (2)(3)4)	5,000	4,000.00	6.23, being average 10 years' G-Sec for a period of seven days reckoned two working days prior to the date of disbursement.	Repayable in 10 equal annual installments after a moratorium of five years.
LIC#†	Term loan agreement dated January 29, 2004 (2)(3)(4)	10,000	8,000.00	6.24, being average 10 years G-Sec reckoned from one week prior to the date of disbursement.	Repayable in 10 equal annual installments after a moratorium of five years
Bank of Maharashtra#	Term loan agreement dated March 23, 2005	2,250	1406.25	6.90, being BPLR minus 4.35, payable on quarterly rests.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
State Bank of Saurashtra#	Term loan agreement dated March 23, 2005 (2)(3)(4)	1,000	970.00	6.75, being BPLR minus 4.25, subject to a maximum of 7.25, payable monthly.	10 year tenor with a five year moratorium, repayable in 10 half-yearly equal installments commencing from September 2010.
Union Bank of India#	Term Loan Agreement dated March 31, 2005 (5)	1,000	625.00	6.80, being BPLR minus 3.95, payable monthly.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Union Bank of India#	Term Loan Agreement dated April 28, 2005 (5)	2,000	1,250.00	7.00, being BPLR minus 3.95, payable monthly.	Seven year tenor with a three year moratorium, repayable in eight half-yearly equal installments.
Bank of Maharashtra#	Term Loan Agreement dated December 12, 2007	1,000	1,000.00	9.25, being BPLR minus 4.00, payable monthly.	Five year tenor with two year moratorium, repayable in three annual equal installments.
Canara Bank#	Term Loan Agreement dated February 29, 2008	3,000	3,000.00	8.75, being BPLR minus 4.00, payable on monthly rests.	Five year tenor with two year moratorium, repayable in three annual equal installments.

\# *The term loan is secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to IL&FS Trust Company Limited ("**ITCL**"), and the security trustee for the charged receivables is IDBI Trusteeship Services Limited ("**ITSL**") on the basis of joint hypothecation agreement dated January 25, 2008.*

† *LIC reserves the right to recall the loan if our Company's credit quality as measured by CRISIL, deteriorates below investment grade viz. "BBB". Further LIC reserves the right to reset the interest rate in case our Company's rating as measured by CRISIL falls below "AAA".*

(1) *Our Company has undertaken not to transfer, encumber, alienate or part with the possession in any manner, whatsoever, the assets owned by or belonging to them without the consent of the lender in writing in the event of default.*

(2) *Our Company has undertaken to carry out such alterations in its Articles and Memorandum, as may be necessary in the opinion of the lender to safeguard its interest arising out of the facility agreement.*

(3) *Our Company has covenanted to maintain its credit corporate rating of 'AAA' as measured by the external credit agency during the entire tenor of the facility, further, our Company has agreed to raise capital as stipulated in the Loan Agreement and promoters shall subscribe to such share capital to the extent stipulated by the lender. In addition, our Company has agreed to broad-base its Board in consultation with and to the satisfaction of the lender if called upon to do so.*

(4) *Prior consent of the lender will be required for our Company to (a) issue any debenture, raise any loans, deposits from the public, equity or preferential capital or change its capital structure; (b) prepay any loan availed of by it from any other party; (c) pay any commission to its Promoter, Directors, managers or other persons for furnishing guarantees or indemnities or for undertaking any other liability in connection with any financial assistance obtained for or by our Company; (d) make any investment by way of deposit, loans, share capital, etc. in any concern; (e) create any subsidiary or permit any company to become its subsidiary; (f) sell or otherwise dispose of any or all of its present or future revenues or cash flows or other dues received by our Company or create or permit thereon any encumbrance.*

(5) *Prior consent of the lender will be required for our Company to (a) undertake any new project, diversification, modernization or substantial expansion of the project described in the agreement; (b) declare or pay any dividend to its shareholders during any financial year unless it has paid all the dues to lender up to the date on which the dividend is proposed to be declared; (c) undertake or permit any merger, consolidation, reorganization scheme or arrangement or compromise with its creditors or shareholders or effect any scheme of amalgamation or reconstruction; (d) revalue its assets at any time during the currency of the loan; (e) carry on any general trading activities other than the sale of its own products.*

(6) *The loan shall be utilized only for such purposes for which the facility has been granted.*

I.2 Secured bonds issued by our Company

I.2.1 Secured tax free bonds issued by our Company:

Set forth below is a brief summary of our outstanding secured tax free bonds aggregating Rs. 1,250 million, as on October 31, 2009. These bonds have been issued on a private placement basis and are currently listed on the 'wholesale debt market' segment of the NSE.

S. No.	Nature of bonds	Total value of bonds (Rs. million)	Amount outstanding, as on October 31, 2009 (Rs. million)	Interest/ coupon rate (% p.a.)	Tenor/ redemption terms
1.	Secured non-convertible 'priority sector tax-free REC-2010' bonds' ('41st Series') in the nature of debentures, allotted on February 22, 2000 (1) (2) (3) (4) #	750	750	8.25	Redeemable at par ten years from date of allotment, being, February 22, 2010.
2.	Secured non-convertible 'priority sector tax-free bonds' ('53rd Series'), allotted on March 23, 2001(4) #	500	500	7.10	Redeemable at par ten years from date of allotment, being, March 23, 2011.

\# *The bond is secured by a charge on the receivables of our Company, both present and future, save and except certain specific receivables hypothecated to ITCL, and the security trustee for the charged receivables is ITSL on the basis of joint hypothecation agreement dated January 25, 2008*

(1) *Subject to the approval of the GoI, the bondholders shall have the right to appoint a nominee director on the Board of our Company, in the event our Company persistently defaults in payments of interest/ principal on the due dates.*

(2) *Our Company is required to hypothecate the secured assets or any further assets with the trustee, upon the terms and conditions hereof, in the event of the value of the secured assets diminishing for any reason including on account of any loss or damage thereof, such that the value of the secured assets shall not at any time be less than 1.5 times of the outstanding value of the bonds.*

(3) *Our Company is required to obtain the prior consent of the trustee in the event our Company makes or attempts to make any alterations in the provisions of its Memorandum or Articles which may determinately affect the interests of the bondholders.*

(4) *Our Company is required to obtain the prior consent of the trustee in the following events: (a) Our Company ceases or threatens to cease to carry on its business or (b) Our Company makes or attempts to make any alteration to its Memorandum and Articles which may prejudice the interest of the bondholders.*

I.2.2 Secured taxable bonds issued by our Company:

Set forth below is a brief summary of our secured outstanding taxable bonds aggregating Rs. 263,864 million as on October 31, 2009. These bonds have been issued on private placement basis and are currently listed on the 'whole sale debt market segment' in the NSE.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on October 31, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ Redemption Terms

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on October 31, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ Redemption Terms
1.	Secured non-convertible redeemable 'taxable priority sector bonds – 2010' ('66th Series') in the nature of debentures, allotted on January 31, 2003#	2,740	1,390	6.00, payable annually	Redeemable at par on the expiry of seven years from the date of allotment, with a put and call option at par at the end of five years from the date of allotment.
2.	Secured non-convertible redeemable 'taxable non-priority sector bonds – 2014' ('69th Series') in the nature of debentures, allotted on January 23, 2004 #	6,692	6,692	6.05, payable annually	Redeemable at par in five equal installments at the end of each sixth/ seventh/ eighth/ ninth and tenth year respectively from the date of allotment.
3.	Secured non-convertible redeemable 'taxable priority sector bonds – 2011' ('72nd Series') in the nature of debentures, allotted on August 18, 2004##	5,855	1,137	6.60, payable annually	Redeemable at par on the expiry of seven years from the date of allotment, with a put and call option, at par, at the end of five years from the date of allotment.
4.	Secured non-convertible redeemable 'taxable non-priority sector bonds – 2014' ('73rd Series') in the nature of debentures, allotted on October 8, 2004 ##	2,339	2,339	6.90, payable annually	Redeemable at par in five equal installments at the end of each sixth/ seventh/ eighth/ ninth and tenth year, respectively, from the deemed date of allotment.
5.	Secured non-convertible redeemable 'taxable non-priority sector bonds – 2015' ('75th Series') in the nature of debentures, allotted on March 17, 2005##	5,000	5,000	7.20, payable annually	Redeemable at par in ten equal installments redeemed at the end of each fifth year and six months, sixth, sixth year and six months, seventh, seventh year and six months, eighth, eighth year and six months, ninth, ninth year and six months, and tenth year, respectively, from the date of allotment.
6.	Secured non convertible redeemable 'taxable bonds - 2015' ('77th Series') in the nature of debentures, allotted on June 30, 2005###	9,855	9,855	7.30, payable annually	Redeemable at par in five equal installments at the end of each sixth, seventh, eighth, ninth and tenth year, respectively, from the date of allotment
7.	Secured non convertible redeemable 'taxable bonds - 2016' ('78th Series') in the nature of debentures, allotted on January 31, 2006###	17,957	17,957	7.65, payable annually	Redeemable at par on the expiry of ten years from the date of allotment.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on October 31, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ Redemption Terms
8.	Secured non-convertible redeemable 'taxable bonds- 2016' ('79th Series') in the nature of debentures, allotted on March 14, 2006*###	5,000	5,000	7.85, payable half yearly	Redeemable at par on the expiry of ten years from the date of allotment.
9.	Secured non convertible redeemable 'taxable bonds – 2016' ('80th Series') in the nature of debentures, allotted on March 20, 2006###	5,000	5,000	8.20, payable annually	Redeemable at par on the expiry of ten years from the date of allotment.
10.	Secured non convertible redeemable 'taxable bonds - 2017' ('81st Series') in the nature of debentures, allotted on January 20, 2007 ###	3,148	3,148	8.85, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
11.	Secured non convertible redeemable 'taxable bonds – 2017' ('82nd Series') in the nature of debentures allotted on September 28, 2007###	8,831	8,831	9.85, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
12.	Secured non convertible redeemable 'taxable bonds – 2018' ('83rd Series') in the nature of debentures, allotted on February 28, 2008 ###	6,852	6,852	9.07, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
13	Secured non convertible redeemable 'taxable bonds – 2013' ('84th Series') in the nature of debentures, allotted on April 4, 2008###	10,000	10,000	9.45, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
14	Secured non convertible redeemable 'taxable bonds - 2018' ('85th Series') in the nature of debentures, allotted on June 13, 2008* ###	5,000	5,000	9.68, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
15	Secured non convertible redeemable 'taxable bonds - 2013' ('86th Series') in the nature of debentures, allotted on July 24, 2008###	7,279	7,279	10.75, payable annually	Redeemable at par on the expiry of five years from the date of allotment.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on October 31, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ Redemption Terms
16	Secured non convertible redeemable 'taxable bonds - 2018' ('86th A Series') in the nature of debentures, allotted on July 29, 2008[###]	5,000	5,000	10.70, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
17	Secured non convertible redeemable 'taxable bonds - 2011' ('86th B - I Series') in the nature of debentures, allotted on August 14, 2008[###]	9,242	9,242	10.95, payable annually	Redeemable at par on the expiry of three years from the date of allotment.
18	Secured non convertible redeemable 'taxable bonds – 2013' ('86th B – II Series') in the nature of debentures, allotted on August 14, 2008[###]	3,541	3,541	10.90, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
19	Secured non convertible redeemable 'taxable bonds – 2018' ('86th B – III Series') in the nature of debentures, allotted on August 14, 2008 [###]	4,320	4,320	10.85, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
20	Secured non convertible redeemable 'taxable bonds – 2013' ('87th - I Series') in the nature of debentures, allotted on September 30, 2008[###]	3,702	3,702	10.90, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
21	Secured non convertible redeemable 'taxable bonds – 2018' ('87th - II Series') in the nature of debentures, allotted on September 30, 2008. [###]	6,574	6,574	10.85, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
22	Secured non convertible redeemable 'taxable bonds – 2013' ('87th A - I Series') in the nature of debentures allotted on October 24, 2008 [###]	2,497	2,497	11.35, payable annually	Redeemable at par on the expiry of five years from the date of allotment with put and call option at par at the end of three years from the date of allotment.
23	Secured non convertible redeemable 'taxable bonds – 2018' ('87th A - II Series') in the nature of debentures, allotted on October 24, 2008[###]	364	364	11.20, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment with put and call option at par at the end of five years from the date of allotment.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on October 31, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ Redemption Terms
24	Secured non convertible redeemable 'taxable bonds – 2018' ('87th A - III Series') in the nature of debentures, allotted on October 24, 2008 ###	618	618	11.15, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
25	Secured non convertible redeemable 'taxable bonds – 2011' ('87th B Series') in the nature of debentures, allotted on November 3, 2008. ###	9,409	9,409	11.75, payable annually	Redeemable at par on the expiry of three years from the date of allotment.
26	Secured non convertible redeemable 'taxable bonds – 2010' ('87th C – I Series') in the nature of debentures, allotted on November 26, 2008###	2,291	2,291	11.45, payable semi annually	Redeemable at par on the expiry of 18 months from the date of allotment.
27	Secured non convertible redeemable 'taxable bonds – 2010' ('87th C - II Series') in the nature of debentures allotted on November 26, 2008 ###	5,915	5,915	11.45, payable semi annually	Redeemable at par on the expiry of two years from the date of allotment.
28	Secured non convertible redeemable 'taxable bonds – 2013' ('87th C - III Series') in the nature of debentures, allotted on November 26, 2008###	8,600	8,600	11.50, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
29	Secured non convertible redeemable 'taxable bonds – 2019' ('88th Series') in the nature of debentures, million allotted on January 15, 2009###	14,950	14,950	8.65, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
30	Secured non convertible redeemable 'taxable bonds – 2012' ('89th- I Series') in the nature of debentures, allotted on June 2, 2009###	6,715	6,715	7.00, payable annually	Redeemable at par on the expiry of three years from the date of allotment.
31	Secured non convertible redeemable 'taxable bonds – 2014' ('89th II Series') in the nature of debentures, allotted on June 2, 2009###	2,550	2,550	7.70, payable annually	Redeemable at par on the expiry of five years from the date of allotment.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on October 31, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ Redemption Terms
32	Secured non convertible redeemable 'taxable bonds – 2019' ('90th Series') in the nature of debentures, allotted on August 3, 2009††	20,000	20,000	8.80, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
33	Secured non convertible redeemable 'taxable bonds – 2012' ('90th A Series I') in the nature of debentures, allotted on August 5, 2009††	10,000	10,000	7.15, payable annually	Redeemable at par on the expiry of three years from the date of allotment.
34	Secured non convertible redeemable 'taxable bonds – 2014' ('90th A Series II') in the nature of debentures, allotted on August 5, 2009††	10,000	10,000	8.00, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
35	Secured non convertible redeemable 'taxable bonds – 2014' ('90th B Series- I') in the nature of debentures, allotted on September 4, 2009††	8,839	8,839	8.35, payable annually	Redeemable at par on the expiry of five years from the date of allotment.
36	Secured non convertible redeemable 'taxable bonds – 2019' ('90th B Series- II') in the nature of debentures, allotted on September 4, 2009††	8,682	8,682	8.72, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.
37	Secured non convertible redeemable 'taxable bonds – 2012' ('90th C Series- I') in the nature of debentures, allotted on October 6, 2009††	14,175	14,175	7.90, payable annually	Redeemable at par on the expiry of three years from the date of allotment.
38	Secured non convertible redeemable 'taxable bonds – 2019' ('90th C Series- II') in the nature of debentures, allotted on October 6, 2009††	10,400	10,400	8.80, payable annually	Redeemable at par on the expiry of 10 years from the date of allotment.

The bond is secured by a charge on (a) the receivables of our Company and the security trustee for the charged receivables is ITCL, and (b) mortgage of premises at 51 and 52/58-B, 5th floor, Mittal Tower, Block II, Backbay Scheme, Nariman Point, Colaba, Mumbai 400 005, Maharashtra, India on the basis of joint hypothecation agreement dated January 25, 2008

The bond is secured by a charge on (a) the receivables of our Company, both present and future, save and except receivables hypothecated to ITCL, and the security trustee for the charged receivables is ITSL, and (b) mortgage of premises at 51 and 52/58-B, 5th floor, Mittal Tower, Block II, Backbay Scheme, Nariman Point, Colaba, Mumbai 400 005, Maharashtra, India on the basis of joint hypothecation agreement dated January 25, 2008

The bond is secured by (a) a charge on the receivables of our Company, both present and future, save and except receivables hypothecated to ITCL, and the security trustee for the charged receivables is ITSL and, (b) mortgage of Flat no. 640, Asiad Games Village, New Delhi 110 049, India *on the basis of joint hypothecation agreement dated January 25, 2008*

* *We have entered into a swap transaction with respect to this bond series.*

†† The deeds in relation to creation of trust and hypothecation are yet to be entered into, as on the date of filing of this Red Herring Prospectus.

(1) *Our Company has undertaken not to create any subsidiary except as previously agreed in writing.*

(2) *The prior consent of the trustee is required in the event our Company undertakes or permits any merger, consolidation, reorganization scheme or arrangement or compromise with its creditors or shareholders or scheme of amalgamation or reconstruction.*

(3) *Our Company has undertaken not to declare or pay any dividend to its shareholders during any financial year unless it has paid the installment of principal and interest then due and payable on the bonds, or has made provision satisfactory to the trustees for making such payment.*

(4) *Our Company has undertaken not to carry out any new project, diversification, modernization, or substantial expansion of any project without permission of the trustees.*

(5) *The prior consent of the trustee is required in the event our Company should create or suffer any mortgage, charge, lien or hypothecation or other encumbrance affecting the hypothecation.*

(6) *Our Company shall make further issue of bonds or raise further loans to be secured on a pari passu basis with the security created on such terms as may be mutually acceptable to our Company, the trustee and the investment institutions participating in the bond issue.*

(7) *Our Company is required to obtain prior consent of the trustee for events including, inter alia, taking any action for reduction of capital by our Company or any alteration of our Memorandum and Articles which affects the interest of the bondholders.*

I.2.3 Capital gains tax exemption bonds under Section 54EC of the IT Act

Set forth below is a brief summary of our outstanding capital gains tax exemption bonds issued under Section 54EC of the IT Act, of Rs. 113,280.95 million as on October 31, 2009, together with a brief description of certain significant terms of such financing arrangements. These bonds are not proposed to be listed on any stock exchange.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on October 31, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ redemption terms
1.	'54 EC long term capital gains tax exemption Series I Bonds' issued in Fiscal 2002 #	34,134	94.51	5.25, payable annually*	Redemption at par on the expiry of five years from the deemed date of allotment, at 8.70% to 7.35% p.a. payable annually or semi annually with a put option at the end of three years from the date of allotment.
2.	'54 EC long term capital gains tax exemption Series II Bonds' issued in Fiscal 2003 ## (1)(2)(3)(4)	15,971	74.61	5.25, payable annually*	Redemption at par on the expiry of five years from the deemed date of allotment at 7.25% to 6.00% p.a. payable annually / semi-annually, with a put option at the end of three years from the date of allotment.
3.	'54 EC long term capital gains tax exemption Series III Bonds', issued in Fiscal 2004 ## (1)(2)(3)(4)	13,626	180.59	5.60, payable annually*	Redemption at par on the expiry of five years from the deemed date of allotment at 5.15% to 5.60% p.a. payable annually, with a put option at the end of three years from the date of allotment.
4.	'54 EC long term capital gains tax exemption Series IV Bonds' issued in Fiscal 2005 ## (1)(2)(3)(4) (5)	22,895	1,525.84	5.15, 7.00**, 5.50 and 5.60, payable annually	Redemption at par on the expiry of 5 or 7 years, as applicable, from the deemed date of allotment at 5.15%, 5.50% and 5.60% payable annually, with a put and call option at the end of 3 or 5 years, respectively, from the date of allotment.
5.	'54 EC long	33,932	4,375.07	5.65 and 5.50,	Redemption at par on the expiry of

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on October 31, 2009 (Rs. million)	Interest/ coupon rate (%)	Tenor/ redemption terms
	term capital gains tax exemption Series V Bonds, issued in Fiscal 2006 ## (1)(2)(3)(4)			payable annually	five years from the deemed date of allotment at 5.50% to 5.65% p.a. payable annually, with a put and call option at the end of three years from the date of allotment.
6.	'54 EC long term capital gains tax exemption Series VI Bonds', issued in Fiscal 2007 ### (1)(2)(3)(4)(5)	44,942.13	6,901.44	5.50, payable annually	Redemption at par on the expiry of five years from the deemed date of allotment at 5.50% p.a. payable annually, with a put and call option at the end of three years from the date of allotment.
7.	'54 EC long term capital gains tax exemption Series VI-A Bonds' issued in Fiscal 2007 ### (1)(2)(3)(4)	28,587	28,587.00	5.25, payable annually	Redemption at par on the expiry of three years from the deemed date of allotment.
8.	'54 EC long term capital gains tax exemption Series VII Bonds' issued in Fiscal 2008 †(1)(2)(3)(4)(5)	34,027	34,027.00	5.50, payable annually	Redemption at par on the expiry of three years from the deemed date of allotment.
9	'54 EC long term capital gains tax exemption Series VIII Bonds' issued in Fiscal 2009 † (1)(2)(3)(4)(5)	37,514.89 (comprising of Rs. 25,252 million in Fiscal 2009 and Rs. 12,262.89 million in Fiscal 2010)	37,514.89	5.75 and 6.25, payable annually	Redemption at par on the expiry of three years from the deemed date of allotment.***

The bond is secured by a charge on (a) the receivables of our Company and the security trustee for the charged receivables is ITCL, and (b) mortgage over our Company's immovable properties aggregating Rs. 385 million, situated at Tehsil Hirgangat, district Wardha, Maharashtra, measuring 2.42 acres on the basis of joint hypothecation agreement dated January 25, 2008

The bond is secured by a charge on (a) the receivables of our Company and the security trustee for the charged receivables is ITCL, and (b) mortgage over our Company's immovable properties situated at 51 and 52/58-B, 5th Floor, Mittal Tower, Block II, Backbay Scheme, Nariman Point, Colaba, Mumbai 400 005, Maharashtra, India on the basis of joint hypothecation agreement dated January 25, 2008

The bond is secured by a charge on the receivables of our Company and the security trustee for the charged receivables is ITCL, and mortgage over Company's immovable properties situated at Flat No. 641, Asiad Village Complex, New Delhi110 049, India on the basis of joint hypothecation agreement dated January 25, 2008

† *The bond is secured by a charge on (a) the receivables of our Company, both present and future, save and except receivables hypothecated to ITCL, and the security trustee for the charged receivables is ITSL, and (b) mortgage over Company's immovable properties situated at Flat No. 641, Asiad Village Complex, New Delhi 110 049, India on the basis of joint hypothecation agreement dated January 25, 2008*

* *Present rate of interest on the outstanding amount.*

** Coupon rate of 5.15% has been revised to 7% with regard to allotment pertaining to the period May 12, 2004 to December 15, 2004.

*** The issue is open up to March 31, 2010. The security in relation to the bonds allotted in Fiscal 2010 is intended to be created thereafter. However, the amount collected in Fiscal 2009 is 25,252, security in relation to which has been creatsed. For such bonds issued in Fiscal 2009, the security is in the form of a charge on (a) the receivables of our Company, both present and future, save and except receivables hypothecated to ITCL, and the security trustee for the charged receivables is ITSL, and (b) mortgage over Company's immovable properties situated at Flat No. 641, Asiad Village Complex, New Delhi 110 049, India on the basis of joint hypothecation agreement dated January 25, 2008.

(1) The prior consent of the trustee is required in the event our Company creates any subsidiary.

(2) The prior consent of the trustee is required in the event of any amalgamation, consolidation, reconstruction, reorganization scheme or arrangement or any compromise with our Company's creditors or shareholders.

(3) Our Company has undertaken not to declare or pay any dividend to its shareholders during any financial year unless it has paid the installment of principal and interest then due and payable on the bonds, or has made provision satisfactory to the trustees for making such payment.

(4) Our Company has undertaken not to carry out any new project, diversification, modernization, or substantial expansion of any project.

(5) Our Company is required to obtain prior consent of the trustee for events including, inter alia, taking any action for reduction of capital by our Company or any alteration of our Memorandum and Articles, which affects the interest of the bond holders.

I.2.4 Infrastructure bonds issued by our Company under Section 88(C) of the IT Act

Set forth below is a brief summary of our outstanding infrastructure bonds of Rs. 111.66 million as on October 31, 2009, together with a brief description of certain significant terms of such financing arrangements.

S. No.	Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on October 31, 2009 (Rs. million)	Interest/ Coupon Rate (%)	Redemption
1.	'REC Infrastructure Bonds' ('Series-I and II') issued in Fiscal 2002 and Fiscal 2003, respectively # (1)	885	51.44	5.25, payable annually*	Redeemable at par at the end of five years from the deemed date of allotment at 9% to 7.50% p.a. payable annually, with a put option at the end of three years from the date of allotment, being March 31, 2008. ##
2.	'REC Infrastructure Bonds' ('Series-III') issued in Fiscal 2004 # (1)	161	18.22	5.60, payable annually	Redeemable at par at the end of five years from the deemed date of allotment at 5.60% p.a. payable annually, with a put option at the end of three years from the date of allotment, being March 31, 2009. ##
3.	'REC Infrastructure Bonds' ('Series-IV') issued in Fiscal 2005 # (1)(2)	1,885	42.00	6.25, payable annually	Redeemable at par at the end of 3 or 5 years, as applicable, from the date of allotment at 6% to 6.25% p.a. payable annually, being March 31, 2010.

The bond is secured by a mortgage over Company's immovable properties situated at Nos. 51, 52/58-B, 5th Floor, Mittal Tower, Block II of Backbay Scheme, Nariman Point, Colaba, Mumbai 400 005, Maharashtra, India.

The bonds issued in Series I, II and III, have matured, as on the date of this Red Herring Prospectus. However, the amounts outstanding in relation to these bonds are reflected in the balance sheet of our Company.

* Present rate of interest on outstanding amounts.

(1) The prior consent of the trustee is required in the event our Company undertakes or permits any amalgamation, consolidation, reorganization, reconstruction scheme or arrangement or any compromise with its creditors or shareholders.

(2) The bondholders shall have the power to sanction (a) any reconveyance, release or substitution of secured assets; (b) any compromise or arrangement between our Company and such bondholders; as well as the power to assent to any scheme for amalgamation or reconstruction of our Company.

II Unsecured borrowings availed by our Company

II.1 Unsecured long term loans availed by our Company

Set forth below is a brief summary of our outstanding unsecured long term borrowings aggregating Rs. 40,792.85 million as on October 31, 2009.

Name of the Lender	Loan documentation	Facility (Rs. million)	Amount outstanding, as on October 31, 2009 (Rs. million)	Rate of interest (% p.a.)	Terms of repayment*
UCO Bank	Term loan agreement dated November 23, 2005 (1)(2)	2,000	1,857.14	7.00 (BPLR minus 4), payable on monthly rests. Interest to be reset after 5 years.	Ten year tenor with a 3 year moratorium, repayable in 14 half-yearly equal installments.
Canara Bank	Term loan agreement dated December 6, 2004 (2)	2,000	1,000.00	6.80 (BPLR minus 3.90), payable on monthly rests. Interest to be reset after 3 years.	Seven year tenor with a two year moratorium, repayable in 10 equal installments.
Bank of Baroda	Term loan agreement dated December 30, 2004 (2)	2,500	1,250.00	6.00 (BPLR minus 4.50), payable on monthly rests.	Seven year tenor with a two year moratorium, repayable in 10 half-yearly equal installments.
Andhra Bank	Term loan agreement dated September 13, 2007 (2)	3,000	2,500.00	9.40 (BPLR minus 3.85 + 0.25), payable on quarterly rests.	Five year tenor with a two year moratorium, repayable in 6 half-yearly installments.
Bank of Baroda	Term loan agreement dated December 7, 2006 (2)	5,000	3,750.00	8.17 (BPLR minus 3.31), payable on monthly rests.	Five year tenor with a one year moratorium, repayable in four equal installments.
Corporation Bank	Term loan agreement dated June 24, 2005 (1)(2)	3,250	2,785.71	6.93 (G-Sec plus 0.35), payable half-yearly. Interest to be reset after 5 years.	10 year tenor with a three year moratorium, repayable in 14 equal half yearly installments.
Central Bank of India	Term loan agreement dated February 25, 2009 (2)	5,000	5,000.00	7.50 (BPLR minus 4.50), payable on monthly rests.	Five years tenor with a bullet repayment on maturity from date of first disbursement
UCO Bank	Term loan agreement dated March 30, 2009 (1)(2)	3,500	3,500.00	7.00 (RBI REPO Rate + 2.00 up to September 30, 2009 or till such time the REPO linked scheme remain in-force. Thereafter, BPLR linked rate on mutually agreed terms), payable on monthy rests.	Five years tenor with a bullet repayment on maturity from date of first disbursement
United Bank of India	Term loan agreement dated June 12, 2009	6,000	6,000.00	RBI REPO Rate (175 bps to March 31, 2010 or till such time the	Five years tenor with a bullet repayment on maturity from date of first disbursement

Name of the Lender	Loan documentation	Facility (Rs. million)	Amount outstanding, as on October 31, 2009 (Rs. million)	Rate of interest (% p.a.)	Terms of repayment*
				REPO linked scheme remain in-force. Thereafter, BPLR minus 4.50)	
Allahabad Bank	Term loan agreement dated December 12, 2007 [(2)]	3,500	2,280.00	9.40 (BPLR minus 3.85), payable on monthly rests.	Five years tenor with two year moratorium, repayable in three annual equal installments.
United Bank of India	Term loan agreement dated September 11, 2009 [(3)]	2,500	2,500.00	6.50 (175 bps over RBI reference REPO for mutual funds and non-banking financial institutions, till such time the facility is available, after which the interest rate will be BPLR minus 4.50, at monthly rests)	Five years tenor repayable after five year period such that the entire loan will be repaid within five years from the date of first disbursement.
Bank of Maharashtra	Term loan agreement dated September 11, 2009	1,000	1,000.00	7.00 (BPLR minus 5.25 with a minimum of 7.00) with monthly rests	Three years tenor repayable by a bullet payment at the expiry of three years from the date of disbursement of first tranche of the facility.
Bank of Maharashtra	Term loan agreement dated July 14, 2009	1,000	1,000.00	7.00 (BPLR minus 5.25 with a minimum of 7.00) with monthly rests	Three years tenor repayable by a bullet payment at the expiry of three years from the date of disbursement of first tranche of the facility.
Punjab and Sind Bank	Term loan agreement dated July 14, 2009	4,350	1,370.00	7.50 per annum for the first year and BPLR (as on October 1, 2009) minus 4.50% from the second year onwards with monthly rests	Three years from the date of the drawal of loan amount in one lump sum
HDFC Bank	Term loan agreement dated July 23, 2009	5,000	5,000.00	6.50 (RBI REPO rate + 175 basis points per annum), payable on monthly rests	Two years from the date of the drawal of loan amount

* *The moratorium period, wherever provided, is applicable on payment of principal amount.*

(1) *Prior consent of the lender will be required for our Company to sell or otherwise dispose of any or all of its present or future revenues or cash flows or other dues received by our Company or create or permit thereon any encumbrance.*

(2) *The loan shall be utilized only for such purposes for which the facility has been granted*

(3) *Our Company shall not induct any person on its Board who is declared a wilful defaulter by a bank of financial institution, and if any Director is so declared, our Company shall take expeditious steps for his removal.*

(4) *The loans are payable on demand.*

II.2 Unsecured short term loans availed by our Company

Set forth below is a brief summary of our outstanding unsecured short term borrowings aggregating Rs. 5,000 million as on October 31, 2009.

Name of the lender	Loan documentation	Facility (Rs. million)	Amount outstanding as on October 31, 2009 (Rs. million)	Rate of interest (%)	Terms of repayment*
Bank of Baroda	Short-term loan agreement dated February 10, 2009.	5,000	5,000	8.25, payable monthly	Bullet repayment in 12 months.

II.3 Foreign currency borrowings of our Company

Set forth below is a brief summary of our outstanding foreign currency borrowings aggregating Rs. 17,905 million as on October 31, 2009.

Name of Lender(s)	Facility/ Loan Documentation	Facility	Amount Outstanding, as on October 31, 2009	Interest Rate (% p.a., payable semi-annually)	Tenor/ Repayment Terms
Japan International Cooperation Agency#	Loan agreement dated March 31, 2006 (1)**	JPY 20,629 million	Rs. 5,131 million i.e., JPY 11,366 million	0.75	15 years tenor with a moratorium of five years. Repayable in semi-annual installments beginning March 20, 2011 (JPY 982.340 million), and in equal installments ending March 20, 2021 (JPY 982.333 million).
Japan International Cooperation Agency#	Loan agreement dated March 10, 2008 (1)**	JPY 20,902 million	Rs. 748 million i.e., JPY 1,449 million	0.65	15 years tenor with a moratorium of five years. Repayable in semi-annual installments beginning March 20, 2013 (JPY 995.340 million), and in equal installments ending March 20, 2023 (JPY 995.333 million).
KfW, Frankfurt am Main #	Loan agreement dated August 8, 2006 *(2)**	Euro 70 million	Rs. 3,323 million i.e., EURO 51 million	3.73	12 years tenor with a moratorium of three years. Repayable in 19 consecutive semi-annual installments starting December 30, 2009.
KfW, Frankfurt am Main #	Loan agreement dated March 16, 2009 *(2) **	Euro 70 million	Nil	2.89	12 years with a moratorium of three years. Repayable in 18 consecutive semi-annual installments starting June 30, 2012.
Syndicated unsecured borrowings^	Syndicated facility agreement dated March 21, 2007, ^ (3) (4) (5) (6)	JPY 23,570 million	Rs. 8,703 million i.e., JPY 23, 570 million	6 months JPY LIBOR plus 0.48.^^	Five years tenor; repayable at the expiry of five years from date of drawdown, being on March 26, 2012.

Secured by a guarantee provided by the Republic of India, represented by its President for the entire amount.

^ *The two original lenders, being. Standard Chartered Bank and DEPFA Investment Bank have entered into a separate agreement dated April 23, 2007, pursuant to which they have transferred part of respective shares of their loans to nine different lenders, i.e., Kommunal Kredit International Bank Limited, BNP Paribas, DZ Bank AG, Bank of China (Hong Kong) Limited, Bank of Taiwan, the Export-Import Bank of the Republic of China, Cathay United Bank, Intesa Sanpaolo S.p.A, Mega International Commercial Bank.*

^^ *After giving effect to our foreign currency hedge, our effective annual cost of borrowings under this facility in Fiscal 2008 is 6.75% p.a.*

** *The entire loan amount drawn till October 31, 2009 from Japan International Cooperation Agency & KfW, Frankfurt am Main has been fully hedged in fiscal 2009 except JPY 404 million received on October 30, 2009 which will be hedged subsequently.*

Our Company has also entered into two contribution agreements with KfW, dated August 8, 2006 and March 16, 2009 for a grant of Euro 500,000 each, to be utilized for capacity building measures by our Company and the Discoms implementing KfW-assisted projects. The amount received by our Company under this agreement is not repayable except in the event that (a) certain obligations cast upon our Company are violated, or (b) the said amount is not used for the stipulated purpose(s).

(1) *In the event our Company creates a statutory or other lien on any of its assets, it is obligated to include an express covenant providing the lender with a proportionate lien securing the payment of the principal, interest and other charges of the present loan. Further, the prior consent of the lender is required in the event our Company assigns or transfers any assets partly or wholly financed from this facility, except in the course of ordinary business or if such assignment or transfer does not materially affect our Company's ability to service the loan.*

(2) *Our Company is required to keep the lender informed of the happening of any 'events of default', and is required to attempt to remedy such default within the period specified by KfW, such events including (a) our Company failing to meet any payment or other obligations under this agreement; (b) appointment of a receiver/ liquidation/ compulsory or voluntary winding up; (c) declaration of a moratorium in respect of any of our Company's indebtedness; (d) bankruptcy; (e) discontinuance of our Company's business; (f) the sale of an essential portion of our Company's assets; (g) our Company being unable to prove that loan amounts have been used for the sanctioned purpose (i.e., HVDS projects); (h) any alteration in our Company's legal status, control, nature or scale of our Company's business, which may be judged detrimental to KfW's interest.*

(3) *In the event our Company creates a lien on any of its assets, it is obligated to include an express covenant providing the lenders with a proportionate lien securing the payment of the principal, interest and other charges of the present loan. However, this restriction shall not be applicable in the following events: (a) the lien arising as a consequence of operation of law and in the ordinary course of our Company's trading activities in respect of any obligation which is less than 30 days overdue; (b) loans not exceeding US$ 1 million; (c) loans in foreign currency and obtained from international multilateral agencies; (d) rupee loans raised from the Indian market; or (e) if the majority lenders under this facility, (i.e., lenders whose participation in the facility is at least 51%, depending on the extent of drawdown by our Company) provide their written consent for availing of such loans.*

(4) *Our Company shall require lender's consent, through the agent, being Standard Chartered Bank, for any of the following events: (a) effecting a merger or consolidation with any entity; (b) taking any steps with a view to dissolution, liquidation or winding up or becoming subject to any kind of reconstruction or reorganization scheme or arrangement; (c) acquiring any assets or business that may adversely affect the lender's interest or if such business is not within the core business activities of our Company; (d) assigning or transferring any of its obligations under the present loan, or transferring any assets wholly or partly financed from the present loan, except in the ordinary course of business; or if such assignment or transfer is not material too's ability to service the loan.*

(5) *During the tenor of this loan, (a) Our Company is required to maintain a capital adequacy ratio ("CAR") of at least 10%; (b) our Company's total unsecured debt shall not exceed 50% of its total debt; (c) our Company's interest coverage ratio shall not be less than 1.3.*

(6) *Our Company is required to intimate the lender of the details of any plan which may result in an important modification of the project for which this facility was sanctioned, and these shall be the subject of agreement between the bank and our Company.*

II.4 Commercial Paper

Set forth below is a brief summary of commercial papers issued by our Company for Rs. 24,950 million as on October 31, 2009, in accordance with the Non-Banking Companies (Acceptance of Deposits through Commercial Paper) Directions, 1989, as amended, issued by the RBI.

ISIN No.	Issuing and paying agency	Date of Issue	Amount (Rs. million)	Rate (% p.a.)	Maturity date
INE 020B 14011	HDFC Bank Limited, Mumbai	November 11, 2008	2,950	11.30	November 10, 2009
INE 020B 14037	HDFC Bank Limited, Mumbai	April 21, 2009	10,000	5.93	April 20, 2010
INE 020B 14045	HDFC Bank Limited, Mumbai	August 20, 2009	5,000	5.98	August 19, 2010
INE 020B 14052	HDFC Bank Limited, Mumbai	October 20, 2009	7,000	4.03	March 22, 2010

II.5 Long term loans availed by our Company from the MoF

Set forth below is a brief summary of our outstanding unsecured long term borrowings from the MoF, GoI of Rs. 601.66 million as on October 31, 2009, together with a brief description of certain significant terms of such financing arrangements.

These loans were sanctioned for relending to the state governments to be used for relending to state governments/state electricity board for rural electrification programme in the state plans under the 'Minimum Needs Programme'. There is a rebate of 0.25% for prompt repayment or interest payments on these loans.

Facility granted and loan documentation	Amount outstanding, as on October 31, 2009 (Rs. million)	Rate of interest (% p.a.)*
Sanction letter 37(15) PF-I/79-34 dated January 9, 1980 for Rs. 100 million	4	5.50% for the first ten years; 5.75% for the next ten years, and 6.50% for the remaining ten years
Sanction letter 37(15) PF-I/79 dated February 27, 1980 for Rs. 150 million	6	
Sanction letter 37(15) PF-I/79 dated March 20, 1980 for Rs. 158.70 million	6.35	
Sanction letter 37(4)PF-I/80 dated April 8, 1980 for Rs. 100 million	4	
Sanction letter 37(4)PF-I/80 dated May 21, 1980 for Rs. 50 million	2	
Sanction letter 37(4) PF-I/80 dated August 4, 1980 for Rs. 50 million	2	
Sanction letter 37(4)/PF-I/80 dated December 22, 1980 for Rs. 100 million	8	
Sanction letter 37(4)/PF-I/80 dated March 23, 1981 for Rs. 152.3 million	12.18	
Sanction letter 37(12) PF-I/81 dated May 28, 1981 for Rs. 100 million	8	
Sanction letter 37(3)/PF-I/81 dated December 15, 1981 for Rs. 150 million	18	6.00% for the first ten years; 6.25% for the next ten years, and 7.00% for the remaining ten years
Sanction letter 37(12)PF-I/81 dated February 1, 1982 for Rs. 100 million	12	
Sanction letter 37(12)PF-I/81dated March 18, 1982 for Rs. 100 million	12	
Sanction letter 37(12)PFI/81dated March 30, 1982 for Rs. 45.3 million	5.44	
Sanction letter 37(4)PF-I/82-7 dated May 1, 1982 for Rs. 95 million	11.40	
Sanction letter 37(4)/PF-I/82 dated November 30, 1982 for Rs. 100 million	16	
Sanction letter 37(4)/PF-I/82 dated January 13, 1983 for Rs. 100 million	16	
Sanction letter 37(4)/PF-I/82 dated February 23, 1983 for Rs. 150 million	24	
Sanction letter 37(4)/PF-I/82 dated March 30, 1983 for Rs. 126.4 million	20.22	
Sanction letter 37(3) PF-I/83-20 dated May 20, 1983 for Rs. 150 million	24	
Sanction letter 37(3)/PF-I/83 74 dated December 6, 1983 for Rs. 150 million	30	
Sanction letter 37(3)/PF-I /83-22 dated January 30, 1984 for Rs. 150 million	30	
Sanction letter 37(3)PF-I/83-122 dated March 26, 1984 for Rs. 138.6 million	27.72	
Sanction letter 37(6)PF-I/84-4 dated April 10, 1984 for Rs. 74.7 million	14.94	
Sanction letter 37(6)PF-I/84-13 dated June 2, 1984 for Rs. 100 million	20	6.50% for the first ten years; 6.75% for the next ten years, and 7.50% for the remaining ten years
Sanction letter 37(6)/PF-I/84-30 dated September	20	

Facility granted and loan documentation	Amount outstanding, as on October 31, 2009 (Rs. million)	Rate of interest (% p.a.)*
14, 1984 for Rs. 100 million		
Sanction letter 37(6)/PF-I/84.39 dated November 12, 1984 for Rs. 100 million	24	
Sanction letter 37(6)PF-I/84-49 dated January 18, 1985 for Rs. 74 million	17.76	
Sanction letter 37(2)PF-I/85 dated April 17, 1985 for Rs. 75 million	18	
Sanction letter 37(2)PF-I/85-16 dated June 18, 1985 for Rs. 75 million	18	
Sanction letter 37(2)PF-I/85-25 dated July 8, 1985 for Rs. 75 million	18	7.00% for the first ten years; 7.25% for the next ten years, and 8.00% for the remaining ten years
Sanction letter 37(2)/PF-I/85-59 dated November 22, 1985 for Rs. 200 million	56	
Sanction letter 37(2)PF-I/85-88 dated February 4, 1986 for Rs. 200 million	56	
Sanction letter 37(2)/PF-I/85-100 dated March 6, 1986 for Rs. 141.6 million	39.65	

** Tenor of 30 years with a moratorium of five years repayable in 25 equal annual installments commencing from the sixth anniversary of the facility. The moratorium is applicable on the payment of principal amount.*

II.6 Government guaranteed bonds issued by our Company

Set forth below is a brief summary of our outstanding government guaranteed bonds aggregating Rs. 1,710.80 million as on October 31, 2009. These bonds are listed on the 'whole sale debt market' segment in the NSE.

Nature of the Bonds	Total value of bonds (Rs. million)	Amount outstanding, as on October 31, 2009 (Rs. million)	Interest/ coupon rate (% p.a.)	Redemption date	Security
'SLR Bond XXI' issued on December 29, 1989	690.80	690.80	11.50, payable half yearly	December 29, 2009	GoI guarantee through a MoP letter dated December 27, 1989.
'SLR Bond XXII' issued on December 27, 1990	490	490.00	11.50, payable half yearly	December 27, 2010	GoI guarantee through a MoP letter dated January 9, 1991.
'SLR Bond XXIII' (1st tranche) issued on December 5, 1991	226.50	226.50	12.00, payable half yearly	December 5, 2011	GoI guarantee through a MoP letter dated February 3, 1992.
'SLR Bond XXIII' (2nd tranche) issued on February 21, 1992	303.50	303.50	12.00, payable half yearly	February 21, 2012	GoI guarantee through a MoP letter dated February 3, 1992.

II.7 Other unsecured bonds issued by our Company

Set forth below is a brief summary of certain of our other outstanding unsecured bonds aggregating Rs. 2,500 million as on October 31, 2009. These bonds are listed on the whole sale debt market segment in the NSE.

Nature of the bond	Total value of bond (Rs. million)	Amount outstanding (Rs. million)	Interest rate (% p.a)	Redemption date
'74th Taxable non-priority sector bond' issued on December 31, 2004*	2,500	2,500	7.22 payable half yearly.	December 31, 2014

* *We have entered into a swap transaction with respect to this bond series.*

SECTION VI – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, statutory or legal proceedings including those for economic offences, tax liabilities, show cause notices or legal notices pending against our Company, our Subsidiaries and our Directors and there are no defaults including non-payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits issued by our Company, defaults in creation of full security as per the terms of issue/other liabilities, proceedings initiated for economic / civil / any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of our Company or our Subsidiaries except as stated below, and no disciplinary action has been taken by SEBI or any stock exchange against our Company or Directors or Subsidiaries. Unless stated to the contrary, the information provided below is as on the date of this Red Herring Prospectus.

Neither our Company nor our Subsidiaries, associates and Directors was associated in the past, have been declared as wilful defaulters by the RBI or any other Governmental authority and, except as disclosed in this section in relation to litigation, there are no violations of securities laws committed by them in the past or pending against them.

I Litigation involving our company and contingent liabilities of our Company

A. Contingent liabilities not provided for as on September 30, 2009

Our contingent liabilities not provided for and outstanding guarantees as on September 30, 2009 (as disclosed in our restated consolidated financial statements) are as follows:

Contingent liabilities	Amount (Rs. million)
Claim against our Company not acknowledged as debts.	311.97
Estimated amount of the contracts remaining to be executed on capital account and not provided for.	102.36
Others	20,153.60

B. Pending Litigation against our Company

1. Income Tax Matters

We are involved in three income tax proceedings which are pending before various authorities in India. Two of these proceedings are appeals filed by us and one proceeding is an appeal filed by the IT department. The total amount claimed by the IT department aggregates to approximately Rs. 174.05 million and the total amount paid by our Company, against the demand raised by the IT department aggregates to approximately Rs. 164.46 million. The details of these are as follows:

i) Assessment year 2001-2002

The IT department vide assessment order dated December 17, 2008 under Section 143 (3) read with Section 147 of the IT Act and an order dated January 7, 2009 under Section 154 of IT Act has reopened the assessment, disallowing the bond/ debt issue expenses and has demanded Rs. 9.59 million. We appealed (appeal no. 23 of 2008 – 2009) to the CIT (Appeals) challenging the reopening of the assessment, which allowed our appeal pursuant to its order dated June 29, 2009. We were not required to deposit the said amount, since the CIT (Appeals) has held that the re-assessment proceedings have become time barred under Section 147 of the IT Act. The IT department has filed an appeal, 3662/DEL-2009, challenging the order of the CIT (Appeals) before the Income Tax Appellate Tribunal (the "**ITAT**"). The matter is currently pending before the ITAT.

ii) Assessment year 2005-2006

The IT department, pursuant to its order dated January 31, 2006 demanded Rs. 128.11 million, under Section 143(3) of the IT Act for the assessment year 2005-2006. Our Company deposited the said amount. However, our Company filed an appeal (appeal no. 106 of 2005 - 2006) to CIT (Appeals), on the grounds of, *inter alia*, disallowance of certain deductions derived from consultancy, management fees, upfront fees and swapping premium for computation of deduction under Section 36(1)(viii), deductions under Sections 36(1)(vii)(a) regarding provision for 'bad and doubtful debts', not allowing prior period expenses and initiating penalty proceedings under Section 271(1)(c) of the IT Act. The CIT (Appeals) dismissed the appeal. We have filed an appeal (ITAT appeal no. 308/Del/ 2007) before the ITAT, and the matter is currently pending before the ITAT.

iii) Assessment year 2006-2007

The IT department, pursuant to its order dated January 30, 2009 demanded Rs. 36.35 million, under Section 154 and Section 143(3) of the IT Act, for the assessment year 2006-07. Our Company deposited the said amount. Our Company, has however, appealed to the CIT (Appeals) on March 02, 2009 (appeal no.24 of 2008 – 2009) on the grounds of, *inter alia*, disallowance of deduction in respect of swapping premium under Section 36(1)(viii) of the IT Act, disallowance of deduction under section 36(1)(viia)(c) of the IT Act and disallowance on account of prior period expenses. The matter is currently pending before CIT (Appeals).

2. Civil and Consumer Cases

There are 47 civil cases filed against our Company, pending before various courts in India. Out of these cases, claims in only seven cases have been quantified which aggregate to approximately Rs. 3.73 million. Claim amounts for the remaining 38 cases have not been quantified. Brief details of these cases are as follows:

(i) Mr. Ravi Sawlani, an ex-employee of our Company, has filed a writ petition (C.W.P. No. 3082 of 1996), against our Company, before the Delhi High Court, claiming that his services were terminated on false grounds of misconduct. The petitioner has challenged the orders of our Company terminating his services and has claimed for an award of exemplary damages and compensation on account of loss of reputation and mental agony. The claim amount has not been quantified. The writ petition was dismissed on July 25, 2008 for non-prosecution. An application for restoration was filed by Mr. Ravi Sawlani on August 22, 2009. Our Company has filed a reply to the application. The matter was dismissed on January 11, 2010 and our Company is awaiting the certified copy of the order.

(ii) Athagarh Rural Electric Co-operative Society Employees Union, a registered union of our employees, has filed a writ petition (Original Jurisdiction Case No. 1459 of 1996) against us before the High Court of Orissa at Cuttack, challenging the inaction on our part and other respondents in not paying the employees in accordance with the revised pay scales that were effective from April 1, 1990. The petitioners have claimed that the employees of Athagarh Rural Electric Co-operative Society are entitled to the revised pay scales at par with the employees of the Orissa State Electricity Board. The claim amount has not been quantified. The matter is still pending and the next date of hearing has not been scheduled.

(iii) Dr. Jayant Kishore Verma, an employee of our Company, has filed a writ petition (C.W.J.C. No. 4432 of 1998) against our Company before the Patna High Court, challenging the decision of our Company in not granting him a promotion from the post of 'Senior Hydrogeologist' to 'Deputy Chief'. The petitioner has sought directions for his promotion to the grade of 'Joint Chief' retrospectively from December 20, 1993 when the first batch of promotion orders were issued along with the consequent pecuniary and other benefits. The claim amount has not been quantified. The matter is still pending and the next date of hearing has not been scheduled.

(iv) Rural Electrification Corporation Limited Employees' Union ("**RECLU**") has filed a writ petition (C.W.P. No. 1781 of 1999) against our Company before the Delhi High Court on April 17, 1999. RECLU has challenged the inaction on the part of our Company in not granting and implementing the revised pay scales of personal assistants employed in our Company in accordance with the 4th Pay Commission Report and the office order dated July 31, 1990 issued by the Department of Personnel and Training, Union of India. RECLU sought an order to direct our Company to fix the pay of the employees (holding the position of assistants, as on January 1, 1986) in the revised scales of Rs. 1,640-2,900 and grant them arrears on account of the revised pay with effect from, January 1, 1986. The claim amount has not been quantified. The matter is still pending and the next date of hearing has not been scheduled.

(v) Mr. B. Kumar and Mr. Venkatesh Goud have filed a writ petition (W.P. No. 6393 of 2000) against our Company before the Andhra Pradesh High Court. The petitioners had been working at the CIRE as contract labourers and have claimed that they were entitled to regular absorption in their respective posts, in the regular scale of pay on the basis of their length of service and qualifications, and have prayed for absorption as regular employees at the CIRE. The next date of hearing has not been scheduled.

(vi) Gramin Vidyut Sahkari Samiti ("**GVSS**"), District Sidhi, Madhya Pradesh has filed a writ petition (W.P No. 6477 of 2001) before the Madhya Pradesh High Court at Jabalpur, against Madhya Pradesh Electricity Regulatory Commission ("**MPERC**"), Madhya Pradesh State Electricity Board ("**MPSEB**") our Company and others challenging the order of the MPERC which had increased the tariff rate on the supply of electricity. GVSS has claimed that the said tariff was not fixed in consultation with our Company and that the said order of MPERC lacked transparency and justification. GVSS has contended that it would suffer irreparable losses in the event the increased tariff rate was allowed to be implemented and has sought directions to quash the notifications that increased the tariff. The next date of hearing has not been scheduled.

(vii) Mr. N. Mishra, an ex-employee of our Company, has filed three writ petitions (C.W.P. No. 7166 of 2001, C.W.P. No. 5253 of 2002 and C.W.P. No. 6898 of 2004) against our Company, before the Delhi High Court. He has challenged the validity of the orders passed by the disciplinary authority and appellate authority of our Company, whereunder, he was held guilty of various offences, including, misuse of leave travel concession and medical reimbursement schemes, misuse of phone facility, for having availed loans by submitting false documents. Consequently, his pay scale was reduced considerably and he was shifted to a lower post. Mr. Mishra, in all these cases, has prayed for quashing the respective orders of our Company and has contended that levy of such a huge penalty was misconceived and without any basis. The claim amounts have not been quantified. The matters are currently pending. The matter of C.W.P. No. 5253 of 2002 has been scheduled for hearing on December 4, 2009. The next dates of hearing in the matters of C.W.P. No. 7166 of 2001, C.W.P. No. 5253 of 2002 and C.W.P. No. 6898 of 2004 has not been scheduled.

(viii) Mr. S. K. N. Haider, an ex-employee of our Company, has filed a writ petition (S.W.P. No. 1119 of 2001) against our Company, before the Jammu and Kashmir High Court, challenging the validity of an order dated May 23, 2001 passed by our Company, whereby Mr. S. K. N. Haider was found guilty of certain offences which resulted in his reversion from the post of 'Joint Chief' to 'Deputy Chief'. He has challenged the orders issued by our Company and has claimed release of his retirement benefits and all other outstanding dues. The claim amount has not been quantified. The High Court, vide its interim order dated June 1, 2001 admitted the writ petition and directed our Company to maintain *status quo* with respect to the present status of the petitioner. The next date for final arguments has not been scheduled.

(ix) Mr. S.K.N. Haider, an ex-employee of our Company, has filed a contempt petition (No. CoA SW-19-A/01) against our Company, before the Jammu and Kashmir High Court on the grounds of non-implementation of the interim order of the High Court dated June 1, 2001, whereby the writ petition was admitted and our Company was directed to maintain *status quo* with respect to the present status of the petitioner. The next date of hearing has not been scheduled.

(x) Mr. T. C. Jindgar, an ex-employee of our Company, has filed a writ petition (C.W.P. No. 4790 of 2002) against our Company, before the Delhi High Court, challenging the validity of the orders passed by our Company holding him guilty for certain offences as a result of which he was not granted a higher scale of pay. He has prayed that higher scale of pay, given to a 'Joint Chief', be given to him with effect from October 31, 1998. The next date of hearing has not been scheduled.

(xi) Mr. S. S. Rastogi, an ex-employee of our Company, has filed two civil suits (Suit Nos. 177 of 2003 and 178 of 2003) before the Court of Additional District Judge, Tis Hazari at Delhi, against the Union of India, our Company and others, challenging the transfer order issued to him by our Company from the corporate office to project office. Mr. S. S. Rastogi has further contended that our Company tarnished his image at the project office, through false allegations and has claimed an aggregate of Rs. 2.35 million. The matter has been scheduled on January 19, 2010 for order.

(xii) Mr. G. Jawahar Lal, an ex-employee of our Company, has filed a civil writ petition (C.W.P. No. 14393 of 2004) before the Andhra Pradesh High Court against our Company for grant of annual memento for the year 2003 only to those employees who were on the roles of our Company as on October 1, 2003. He has prayed for declaration of the decision as arbitrary and to award him with the annual memento for the year 2003. The matter has been disposed of by the court. However as he has still not been given the annual memento by our Company, he has again filed a writ petition (W.P. No.3578/09) for grant of annual memento. The next date of hearing has not been scheduled.

(xiii) Mr. A.B.L Srivastava, an employee of our Company, who was initially appointed at the post of Chief (Finance and Accounts), on deputation from the Uttar Pradesh Financial Corporation ("**UPFC**"), has filed a civil writ petition (C.W.P. No. 17931 of 2006) before the Uttar Pradesh High Court against UPFC and others, wherein we have been made a party. Mr. Srivastava is challenging the office order issued by the General Manager, UPFC regarding no-transfer of cash equivalent as well as leave encashment with respect to the earned leave of 300 days of Mr. Srivastava on his permanent absorption in our Company. The next date of hearing has not been scheduled.

(xiv) Motor Industries Company Limited has filed a writ petition (C.W.P. No. 17754 of 2006) against the Union of India, Central Board of Direct Taxes ("**CBDT**"), our Company and others before the Karnataka High Court for directions to extend the date of investment in bonds issued by our Company under section 54 EC of the IT Act in order to secure exemption from the capital gains tax liability and to allot bonds pursuant to the application made by the petitioner. The High Court vide its order dated December 12, 2006 dismissed the petition. Aggrieved by the order of the court, Motor Industries Company Limited has filed an appeal (W.A. No. 1 of 2007) before the Karnataka High Court to set aside the order of the court dated December 12, 2006. The next date of hearing has not been scheduled.

(xv) Mr. K. Rajaiah has filed a civil suit (O.S. No. 25660/ 2007) against RCMC Share Registry Private Limited, our Company and others before the City Civil Judge, Bangalore. Mr. K. Rajaiah is disputing the validity of a will dated September 27, 2006 in favour of certain other beneficiaries who are also impleaded as parties to the suit, who invested about Rs. 800 million in the capital gains exempted bonds of our Company, from the money received pursuant to the will. Mr. K. Rajaiah has sought a declaration that the nominations pursuant to the will are illegal and void and for an injunction restraining our Company from dispatching the interest/dividend warrants or paying any amount either accrued or invested by way of various bonds until further orders. The next date of hearing has not been scheduled.

(xvi) AREVA T&D India Limited, has filed a writ petition (W.P. No. 12358 of 2009) before the Madras High Court against the Union of India, the Assistant Commissioner of Income Tax, Chennai, the Central Board of Direct Taxes, New Delhi and our Company. AREVA T&D India Limited has challenged the constitutionality of explanation (b) of sub-Section (3) to Section 54 EC of the Income Tax Act, 1961 and the proviso thereto introduced by the Finance Act of 2007, and sought directions that our Company make available bonds to it for subscription to the extent of Rs. 101.87 million. On September 1, 2009, the High Court passed interim orders. AREVA T&D India Limited challenged the interim orders by filing writ appeal before the Madras High Court which was posted for hearing on October 7, 2009. The next date of hearing has not been scheduled.

(xvii) Mr. Tanmay Gupta, a subscriber of our capital gains bonds, has filed a complaint (Complaint No. 113 of 2006) against our Company before the District Consumer Disputes Redressal Forum, Chennai (South), under Section 12 of the Consumer Protection Act, 1986 claiming deficiency in our services in not having credited the redemption amount of Rs. 0.3 million as principal and Rs. 0.09 million as interest in relation to bonds on the date of maturity and has also sought a compensation of Rs. 0.2 million as damages for the financial loss suffered due to the delay in payment. The next date of hearing has not been scheduled.

(xviii) Mr. Nafe Singh and Mr. Ranveer Singh, have filed a writ petition (C.W.P. No. 799 of 2007) against the Union of India, CBDT, our Company and others before the Rajasthan High Court at Jaipur. They have challenged the validity of the conditions stipulated in a notification dated December 22, 2006 issued by the CBDT that imposed a cap of Rs. 5 million on individual investments in relation to bonds of Rs. 35,000 million allotted by our Company during the period from December 26, 2006 to March 31, 2007 for the purpose of exemption from capital gains tax under Section 54 EC of the IT Act. They have prayed that the court issue directions to our Company to issue the requisite bonds as per their application. The next date of hearing has not been scheduled.

(xix) Motor Industries Company Limited, has filed a writ petition (C.W.P. No. 1754 of 2007) against the Union of India, CBDT, our Company and others before the Karnataka High Court. The petitioner has challenged the validity of the conditions stipulated in a notification dated December 22, 2006 issued by the CBDT that imposed a cap of Rs. 5 million on individual investments in relation to bonds of Rs. 35,000 million allotted by our Company during the period from December 26, 2006 to March 31, 2007 for the purpose of exemption from capital gains tax under section 54 EC of the IT Act. The High Court, pursuant to its order dated February 1, 2007 dismissed the petition. Aggrieved by the order of the court, the petitioner has filed an appeal (W.A. No. 299 of 2007) before the Karnataka High Court to set aside the said order dated February 1, 2007. The next date of hearing has not been scheduled.

(xx) Ram Mohan and Sons (HUF) has filed a writ petition (C.W.P. No. 6489 of 2007) against the Union of India, CBDT, our Company and others before the Delhi High Court challenging the validity of the conditions stipulated in a notification dated December 22, 2006 issued by the CBDT that imposed a cap of Rs. 5.00 million on individual investments in relation to bonds. The matter has been scheduled for hearing on April 27, 2010.

(xxi) Mr. Saravana Kumar has filed a suit (No. 751/2007) against our Company and others before the Court of District Judge, Coimbatore for partition of family property including 80 bonds of Rs. 0.01 million each that were allotted by our Company to Mr. Saravana Kumar's family. He has sought an injunction to restrain the respondents from alienating and encumbering the properties and assets until final disposal of the suit and also to divide the property into three equal shares. The next date of hearing has not been scheduled.

(xxii) Mr. T.R. Murugesan, an employee on deputation to our Company, has filed a writ petition (W.P.(Civil) No.10960 of 2001) before Delhi High Court against our Company. He was on deputation from Karnataka State Electricity Board and opted to draw central dearness allowance ("**CDA**") pay scales of our Company. In terms of Govt. of India directions, revision of pay scales with effect from January 1, 1989 were to be made on industrial dearness allowance pattern. He filed the writ petition for allowing him CDA pay scales. In terms of the High Court order, the corporation has released a sum of Rs. 0.28 million towards pay allowances and Rs. 9659/- towards leave salary and pension contribution to his parent department. He has now filed a writ petition to pay the balance amount of pay and allowances, leave salary, pension contribution and pay the salary arrears accordingly. The matter has been scheduled for hearing on February 5, 2010.

(xxiii) Mr. Devassya Mundatt and others filed a writ petition (W.P. No. 17822 of 2007) against the Karnataka State Electricity Board ("**KSEB**") and others before the Kerala High Court challenging an estimate report prepared by the Assistant Engineer, Kozikode~~,~~ for electrification of the area surrounding the Urumi hydroelectric project to electrify 146 beneficiaries on grounds of non-consultation with the 'Grama Sabha~~'~~ while deciding the list of beneficiaries. KSEB also filed a writ petition (No. 18587 of 2007) before the Kerala High Court challenging an order passed by the Lok Ayuktha fixing the time limit for implementation of the project. The court vide its order dated July 20, 2007 heard both the petitions and directed the KSEB to cancel the contract awarded for giving 146 beneficiaries electrical connections. Further, the court also vide its order dated September 28, 2007 disposed off the writ petitions. Aggreived by the order of the court dated July 20, 2007, one of the respondents, Simon Thonakkara has filed a writ appeal (No. 2023 of 2007) before the Kerala High Court to set aside the order dated July 20, 2007 and to direct KSEB to complete the project at the earliest. Our Company has been impleaded as a proforma respondent. The next date of hearing has not been scheduled.

(xxiv) Yamakoti Bangaramma and others have filed a suit (O.S. 300 of 2007) against the Rural Electric Co-operative Society ("**RECS**") and others before the court of the Senior Civil Judge at Vizianagaram. Our Company has been impleaded as a pro-forma respondent. Yamakoti Bangaramma and others have alleged gross negligence by our Company resulting in the death of her husband, as a result of electrocution and has claimed a compensation of Rs. 0.40 million along with interest and costs. The next date of hearing has not been scheduled.

(xxv) Ms. Lali Sarabjit Singh has filed a probate petition (testamentary no. 57 of 2007) against our Company and others before the Delhi High Court. Ms. Lali Sarabjit Singh has claimed for a will to be probated in her favour and also in favour of her family. She has sought appointment as executor of the will. The property and assets include bonds of approximately Rs. 9.00 million that were allotted by our Company. The next date of hearing has not been scheduled.

(xxvi) Mr. Ritesh Karamchandani has filed a consumer complaint (complaint no. 101 of 2007) against our Company before the District Consumer Disputes Redressal Forum, Guwahati. The complainant has alleged that our Company paid the redemption amount on the bonds held by him with wrong endorsements which resulted in a delay on receipt of the redemption amount and loss of interest for the complainant. The complainant has prayed that since our Company failed to perform its statutory duty and service, he be paid Rs. 0.08 million as compensation. The next date of hearing is scheduled on February 26, 2010.

(xxvii) Mr. Ashok Rameshwar Agarwal, Mr. Amit Agarwal and Mrs. Santosh Agarwal have filed four consumer complaints (complaints no.1004 to 1007 of 2008) before the District Consumer Disputes Redressal Forum, Indore. It is stated in the complaint that they had subscribed to infrastructure tax saving bonds having face value of Rs. 5,000 each, aggregating to a total of Rs. 0.03 million. The bonds were to mature of July 30, 2007. It is alleged that our Company failed to pay them interest on time. The complainants have sought payment of alleged amount due to them under bonds along with interest. The matter has been scheduled for hearing on February 2, 2010.

(xxviii) West Bengal State Electrical Contractors ("**WBSECA**") has filed a writ petition (WP No.18624 (W) of 2008) before the Calcutta High Court against the West Bengal State Electricity Distribution Company Limited, our Company and others, seeking directions to act in accordance with the National Electricity Policy, 1972, and to recall or set aside tender notice and formulate a policy so that WBSECA and others can take part and compete in all tenders in respect of rural electrification and other related works. WBSECA has alleged that it was wrongfully not allotted 25% work of the tender value, which it had sought for, under the RGGVY, from the Director, West Bengal State Electricity Distribution Company Limited. The next date of hearing has not been scheduled.

(xxix) Mr. Pradeep Fellows, an employee of our Company, has filed a writ petition (W.P. No.312 of 2009) before the Madhya Pradesh High Court against State of Madhya Pradesh, our Company and others. The case relates to verification of caste certificate. Mr. Fellows has filed the petition challenging the cancellation of his caste certificate. The matter is pending and the next date of hearing has not been scheduled.

(xxx) Mr. K. Rajaiah has filed an administration suit (O.S. No.25413 of 2008) against M/s RCMC Share Registry (Private) Limited, our Company and others before Court of City Civil Judge, Bangalore. Mr. Rajaiah has filed this suit seeking grant of administration of the entire estate of Late Mr. Kuppu Swamy in his favour and for an enquiry to be made in relation to the amounts taken by our Company and M/s RCMC Share Registry (Private) Limited. The next date of hearing has not been scheduled.

(xxxi) Mr. Bijendra Kumar Jain has filed a consumer complaint (complaint no.295 of 2008) before the District Consumer Disputes Redressal Forum, Meerut alleging that he had invested Rs.0.30 million in our Company's '54EC Capital Gains Tax Exemption Bonds' but did not receive the interest thereon, in time. He has claimed Rs. 0.13 million on account of outstanding interest. The matter is pending and the next date of hearing is scheduled on February 9, 2010.

(xxxii) Mr. Dhananjaya Mehta has filed a consumer complaint (complaint no.28 of 2009) before District Consumer Disputes Redressal Forum, Hyderabad. Mr. Mehta has alleged that he had invested Rs. 0.03 million in our Company's 'Infrastructure Bonds' with an assured return of 9.00% per annum but did not receive the interest thereon. The parties have completed their arguments and the judgment is reserved. The matter is pending and the next date of hearing has not been scheduled.

(xxxiii) Ms. Gayathri has filed writ petitions (W.P. No.5359 -5360 of 2009) before the Karnataka High Court against our Company and others in connection with investment of Rs. 80 million made by late Mr. K. Kuppuswamy in 54 EC capital gain tax exemption bonds of our Company. She has prayed for a direction to immediately effect the redemption of the said bonds in her favour and make payment of dividend and interest payable under the bonds. The amount sought to be paid by our Company has not been quantified. The next date of hearing has not been scheduled.

(xxxiv) WBSECA and others have filed a writ petition (W.P. No. 30748(W) of 2008) against West Bengal State Electrical Distribution Company Limited, our Company and others.The petition has been filed seeking directions to act in accordance with the National Electricity Policy, 1972, and to recall or set aside tender notice and formulate a policy so that WBSECA and others can take part and compete in all tenders in respect of rural electrification and other related works. The next date of hearing has not been scheduled.

(xxxv) GMR Energy Limited has filed writ petitions (W.P. (C) No. 12580 of 2009 and 12581 of 2009) before the Delhi High Court on October 22, 2009 against our Company and others. Our Company had invited bids though a special purpose vehicle pursuant to "Tariff Based Competitive Bidding Guidelines for Transmission Service" issued by the MoP. The bidding process was carried out and the bid of GMR Energy Limited was declared disqualified. Aggrieved by the disqualification, GMR Energy Limited has filed the writ petitions seeking, *inter alia*, quashing of the the letter which intimated that they were not found to be qualified in the 'Request for Qualification' stage. After hearing the parties the court ordered our Company and others to file their reply within three weeks and thereafter if required, GMR Energy Limited to file rejoinder. The matter has been scheduled for further hearing on March 25, 2010.

(xxxvi) Mr. Yechuri Sitarama has filed a consumer complaint (Complaint No. 151 of 2009) before the District Consumer Disputes Redressal Forum (South) against the General Manager, Finance (Bonda) of our Company and others. Mr. Yechuri Sitarama had initially applied for 500 non-convertible redeemable taxable bonds of series VII with benefits under 54 EC of the IT Act. He subsequently opted to modify the investment, and sought refund. However, he changed his decision to modify his investment and requested our Company by a letter dated August 14, 2007 to use his investment as per the initial application. Mr. Yechuri Sitaram has claimed that the Company has not taken into account his letter dated August 14, 2007 and has refunded Rs. 35 lakhs. As a result, he has claimed Rs. 0.08 million towards interest on refund amount of Rs. 3.50 million, and mental agony and deficiency of service. The matter is currently pending and the next date of hearing is scheduled on January 29, 2010.

(xxxvii) PNVK Subba Rao has filed a suit (O.S. No. 143 of 2009) before the Senior`Civil Judge, Amalapuram against our Company and RCMC Share Registry Private Limited. PNVK Subba Rao has alleged that due to the negligence of our Company, he had to pay capital gains tax. Hence, he has filed the suit for damages claiming Rs. 0.10 million. Our Company is in the process of replying to the plaint in this matter. The matter is pending and the next date of hearing has not been scheduled.

(xxxviii) SAP Print Solutions Private Limited has filed a writ petition (W.P. No. 2296 of 2009) before the Bombay High Court against our Company and others. Our Company initiated a limited tender enquiry for printers in relation to its proposed further public offering of equity shares through a publication on its website dated November 7, 2009. SAP Print Solutions Private Limited was not allowed to participate in the tender process. Aggrieved by this, SAP Print Solutions Private Limited has filed the writ petition to quash and set aside the decision of our Company. On November 21, 2009, the Bombay High Court passed an ad-interim order directing our Company to accept the bid of SAP Print Solutions Private Limited. This ad-interim order was vacated by the Bombay High Court on December 17, 2009. The matter has been scheduled for hearing before the Bombay High Court on February 9, 2010. Subsequent to the order of the Bombay High Court dated December 17, 2009, SAP Print Solutions Private Limited filed a Special Leave Petition before the Supreme Court of India (Appeal (Civil)/2009 CC 22004/2009). On January 7, 2010, the Supreme Court granted the permission to file the special leave petition and ordered that the tender process may continue but no final contract be awarded without the leave of the court. The special leave petition has been scheduled for hearing on February 4, 2010.

3. Arbitration Matters

There are three arbitration matters, wherein claims aggregating to approximately Rs. 47.81 million have been filed against us. We have filed counter claims aggregating to approximately Rs. 4.67 million approximately, the details of which are as follows:

(i) Capital Building and Furnishing Company has filed a claim of Rs. 17.91 million along with interest against our Company on account of recovery of monies due from us in relation certain interior decoration work done by them in our corporate office. The claimant has contended that we failed to make timely payment of their final bill of Rs. 5.63 million and have claimed Rs. 17.91 million along with interest, as compensation for losses suffered on account on account of outstanding dues, price escalation, loss of labour and reputation. Our Company has filed a counter claim of Rs. 2.50 million along with interest and costs against the claimant. The final arguments have concluded and the tribunal is yet to schedule the date for grant of award.

(ii) Ram Kishan and Sons have filed a claim of Rs. 19.20 million along with interest on account of recovery of certain monies due from our Company, in relation to certain interior decoration work done by them at our corporate office. The claimant has contended that our Company failed to make timely payment of their final bill of Rs. 3.34 million and have claimed Rs. 19.20 million along with interest as compensation for loss suffered by them on account of outstanding dues, price escalation, loss of labour and reputation. Our Company has filed a counter claim of Rs. 2.17 million along with interest and costs against the claimant. The final arguments have concluded and the tribunal is yet to schedule the date of grant of award.

(iii) Design Consultants have filed an arbitration petition against our Company to appoint and constitute an arbitral tribunal under Section 11 of the Arbitration and Conciliation Act, 1996, and to direct the said tribunal to adjudicate the petitioner's outstanding claims of Rs. 10.70 million arising out an agreement for interior decoration work at our Company's office at Palika Bhawan, New Delhi. The matter has been scheduled for a hearing on January 29, 2010.

C. Pending litigation filed by our Company

1. Debt Recovery Matters

There are 11 cases filed by our Company, pending before the Debt Recovery Tribunal, New Delhi, ("**DRT**") which are mostly claims made towards outstanding dues payable to us by our borrowers, the details of which are set forth below. The aggregate amount claimed by our Company in these cases is approximately Rs. 25,402.80 million. The aggregate amount claimed by our Company in these cases wherein recovery orders have been passed is approximately Rs. 7,327.78 million. The aggregate amount claimed against our company is approximately Rs. 304.97 million.

(i) Our Company has filed a suit against Silicon Valley Infotech Limited ("**SVIL**") and others, (O.A. No. 343 of 1999) before the DRT seeking repayment of outstanding loan amount of Rs. 36.88 million along with interest and costs out of a total sanctioned term loan of Rs. 52.50 million. SVIL and others have also filed a counter claim against our Company for recovery of Rs. 61.77 million on grounds that our Company committed a breach of contract and for consequent loss of business. The Presiding Officer, DRT issued a final recovery order dated

July 28, 2005 against SVIL and others for recovery of Rs. 35.54 million along with costs and interests. Recovery proceedings before the recovery officer have been initiated. Aggrieved by the order of the DRT, SVIL and others filed an appeal (appeal no. 273 of 2005) before the Debt Recovery Appellate Tribunal ("**DRAT**") seeking to set aside the order of the DRT and cancel the recovery certificate. The DRAT, pursuant to its order dated August 24, 2006 directed SVIL and others to deposit Rs. 15.00 million with the DRT in order to admit the appeal. Aggrieved by this order of the DRAT, SVIL and others have filed a writ petition (CWP No. 13689 of 2006) against our Company, before the Delhi High Court, challenging the order of the DRAT. The High Court, pursuant to its order dated October 3, 2007 disposed off the writ petition. The DRAT, pursuant to its order dated November 1, 2007 disposed off the appeal. The matter was listed for hearing on the counter claim before DRT on April 30, 2008 and before the recovery officer on May 1, 2008. SVIL filed interim applications for cross examination before the DRT being (IA Nos. 250 of 2008 and 22 of 2009). The DRT, pursuant to its order dated February 18, 2009 dismissed the applications of SVIL. On the application being dismissed by the DRT, SVIL preferred an appeal before the DRAT (Misc. appeal no. 85 of 2009) which was dismissed by DRAT, pursuant to its order dated April 15, 2009. Pursuant to the dismissal of the appeal, SVIL filed a writ petition (W.P. (Civil) No. 8586 of 2009) before the Delhi High Court challenging the order of the DRAT. The writ petition was dismissed by the Delhi High Court on August 20, 2009 wherein DRT was directed to complete the proceedings within four months. DRT completed the hearing and has passed a final order, dated December 17, 2009 against SVIL and others for recovery of Rs. 36.88 million along with future interest at 14% p.a. and costs. The matter has been scheduled for hearing before the recovery officer on February 25, 2010.

(ii) Our Company has filed a suit against Classic Global Securities Limited ("**CGSL**") and others (O.A no. 344 of 1999) before the DRT seeking repayment of an outstanding loan amount of Rs. 36.49 million along with interest and costs out of the total sanctioned term loan of Rs. 52.50 million. The Presiding Officer, DRT issued a final recovery order dated November 9, 2005 against CGSL and others for recovery of Rs. 35.08 million along with costs and interests and consequently issued a recovery certificate of Rs. 35.28 million. Recovery proceedings before the Recovery Officer have been initiated. Aggrieved by the order of the DRT, the respondents filed an appeal (appeal no. 20 of 2006) against our Company before the DRAT at Delhi for setting aside the order of the DRT. The appeal was dismissed, pursuant to an order dated October 22, 2007. The Recovery Officer, DRT, pursuant to an order dated November 23, 2007 issued a sale proclamation fixing the auction of assets of CGSL on January 9, 2008 through a court auctioneer appointed by the DRT. The properties of CGSL were auctioned on January 1, 2008 by the court auctioneer in favour of Mr. Srinivasan Thirmalai. The DRT, pursuant to its order dated April 3, 2008 confirmed the auction sale. The Recovery Officer, pursuant to an order dated September 25, 2008 sought alternative speedy means for recovering the remaining amount to be adopted. The matter has been scheduled for a hearing on February 22, 2010.

(iii) Our Company has filed a suit against Marsons Limited and others (O.A. No. 43 of 2001) before the DRT for recovery of Rs. 24.08 million along with interest and costs in relation to a term loan of Rs. 22.50 million sanctioned to Marsons Limited. Marsons Limited has also filed a counter claim for Rs. 43.14 million against our Company. A 'One Time Settlement' ("**OTS**") offer was made to Marsons Limited, pursuant to a letter dated February 13, 2009 issued by our Company, for a sum of approximately Rs. 47.74 million along with interest of 15.25% compounded monthly from January 1, 2009 till the date of payment. In terms of the OTS, Rs. 12.00 million was to be paid within 30 days from the date of receipt of the said letter while the balance amount has to be paid within one year from the date of receipt of the said letter along with interest. In pursuance of the same, our Company has received Rs. 52.79 million from Marsons Limited. The matter is pending and the next date of hearing has not been scheduled.

(iv) Our Company has filed a suit against Lynx India Limited ("**LIL**") and others (O.A. no. 44 of 2001) before the DRT seeking repayment of outstanding loan amount of Rs. 24.60 million along with interest and costs, out of the sanctioned term loan of Rs. 52.50 million, which had been sanctioned by our Company to LIL. The Presiding Officer, DRT issued a final recovery order dated October 19, 2005 against LIL and others for recovery of Rs. 24.60 million along with costs and interest and consequently issued a recovery certificate of Rs. 24.75 million. The Presiding Officer has also directed the Official Liquidator, Calcutta High Court to sell the assets of LIL. As per the sale proclamation issued by DRT, auction was conducted on March 24, 2008 and a party named RAK Consultants represented by Mr. M Sundara Pandian have been declared to be successful bidder for a sum of Rs. 8.75 million. The auction was confirmed by the Recovery Officer on April 29, 2008. However, as per the orders, dated March 12, 2008 and May 9, 2008, passed by the Calcutta High Court, the sale proceeds was required to be transmitted to the Official Liquidator, Calcutta. Subsequently, the Calcutta High Court confirmed the sale on July 4, 2008 suibject to the payment of a further sum of Rs. 0.25 million thereby increasing the total sale amount to Rs. 9.00 million.

Our Company, being a secured creditor, has filed an application (CA no. 503 of 2008) before the Calcutta High Court for the release of the sum of Rs. 9.0 million from the Official Liquidator, Calcutta. Simultaneously, proceedings are continuing before the DRT for the recovery of the dues as per the recovery certificate. The DRT, pursuant to its order dated October 8, 2009 directed the certified debtor to pay Rs. 0.01 million to our Company every month. The next date of hearing before the DRT is scheduled on February 18, 2010 and the next date of hearing before the official liquidator, Calcutta High Court has not yet been notified.

(v) Our Company has filed a suit against Madhya Pradesh State Electricity Board ("**MPSEB**"), State of Madhya Pradesh and others (O.A. no. 92 of 2001) before the DRT seeking repayment of outstanding loan amount of Rs. 12,389.30 million along with interest and costs, which had been sanctioned by our Company to MPSEB. Due to revision of allocation of assets and liabilities between MPSEB and Chattisgarh State Electricity Board ("**CSEB**") an additional amount of Rs. 1,610 million became due from MPSEB. The matter has been scheduled for a hearing on March 23, 2010.

(vi) Our Company has filed a suit against Kadiri (West) RECSL and others (O.A. no. 53 of 2001) before the DRT seeking repayment of outstanding loan amount of Rs. 14.68 million out of the sanctioned term loans of Rs. 27.03 million, which had been sanctioned by our Company to Kadiri (West) RECSL. The Presiding Officer, DRT has passed a final recovery order dated August 4, 2005 against Kadiri (West) RECSL and others for recovery of Rs. 14.69 million along with costs and interests and consequently issued a recovery certificate of Rs. 14.83 million. Recovery proceedings before the Recovery Officer have been initiated. The matter is pending and the next date of hearing has not been scheduled.

(vii) Our Company has filed a suit against Kadiri (East) RECSL and others (O.A. No. 50 of 2001) before the DRT seeking repayment of outstanding loan amount of Rs. 13.28 million in relation to a sanctioned term loan of Rs. 29.60 million that had been sanctioned by our Company to the borrower. The Presiding Officer, DRT has passed a recovery order dated August 4, 2005 against Kadiri (East) RECSL and others for recovery of Rs. 13.42 million along with costs and interests and consequently issued a recovery certificate for the same amount. The matter is pending and the next date of hearing has not been scheduled.

(viii) Our Company has filed a suit against West Bengal State Electricity Board ("**WBSEB**") and others, (O.A. No. 68 of 2001) dated February 13, 2001 before the DRT seeking repayment of outstanding loan amount of Rs. 4,866.33 million, out of a sanctioned total term loan granted to WBSEB. The Presiding Officer of the Tribunal has, on a joint application by our Company and WBSEB, issued a consent dated October 20, 2003 against WBSEB and others for recovery of Rs. 7,076.50 million along with costs and interests. Recovery proceedings before the Recovery Officer have been initiated and WBSEB (now, WBSEDCL) is duly servicing the loan. A joint application has been filed before the DRT for change of name from WBSEB to WBSEDCL. The DRT has issued a notice to WBSEDCL. The matter has been scheduled for a hearing on February 25, 2010.

(ix) Our Company has filed a suit against Sanjay Rural Electric Co-operative Society Limited ("**SRECSL**") and others, (O.A. no. 87 of 2001) before the DRT for recovery of Rs. 13.93 million in relation to certain term loans, which had been sanctioned by our Company to SRECSL. The DRT has passed a recovery order dated May 23, 2002 against SRECSL and others for recovery of Rs. 13.93 million and consequently issued a recovery certificate of Rs. 16.55 million along with costs and interests. Recovery proceedings before the Recovery Officer have been initiated. Since one time settlement has been arrived between the parties and payment has been received, approval of the Board is being sought for withdrawal of case. The matter is pending and the next date of hearing has not been scheduled.

(x) Our Company has filed a suit against Uttar Pradesh Power Corporation Limited ("**UPPCL**") and others, (O.A. no. 69 of 2001) before the DRT seeking recovery of Rs. 7,870.52 million in relation to certain term loans sanctioned by our Company to UPPCL. After inclusion of Government of Uttarakhand and Uttaranchal Power Corporation Limited ("**UPCL**") as parties to the suit, a joint application on behalf of our Company, UPPCL, UPCL is to be filed before the DRT for obtaining a compromise decree. The matter has been scheduled for a hearing on February 4, 2010.

(xi) Our Company has filed a suit against ATN Arihant International Limited ("**ATN**") and others (O.A. No. 342 of 1999) before the DRT seeking repayment of outstanding loan amount of Rs. 112.69 million along with interest and costs. The Presiding Officer, DRT passed a final recovery order dated August 25, 2005 against ATN and others for recovery of Rs. 109.61 million along with costs and interests and consequently issued a recovery certificate of Rs. 109.81 million. Aggrieved by the order of the Presiding Officer, DRT, ATN and others filed an appeal (Appeal No. 309 of 2005) before the DRAT praying for setting aside the DRT order and cancellation of the Recovery Certificate. The DRAT vide its order dated August 24, 2006 directed ATN to deposit Rs. 20 million with the DRT in order to admit the appeal. Aggrieved by this order of the DRAT, ATN and others have filed a writ petition (C.W.P. No. 13699 of 2006) against our Company, before the Delhi High Court, challenging the order of the DRAT. The High Court vide its order dated October 3, 2007 disposed off the writ petition. Further, the DRAT vide its order dated November 1, 2007 dismissed the appeal. The matter was listed for hearing on the Counter Claim for Rs. 200.69 million before the Presiding Officer DRT on April 30, 2008 and before the Recovery Officer on May 1, 2008. ATN filed interim applications for cross examinations before the DRT being (IA Nos 249/08 and 23/09) which were argued upon and the DRT vide its orders dated February 18, 2009 dismissed the application of ATN and fixed the matter for final arguments on the original application and the counter-claim on April 14, 2009. On the matter application being dismissed by the DRT, ATN preferred an appeal before the DRAT (Misc. Appeal No. 84/2009) and the proceedings before the DRT was renotified to June 4, 2009. The DRAT dismissed the appeal filed by ATN vide its order dated April 15, 2009. Pursuant to the dismissal of the Appeal by the DRAT, ATN filed a Writ Petition (Civil) No. 8585/2009 before the Delhi High Court challenging the order of the DRAT dated April 15, 2009. The writ petition was dismissed by the Delhi High Court on August 20, 2009 wherein DRT was directed to complete the proceedings within four months. DRT completed the hearing and has passed a final order, dated December 17, 2009 against ATN and others for recovery of Rs. 112.69 million along with future interest at 14% p.a. with effect from August 17, 1999`till realization and costs. The matter has been scheduled for hearing before the recovery officer on February 25, 2010.

2 Miscellaneous proceedings

(i) Lynx India Limited and others, against whom our Company has filed recovery proceedings before the DRT, have defaulted in payment of hire charges to a certain party, MML, for certain equipment leased from them. Accordingly, MML have filed an application (A.P. no. 53 of 2000) before the Calcutta High Court under Section 9 of the Arbitration and Conciliation Act, 1996 for grant of an interim order for attachment of the assets of Lynx India Limited and bank account with Bank of Madura Limited. The High Court, pursuant to its order dated February 15, 2000 granted a limited order of injunction to interim relief, in favour MML from operating the bank account with the Bank of Madura Limited. Aggrieved by the order of the High Court, our Company has filed an appeal (G.A. No. 4155 of 2000) before the High Court. The High Court, pursuant to its order dated November 10, 2000 dismissed the appeal of our Company. Aggrieved by the said order, our Company has filed a special leave petition (SLP no. 322 of 2001) before the Supreme Court of India challenging the order passed by the Calcutta High Court. The Supreme Court of India, pursuant to its order dated January 19, 2001 issued notice on the appeal and granted an *ex parte* stay on the order of the High Court. The next date of hearing has not been scheduled.

D. Notices received by our Company

1. Legal Notices

Our Company has received three legal notices from private parties. The details in this regard as follows:

(i) We received a legal notice dated February 3, 2007, from the legal counsel of Ms. Amarjeet Kaur, wife of Mr. Ajit Singh, seeking the freezing of infrastructure redeemable taxable bonds, jointly held with her husband, each representing 20 bonds of Rs. 5,000 each, issued by our Company, on account of an ongoing matrimonial dispute between herself and her husband. The matter is still pending.

(ii) We received a legal notice dated May 14, 2007 from the legal counsels of Ms. Nisha Mehrotra, who holds 350 Non-Convertible Redeemable Taxable Bonds - Series V, of a total value of Rs. 7 million issued by our Company, claiming the release of outstanding interests due on the bonds, which had been retained by our Company on account of an interim order passed by the Calcutta High Court. Previously, we had also received a legal notice dated March 15, 2007 from the legal counsels of Ms. Niti Khanna and others, the daughters of Ms. Mehrotra, requesting our Company not to release the principal in favour of Ms. Mehrotra till final disposal of the matter pending before the Calcutta High Court. The matter is still pending.

(iii) We received a legal notice dated June 30, 2007 from the legal counsel of Ms. Prema Gupta, wife of deceased Mr. Brij Gopal Gupta, who holds 40 bonds allotted under Section 54-EC of the I.T. Act (in two separate folios) jointly with certain individuals. The legal counsel has requested our Company to stop transfer of the bonds to the joint holders since Ms. Prema Gupta has filed an application for succession before the District Courts at Kolkata. Succession certificate has been obtained but it does not mention the 40 bonds. Hence the bondholders have disputed the claim of Ms. Prema Gupta. An amount of Rs. 0.42 million has been paid towards part payment to Ms. Prema Gupta.The matter is still pending.

2. Miscellaneous Notices

Our Company has received complaints dated April 29, 2006 and July 12, 2006 from J.M. Morgan Stanley and the Consumer Education and Research Society, Ahmedabad respectively on behalf of Mr. Hafez Rustom Dalal and others, being bond holders of our Company, on the ground that interest on the bonds were paid through ECS notwithstanding a request for payment by cheque, which resulted in an increase in their tax liabilities for Fiscal 2006. The complainants have demanded compensation caused due to the tax liability on account of negligence on our part. Our Company responded to the complaint on March 12, 2007. Till date, the complaintants have not replied to the response.

E. Miscellaneous Matters

1. Our Company receives applications under Right to Information Act, 2005, as amended ("**RTI**") in the usual course of its business which are disposed off as per the provisions of RTI. As on January 8, 2010, there are five RTI applications, filed in December 2009, which are pending and yet to be responded to.

2. The State of Madhya Pradesh has filed a suit (O.S. No. 6 of 2004) against Union of India and others before the Supreme Court challenging a notification of the central government which allocated liabilities between Madhya Pradesh and Chattisgarh.. Our Company had granted long-term loans to Madhya Pradesh State Electricity Board ("**MPSEB")**. But, pursuant to the Madhya Pradesh Reorganisation Act, 2000, the State of Madhya Pradesh was split into the states of Madhya Pradesh and Chhattisgarh. Thereafter, our Company entered into a settlement agreement with Chattisgarh which allocated a portion of the liabilities outstanding under our existing loans to the MPSEB and the rest to Chattisgarh State Electricity Board ("**CSEB")** in a manner that all the concerned parties believed was consistent with the Reorganisation Act. In accordance with the provisions of the settlement agreement, our Company received payment of full amount due from the Chattisgarh SEB. However, the Central Government vide the impugned Notification allocated a greater portion of liabilities to MPSEB than what was provided under the settlement agreement. The Government of Madhya Pradesh has challenged

this subsequent allocation of liabilities vide the Notification. If Government of Madhya Pradesh's challenge is unsuccessful, the CSEB will be entitled to a refund of a portion of its payment to our Company totalling Rs. 1,600 million under the settlement agreement.

II. Proceedings initiated against our Company for economic offences

There are no proceedings initiated against our Company for any economic offences.

III. Details of past penalties imposed on our Company by the authorities concerned

Except as stated in this section, there are no past penalties imposed on our Company by the authorities concerned.

IV. Potential Litigation against our Company

Except as stated in this section, there are no potential litigations against our Company that we are currently aware of or in connection with which, we have received notice.

V. Adverse findings against our Company as regards compliance with the securities laws

There are no adverse findings against our Company as regards compliance with the securities laws.

VI. Material Developments since the Last Balance Sheet Date

Except as disclosed in the section titled "***Management's Discussion and Analysis of Financial Condition and Results of Operations***" on page 147, in the opinion of our Board, there have not arisen, since the date of the last financial statements disclosed in this Red Herring Prospectus, any circumstances that materially or adversely affect or are likely to affect our profitability taken as a whole or the value of our consolidated assets or our ability to pay material liabilities within the next 12 months.

VII. Outstanding dues to small scale undertaking(s) or any other creditors

There are no outstanding dues above Rs. 0.1 million to small scale undertaking(s) or any other creditors by our Company, for more than 30 days.

VIII. Outstanding Litigation against other companies whose outcome could have an adverse effect on our Company

Except as disclosed in this section, there are no outstanding litigation, suits, criminal or civil prosecutions, statutory or legal proceedings including those for economic offences, tax liabilities, show cause notices or legal notices pending against any company whose outcome could have a material adverse effect on the position of our Company.

IX. Litigation against the Directors of our Company

A. Outstanding Litigation and Material Developments/Proceedings against our Directors

Except as disclosed in hereinbelow, there is no outstanding litigation involving our Directors including criminal prosecutions or civil proceedings involving our Directors, and there are no material defaults, non-payment of statutory dues, over dues to banks/financial institutions or defaults against banks/financial institutions by our Directors (including disputed tax liabilties, past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act). However, incidental to the business of our Company, parties may from time to time file suits impleading our Company through or along its respective officers and Directors in their official capacity.

(i) Mr. P. Uma Shankar

Nil

(ii) ***Mr. Hari Das Khunteta***

Nil

(iii) ***Mr. Guljit Kapur***

Nil

(iv) ***Mr. Devender Singh***

Nil

(v) ***Mr. Venugopal N. Dhoot***

The SEBI, pursuant to its order dated April 19, 2001, had directed Videocon International Limited (now amalgamated with Videocon Industries Limited) not to raise money from the public in the capital markets for a period of three years in the interest of investors. Further, SEBI had ordered to institute prosecution proceedings against Videocon International Limited through its directors/ officers, including Mr. Venugopal N. Dhoot, under the provisions of the SEBI Act for violation of Regulation 4(a) and 4(d) of the Securities Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations 1995, as amended.

Aggrieved by the said order of SEBI, Videocon International Limited and the directors/ officers, including Mr. Venugopal N. Dhoot, filed an appeal before the Securities Appellate Tribunal ("**SAT**"). The SAT, pursuant to its order dated June 20, 2002, set aside the order of SEBI restraining Videocon International Limited from accessing the capital markets and raising money from the public for a period of three years. However, in relation to the prosecution proceedings instituted by SEBI against Videocon International Limited and the directors/ officers, including Mr. Venugopal N. Dhoot, the SAT held that it was beyond its jurisdiction to issue any order setting such direction to launch prosecution proceedings. Accordingly, the prosecution proceedings instituted by SEBI are currently pending. Mr. Venugopal N. Dhoot and others filed a petition before the Mumbai High Court to quash or grant a stay on the prosecution proceedings which is pending for disposal.

The Mumbai High Court by order dated January 16, 2008 held that the complaints filed before or after October 29, 2002 but in respect of the alleged offence that have taken place prior to the said date are required to be tried by the court to which they were presented (i.e. the Magistrate Court) and they are not required to be committed/ transferred to the Court of Sessions. The Mumbai High Court accordingly quashed and set aside the committal/ transfer orders by the Magistrate Court in the complaints filed by SEBI and the Sessions Court was directed to return the concerned complaints to respective Magistrates Court where they were originally filed by SEBI.

Being aggrieved by the said order of the Mumbai High Court, SEBI preferred petitions for special leave before the Supreme Court of India. The Supreme Court of India has granted stay of further proceedings while the special leave petitions are pending.

(vi) ***Dr. M. Govinda Rao***

Nil

(vii) ***Mr. P.R. Balasubramanian***

Nil

(viii) ***Dr. Devi Singh***

Nil

B. Outstanding Litigation and Material Developments/Proceedings filed by our Directors

Except as stated in this section, there are no pending litigations, including disputed outstanding litigations and material developments/proceeding filed by our Directors.

C. Proceedings initiated against our Directors for economic offences

Except as stated in this section, there are no proceedings initiated against our Directors for any economic offences.

D. Details of past penalties imposed on our Directors by the authorities concerned

Except as stated in this section, there are no past penalties imposed on our Directors by the authorities concerned.

E. Litigations against the Directors involving violation of statutory regulations or alleging criminal offence

Except as stated in this section, there are no litigations against our Directors involving violation of statutory regulations or alleging criminal offence.

F. Criminal/ civil cases against our Directors towards tax liabilities

Except as stated in this section, there are no criminal/ civil cases against our Directors towards tax liabilities.

X. Disciplinary action taken by SEBI or the Stock Exchanges against our Company

No disciplinary action has been taken by SEBI or the Stock Exchanges against our Company.

XI. Litigation involving our Subsidiaries or any other company whose outcome could have a materially adverse effects on the positions of our Company

There are no outstanding litigation involving our Subsidiaries or against any other company whose outcome could have a materially adverse effect on the positions of our Company, including criminal prosecutions or civil proceedings, and there are no defaults, non-payment of statutory dues, over dues to banks/financial institutions or defaults against banks/financial institutions by our Subsidiaries, pertaining to matters likely to affect its operations, including disputed tax liabilities, prosecutions under any enactment in respect to Schedule XIII of the Companies Act.

GOVERNMENT AND OTHER APPROVALS

In view of the approvals listed below, our Company can undertake this Issue and the current business activities of our Company in India and no further major approvals from any governmental or regulatory authority or any other entity in India are required to undertake this Issue or continue the business activities of our Company except such as will be applied for by us in due course. Unless otherwise stated, these approvals are all valid as on the date of this Red Herring Prospectus. For further details in connection with the regulatory and legal framework within which we operate in India, see the section titled "***Regulations and Policies***" on page 83.

A. Approvals for the Issue

The Board of Directors has, pursuant to resolutions passed at its meetings held on October 16, 2009 and and November 24, 2009**,** authorised the Issue, subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.

The shareholders have, pursuant to a resolution dated November 24, 2009 under section 81(1A) of the Companies Act, authorised this Issue.

Our Board has approved certain details in relation to this Issue through its resolution dated November 24, 2009. Our Board has approved the Draft Red Herring Prospectus, pursuant to its resolution dated December 1, 2009. Further, our Board has approved this Red Herring Prospectus, pursuant to its resolution dated January 23, 2010.

The MoP has, through its letter no. 44/20/2009- RE dated November 9, 2009 granted approval for this Issue.

The MoP has through its letter no. 44/20/2009- RE dated November 30, 2009, granted approval for disinvestment of 42,933,000 Equity Shares (i.e., 5% of the existing paid up share capital of our Company) through the Offer for Sale in this Issue.

The MoP has through letter no. 44/20/2009- RE dated November 30, 2009 granted approval for lock-in of 20% of the fully diluted post-Issue paid up Equity Share capital of our Company for three years from the date of Allotment and lock-in of balance pre Issue share capital of our Company (excluding such Equity Shares forming part of the Offer for Sale) for a period of one year from the date of Allotment.

The RBI has, pursuant to its letter (FE.CO.FID. No. 17056/10.21.073/2009-10) dated January 1, 2010, accorded its 'no-objection' for (a) the issuance of Equity Shares forming part of the Fresh Issue to eligible non-residents, subject to, *inter alia,* the terms and conditions of Schedule I to Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended, and (b) transfer of Equity Shares forming part of the Offer for Sale. For further details regarding the requirement for the said approval and other ancilliary matters in this regard, see the sections titled "Regulations and Policies" and "Issue Procedure" on pages 83 and 244, respectively.

B. Approvals for our initial public offering

Our Company had made an IPO of up to 156,120,000 Equity Shares for cash at a price of Rs. 105 per Equity Share (including a premium of Rs.95 per Equity Share) aggregating to Rs. 16,392.60 million through a prospectus dated February 28, 2008. We had received the following significant government and other approvals in relation to our IPO.

Description	Reference No.	Date of Issue
Approval from the RBI for the offer for sale of 78,060,000 Equity Shares by our Promoter in the IPO, and transfer of such shares in favour of FIIs, NRIs, FVCIs, multilateral and bilateral development institutions on a repatriation basis	FE.CO.FID/10094/10.78.000/2007-08	October 31, 2007
Approval from the FIPB for the IPO and clarifying that the activities of our Company fall within the category of "leasing and finance" of an NBFC, thereby being eligible for FDI up	FC.II 198(2007)/259(2007)	October 5, 2007

Description	Reference No.	Date of Issue
to 100% under the 'automatic route'		
Letter issued by the MoP approving the offer for sale of 78,060,000 Equity Shares by our Promoter in the IPO	44/12/06-RE	March 8, 2007
Letter issued by the MoP approving the IPO of 156.00 million Equity Shares constituting 20% of the pre-IPO paid up capital of our Company	44/12/2006-RE	December 1, 2006

C. Approvals for our business

We have received the following significant government and other approvals pertaining to our business:

I. Certificate of Registration under the Reserve Bank of India Act, 1934

Description	Reference No.	Date of Issue	Date of Expiry
Registration under Section 45 IA of the RBI Act to commence business of a non-banking financial institution*	14.000011	February 10, 1998	Not applicable

* *The issuance and validity of the certificate is subject to the conditions mentioned below:*

(i) The certificate of registration has been issued to our Company, is subject to our Company's continued adherence to all the conditions and parameters stipulated under Chapter-III B of the RBI Act.

(ii) Our Company shall be required to comply with all the requirements of the directions, guidelines/ instructions etc. issued by the RBI and as applicable to us.

(iii) If our Company desires to indicate directly or indirectly in any advertisement, etc. that our Company is having a certificate of registration issued by the RBI, such advertisement should invariably contain a statement as under:
"The Company is having a valid certificate of registration dated February 10, 1998 issued by the RBI under Section 45 IA of the RBI Act. However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the Company or for the correctness of any of the statements or representations made or opinions expressed by the Company and for repayment of deposits/discharge of liabilities by the Company."

(iv) Our Company must not accept any public deposit for the time being. After our Company has been in operation for a period of two years, if we intend to raise public deposits, we may approach the BRI with the audited balance sheets for two years and a credit rating for fixed deposits from one of the recognised rating agencies. Our Company will accept public deposits only after obtaining specific approval from the RBI.

II. Approvals in relation to our borrowings

II.A Approval for foreign currency borrowings

Description*	Reference No.	Date of Issue	Date of Expiry and terms, if any
Approval from the President of India, acting through the MoP for seeking a loan assistance of EURO 70 million from KfW	No. 44/34/2005-RE	March 13, 2009	Not applicable
Approval from the President of India, acting through the MoP for signing the loan agreement between Japan International Cooperation Agency and our Company for a loan facility of up to JPY 21,000 million	No. 44/34/2005-RE	April 11, 2008	Not applicable
Approval from RBI for raising external commercial borrowings of USD 200 million by our Company	FED.CO.ECBD.1646 2/03.02.766/2006-07	January 24, 2007	Drawal of the borrowings was to be made within three months from the date of issue of approval
Approval of the President of India, acting through the MoP for raising external commercial borrowings of USD 200 million by our Company, subject to the approval of RBI	No.44/34/2006-RE	January 16, 2007	Not applicable
Approval from the President of India, acting through the MoP for signing the loan agreement with KfW for a loan up	No. 44/34/2006-RE	April 20, 2006	Not applicable

Description*	Reference No.	Date of Issue	Date of Expiry and terms, if any
to EURO 70 million			
Approval from the President of India, acting through the MoP for signing the loan agreement between Japan International Cooperation Agency and our Company for a loan facility of JPY 20,629 million	No. 44/34/2006-RE	March 30, 2006	Not applicable

* *For further details in relation to the borrowings, see the section titled "**Financial Indebtedness**" on page 179.*

II.B Approvals in relation to our Secured Tax Free Bonds

Description*	Reference No.	Date of Issue	Date of Expiry
Approval from the CBDT under Section 10(15)(iv)(h) of the IT Act of Rs. 500 million by issuing Secured Non-Convertible Priority Sector Tax Free Bonds - 2011 (53rd Series) during the Fiscal 2001	199/ 2004/ F.No. 178/6/2003-ITA.I	July 16, 2004	Not applicable
Approval from the CBDT under Section 10(15)(iv)(h) of the IT Act for raising Rs. 750 million by issuing Secured Non-Convertible Redeemable Bonds - 2010 (41st Series) during the Fiscal 2000	125/ 2001/F.No.178/79/2000-ITA.I	May 11, 2001	Not applicable

* *For further details in relation to the borrowings, see the section titled "**Financial Indebtedness**" on page 179.*

II.C Approvals in relation to capital gains tax exemption bonds under section 54EC of the IT Act

Description*	Reference No.	Date of Issue	Date of Expiry
Approval from CBDT (pursuant to a notification bearing reference no. 380/2006) imposing a cap of Rs. 5.00 million on individual investments in relation to bonds, for a total amount of Rs. 35,000 million issued by our Company during the period from December 26, 2006 to March 31, 2007, for the purposes of exemption from capital gains tax under Section 54 EC of the IT Act	F.No. 142/09/2006-TPL	December 22, 2006	Not applicable
Approval from CBDT, as contained in notification S.O. 964(E) dated June 29, 2006, for investment in certain specified long term specified assets, including bonds issued by our Company to be issued during the Fiscal 2007 (from July 1, 2006) for a total amount of Rs. 45,000 million, for the purposes of exemption from capital gains tax under Section 54 EC of the IT Act	F. No. 142/09/2006-TPL	June 30, 2006	Not applicable

* *For further details in relation to the borrowings, see the section titled "**Financial Indebtedness**" on page 179.*

II.C Approvals in relation to our Infrastructure Bonds

Description*	Reference No.	Date of Issue	Date of Expiry
Approval from the CBDT in continuation of the approval granted pursuant to letter bearing F.No. 178/60/2001-ITA.I (Pt) dated May 3, 2002 extending the time limit up to	F.No. 178/60/2001-ITA.I (Vol.II)	July 24, 2003	Not applicable

Description*	Reference No.	Date of Issue	Date of Expiry
financial year 2003-2004 for raising bonds for the balance amount that could not be raised during financial year 2002-2003 under section 88 (2)(xvi) of the IT Act (Series IV).			
Approval from the CBDT under Section 88(2)(xvi) of the IT Act for raising bonds up to Rs. 10,000 million in one or more tranches, by way of private placement/ public issue during the Fiscal 2003 (Series III).	F.No. 178/60/2001-ITA.I (Pt)	May 3, 2002	Not applicable
Approval from the CBDT under Section 88(2)(xvi) of the IT Act for raising bonds up to Rs. 10,000 million in one or more tranches, by way of private placement/public issue during the Fiscal 2002 (Series I and II)	F.No. 178/60/2001-ITA.I	January 24, 2002	Not applicable

* *For further details in relation to the borrowings, see the section titled "**Financial Indebtedness**" on page 179.*

II.D Approvals in relation to our Government Guaranteed Bonds

Description*	Reference No.	Date of Issue	Date of Expiry
Approval from the President of India, acting through the then MoP and Non Conventional Energy Sources for the issue of bonds aggregating Rs. 530 million during the Fiscal 1992 (SLR Bond XXIII)	No. 44/36/91-D (RE)	February 3, 1992	Not applicable
Approval from the President of India, acting through the Ministry of Energy, GoI for the issue of bonds aggregating Rs. 490 million during the Fiscal 1991 (SLR Bond XXII)	No. 44/32/90-D(RE)	January 9, 1991	Not applicable
Approval from the President of India, acting through the Ministry of Energy, GoI, for the issue of bonds aggregating Rs. 690.8 million during the financial year 1989-1990 (SLR Bond XXI)	No. 44/35/89-D (RE)	December 27, 1989	Not applicable

* *For further details in relation to the borrowings, see the section titled "**Financial Indebtedness**" on page 179.*

III. Taxation related approvals

*III.A Tax Deduction Account Numbers ("**TAN**")*

Description	TAN	Date of Issue	Date of Expiry
TAN allotted by the IT Department under Section 203A/206C of the IT Act for our project office at Patna, Bihar	PTNR00268C	May 15, 2007	Not applicable
TAN allotted by the IT Department under Section 203A of the IT Act for our project office at Jaipur, Rajasthan	JPRR00529E	November 24, 2006	Not applicable
TAN allotted by the IT Department under Section 203A of the IT Act for our project office at Lucknow, Uttar Pradesh	LKNR01195F	June 22, 2005	Not applicable
TAN allotted by the Sales Tax Department to our Company's office in Delhi, in lieu of the Delhi Sales Tax Act, 1975, being repealed and substituted by the Delhi Value Added Tax Act, 2004	07703000685	February 7, 2005	Not applicable
TAN allotted by the IT Department under Section 203A of the IT Act for our project office at Shillong, Meghalaya	SHLR00440G	October 9, 2004	Not applicable

Description	TAN	Date of Issue	Date of Expiry
TAN allotted by the IT Department under Section 203A of the IT Act for our project office at, Thiruvananthapuram, Kerala	TVDR00170C	September 2, 2004	Not applicable
TAN allotted by the IT Department under Section 203A of the IT Act for our project office at Bhubaneswar, Orissa	BBNR00419G	August 18, 2004	Not applicable
TAN allotted by the IT Department under Section 203A of the IT Act for our project office at Shimla, Himachal Pradesh.	PTLR11613A	July 29, 2004	Not applicable
TAN allotted by the IT Department under Section 203A of the IT Act for our project office at Jammu, Jammu & Kashmir	AMRR10743F	July 22, 2004	Not applicable
TAN allotted by the IT Department under Section 203A of the IT Act for our project office at Nariman Point, Mumbai, Maharashtra	MUMR15382D	June 23, 2004	Not applicable
TAN allotted by the IT Department under Section 203A of the IT Act for our project office at Bangalore, Karnataka	BLRR00163C	June 21, 2004	Not applicable
TAN allotted by the IT Department under Section 203A of the IT Act for our project office at Mylapore, Chennai	CHER00334F	May 31, 2004	Not applicable
TAN allotted by the IT Department under Section 203A of the IT Act for separate departments in our corporate office at New Delhi	DELR09696B	July 26, 2004	Not applicable
	DELR09105F	June 19, 2004	Not applicable
	DELM09242C	May 8, 2004	Not applicable
TAN allotted by the IT Department under Section 203A of the IT Act for our project office at Chandigarh, Haryana	PTLR10994E	September 17, 2003	Not applicable
TAN allotted by the IT Department under Section 203A of the IT Act for our project office at Guwahati, Assam	SHLP00145F	August 7, 2003	Not applicable
TAN allotted by the IT Department under section 203A of the IT Act for CIRE, situated at Hyderabad, Andhra Pradesh	HYDCO1248C	July 29, 2003	Not applicable
TAN allotted by the IT Department under Section 203A of the IT Act for our project office at Kolkata, West Bengal	CALR04065F	July 3, 2003	Not applicable
TAN allotted by the IT Department under Section 203A of the IT Act for our project office at Jabalpur, Madhya Pradesh	JBPR0039IG	July 2, 2002	Not applicable
TAN allotted by the IT Department under Section 203A of the IT Act for our project office at Vadodara, Gujarat	BRDR00331C	June 12, 2002	Not applicable
TAN allotted by the IT Department under Section 203A of the IT Act for our project office at Hyderabad, Andhra Pradesh	HYDR00516F	February 14, 2001	Not applicable

*III.B Permanent Account Number ("**PAN**")*

Description	PAN	Date of Issue	Date of Expiry
PAN allotted to our Company by the IT 'PAN Services Unit', IT Department	AAACR4512R	July 25, 1969	Not applicable
PAN allotted to CIRE, situated at Hyderabad, by the IT 'PAN Services Unit', IT Department	AADFC6047L	July 25, 1969	Not applicable

III.C Service Tax Registration

Description	Service Tax Code No.	Date of Issue	Date of Expiry
Office of the Commissioner of Customs & Central Excise, Service Tax Cell, has allotted a service tax code to CIRE, situated at Shivarampally, Andhra Pradesh at location code no. 920100	AADFC6047LST001	January 11, 2007	Not applicable
Office of the Deputy/Assistant Commissioner, Service Tax, New Delhi has allotted a service tax	AAACR4512RST001	January 28, 2008	Not applicable

code to our Corporate Office situated at Core-IV, SCOPE Complex, 7, Lodhi Road, New Delhi at location code no.041610			

III.D Sales Tax Registrations

Description	Reference No.	Date of Issue	Date of Expiry
Certificate of registration allotted under the Gujarat Sales Tax Act, 1969 to our project office situated at Vadodara, Gujarat.	40181712	December 4, 1993 with effect from December 2, 1993	Not applicable
Certificate of registration allotted under the Central Sales Tax (Registration and Turn Over) Rules, 1957 registering our Company as a 'trader' in Gujarat in accordance with Sections 7(1) and 7(2) of Central Sales Tax Act, 1956.	Gujarat 8 e-5860 (central)	December 4, 1993 with effect from December 2, 1993	Till cancelled

III.E Provident Fund Registrations

Description	Reference No.	Date of Issue	Date of Expiry
Notification issued by the GoI, in the Gazette of India, in Part II, Section 3 (ii) thereof, directing that the provisions of the Provident Funds Act, 1925 shall apply to the contributory provident fund, for the benefit of the employees of our Company	F.NP.48 (27)/ 75-P-E	March 27, 1976	Not applicable
Notification issued by the GoI in the Gazette of India, in Part II, Section 3 (ii) thereof, directing that the schedule to the Provident Funds Act, 1925 shall contain the name of our Company along with the existing entries therein	F.No.48(27)(75-PF)	March 24, 1976	Not applicable
Recognition of contributory provident fund accorded to our Company by the Commissioner of IT under Rule 3 (1) of Part A, Fourth Schedule, IT Act, 1961	Order No. 1 of 1973-1974	August 3, 1973, with effect from March 31, 1971	Not applicable

IV. Registrations under the local 'Shops and Establishments' laws

Description	Reference No.	Date of Issue	Date of Expiry
Renewed registration certificate issued by the office of Labour Commissioner, for our Company's project office in Panchkula, under the Haryana Shops and Commercial Establishments Act, 1958	PKL/03/09/955	October 1, 2009	March 31, 2012
Renewed registration certificate issued by the office of Inspector, for our Company's project office in Jammu under the Jammu and Kashmir Shops and Establishments Act, 1966	JC/III/12738	March 31, 2009	March 31, 2012
Letter from the office of Inspector, Shops and Establishments Branch, Vadodra that establishments of our Company are exempt from the provisions of the Bombay Shops and Establishments Act, 1948	37/07-08	May 8, 2007	Not applicable
Registration certificate issued by the office of Inspector, for our Company's project office in Kolkata under the West Bengal Shops and Establishments Act, 1963	P-II/44501	June 11, 2008	June 10, 2011
Registration certificate issued by the office of Inspector, for our Company's project office in Bangalore under the Karnataka Shops and Commercial Establishments Act, 1961	81/CE/831	June 14, 2007	December 31, 2012
Letter from the office of Labour Commissioner, Meghalaya, Shillong that establishments of our Company are exempt from the provisions of the Meghalaya Shops and Establishments Act, 2003	MLSE-2/2005/907	May 16, 2007	Not applicable

Description	Reference No.	Date of Issue	Date of Expiry
Registration certificate issued by the office of Labour Commissioner, for our Company's project office in Jaipur under the Rajasthan Shops and Commercial Establishments Act, 1958	SH/160/R 9-C/Page 19/2007	May 12, 2007	Valid until cancelled
Letter from the office of Labour Commissioner, Chennai that establishments of our Company do not require to be registered under the provisions of the Tamil Nadu Shops and Establishments Act, 1947	R.C.S2/24682/07	May 4, 2007	Not applicable
Letter from the office of Municipal Corporation, Shimla that establishments of our Company need not take shop or office license Himachal Pradesh Shops & Establishment Act, 1969 since no activity of business i.e. sale of any product is being undertaken by them	MCS/SE/2007-231	April 26, 2007	Not applicable
Registration certificate from the office of Inpector, for our Company's project office in Ranchi under the Jharkhand Shops and Establishments Act, 1953	R.N./27491 /DORANDA/ Ranchi/62	November 17, 2009	December 31, 2010
Renewal of registration certificate from the office of the Labour Commissioner, Ulubari, under the Assam Shops and Establishments Act, 1971 for our project office situated in Guwahati, Assam.	SEA/CE-01/E-759	January 11, 2010	December 31, 2010
Renewal of registration certificate from the office of the Labour Commissioner, Trivandrum under the Kerala Shops and Commercial Establishments Act, 1960 for our project office situated in Trivandrum, Kerala	DIA/781/III	January 13, 2010	December 31, 2010
Renewal of registration certificate from the office of the Labour Inapector, Lucknow under the Uttar Pradesh Shops and Establishments Act, 1962 for our project office situated in Lucknow, Uttar Pradesh	I.G.1366	December 31, 2009	March 31, 2014

V. Miscellaneous Registrations

Description	Reference No.	Date of Issue	Date of Expiry
Appointment of REC Transmission Projects Company Limited as the 'Bid-Process Coordinator for Transmission Project' for transmission system associated with Krishnapattnam UMPP- Synchronous interconnection between SR and WR (Part-B)	D.L.-33004/99	July 1, 2009	Not applicable
Certificate of registration under sub-Section (2) of Section 5 of the Gujarat State Tax on Professions, Trades, Callings and Employments Act, 1976	E 357403471	May 31, 1995	Not applicable
Certificate of registration under sub-Section (1) of Section 5 of the Gujarat State Tax on Professions, Trades, Callings and Employments Act, 1976	R 357039425	May 31, 1995	Not applicable
Approval accorded to our Company's gratuity fund by the Commissioner of IT under Rule 2 (1) of Part C of the Fourth Schedule of the IT Act.	'Order No.' 5 of 1978-79	August 2, 1978	Not applicable

D. Approvals applied for, but not yet received

D.I Applications in relation to local 'Shops and Establishments' laws

1. An application dated December 1, 2009 has been filed with the Assistant Labour Commissioner, Jabalpur for grant of exemption from registration under the Madhya Pradesh Shops and Establishments Act, 1958 for our premises situated in Jabalpur.

2. An application dated October 23, 2009 has been filed with the District Labour Officer, Bhubaneshwar for renewal of registration under the Orissa Shops and Commercial Establishments Act, 1958 for our project office situated in Bhubaneshwar, Orissa.

3. An application dated December 18, 2009 has been filed with the District Labour Officer, Mumbai for renewal of registration under the Bombay Shops and Establishments Act, 1948 for our project office situated in Mumbai, Maharashtra.

D.2 Intellectual Property Approvals

1. An application dated December 10, 2007 has been filed before the Trademark Registry, New Delhi for registration of our “REC” logo (English) under the Trade Marks Act, 1999. The application is currently pending.

2. An application dated March 17, 2009 has been filed before the Trademark Registry, New Delhi for registration of our “REC” logo (bilingual form) under the Trade Marks Act, 1999. The application is currently pending.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for this Issue

Our Board has, pursuant to its resolutions dated October 16, 2009 and November 24, 2009, authorised this Issue, subject to the approval by the shareholders of our Company under Section 81(1A) of the Companies Act. The shareholders of our Company have authorised this Issue by their special resolution passed pursuant to Section 81(1A) of the Companies Act, at its EGM held on November 24, 2009 and authorised the Board to take decisions in relation to this Issue. Our Board has approved certain details in relation to this Issue through its resolution dated November 24, 2009. Further, our Board has approved the Draft Red Herring Prospectus, pursuant to its resolution dated December 1, 2009. Further, our Board has approved this Red Herring Prospectus, pursuant to its resolution dated January 23, 2010.

The MoP has, through its letter no. 44/20/2009- RE dated November 9, 2009 granted approval for this Issue.

The MoP has through its letter no. 44/20/2009- RE dated November 30, 2009, granted approval for disinvestment of 42,933,000 Equity Shares (i.e., 5% of the existing paid up share capital of our Company) through the Offer for Sale in this Issue.

The MoP has through letter no. 44/20/2009- RE dated November 30, 2009 granted approval for lock-in of 20% of the fully diluted post-Issue paid up Equity Share capital of our Company for three years from the date of Allotment and lock-in of balance pre Issue share capital of our Company (excluding such Equity Shares forming part of the Offer for Sale) for a period of one year from the date of Allotment.

In the IPO, our Promoter had transferred 78,060,000 Equity Shares pursuant to an offer for sale and had been granted the approval of the RBI pursuant to its letter dated October 31, 2009 bearing reference no. FE.CO.FID/10094/10.78.000/2007-08. Further, the Foreign Investment Promotion Board, Department of Economic Affairs, GoI, had, pursuant to its letter dated October 5, 2007 bearing reference no. 198(2007)/259(2007), had clarified that the non-banking financing activities of our Company fell under the category of 'leasing and finance' and that our Company was eligible to receive foreign direct investment, up to 100% of its paid-up share capital, under the 'automatic route', under the extant provisions of the FEMA, and rules and regulations framed thereunder.

We have obtained all necessary governmental, regulatory consents and approvals and have received all necessary contractual consents required for this Issue. The RBI has, pursuant to its letter (FE.CO.FID. No. 17056/10.21.073/2009-10) dated January 1, 2010, accorded its 'no-objection' for (a) the issuance of Equity Shares forming part of the Fresh Issue to eligible non-residents, subject to, *inter alia,* the terms and conditions of Schedule I to Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended, and (b) transfer of Equity Shares forming part of the Offer for Sale. For further details regarding the requirement for the said approval and other ancilliary matters in this regard, see the sections titled "Regulations and Policies" and "Issue Procedure" on pages 83 and 244, respectively.

Prohibition by SEBI, RBI or governmental authorities

None of our Company, our Subsidiaries or our Promoter (who is also the Selling Shareholder), have been declared as wilful defaulters by the RBI or any other governmental authority and there has been no violation of any securities law committed by any them in the past and no such proceedings are currently pending against any of them.

Our Company, our Directors, our Promoter, the persons in control of our Company, and the companies with which our Directors, Promoter or persons in control are associated as directors or promoters or persons in control have not been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI, except as stated in sections titled "Risk Factors" and "Outstanding Litigation and Material Developments" on pages xii and 197, respectively.

Except as otherwise stated in the sections titled "Risk Factors" and "Outstanding Litigation and Material Developments" on pages xii and 197, respectively, SEBI has not intiated any action against the entities associated with the securities market and with which our Directors are associated.

Eligibility for this Issue

Our Company has and shall continue to be in compliance with the following conditions specified under Regulation 4(2) of the SEBI Regulations:

(a) Our Company, our Directors, our Promoter, the persons in control of our Company, and the companies with which our Directors, Promoter or persons in control are associated as directors or promoters or persons in control have not been prohibited from accessing or operating in the capital markets under any order or direction passed by SEBI;

(b) Our Company has applied to the NSE and the BSE for obtaining their in-principle listing approval for listing of our Equity Shares under this Issue through its applications dated December 2, 2009 and has received the in-principle approvals from the NSE and the BSE pursuant to their letters dated December 11, 2009. For the purposes of this Issue, NSE shall be the Designated Stock Exchange;

(c) Our Company has entered into agreements dated November 15, 2007 and October 16, 2007, respectively, with the Depositories and the Registrar to the Issue for dematerialisation of our Equity Shares;

(d) The Equity Shares are fully paid-up and there are no partly paid-up Equity Shares as on the date of filing this Red Herring Prospectus; and

(e) We propose to meet all the requirement of funds for the objects as stated in "Objects of the Issue" entirely from the Net Proceeds and no amount is required to be raised through means other than this Issue for financing the same. Accordingly, the requirement of firm arrangements of finance through verifiable means for 75% of the stated means of finance excluding the Issue Proceeds does not arise.

Our Company is eligible for this Issue as per Regulation 27 read with Regulations 26 (1) (d) and 26 (1) (e) of the SEBI Regulations as:

- The aggregate of the Issue and all previous issues made in Fiscal 2010 in terms of the Issue size is not expected to exceed five times the pre-Issue Net Worth of our Company as per the audited balance sheet as of March 31, 2009; and

- Our Company has not changed its name in Fiscal 2009.

The Issue size of up to Rs. [●] million along with the previous issues of Equity Shares in the Fiscal 2010 aggregates to Rs [●] million. The said aggregate, i.e., Rs. [●] million, does not exceed five times the pre-Issue Net Worth, which as on March 31, 2009, is Rs. 68,490 million (i.e., 5 x Rs. 68,490 million = Rs. 342,450 million).

Hence, we are eligible for the Issue under Regulation 27 of the SEBI Regulations.

Further, in accordance with Regulation 26(4) of the SEBI Regulations, we shall ensure that the number of Allottees, i.e., persons to whom our Equity Shares will be Allotted shall be not less than 1,000; otherwise, the entire application money will be refunded forthwith. In case of delay, if any, in refund, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

This Issue is being made through the Alternate Book Building Process under Part D of Schedule XI of the SEBI Regulations wherein up to 50% of the Net Issue shall be allocated on a 'price priority' basis to QIBs. 5% of the QIB Portion shall be available for allocation on a 'price priority' basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a 'price priority' basis to QIBs (including Mutual Funds), subject to valid Bids being received from them above the Floor Price. However, if the aggregate demand from Mutual Funds is less than 4,284,550 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and allocated on a 'price priority' basis to the QIBs.

Not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received from them at the Floor Price. Further, 350,000 Equity Shares shall be available for allocation on a proportionate basis to our Eligible Employees, subject to valid Bids being received at the Floor Price. Under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue.

In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting at least 10% of the post Issue paid-up share capital of our Company. Subject to valid Bids being received at the Floor Price, under-subscription in any category, excluding Employee Reservation Portion, would be allowed to be met with spill-over from other categories or a combination of categories at the discretion of our Company and the Selling Shareholder, in consultation with the Book Running Lead Managers. For further details, see the section titled "***Issue Structure***" on page 239.

Compliance with Part A of Schedule VIII of the SEBI Regulations

Our Company is in compliance with the provisions specified in Part A of Schedule VIII of the SEBI Regulations. Further, our Company has not been formed by the conversion of a partnership firm into a company.

Disclaimer Clause of SEBI

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI.

IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, KOTAK MAHINDRA CAPITAL COMPANY LIMITED, JM FINANCIAL CONSULTANTS PRIVATE LIMITED, ICICI SECURITIES LIMITED, DSP MERRILL LYNCH LIMITED AND RBS EQUITIES (INDIA) LIMITED* HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS, KOTAK MAHINDRA CAPITAL COMPANY LIMITED, DSP MERRILL LYNCH LIMITED, ICICI SECURITIES LIMITED, JM FINANCIAL CONSULTANTS PRIVATE LIMITED AND RBS EQUITIES (INDIA) LIMITED*, ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY AND THE SELLING SHAREHOLDER DISCHARGE THEIR RESPONSIBILITIES ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED DECEMBER 2, 2009 WHICH READS AS FOLLOWS:

1. **"WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS ETC. AND OTHER MATERIAL IN CONNECTION WITH**

THE FINALISATION OF THIS DRAFT RED HERRING PROSPECTUS ("DRHP") PERTAINING TO THE SAID ISSUE;

2. ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER;

WE CONFIRM THAT:

(A) THE DRAFT RED HERRING PROSPECTUS FILED WITH SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;

(B) ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE SEBI, THE GOI AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND

(C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.

3. WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE SEBI, AND THAT TILL DATE SUCH REGISTRATION IS VALID.

4. WHEN UNDERWRITTEN, WE WILL SATISFY OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFILL THEIR UNDERWRITING COMMITMENTS. – NOTED FOR COMPLIANCE

5. WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTER HAS BEEN OBTAINED FOR INCLUSION OF ITS SECURITIES AS PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTER'S CONTRIBUTION SUBJECT TO LOCK-IN, SHALL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRHP WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRHP.

6. WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTER'S CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRHP.

7. WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTER'S CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE SEBI. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE

THAT PROMOTER'S CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. – <u>NOT APPLICABLE</u>

8. **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE COMPANY FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**

9. **WE CONFIRM THAT NECESSARY ARRANGEMENTS WILL BE MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THIS ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT TO BE ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION. – <u>NOTED FOR COMPLIANCE</u>**

10. **WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THIS DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. – <u>NOT APPLICABLE</u>**

11. **WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.**

12. **WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THIS DRAFT RED HERRING PROSPECTUS:**

(A) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER; AND

(B) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME.

13. **WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.**

14. **WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTER'S EXPERIENCE, ETC.**

15. **WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THIS DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY."**

The certificate of registration of RBS Equities (India) Limited as a 'Category 1' Merchant Banker, obtained from the SEBI in the name of ABN AMRO Asia Equities (India) Limited, was valid up to December 4, 2008. As required under Regulation 9(1) of the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992, an application dated September 4, 2008 for renewal of the said certificate of registration, in the prescribed manner, was made on September 5, 2008 to the SEBI, three months before the expiry of the said certificate of registration.

Additionally, the certificate of registration of RBS Equities (India) Limited in the name of ABN AMRO Asia Equities (India) Limited is in the process of being changed in the name of RBS Equities (India) Limited. Pursuant to a letter dated March 4, 2009, RBS Equities India Limited has informed the SEBI of its new certificate of incorporation dated January 30, 2009 consequent to change of its name from ABN AMRO Asia Equities (India) Limited to RBS Equities (India) Limited, issued by the Registrar of Companies, Mumbai. RBS Equities India Limited is currently awaiting the renewal certificate in the name of RBS Equities (India) Limited from SEBI

THE FILING OF THIS RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY AND THE SELLING SHAREHOLDER FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY AND/OR OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THIS DRHP.

All legal requirements pertaining to this Issue have been complied with at the time of filing of this Red Herring Prospectus with the RoC in terms of Section 60B of the Companies Act. All legal requirements pertaining to this Issue will be complied with at the time of registration of the Prospectus with the RoC in terms of Sections 56, 60 and 60B of the Companies Act.

Caution

Disclaimer from the Company, the Directors, the Selling Shareholder and the Book Running Lead Managers

Our Company, the Directors, the Selling Shareholder, the Book Running Lead Managers accept no responsibility for statements made otherwise than those contained in this Red Herring Prospectus or in any advertisements or any other material issued by or at our Company's instance and anyone placing reliance on any other source of information, including our Company's website www.recindia.nic.in, or the website of any Subsidiary, our Promoter, would be doing so at his or her own risk.

The Book Running Lead Managers accept no responsibility, save to the limited extent as provided in the Issue Agreement entered into among the Book Running Lead Managers, our Company and the Selling Shareholder on December 1, 2009 and the Underwriting Agreement to be entered into between the Underwriters, our Company and the Selling Shareholder.

All information shall be made available by our Company and the Book Running Lead Managers to the public and investors at large and no selective or additional information would be made available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at Bidding Centres or elsewhere.

Neither our Company nor the Selling Shareholder nor any member of the Syndicate are liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

The Book Running Lead Managers and their respective associates and affiliates may engage in transactions with, and perform services for, our Company and our affiliates or associates in the ordinary course of business and have engaged, or may in future engage, in commercial banking and investment banking transactions with our Company and our affiliates or associates for which they have received, and may in future receive, compensation.

Bidders will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholder and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not issue, sell, pledge or transfer our Equity Shares to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire our Equity Shares. Our Company, the Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares.

Notwithstanding anything stated in this Red Herring Prospectus, the Selling Shareholder do not express any opinion with respect to nor do they assume any responsibility for the statements and disclosures made by our Company or any other person, whether or not relating to our Company, their respective businesses, the Promoter, the financial information or any other disclosures and statements and the directors and officers of the Selling Shareholder shall not be liable in any situation whatsoever. The President of India, acting through the MoP assumes responsibility only for the statements about or relating to itself in this Red Herring Prospectus.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India, including Indian national residents in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Mutual Funds, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorised under their constitution to hold and invest in shares, public financial institutions as specified in Section 4A of the Companies Act, state industrial development corporations, insurance companies registered with the IRDA, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, VCFs and permitted Non-Residents including FIIs, their Sub-Accounts (other than Sub-Accounts which are foreign corporates or foreign individuals bidding under the QIB Portion), FVCIs (subject to receipt of appropriate approvals by the FVCI from the appropriate regulatory authority), multilateral and bilateral financial institutions and Eligible NRIs and other eligible foreign investors, if any, provided that they are eligible under all applicable laws and regulations to hold our Equity Shares.

This Red Herring Prospectus will not, however, constitute an offer to sell or an invitation to subscribe for Equity Shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions.

Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in New Delhi, India only.

No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with the SEBI for its observations. Accordingly, our Equity Shares represented hereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company from the date hereof or that the information contained herein is correct as on any time subsequent to this date.

Our Equity Shares have not been and will not be registered under the U.S. Securities Act under the securities laws of any state or other jurisdiction of the United States and the Company has not been and will not be registered under the U.S. Investment Company Act. The Equity Shares may not be offered or sold within the United States (as defined in Regulation S) or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S), except pursuant to an exemption from or in a transaction not subject to, registration requirements of the U.S. Securities Act. Our Equity Shares are only being offered or sold to in the United States (as defined in Regulation S) to, and to U.S. Persons (as defined in Regulation S) that are, (i) entities that are both "Qualified Institutional Buyers" as defined in Rule 144A under the U.S. Securities Act and "Qualified Purchasers" as defined under the U.S. Investment Company Act and related rules and (ii) outside the United States (as defined in Regulation S) to non-U.S. Persons (as defined in Regulation S) in offshore transactions in compliance with Regulation S and the applicable laws of the jurisdictions where those offers and sales occur.

Disclaimer clause of the BSE

BSE has given vide its letter dated December 11, 2009, permission to us to use BSE's name in this Red Herring Prospectus and the Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed. BSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. BSE does not in any manner:

- warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus or Prospectus; or
- warrant that the Company's securities will be listed or will continue to be listed on BSE; or
- take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company;

and it should not for any reason be deemed or construed to mean that this Red Herring Prospectus or Prospectus has been cleared or approved by BSE. Every Person who desires to apply for or otherwise acquires any securities of the Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer clause of the NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter ref.: NSE/LIST/125564-6 dated December 11, 2009, permission to the Company to use NSE's name in the Red Herring Prospectus and the Prospectus as one of the stock exchanges on which the Company's securities are proposed to be listed. The NSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to the Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that the Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of the Company, its promoters, its management or any scheme or project of the Company.

Every Person who desires to apply for or otherwise acquires any of the Company's securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus will be filed with the SEBI at the Securities and Exchange Board of India, SEBI Bhavan, G Block, 3rd Floor, Bandra Kurla Complex, Bandra (E), Mumbai 400 051, India.

A copy of the Red Herring Prospectus, along with the other documents required to be filed under Section 60B of the Companies Act, has been delivered for registration with the RoC at the office of the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act will be delivered for registration with the RoC situated at the address mentioned below.

The Registrar of Companies
National Capital Territory of Delhi and Haryana
4th Floor, IFCI Tower,
61, Nehru Place,
New Delhi- 110 019, India

Listing

Applications have been made to the Stock Exchanges for permission to deal in, and for an official quotation of our Equity Shares. NSE will be the Designated Stock Exchange with which the 'Basis of Allocation' will be finalised.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company and the Selling Shareholder will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within eight days after our Company and the Selling Shareholder become liable to repay it, i.e., from the date of refusal or within 15 days from the Issue Closing Date or 14 days from Issue Closing Date for ASBA Bidders, whichever is earlier, then our Company, the Selling Shareholder and every Director of our Company who is an officer in default shall, on and from such expiry of eight days, be jointly and severally liable to repay the money, with interest at the rate of 15% p.a. on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within seven Working Days of finalization of the 'Basis of Allocation'.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"*Any person who:*

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name

*shall be punishable with imprisonment for a term which may extend to five years.***"**

Consents

Consents in writing of: (a) the Selling Shareholder, the Directors, the Company Secretary and Compliance Officer, the Auditors, the lenders of the Company, the domestic legal counsel to our Company, domestic legal counsel to the Underwriters, international legal counsel to the Underwriters, the Bankers to the Company; and (b) the Book Running Lead Managers, the Syndicate Members, the Escrow Collection Banks, the Bankers to the Issue and the Registrar to the Issue to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act and the SEBI Regulations, Bansal & Co., Chartered Accountants and K.G. Somani & Company, Chartered Accountants, have agreed to provide their written consent to the inclusion of their report on financial statements, including the 'limited review report' for the three month quarter ended December 31, 2009, and report relating to the possible general and special tax benefits, as applicable, accruing to our Company and its shareholders, included in this Red Herring Prospectus in the form and context in which they appear in this Red Herring Prospectus and such consent and report have not been withdrawn up to the time of delivery of this Red Herring Prospectus and will not be withdrawn up to the time of delivery of the Prospectus for registration with the RoC.

For the purposes of complying with the Companies Act and SEBI Regulations only, Bansal & Co., Chartered Accountants and K.G. Somani & Company, Chartered Accountants, have given and have not withdrawn their written consent for the inclusion of their name and their report in the form and context in which it appears in this Red Herring Prospectus.

For the purpose of the offers and sales in the United States in transactions exempt from the registration requirements of the U.S. Securities Act and outside the United States in reliance on Regulation S under the U.S. Securities Act, Bansal & Co., Chartered Accountants and K.G. Somani & Company, Chartered Accountants, have acknowledged the inclusion in this Red Herring Prospectus of all references to its name, and their report in the form and context in which it appears in which it appears in this Red Herring Prospectus.

Expert Opinion

We have not obtained any expert opinions.

Issue Related Expenses

The expenses of this Issue include, among others, underwriting and management fees, selling commission, SCSBs' commission/ fees, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees.

The expenses relating to lead management fees, underwriting commission and selling commission, bidding software expenses, registrar's fees, bankers to the Issue's fees, printing and distribution expenses, depository charges and legal expenses, out of the Issue relaeted expenses mentioned above will be borne by our Company and the Selling Shareholder in proportion of our Equity Shares contributed to the Issue. All other expenses, including expenses for listing, marketing and advertisement, will be borne by our Company. The MoP, acting on behalf of the President of India, in its capacity as the Selling Shareholder, has through its letter no. 44/20/2009- RE dated November 30, 2009, authorised our Company to seek reimbursement from the Department of Disinvestment, GoI, for expenses of the Issue initially incurred by it, expenses required to be borne by our Company, in proportion to our Equity Shares offered by the Selling Shareholder.

The estimated Issue expenses are as under:

Activity	Amount (Rs. million)	% of the Issue Expenses	% of total Issue Size
Lead management fees*	[●]	[●]	[●]
Underwriting commission and selling commission (including commission to SCSBs for ASBA applications)*	[●]	[●]	[●]
Registrar's fees*	[●]	[●]	[●]
Advertisement and marketing expenses*	[●]	[●]	[●]
Printing and distribution expenses*	[●]	[●]	[●]
Advisors*	[●]	[●]	[●]
Bankers to the Issue*	[●]	[●]	[●]
Others (SEBI filing fees, bidding software expenses, depository charges, listing fees, etc.) *	[●]	[●]	[●]
Total	**[●]**	**[●]**	**[●]**

* *Will be incorporated at the time of filing of the Prospectus.*

Fees, Brokerage and Selling Commission Payable to the Book Running Lead Managers and the Syndicate Members

The total fees payable to the Book Running Lead Manager and the Syndicate Members (including underwriting commission and selling commission) will be as stated in the respective engagement letters each dated November 10 2009, entered into with our Company and the Selling Shareholder, a copy of which will be made available for inspection at our Registered and Corporate Office from 10.00 am to 4.00 pm on Working Days from the date of this Red Herring Prospectus until the Issue Closing Date.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the agreement dated December 1, 2009, signed with our Company and the Selling Shareholder, a copy of which will be made available for inspection at our Registered and Corporate Office from 10.00 am to 4.00 pm on Working Days from the date of this Red Herring Prospectus until the Issue Closing Date.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to send refund orders or Allotment advice by registered post/speed post/under certificate of posting.

Particulars regarding Public or Rights Issues during the last five years by our Company and Subsidiaries

Our Company had made an IPO of up to 156,120,000 Equity Shares in the calendar year 2008 for cash at a price of Rs. 105 per Equity Share (including a premium of Rs. 95 per Equity Share) aggregating to Rs. 16,392.60 million through a prospectus dated February 28, 2008. The IPO comprised a fresh issue of 78,060,000 Equity Shares and an offer for sale of 78,060,000 Equity Shares by our Promoter. Further, the said IPO comprised a net issue of 152,217,000 Equity Shares to the public and a reservation of 3,903,000 Equity Shares for subscription by certain eligible employees.

Thus, our Company's share of the proceeds from the IPO was Rs. 8,196.30 million. The expenses of the IPO were Rs. 187.33 million. An amount of Rs. 780.60 million was taken to 'share capital' and the balance Rs. 7,228.37 million was taken to securities premium account after setting off the expenses as mentioned above.

The IPO opened on February 19, 2008 and closed on February 22, 2008. Allotment of Equity Shares and dispatch of refunds pursuant to the IPO of our Company was made on March 5, 2008 and March 8, 2008, respectively. The listing of Equity Shares pursuant to the IPO took place on March 12, 2008.

We confirm that other than the disclosures made in this Red Herring Prospectus, nothing material has changed in respect of disclosures made by us at the time of our previous issue made in our prospectus dated February 28, 2008.

None of our Subsidiaries have made any public or rights issue in the last five years.

For details in relation to rate of dividend paid, see the sections titled "Dividend Policy" and "Financial Statements" on pages 132A and F-1, respectively.

Previous issues of Equity Shares otherwise than for cash

Our Company has not issued any shares for consideration other than cash.

Performance vis-à-vis Objects

Our Company had made an IPO of up to 156,120,000 Equity Shares for cash at a price of Rs. 105 per Equity Share (including a premium of Rs. 95 per Equity Share) aggregating to Rs. 16,392.60 million through a prospectus dated February 28, 2008. Our Company has fully utilized the amount raised in IPO towards the objects of the IPO and expenses in relation to the IPO till October 31, 2009.

The objects of our IPO was to augment our capital base to meet our future capital requirements arising out of growth in our business and for other general corporate purposes.

The status of utilization of proceeds received pursuant to the IPO up to October 31, 2009 is as under:

Activity	IPO Proceeds (Rs. million)
Augment our capital base to meet our future capital requirements arising out of growth in our business other general corporate purposes	8,008.97
Expenses incurred towards the IPO	187.33
Total	**8,196.30**

Our Subsidiaries are not listed on any stock exchange.

Underwriting commission, brokerage and selling commission on Previous Issues

The underwriting commission, brokerage, and selling commissions paid in relation to the IPO of our Company was Rs. 35.17 million.

Outstanding Debentures or Bond Issues or Preference Shares

Except as stated in the section titled "***Financial Indebtedness***" on page 179, our Company has no outstanding debentures or bonds or redeemable preference shares as on the date of this Red Herring Prospectus.

Other Disclosures

Except as stated in the section titled "***Capital Structure***" on page 22, our Promoter or our Directors have not purchased or sold any securities of our Company during a period of six months preceding the date on which this Red Herring Prospectus is filed with the SEBI.

Except as stated in the sections titled "Risk Factors" and "Outstanding Litigation and Material Developments" on pages xii and 197, respectively, SEBI has not intitiated any action against any entity associated with the securities market, with which our Directors are associated.

Investor Grievances and Redressal System

Our Company has a Shareholders/Investor Grievance Committee which meets as and when required, to deal with and monitor the redressal of complaints from shareholders. Generally, the investor grievances are dealt with within seven Working Days of the receipt of the complaint.

Our Company has adequate arrangements for redressal of Investor complaints and well-arranged correspondence system developed for letters of routine nature. Redressal norm for response time for all correspondence including shareholders complaints is 10 Working Days.

In case of non-routine complaints and complaints where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Status of Complaints

Investor complaints received by our Company since the IPO have been appropriately disposed off. Our Company had received three complaints from investors through SEBI, pursuant to a letter dated November 25, 2009 issued by SEBI, which had been appropriately responded to by our Company. Our Company intimated SEBI of the actions taken in respect of two investor complaints and documentary evidences in relation to dispatch of replies and redemptions to the third investor complaint, pursuant to its letter dated December 3, 2009. Further, our Company had also received three investor complaints, through SEBI, on December 1, 2009. These investor complaints are currently being addressed by our Company in the mechanism set by the Investor Grievances and Redressal System of our Company. Further, in this regard, our Company has also submitted a letter dated December 2, 2009 to Karvy Computershare Private Limited requesting necessary action for redressal of such complaints. As on January 15, 2010, four investor complaints were pending. Out of the said four complaints, our Company has intimated SEBI of the 'action taken report' for one of the complaints on January 11, 2010. Details in relation to the remaining three complaints are yet to be received by the Company or the Registrar from SEBI. Further, no complaints have been pending for more than 30 days.

Mechanism for Redressal of Investor Grievances in this Issue

The memorandum of understanding between the Registrar to the Issue, our Company and the Selling Shareholder will provide for retention of records with the Registrar to the Issue for a period of at least three years from the last date of dispatch of the letters of Allotment, or refund orders, demat credit or, where refunds are being made electronically, giving of refund instructions to the clearing system, to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to this Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount paid on application, Depository Participant, and the bank branch or collection centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the Registrar with a copy to the relevant SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the relevant Designated Branch or collection centre of SCSB where the physical ASBA Form was submitted by the ASBA Bidders.

Disposal of Investor Grievances by our Company

Our Company estimates that the average time required by our Company or the Registrar to the Issue for the redressal of routine investor grievances shall be 10 Working Days from the date of receipt of the complaint. In case of complaints that are not routine or where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Our Company has appointed Mr. B.R. Raghunandan as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Mr. B.R. Raghunandan
Rural Electrification Corporation Limited
Core-4, SCOPE Complex
7, Lodhi Road, New Delhi 110 003, India
Telephone: +91 11 2436 7305
Facsimile: +91 11 2436 2039
E-mail: complianceofficer@recl.nic.in

Stock Market Data for Equity Shares

Our Equity shares are listed on the Stock Exchanges. As our Equity Shares are actively traded on the Stock Exchanges, our Company's stock market data have been given separately for each of these Stock Exchanges, which is based on the closing prices on each of the Stock Exchanges.

The details relating to the high and low prices recorded on the Stock Exchanges for the six months preceding the date of filing of this Red Herring Prospectus, the volume of Equity Shares traded on the days the high and low prices were recorded, average price of our Equity Shares during each such month, the volume of Equity Shares traded during each month and the average number of Equity Shares traded during such trading days, are stated below:

BSE

Month	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the month (Rs.)	Volume (no. of shares)	No. of Trading Days	Average no. of shares traded during trading days
December, 2009	263.50	December 3, 2009	243,211	229.60	December 21, 2009	265,200	244.33	5,059,120	21	240,910
November, 2009	244.80	November 30, 2009	410,491	200.10	November 3, 2009	426,423	226.12	5,870,764	20	293,538
October, 2009	212.60	October 15, 2009	587,790	196.10	October 28, 2009	132,752	203.10	6,684,564	20	334,228
September,	214.45	September	358,603	195.10	September	196,289	203.28	8,162,545	20	408,127

2009		2, 2009			14, 2009					
August, 2009	222.40	August 31, 2009	538,306	180.40	August 10, 2009	185,913	196.96	9,004,743	21	428,797
July, 2009	203.05	July 31, 2009	984,750	149.30	July 13, 2009	136,291	172.41	13,389,987	23	582,173

Source: *BSE website*

NSE

Month	High (Rs.)	Date of High	Volume on date of high (no. of shares)	Low (Rs.)	Date of Low	Volume on date of low (no. of shares)	Average price for the month (Rs.)	Volume (no. of shares)	No. of Trading Days	Average no. of shares traded during trading days
December, 2009	264.10	December 3, 2009	1,019,287	228.55	December 21, 2009	919,400	244.54	17,833,332	21	849,206
November, 2009	244.95	November 30, 2009	1,162,341	200.10	November 3, 2009	622,587	226.36	17,735,665	20	886,783
October, 2009	212.70	October 15, 2009	1,784,210	194.80	October 27, 2009	1,646,888	203.14	18,634,467	20	931,723
September, 2009	214.30	September 2, 2009	1,308,577	195.00	September 14, 2009	1,389,460	203.24	25,211,102	20	1,260,555
August, 2009	222.10	August 31, 2009	1,324,198	180.35	August 10, 2009	517,930	197.03	27,158,008	21	1,293,238
July, 2009	202.70	July 31, 2009	2,701,953	149.35	July 13, 2009	287,472	172.49	34,297,639	23	1,491,202

Source: *NSE website*

Our Equity Shares have not been listed for a period of three years. The following table sets forth, the high and low of daily prices of our Equity Shares on the Stock Exchanges along with the volume of shares traded on such days and the average for a period of listing of our Equity Shares (i.e., since March 12, 2008).

BSE

Period	Date	High (Rs.)	Volume on date of high (no. of shares)	Date	Low	Volume on date of low (no. of shares)	Average
March 12, 2008 to March 31, 2008	March 12, 2008	121.20	67,521,693	March 24, 2008	96.05	2,256,754	107.52
April 1, 2008 to March 31, 2009	May 5, 2008	123.30	1,653,919	November 28, 2008	54.60	121,029	85.65
April 1, 2009 to December 31, 2009	December 3, 2009	263.50	243,211	April 9, 2009	95.50	248,239	183.03

Source: BSE website

NSE

Period	Date	High (Rs.)	Volume on date of high (no. of shares)	Date	Low	Volume on date of low (no. of shares)	Average
March 12, 2008 to March 31, 2008	March 12, 2008	121.30	111,680,940	March 24, 2008	96.20	3,041,824	107.62
April 1, 2008 to March 31, 2009	May 5, 2008	123.45	3,070,434	November 26, 2008	54.75	339,595	85.65
April 1, 2009 to December 31, 2009	December 3, 2009	264.10	1,019,287	April 9, 2009	95.25	623,450	183.08

Source: *NSE website*

The market price was Rs. 211.20 on BSE on October 17, 2009, the trading day immediately following the day on which Board meeting was held to approve this Issue.

The market price was Rs. 211.50 on NSE on October 17, 2009, the trading day immediately following the day on which Board meeting was held to approve this Issue.

Change in Auditors

The following are the details of the changes in auditors in the last three Fiscals:

S. No.	Name of Auditor	Date of Appointment	Reason for change
1.	M/s Bansal & Co., Chartered Accountants and M/s K.G. Somani & Company, Chartered Accountants	August 12, 2009	Appointment as joint statutory auditors in place of M/s G.S. Mathur & Co., Chartered Accountants

Capitalisation of Reserves or Profits

Our Company has not capitalised its reserves or profits at any time during the last five years.

Tax Implications

Successful Bidders will be subject to capital gains tax on any resale of our Equity Shares at applicable rates, depending on the duration for which the investors have held our Equity Shares prior to such resale and whether our Equity Shares are sold on the Stock Exchanges.

For details, see the section titled "***Statement of Tax Benefits***" on page 40.

Revaluation of Assets

Our Company has not revalued its assets in the last five years.

Servicing behaviour

There has been no default in payment of statutory dues or of interest or principal in respect of our borrowings or deposits. Please see the sections titled "Financial Indebtedness" and "Financial Statements" on pages 179 and F-1, respectively, for details of borrowings of our Company.

Purchase of property

Except as disclosed in the sections titled "Our Business" on page 57, there is no property which we have purchased or acquired or propose to purchase or acquire which is to be paid for wholly, or in part, from the Net Proceeds or the purchase or acquisition of which would not have been completed on the date of this Red Herring Prospectus, other than property in respect of which:

(a) the contracts for the purchase or acquisition were entered into in the ordinary course of the business, and the contracts were not entered into in contemplation of this Issue nor is this Issue contemplated in consequence of the contracts; or
(b) the amount of the purchase money is not material; or
(c) disclosure has been made in this Red Herring Prospectus in the sections titled "Our Business" on page 57.

SECTION VII – ISSUE INFORMATION

TERMS OF THE ISSUE

Our Equity Shares being issued are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of this Red Herring Prospectus, the Prospectus, the Bid cum Application Form, the ASBA Form, the Revision Form, the CAN, the listing agreements with the Stock Exchanges and other terms and conditions as may be incorporated in the Allotment advices and other documents or certificates that may be executed in respect of this Issue. Our Equity Shares shall also be subject to all applicable laws, guidelines, rules, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the GoI, the Stock Exchanges, the RoC, the RBI and/or other authorities, as in force on the date of this Issue and to the extent applicable.

Authority for this Issue

For details, see the section titled "***Other Regulatory and Statutory Disclosures***" on page 220.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Companies Act, our Memorandum and Articles and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend. The Allottees will be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of Allotment. See the section titled "***Main Provisions of the Articles of Association***" on page 290 for a description of our Articles.

Mode of Payment of Dividend

Our Company shall pay dividends to shareholders of our Company as per the provisions of the Companies Act, the SEBI Regulations and the listing agreements with the Stock Exchanges.

Face Value

The face value of our Equity Shares is Rs. 10 each.

The Floor Price and the minimum Bid lot as decided by our Company and the Selling Shareholder in consultation with the Book Running Lead Managers, including the relevant financial ratios computed for the Floor Price and that the investors may be guided in the meantime by the secondary market prices, shall be published at least one Working Day prior to the Issue Opening Date in English and Hindi national newspapers, where the pre-Issue advertisement will be published.

At any given point of time there shall be only one denomination for our Equity Shares.

Compliance with Regulations issued by SEBI

Our Company and the Selling Shareholder shall comply with all applicable disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholders

Subject to applicable laws, rules, regulations and guidelines and the provisions of our Articles, the equity shareholders of our Company shall have the following rights:

- The right to receive dividends, if declared;
- The right to attend general meetings and exercise voting powers, unless prohibited by law;
- The right to vote on a poll either in person or by proxy;
- The right to receive offers for rights shares and be allotted bonus shares, if announced;
- The right to receive any surplus on liquidation subject to any statutory and other preferential claims being satisfied;

- Subject to applicable law including any RBI rules and regulations, the right to freely transfer their Equity Shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreements executed with the Stock Exchanges, and our Memorandum and Articles.

All our Equity Shareholders have the same voting rights. For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien, transfer and transmission, and/or consolidation/splitting, see the section titled "***Main Provisions of the Articles of Association***" on page 290.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, our Equity Shares shall be Allotted only in dematerialised form. As per the applicable law, the trading of our Equity Shares shall only be in dematerialised form. Since trading of our Equity Shares will be in dematerialised form, the tradable lot is one Equity Share. Allocation of Equity Shares in this Issue and Allotment will be only in electronic form in multiples of [●] Equity Shares, subject to a minimum Allotment of [●] Equity Shares.

Joint Holders

Where two or more persons are registered as the holders of any Equity Share, they shall be deemed to hold the same as joint tenants with benefits of survivorship, subject to provisions contained in the Articles.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or First Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of the sole Bidder or in case of joint Bidders, the death of all the Bidders, as the case may be, our Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to our Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which such person would be entitled if such person were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to the Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale, transfer or alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at our Registered and Corporate Office or with the Registrar to the Issue and Share transfer agents of our Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of Section 109A of the Companies Act, shall, upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of our Equity Shares; or
- to make such transfer of our Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer our Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of our Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment will be made only in dematerialised form, there is no need to make a separate nomination with our Company. Nominations registered with the respective Depository Participant of the applicant will prevail. If the investors require to change their nomination, they are requested to inform their respective Depository Participant.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Issue, including devolvement to the Underwriters, if any, within 60 days from the Issue Closing Date, our Company shall forthwith refund the entire subscription amount received not later than 70 days from the date of Allotment. If there is a delay beyond eight days after our Company becomes liable to pay the amount, our Company and the Selling Shareholder shall pay interest prescribed under Section 73 of the Companies Act.

The requirement for minimum subscription is not applicable to the Offer for Sale. In case of under-subscription in the Issue, our Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. The Offer for Sale component will be considered only to the extent that the Fresh Issue and Offer for Sale together constitute 10% of the fully diluted post-Issue paid up share capital of our Company.

Any expense incurred by our Company on behalf of the Selling Shareholder with regard to refunds, interest for delays, etc. for our Equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholder to our Company.

Further, in accordance with Regulation 26(4) of the SEBI Regulations, our Company shall ensure that the number of successful Allottees will not be less than 1,000.

Our Equity Shares have not been and will not be registered under the U.S. Securities Act under the securities laws of any state or other jurisdiction of the United States and the Company has not been and will not be registered under the U.S. Investment Company Act. The Equity Shares may not be offered or sold within the United States (as defined in Regulation S) or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S), except pursuant to an exemption from or in a transaction not subject to, registration requirements of the U.S. Securities Act. Our Equity Shares are only being offered or sold to in the United States (as defined in Regulation S) to, and to U.S. Persons (as defined in Regulation S) that are, (i) entities that are both "Qualified Institutional Buyers" as defined in Rule 144A under the U.S. Securities Act and "Qualified Purchasers" as defined under the U.S. Investment Company Act and related rules and (ii) outside the United States (as defined in Regulation S) to non-U.S. Persons (as defined in Regulation S) in offshore transactions in compliance with Regulation S and the applicable laws of the jurisdictions where those offers and sales occur.

Application by Eligible NRIs, FIIs, Sub-Accounts and FVCIs

It is to be distinctly understood that there is no reservation for Eligible NRIs or FIIs, Sub-Accounts or FVCIs and other Non-Residents.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

Except for the lock-in of the pre-Issue Equity Shares and the Promoter's minimum contribution in this Issue as detailed in "Capital Structure" and as provided in our Articles, there are no restrictions on transfers and transmission of shares/ debentures and on their consolidation/ splitting except as provided in our Articles. For details, see the sections titled "Capital Structure" and "Main Provisions of the Articles of Association" on pages 22 and 290, respectively.

Withdrawal of this Issue

Our Company and the Selling Shareholder, in consultation with Book Running Lead Managers, reserve the right not to proceed with this Issue any time after the Issue Opening Date, but before Allotment. In the event of withdrawal of this Issue, the reasons therefor shall be disclosed in a public notice which shall be published within two days of the Issue Closing Date in English and Hindi national newspapers, where the pre-Issue advertisement was published, each with wide circulation and the Stock Exchanges shall be informed promptly. Further, in the event of withdrawal of the Issue and subsequently, plans of a further public offer by our Company, a fresh draft red herring prospectus will be submitted again for observations of the SEBI.

Notwithstanding the foregoing, this Issue is also subject to obtaining the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment, and the final RoC approval of the Prospectus after it is filed with the Stock Exchanges.

QIBs bidding in the QIB Portion cannot withdraw their Bid(s) after the Issue Closing Date. In addition, QIBs bidding in the QIB Portion are required to pay at least 10% of the Bid Amount upon submission of the Bid cum Application Form during the Bidding Period and allocation to such QIBs will be on a 'price priority' basis. QIBs shall have the option to make a maximum of three Bids in the Bid cum Application Form. Each option in the Bid cum Application Form for the QIB Bidder would be considered for allocation on a 'price priority' basis

Application in Issue

Equity Shares being offered through this Red Herring Prospectus can be applied for in the dematerialised form only.

ISSUE STRUCTURE

This is a further public issue of 171,732,000 Equity Shares for cash at prices determined through the Alternate Book Building Process aggregating up to Rs. [●] million consisting of a fresh issue of 128,799,000 Equity Shares by our Company and an offer for sale of 42,933,000 Equity Shares by our Promoter, the Selling Shareholder. Further, this Issue comprises a Net Issue of 171,382,000 Equity Shares to the public and a reservation of 350,000 Equity Shares for subscription by Eligible Employees. This Issue shall constitute 17.39% of the fully diluted post-Issue capital of our Company and the Net Issue shall constitute 17.36% of the fully diluted post-Issue capital of our Company.

	Eligible Employees (Including ASBA Bidders)	**QIBs**	**Non-Institutional Bidders (Including ASBA Bidders)**	**Retail Individual Bidders (Including ASBA Bidders)**
Number of Equity Shares*	350,000 Equity Shares	Up to 85,691,000 Equity Shares.	Not less than 25,707,300 Equity Shares or the Net Issue less allocation to QIBs and Retail Individual Bidders.	Not less than 59,983,700 Equity Shares or the Net Issue less allocation to QIBs and Non-Institutional Bidders.
Percentage of Issue size or post-Issue share capital of our Company, as applicable, available for Allotment/ allocation	0.04% of our post-Issue share capital #	Up to 50% of the Net Issue shall be allocated on a 'price priority' basis to QIBs. However, 5% of the QIB Portion shall be available for allocation on a 'price priority' basis to Mutual Funds only. Mutual Funds participating in the Mutual Fund Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion in the Mutual Fund Portion will be available to QIBs.	Not less than 15% of the Net Issue or the Net Issue less allocation to QIBs and Retail Individual Bidders shall be available for allocation.	Not less than 35% of the Net Issue or the Net Issue less allocation to QIBs and Non-Institutional Bidders shall be available for allocation.
'Basis of Allocation' if respective category is oversubscribed	Proportionate	'Price priority' basis as follows: (a) 4,284,550 Equity Shares shall be allocated on a 'price priority' basis to Mutual Funds; and (b) 81,406,450 Equity Shares shall be allocated on a 'price priority' basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate.	Proportionate.
Bid Price	Floor Price	Any price above the Floor Price	Floor Price	Floor Price
Minimum Bid	[●] Equity Shares	Such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares.	Such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares.

	Eligible Employees (Including ASBA Bidders)	QIBs	Non-Institutional Bidders (Including ASBA Bidders)	Retail Individual Bidders (Including ASBA Bidders)
Maximum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount does not exceed Rs. 100,000.	Such number of Equity Shares not exceeding the size of the Net Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the size of the Net Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid/Allotment Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.
Trading Lot	One Equity Share.	One Equity Share.	One Equity Share.	One Equity Share.
Who can Apply **	Eligible Employees.	Public financial institutions as specified in section 4A of the Companies Act, FIIs and their Sub-Accounts (other than Sub-Accounts which are foreign corporates or foreign individuals), scheduled commercial banks, Mutual Funds, multilateral and bilateral development financial institutions, VCFs, FVCIs (subject to receipt of appropriate approvals by the FVCI from the appropriate regulatory authority), state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, NIF, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, and insurance funds set up and managed by the Army, Navy or Air Force of the Union of India.	Eligible NRIs, Resident Indian individuals, HUF (in the name of the *Karta*), companies, corporate bodies, scientific institutions, societies, trusts and eligible/permitted Sub-Accounts which are foreign corporates or foreign individuals bidding under the Non-Institutional Portion.	Resident Indian individuals (including HUFs in the name of the *Karta*) and Eligible NRIs applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value.
Terms of Payment	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the	QIB Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members.	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members. †	Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate

	Eligible Employees (Including ASBA Bidders)	QIBs	Non-Institutional Bidders (Including ASBA Bidders)	Retail Individual Bidders (Including ASBA Bidders)
	member of the Syndicate.†			Members.†
Margin Amount	Full Bid Amount on bidding.	At least 10% of Bid Amount.***	Full Bid Amount on bidding.	Full Bid Amount on bidding.

* *This Issue is being made through the Alternate Book Building Process under Part D of Schedule XI of the SEBI Regulations wherein up to 50% of the Net Issue shall be allocated on a 'price priority' basis to QIBs. 5% of the QIB Portion shall be available for allocation on a 'price priority' basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a 'price priority' basis to QIBs (including Mutual Funds), subject to valid Bids being received from them above the Floor Price. However, if the aggregate demand from Mutual Funds is less than 4,284,550 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and allocated on a 'price priority' basis to the QIBs..*

*Not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received from them at the Floor Price. Further, 350,000 Equity Shares shall be available for allocation on a proportionate basis to our Eligible Employees, subject to valid Bids being received at the Floor Price. Subject to valid Bids being received at the Floor Price, under-subscription in any category, excluding Employee Reservation Portion,, would be allowed to be met with spill-over from other categories or a combination of categories at the discretion of our Company and the Selling Shareholder, in consultation with the Book Running Lead Managers. For further details in this regard, see the section titled "**Issue Procedure**" on page 244.*

\# *Under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting at least 10% of the post Issue paid-up share capital of our Company.*

** *In case the Bid cum Application Form or ASBA Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and the names are in the same sequence in which they appear in the Bid cum Application Form or ASBA Form, as the case may be.*

*** *The QIB Margin Amount shall be payable for each option at which the QIB has submitted a Bid and each of these multiple options would be independently considered for allocation on a price priority basis.*

† *In case of ASBA Bidders, the relevant SCSB shall be authorised to block the Bid Amount in the ASBA Account as specified in the ASBA Form.*

Withdrawal of the Issue

Our Company and the Selling Shareholder, in consultation with the Book Running Lead Managers, reserve the right not to proceed with this Issue any time after the Issue Opening Date, but before Allotment. In the event of withdrawal of this Issue, the reasons therefor shall be disclosed in a public notice which shall be published within two days of the Issue Closing Date in English and Hindi national newspapers, where the pre-Issue advertisement was published, each with wide circulation and the Stock Exchanges shall be informed promptly. Further, in the event of withdrawal of the Issue and subsequently, plans of a further public offer by our Company, a fresh draft red herring prospectus will be submitted again for observations of the SEBI.

Letters of Allotment or Refund Orders or Instructions to SCSBs in case of ASBA Bidders

Our Company and the Selling Shareholder shall credit our Equity Shares to the valid beneficiary account with its Depository Participants within two Working Days from the date of the Allotment to all successful Allottees, including ASBA Bidders, which in any event shall not exceed 15 days of the Issue Closing Date.

Please note that only Bidders having a bank account at any of the 68 centres where the clearing houses for the ECS as notified by the RBI are eligible to receive refunds or payment through electronic transfer of funds. For all other Bidders, including Bidders having bank accounts in the said 68 centres who have not updated their bank particulars along with the nine-digit MICR code, the refund orders shall be dispatched within 15 days of the Issue Closing Date "Under Certificate of Posting" for refund orders less than or equal to Rs. 1,500 and through speed post/registered post for refund orders exceeding Rs. 1,500.

In case of ASBA Bidders, the Book Running Lead Managers, through the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Form for withdrawn, rejected or unsuccessful or partially successful ASBAs within 13 days of the Issue Closing Date.

Interest in Case of Delay in Dispatch of Allotment Letters/ Refund Orders

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Regulations, our Company and the Selling Shareholder undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Dispatch of refund orders, except for Bidders who can receive refunds through Direct Credit, NEFT, RTGS or ECS, shall be done within 15 days from the Issue Closing Date and that instructions to SCSBs to unblock the funds in the relevant ASBA Account for withdrawn rejected or unsuccessful Bids shall be made within 14 days of the Issue Closing Date; and
- Interest shall be paid by our Company at 15% p.a. if the Allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or ECS, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the Issue Closing Date or if instructions to SCSBs to unblock funds in the ASBA Accounts are not given within 14 days of the Issue Closing Date.

Any expense incurred by our Company on behalf of the Selling Shareholder with regard to refunds, interest for delays etc. for Equity Shares offered through the Offer for Sale will be reimbursed by the Selling Shareholder to our Company in proportion of our Equity Shares offered by them in this Issue.

Our Company and the Selling Shareholder will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received, except where refund or portion thereof is made through electronic transfer of funds or in case of Bids made through ASBA. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

In case of ASBA Bidders, the relevant SCSB will unblock funds in the ASBA Account to the extent of the refund to be made based on instructions received from the Book Running Lead Manager, through the Registrar to the Issue.

Issue Program

ISSUE OPENS ON	**Friday, FEBRUARY 19, 2010**
ISSUE CLOSES ON	**Tuesday, FEBRUARY 23, 2010**

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 5.00 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the Bidding Centres mentioned on the Bid cum Application Form or, in case of Bids submitted by ASBA Bidders through ASBA Form, the Designated Branches of the SCSBs **except that on the Issue Closing Date, Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time)** and uploaded until (i) 4.00 p.m. in case of Bids by QIBs bidding in the QIB Portion and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000 and by Eligible Employees Bidding under the Employee Reservation Portion; and (ii) until 5.00 p.m. in case of Bids by Retail Individual Bidders where the Bid Amount is up to Rs. 100,000 which may be extended up to such time as deemed fit by the Stock Exchanges after taking into account the total number of applications received up to the closure of timings and reported by Book Running Lead Managers to the Stock Exchanges within half an hour of such closure. Due to limitation of the time available for uploading the Bids on the Issue Closing Date, the Bidders are advised to submit their Bids one Working Day prior to the Issue Closing Date and, in any case, no later than 3.00 p.m. (Indian Standard Time) on the Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Issue Closing Date, as is typically experienced in public offerings in India, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under this Issue. If the Bids are not uploaded, our Company, the Selling Shareholder, the Book Running Lead Managers and the Syndicate Members shall not be responsible. Bids will only be accepted on Working Days.

In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical Bid form, for a particular Bidder, the details as per physical application form of that Bidder may be taken as the final data for the purpose of Allotment. In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical or electronic ASBA Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask the relevant SCSB for rectified data.

On the Issue Closing Date, extension of time may be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders and Eligible Employees Bidding under the Employee Reservation Portion after taking into account the total number of Bids received up to the closure of timings for acceptance of Bid cum Application Forms and ASBA Form as stated herein and reported by the Book Running Lead Managers to the Stock Exchange within half an hour of such closure.

Option to receive Equity Shares in Dematerialised Form

Investors should note that Allotment will only be in the dematerialised form.

Bidders will not have the option of getting Allotment in physical form and such Bids are liable to be rejected. Our Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

ISSUE PROCEDURE

Alternate Book Building Procedure

This Issue is being made through the Alternate Book Building Process under Part D of Schedule XI of the SEBI Regulations under which QIBs shall submit their Bids at any price above the Floor Price and Bidders other than QIBs i.e. Non-Institutional Bidders, Retail Individual Bidders and Bidders under the Employee Reservation Portion will apply at the Floor Price, wherein up to 50% of the Net Issue shall be allocated on a 'price priority' basis to QIBs. 5% of the QIB Portion shall be available for allocation on a 'price priority' basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a 'price priority' basis to QIBs (including Mutual Funds), subject to valid Bids being received from them above the Floor Price. However, if the aggregate demand from Mutual Funds is less than 4,284,550 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and allocated on a 'price priority' basis to the QIBs. Not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received from them at the Floor Price. Under-subscription, if any, in the Non-Institutional Portion and Retail Portion would be met with spill-over from any other category, at the sole discretion of our Company and the Selling Shareholder, in consultation with Book Running Lead Managers. Further, 350,000 Equity Shares shall be available for allocation on a proportionate basis to our Eligible Employees, subject to valid Bids being received at the Floor Price.

Bidders are required to submit their Bids through the Syndicate. Further, Bids by QIBs can be procured and submitted only through the Book Running Lead Managers or their affiliates. In case of QIBs, our Company and the Selling Shareholder, in consultation with Book Running Lead Managers, may reject Bids at the time of acceptance of Bid cum Application Form, provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees Bidding under the Employee Reservation Portion, our Company and the Selling Shareholder would have a right to reject the Bids only on technical grounds. The identity of QIBs bidding in the Issue shall not be made public.

Investors should note that Allotment will only be in the dematerialised form. Bidders will not have the option of getting Allotment in physical form and such Bids are liable to be rejected. Our Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges

The information below is given for the benefit of the Bidders. Information for the benefit of ASBA Bidders is provided further below under the section titled "*Issue Procedure – Issue Procedure for ASBA Bidders*". Our Company, the Selling Shareholder and the Book Running Lead Managers do not accept any responsibility for the completeness and accuracy of the information stated herein. Further, our Company, the Selling Shareholder and the Book Running Lead Managers are not liable to inform the investors of any amendments or modifications or changes in applicable laws or regulations which may occur after the date of this Red Herring Prospectus.

Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under applicable laws, regulations or approvals. Bidders are advised to make their own enquiries about the limits applicable to them.

Bid cum Application Form

Bidders (excluding ASBA Bidders) shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. Before being issued to Bidders, the Bid cum Application Form shall be serially numbered and date and time stamped at the Bidding Centres and such Bid cum Application Form shall be issued in duplicate signed by the Bidder and countersigned by the relevant member of the Syndicate. The Bidders shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised our Company to make the necessary changes in this Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the

RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

Bidders, excluding QIBs, can submit Bids through ASBA Forms, either in physical or electronic mode, to the SCSB with whom the bank account of the respective ASBA Bidder or bank account utilised by the ASBA Bidder ("**ASBA Account**") is maintained. The SCSB shall block an amount equal to the Bid Amount in the ASBA Account specified in the ASBA Form, physical or electronic, on the basis of an authorisation to this effect given by the account holder at the time of submitting the Bid. The ASBA data shall thereafter be uploaded by the SCSB in the electronic IPO system of the Stock Exchanges. The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the 'Basis of Allocation' and consequent transfer of the Bid Amount against the allocated Equity Shares to the Public Issue Account, or until withdrawal/failure of this Issue or until withdrawal/rejection of the ASBA Form, as the case may be. Once the 'Basis of Allocation' is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful ASBA Bidders to the Public Issue Account. In case of withdrawal/failure of this Issue, the blocked amount shall be unblocked on receipt of such information from the Book Running Lead Managers, through the Registrar to the Issue.

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Resident Indians and Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs, FIIs, their Sub-Accounts (other than Sub-Accounts which are foreign corporates or foreign individuals bidding under the QIB Portion), FVCIs (subject to receipt of appropriate approvals by the FVCI from the appropriate regulatory authority) and multilateral and bilateral financial institutions and other Non-Residents, applying on a repatriation basis	Blue
Eligible Employees	Pink
ASBA Bidders bidding through a physical form	White

ASBA Bidders shall submit an ASBA Bid cum Application Form either in physical or electronic form to the SCSB authorizing the blocking of funds that are available in the bank account specified in the ASBA Bid cum Application Form used by ASBA Bidders. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the ASBA Form shall be considered as the Application Form. Upon completing and submitting the ASBA Form for ASBA Bidders to the SCSB, the ASBA Bidder is deemed to have authorised our Company and the Selling Shareholder to make the necessary changes in this Red Herring Prospectus and the ASBA Form as would be required for filing the Prospectus with the RoC and as would be required by the RoC after such filing, without prior or subsequent notice of such changes to the ASBA Bidder.

Who can Bid?

1. Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
2. Indian nationals resident in India who are not minors in single or joint names (not more than three);
3. Hindu Undivided Families in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of sole or first Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
4. Eligible NRIs on a repatriation basis or a non-repatriation basis subject to compliance with applicable laws. NRIs, other than Eligible NRIs, are not permitted to participate in this Issue;
5. FIIs and their Sub-Accounts (other than Sub-Accounts which are foreign corporates or foreign individuals and bidding under the QIB Portion);
6. State Industrial Development Corporations;
7. Insurance companies registered with the Insurance Regulatory and Development Authority, India;
8. NIF;
9. Provident Funds (subject to applicable law) with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;
10. Pension funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to invest in equity shares;

11. Companies, corporate bodies and societies registered under applicable laws in India and authorised to invest in equity shares;
12. VCFs;
13. FVCIs (subject to receipt of appropriate approvals by the FVCI from the appropriate regulatory authority);
14. Mutual Funds;
15. Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI Regulations and regulations, as applicable);
16. Multilateral and bilateral development financial institutions;
17. Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorised under their constitution to hold and invest in equity shares;
18. Eligible/permitted Sub-Accounts which are foreign corporates or foreign individuals may Bid in the Non-Institutional Portion, subject to receipt of appropriate approvals from applicable regulatory authorities;
19. Scientific and/or industrial research organisations in India authorised to invest in equity shares;
20. Insurance funds set up and managed by the Army, Navy or Air Force of the Union of India; and
21. Eligible Employees.

All potential investors will, by submitting a Bid, be required to represent in the Bid cum Application Form that they are not "U.S. persons" (as defined in Regulation S) unless such investor has executed and delivered an investor representation letter to the Book Running Lead Managers through whom it proposes to submit its Bid. In accordance with the FEMA and the regulations framed thereunder, OCBs cannot Bid in the Issue.

Further, sub-accounts of FIIs which are foreign corporates or foreign individuals cannot Bid in the Issue under the QIB Portion. For further details, please see the section titled "***Terms of the Issue***" on page 235.

Participation by Associates and Affiliates of Book Running Lead Managers and Syndicate Members

The Book Running Lead Managers and Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations in the manner stated in the Prospectus. However, associates and affiliates of the Book Running Lead Managers and Syndicate Members may Bid either in the QIB Portion or in Non-Institutional Portion as may be applicable to such investors. Such bidding and subscription may be on their own account or on behalf of their clients.

Participation by eligible/permitted Sub-Accounts, which are foreign corporates or foreign individuals

Eligible/permitted Sub-Accounts which are foreign corporates or foreign individuals may Bid in the Non-Institutional Portion, subject to receipt of appropriate approvals from applicable regulatory authorities.

Bids by Mutual Funds

5% of the QIB Portion shall be available for allocation on a 'price priority' basis to Mutual Funds only. An eligible Bid by a Mutual Fund shall first be considered for allocation on a 'price priority' basis in the Mutual Fund Portion. In the event that the demand is greater than 4,284,550 Equity Shares, the remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation on 'price priority' basis, after excluding the allocation in the Mutual Fund Portion. However, if the aggregate demand from Mutual Funds is less than 4,284,550 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and allocated to the QIBs on a 'price priority' basis.

The Bids made by the asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

In accordance with the current regulations, the following restrictions are applicable for investments by Mutual Funds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in our Equity Shares or equity related instruments of any company, provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

Bids by Eligible Employees

For the purpose of the Employee Reservation Portion, Eligible Employee means a permanent and full-time employee of our Company (excluding Directors and such persons not eligible under applicable laws, rules, regulations and guidelines), as on the date of filing of this Red Herring Prospectus with the RoC, who are Indian nationals and are based, working and present in India as on the date of submission of the Bid cum Application Form or the ASBA Form, as applicable, and who continue to be in the employment of our Company until submission of the Bid cum Application Form or the ASBA Form, as applicable. An employee who is recruited against a regular vacancy but is on probation as on the date of submission of the Bid cum Application Form or the ASBA Form, as applicable, will also be deemed a 'permanent employee' of our Company.

Bids under Employee Reservation Portion by Eligible Employees shall be:

- Made only in the prescribed Bid cum Application Form or Revision Form (i.e., pink colour Form) or the ASBA Form (i.e. white colour Form).
- Eligible Employees should mention the Eligible Employee number at the relevant place in the Bid cum Application Form;
- The sole/first Bidder should be Eligible Employees;
- Only Eligible Employees would be eligible to apply in this Issue under the Employee Reservation Portion;
- Only those Bids, which are received at the Floor Price, would be considered for allocation under this category and the Bid amount shall not exceed Rs. 100,000;
- The value of Allotment to any Eligible Employee shall not exceed Rs. 100,000.;
- Bid by Eligible Employees can be made also in the 'Net Issue' category and such Bids shall not be treated as multiple Bids;
- If the aggregate demand in this category is less than or equal to 350,000 Equity Shares at the Floor Price, full allocation shall be made to the Eligible Employees to the extent of their demand. Under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue. In case of under-subscription in the Net Issue, spill-over to the extent of under-subscription shall be permitted from the Employee Reservation Portion subject to the Net Issue constituting at least 10% of the post Issue paid-up share capital of our Company; and
- If the aggregate demand in this category is greater than 350,000 Equity Shares at the Floor Price, the allocation shall be made on a proportionate basis. For the method of proportionate 'Basis of Allocation', see the section titled "***Issue Procedure-Basis of Allocation***" on page 267.

It may be noted that all participation by Eligible Employees under the Employee Reservation Portion will be in accordance with all applicable laws, regulations, guidelines, circulars or notifications.

Bids by Insurance Companies

In case of Bids made by insurance companies registered with the IRDA, a certified copy of certificate of registration issued by IRDA must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor. Bids by insurance companies registered with the IRDA, if bidding in the QIB Portion may be rejected at the time of acceptance of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing.

Bids by Provident Funds

In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor. Bids by insurance companies registered with the IRDA, if bidding in the QIB Portion may be rejected at the time of acceptance of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing.

Bids by Eligible NRIs

1. Bid cum Application Forms will be made available for Eligible NRIs not participating under the ASBA process, at our Registered and Corporate Office and with the members of the Syndicate.

2. Eligible NRI applicants may note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment under such category. Eligible NRIs who intend to make payment through Non-Resident Ordinary ("**NRO**") accounts shall use the application form meant for Resident Indians. Bid cum Application Forms by Eligible NRIs accompanied by payments through NRO accounts are liable to be rejected.

3. Eligible NRIs may also participate in this Issue through the ASBA process. For further details, see the section titled "***Issue Procedure – Issue Procedure for ASBA Bidders***" on page 276.

Bids by FIIs

In accordance with the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our issued capital. In respect of an FII investing in our Equity Shares on behalf of its Sub-Accounts (other than Sub-Accounts which are foreign corporates or foreign individuals bidding under the QIB Portion), the investment on behalf of each such Sub-Account shall not exceed 10% of our total issued capital, or 5% of our total issued capital in case such Sub-Account is a foreign corporate or an individual bidding in the Non-Institutional Portion. As of now, the aggregate FII holding in our Company cannot exceed 24% of our total issued capital. The said 24% limit can be increased up to 100% by passing a resolution by the Board followed by passing a special resolution to that effect by the shareholders of our Company. As on the date of filing of this Red Herring Prospectus, our Company has not obtained board or shareholders approval to increase the FII limit to more than 24%.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the FII Regulations, an FII or its Sub-Account may issue, deal or hold, off shore derivative instruments such as "Participatory Notes", equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed on any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or Sub-Account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person that are not regulated by an appropriate foreign regulatory authority as defined under the FII Regulations.

Associates and affiliates of the Underwriters, including the Book Running Lead Managers, that are FIIs or its Sub-Account may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue.

Bids by Eligible NRIs and FIIs on repatriation basis

Bids and revisions to Bids must be made:

1. on the Bid cum Application Form or the Revision Form, as applicable (blue form), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein;

2. in the names of individuals or in the names of FIIs, but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees;

3. in a single name or joint names (not more than three and in the same order as their Depository Participant details). Bids by Eligible NRIs for a Bid Amount of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids by NRIs for a Bid Amount of more than Rs. 100,000 would be considered under the Non-Institutional Portion for the purposes of allocation.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only at the rate of exchange prevailing at the time of remittance and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company and the Selling Shareholder will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bids by VCFs and FVCIs

As per the current regulations, the following restrictions are applicable for VCFs and FVCIs:

The VCF Regulations and the FVCI Regulations prescribe investment restrictions on VCFs and FVCIs. Accordingly, whilst the holding by any individual VCF in one company should not exceed 25% of the corpus of the VCF, an FVCI can invest its entire funds committed for investments into India in one company. Further, VCFs and FVCIs can invest only up to 33.33% of the investible funds by way of subscription to an IPO. Further, FVCIs investing in this Issue should confirm that no approvals from the appropriate regulatory authorities are required to be obtained by the concerned FVCI.

All applicants will be treated on the same basis with other categories for the purpose of allocation.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. As Retail Individual Bidders will submit Bids at the Floor Price, they have only been provided one option in the Bid cum Application Form, or the ASBA Form, as applicable. In case of any revision of number of Equity Shares Bid for, the Bid Amount should not exceed Rs. 100,000. In case the Bid Amount is over Rs. 100,000 due to revision of the number of Equity Shares Bid for, the Bid would be considered for allocation under the Non-Institutional Portion. Retail Individual Bidders shall apply at the Floor Price indicating their agreement to purchase at the Floor Price.

(b) **For Non-Institutional Bidders and QIBs:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the size of this Issue. However, the maximum Bid by a QIB should not exceed the investment limits prescribed for them under applicable laws.

    QIBs bidding in the QIB Portion cannot withdraw their Bid(s) after the Issue Closing Date. In addition, QIBs bidding in the QIB Portion are required to pay at least 10% of the Bid Amount upon submission of the Bid cum Application Form during the Bidding Period and allocation to such QIBs will be on a 'price priority' basis. The identity of QIBs bidding in the Issue shall not be made public.

In case of revision in the number of Equity Shares Bids for, the Non-Institutional Bidders have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. QIBs are not allowed to Bid at 'Floor Price' and are required to Bid at any price above the Floor Price**. QIBs may note that only upward revision is permitted with respect to the quantity and/or price of the Equity Shares, in any option, for which a Bid has been submitted**.

QIBs shall have the option to make a maximum of three Bids in the Bid cum Application Form, or ASBA Form, as applicable, and while such options shall not be considered as multiple Bids, such multiple options would be independently considered for allocation on 'price priority' basis. However, as Non-Institutional Bidders will submit Bids at the Floor Price, they have only been provide one option in the Bid cum Application Form.

(c) **For Eligible Employees bidding in the Employee Reservation Portion:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. Bidders in Employee Reservation Portion shall apply at Floor Price and the Bid amount shall not exceed Rs. 100,000. The Allocation in the Employee Reservation Portion will be on a proportionate basis in case of oversubscription in this category. However, as Eligible Employees will submit Bids at the Floor Price, they have only been provide one option in the Bid cum Application Form. The maximum allotment to Eligible Employees will be capped at 350,000 Equity Shares. The value of Allotment to any Eligible Employee shall not exceed Rs. 100,000. Under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion, subject to the Net Issue constituting at least 10% of the post Issue paid-up share capital of our Company.

Our Company, the Selling Shareholder and the Book Running Lead Managers are not responsible for the completeness and or accuracy of information relating to applicable investment units and liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Refund amounts following a permitted withdrawal of a Bid shall be paid in the manner described under paragraph "Payment of Refund".

Information for the Bidders:

(a) This Red Herring Prospectus will be filed by the Company with the RoC at least three days before the Issue Opening Date.

(b) The members of the Syndicate will circulate copies of the Bid cum Application Form to potential investors, and at the request of potential investors, copies of this Red Herring Prospectus.

(c) Our Company and the Book Running Lead Managers shall declare the Issue Opening Date and Issue Closing Date at the time of filing of this Red Herring Prospectus with the RoC and the same shall also be published in two national newspapers (one in English and one in Hindi, which is also the regional newspaper).

(d) The Members of the Syndicate shall accept Bids from the Bidder during the Bidding Period in accordance with the terms of the Syndicate Agreement.

(e) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain this Red Herring Prospectus and/or the Bid cum Application Form can obtain the same from our Registered Office or from any of the members of the Syndicate.

(f) Eligible investors who are interested in subscribing for the Equity Shares should approach the Book Running Lead Managers or the Syndicate Members or their authorised agent(s) to register their Bids.

(g) The Bids should be submitted on the prescribed Bid cum Application Form and ASBA Form only. Bid cum Application Forms and ASBA Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

Method and Process of Bidding

(a) Our Company, the Selling Shareholder and the Book Running Lead Managers shall declare the Issue Opening Date and Issue Closing Date at the time of filing this Red Herring Prospectus with RoC and also publish the same in two national newspapers (one each in English and Hindi newspaper, also the regional newspaper). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XIII of the SEBI Regulations.

(b) Bidders shall be eligible to submit Bids on all days during the Bidding Period. The Members of the Syndicate shall accept Bids from all the Bidders and shall have the right to vet the Bids during the Bidding Period in accordance with the terms of the Syndicate Agreement and this Red Herring Prospectus.

The Company and the Selling Shareholder, in consultation with the Book Running Lead Managers, reserve the right to revise the Bidding Period and such revision shall be published in an English national newspaper and a Hindi national newspaper, both with wide circulation.

(c) In relation to QIB including Mutual Funds, after determination of the respective Clearing Prices, the maximum number of Equity Shares Bid for by QIBs at or above the respective Clearing Prices will be considered for Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will be automatically invalidated. For avoidance of doubt, in relation to QIBs, each option specified by the QIB Bidder in the Bid cum Application Form shall be treated independent of each other for allocation on 'price priority' basis. Non-Institutional Bidders, Retail Individual Bidders and Bidders applying for Equity Shares under the Employee Reservation Portion shall only be eligible to Bid at the Floor Price and any Bid below the Floor Price for these categories will be automatically invalidated.

(d) The Bidder cannot Bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the Allotment of Equity Shares. However, Bidders can revise the Bid through the Revision Form. **QIBs may note that only upward revision is permissible to the quantity and/or price of the Equity Shares, in any option, for which a Bid has been submitted**.

(e) The Members of the Syndicate will enter each Bid option, received from the Bidders mentioned in the Bid cum Application Form, into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip ("**TRS**"), for each price and demand option and give the same to the Bidder. Therefore, a QIB Bidder can receive up to three TRSs for each Bid cum Application Form.

(f) Along with the Bid cum Application Form, all Bidders shall make payment of the amount described in the section titled "***Issue Procedure – Terms of Payment and Payment into the Escrow Accounts***" on page 258.

Bids at Different Price Levels

1. Non-Institutional Bidders, Retail Individual Bidders and Bidders applying under the Employee Reservation Portion shall Bid at the Floor Price QIBs can Bid at any price above the Floor Price,

in multiples of Re. 1. The Floor Price and the minimum bid lot decided by our Company and the Selling Shareholder in consultation with the Book Running Lead Managers, including the relevant financial ratios computed for the Floor Price and that the investors may be guided in the meantime by the secondary market prices, shall be published at least one Working Day prior to the Issue Opening Date in English and Hindi national newspapers, where the pre-Issue advertisement was published, each with wide circulation.

2. Our Company and the Selling Shareholder in consultation with the Book Running Lead Managers shall finalise the Clearing Prices for Bidders bidding in the QIB Portion, without the prior approval of or intimation to the Bidders.

3. QIBs cannot Bid at Floor Price and such Bids from QIBs Bidders shall be rejected. Further, QIBs may note that only upward revision is permitted with respect to the quantity and/or price of the Equity Shares, in any option, for which a Bid has been submitted by QIBs.

4. The Bidders shall deposit their respective Margin Amount in the Escrow Account. For QIBs, the Margin Amount would be payable at each option specified in the Bid cum Application Form and cumulated Margin Amount could be paid through a single cheque/demand draft.

5. The minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

6. Our Company and the Selling Shareholder, in consultation with the Book Running Lead Managers, shall finalise the Clearing Prices for Bidders bidding in the QIB Portion, without the prior approval of, or intimation to, the Bidders.

Build up of the Book and and upward revision with respect to the quantity and/or price of Equity Shares

(a) Bids shall be uploaded on the online IPO system of the NSE and the BSE by the members of the Syndicate and SCSBs.

(b) During the Bidding Period, Bidders who have registered interest in the Equity Shares are free to revise their Bids by revising number of Equity Shares Bid for, using the printed Revision Form, which is a part of the Bid cum Application Form. Bidders bidding under the QIB Portion may revise their Bids by revising number of Equity Shares Bid for or the price of the Equity Shares, in any option, using the printed Revision Form. However, **QIBs may note that only upward revision is permitted with respect to the quantity and/or price of the Equity Shares, in any option, for which a Bid has been submitted.**

(c) Revisions can be made either in the desired number of Equity Shares or, in the case of QIBs, the value of the Bid or both, by using the Revision Form. With respect to QIBs, apart from mentioning the revised options in the Revision Form, the QIB Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a QIB Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.

(d) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(e) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. It may be noted that in case of QIBs, the QIB Margin Amount is payable at each option at which the QIB has submitted a Bid and each of these multiple options would be independently considered for allocation on a price priority basis.

(f) **When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate.** It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

Electronic Registration of Bids

1. The members of the Syndicate will register the Bids, using the on-line facilities of the Stock Exchanges. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.

2. The Stock Exchanges will offer a screen-based facility for registering Bids for this Issue. This facility will be available on the terminals of the members of the Syndicate and their authorised agents during the Bidding Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for alternate book building on a regular basis. On the Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the Book Running Lead Managers on a regular basis. Bidders are cautioned that a high inflow of Bids typically experienced on the last day of the Bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such bids will not be considered for allocation. Bids will only be accepted on Working Days, i.e., Monday to Friday (excluding any public holiday).

3. At the end of each day during the Bidding Period, the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges, will be uploaded on a regular basis, consolidated and displayed on-line at all Bidding Centres and the website of the Stock Exchanges. A graphical representation of consolidated demand and price would be made available at the Bidding Centres during the Bidding Period.

4. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

   - Name of the investor:
     (*Bidders should ensure that the name given in the Bid cum Application Form is exactly the same as the name in which the Depositary Account is held. In case the Bid cum Application Form is submitted in joint names, Bidders should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form*);
   - Investor Category – individual, corporate, QIB, Eligible NRI, FVCI, FII or Mutual Fund, etc.;
   - Numbers of Equity Shares Bid for.
   - Bid Amount.
   - Bid cum Application Form number.
   - Margin Amount paid upon submission of Bid cum Application Form.
   - Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.

5. A system generated TRS will be given to the Bidder as a proof of the registration of each of the Bid Prices. **It is the Bidder's responsibility to obtain the TRS from the Syndicate Members.** The registration of the Bid by the member of the Syndicate does not guarantee that our Equity Shares shall be allocated or Allotted either by the members of the Syndicate or our Company.

6. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

7. In case of QIBs, the Syndicate Members and the Book Running Lead Managers and/or their affiliates have the right to accept or reject the Bids. Rejection of Bids made by QIBs, if any, will be made at the time of receipt of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed in the section titled "***Issue Procedure–Grounds for Technical Rejections***" on page 262.

8. The permission given by the Stock Exchanges to use their network and software of the online IPO system should neither in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company and Selling Shareholder and/or the Book Running Lead Managers are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, Selling Shareholder, our management or any scheme or project of our Company.

9. It is also to be distinctly understood that the approval given by the Stock Exchanges should not in any way be deemed or construed to signify that the Red Herring Prospectus has been cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

10. Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation or Allotment. In case of discrepancy of data between any of the Stock Exchanges and the members of the Syndicate, the decision of the Book Running Lead Managers based on the physical records of Bid Application Forms shall be final and binding on all concerned.

GENERAL INSTRUCTIONS

DO'S:

1. Check if you are eligible to apply having regard to the applicable laws, rules, regulations, guidelines and approvals and the terms of this Red Herring Prospectus;

2. Read all the instructions carefully and complete the prescribed Bid cum Application Form, as the case may be: (a) white in colour for Resident Indians and Eligible NRIs applying on a non-repatriation basis; or (b) Blue in colour for Eligible NRIs, FIIs or Foreign Venture Capital Funds, registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis; or (c) Pink in colour for the Eligible Employees;

3. Ensure that the details about Depository Participant and Beneficiary Account are correct and the Beneficiary Account is activated as Allotment will be in the dematerialised form only;

4. Ensure that the Bids are submitted at the Bidding Centres only on forms bearing the stamp of a member of the Syndicate;

5. Ensure that you have been given a TRS for all your Bid options;

6. Ensure that you Bid at the Floor Price, if you are a Retail Individual Bidder, an Eligible Employee bidding under the Employee Reservation Portion, or a Non-Institutional Bidder;

7. Ensure that you Bid above the Floor Price, if you are a QIB;

8. Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

9. Except for Bids on behalf of the Central or State Government and the officials appointed by the courts, and Bidders residing in the State of Sikkim each Bidder should mention its PAN allotted under the IT Act;

10. Ensure that the demographic details (as defined herein below) are updated, true and correct in all respects; and

11. Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

DON'TS:

1. Do not Bid for lower than the minimum Bid size;

2. Do not Bid for less than the Floor Price or, if you are a QIB, less than or at the Floor Price;

3. Do not Bid for allotment of Equity Shares in physical form;

4. Do not Bid on another Bid cum Application Form after you have submitted a Bid to a member of the Syndicate;

5. Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest;

6. Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate only;

7. Do not submit the Bid without the applicable Margin Amount;

8. Do not fill up the Bid cum Application Form such that our Equity Shares Bid for exceeds the size of this Issue and/or the investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

9. Do not Bid for amount exceeding Rs. 100,000 in case of a Bid by Retail Individual Bidders and Eligible Employees; and

10. Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

Instructions for Completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and/or Revision Forms from any member of the Syndicate or the Registered and Corporate Office.

Bids and revisions of Bids must be:

1. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.

2. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.

3. For Retail Individual Bidders (including Eligible NRIs) and Eligible Employees, the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] thereafter subject to a maximum Bid Amount of Rs. 100,000.

4. For Non-Institutional Bidders and QIBs (including Eligible NRIs), Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations. QIBs cannot withdraw their Bid after the Issue Closing Date.

5. **QIBs are allowed to Bid only above the Floor Price.** QIBs may note that only upward revision is permitted with respect to the quantity and/or price of the Equity Shares, in any option, for which a Bid has been submitted.

6. Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis shall be in the names of individuals, or in the names of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

7. In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion.

8. In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

9. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

10. Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and/or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE or FCNR accounts, as the case may be, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bidder's Depository Account and Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders' bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These bank account details would be used for giving refunds (including through physical refund warrants, direct credit, ECS, NEFT and RTGS) to the Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch/ credit of refunds to Bidders at the Bidders sole risk and neither the Book Running Lead Managers nor the Registrar to the Issue nor the Escrow Collection Banks nor our Company nor the Selling Shareholder shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. BIDDERS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/ CANs/ allocation advice and printing of the bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by

Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used, only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither our Company, the Selling Shareholder nor the Registrar to the Issue, Escrow Collection Bank(s), the Book Running Lead Managers shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

Our Company and the Selling Shareholder, in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar to the Issue that for the purpose of printing particulars on the refund order and mailing of the refund order/ CANs/ allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids under Power of Attorney

1. In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be submitted along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

2. In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

3. Our Company and the Selling Shareholder, in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that our Company, the Selling Shareholder, the Book Running Lead Managers may deem fit.

4. In case of the Bids made pursuant to a power of attorney by Mutual Funds, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company and the Selling Shareholder reserve the right to reject such Bid in whole or in part, without assigning any reasons therefor.

5. In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of the certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

6. In case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with a minimum corpus of Rs. 250 million, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

7. Our Company and the Selling Shareholder, in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar to the Issue that, for the purpose of printing particulars on the refund order and mailing of the refund order/ CANs/ allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic Details as given on the Bid cum Application Form instead of those obtained from the Depositories.

PAYMENT INSTRUCTIONS

Escrow Mechanism

Our Company, the Selling Shareholder and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) for the collection of the Bid Amount in the Escrow Account payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in this Issue.

The Escrow Collection Bank(s) will act in terms of this Red Herring Prospectus, the Prospectus and the Escrow Agreement. The Escrow Collection Bank(s) shall maintain the monies in the Escrow Account for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of this Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account will be transferred to the Refund Account for the benefit of the Bidders who are entitled to refunds as per the terms of the Escrow Agreement, this Red Herring Prospectus and the Prospectus.

Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the Selling Shareholder, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders. Bidders should further note that they will not receive interest on the Margin Amount except as stated in the section titled "*—Interest in Case of Delay in Dispatch of Allotment Letters/ Refund Orders*" on page 242.

Under the terms of the escrow mechanism for this Issue, the Escrow Collection Banks would sweep the monies lying to the credit of the Escrow Accounts at the end of each day into a term deposit, or as may otherwise be permitted under applicable law, operated by the Escrow Collection Banks, at an interest rate as may be mutually agreed among the Escrow Collection Banks, in consultation with the Company and the Selling Shareholder. The procedures relating to the creation of such deposits and payment of interest monies, if any, thereon shall be set forth in the Escrow Agreement. The Bidders expressly agree that they shall not be entitled for any interest monies, if any, from such deposits and agree that these may be transferred to the Company and the Selling Shareholder in such proportions as may be agreed by them with the Escrow Collection Banks and provided under the escrow arrangement. Compliance shall be ensured at all times with all applicable laws including taxation laws and rules, regulations and guidelines of the RBI and SEBI as well as with the applicable terms and conditions governing such term deposits.

Terms of Payment and Payment into the Escrow Accounts

Escrow Accounts shall be opened for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/Allotment as per the following terms.

1. Each category of Bidders i.e., i.e., QIBs, Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form to the Escrow Account(s).

2. The Bidder may draw a cheque or demand draft for the maximum amount of his/ her Bid in favour of the Escrow Account(s) and submit the same to the member of the Syndicate to whom the Bid is being submitted. The Bidder may also provide the applicable Margin Amount, by way of EFT or RTGS mechanism. Bid cum Application Forms accompanied by cash/stockinvest/ money order shall not be accepted.

3. The Margin Amount payable by each category of Bidders is mentioned in the section titled "***Issue Structure***" on page 239. The Bidders for whom the applicable Margin Amount is equal to 100%, shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account(s) and submit the same to the members of the Syndicate.

4. In case of QIBs bidding in the QIB Portion, where the margin is less than 100% of the Bid Amount, the balance amount shall be paid by the Bidders into the Escrow Account(s) within the period specified in the CAN. If the payment is not made in favour of the Escrow Account within the stipulated time, the Bid is liable to be rejected. The QIB Margin Amount would be payable at each option specified in the Bid cum Application Form and cumulated Margin Amount could be paid through a single cheque/demand draft. Each such option specified by the QIB Bidder would be treated independent of each other for the purpose of allocation of a 'price priority' basis.

5. The payment instruments for payment into the Escrow Account should be drawn in favour of:

   - In case of resident QIBs: "Escrow Account– REC Public Issue – QIB – R"
   - In case of Non-Resident QIBs: "Escrow Account– REC Public Issue – QIB – NR"
   - In case of resident Retail and Non-Institutional Bidders: "Escrow Account– REC Public Issue – R"
   - In case of Non-Resident Retail and Non-Institutional Bidders: "Escrow Account– REC Public Issue –NR"
   - In case of Eligible Employees: "Escrow Account– REC Public Issue – Eligible Employee"

4\. In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of NRO Account and such Bids are liable to be rejected. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account. In case of Bids by Eligible NRIs applying on non-repatriation basis, the payments must be made out of NRO Account.

5\. In case of Bids by NRIs applying on non-repatriation basis, the payments must be made through 'Indian rupee drafts' purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a NRO Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.

6. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

7. The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Banks, which will hold the monies deposited in the Escrow Account for the benefit of the Bidders until the Designated Date.

8. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on our Equity Shares allocated, will be refunded to the Bidder from the Refund Account within 15 days from the Issue Closing Date, failing which our Company and the Selling Shareholder shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

9. On the Designated Date and no later than 15 days from the Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjusting for Allotment to the Bidders.

10. Payments should be made by cheque or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ stockinvest /money orders/ postal orders will not be accepted.

11. Bidders are advised to mention the number of application form on the reverse of the cheque/ demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.

12. In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Bank(s), such Bids are liable to be rejected.

Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the Selling Shareholder, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders. Bidders should further note that they will not receive interest on the Margin Amount except as stated in the section titled "*—Interest in Case of Delay in Dispatch of Allotment Letters/ Refund Orders*" on page 242.

Under the terms of the escrow mechanism for this Issue, the Escrow Collection Banks would sweep the monies lying to the credit of the Escrow Accounts at the end of each day into a term deposit, or as may otherwise be permitted under applicable law, operated by the Escrow Collection Banks, at an interest rate as may be mutually agreed among the Escrow Collection Banks, in consultation with the Company and the Selling Shareholder. The procedures relating to the creation of such deposits and payment of interest monies, if any, thereon shall be set forth in the Escrow Agreement. The Bidders expressly agree that they shall not be entitled for any interest monies, if any, from such deposits and agree that these may be transferred to the Company and the Selling Shareholder in such proportions as may be agreed by them with the Escrow Collection Banks and provided under the escrow arrangement. Compliance shall be ensured at all times with all applicable laws including taxation laws and rules, regulations and guidelines of the RBI and SEBI as well as with the applicable terms and conditions governing such term deposits.

Our Equity Shares have not been and will not be registered under the U.S. Securities Act under the securities laws of any state or other jurisdiction of the United States and the Company has not been and will not be registered under the U.S. Investment Company Act. The Equity Shares may not be offered or sold within the United States (as defined in Regulation S) or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S), except pursuant to an exemption from or in a transaction not subject to, registration requirements of the U.S. Securities Act. Our Equity Shares

are only being offered or sold to in the United States (as defined in Regulation S) to, and to U.S. Persons (as defined in Regulation S) that are, (i) entities that are both "Qualified Institutional Buyers" as defined in Rule 144A under the U.S. Securities Act and "Qualified Purchasers" as defined under the U.S. Investment Company Act and related rules and (ii) outside the United States (as defined in Regulation S) to non-U.S. Persons (as defined in Regulation S) in offshore transactions in compliance with Regulation S and the applicable laws of the jurisdictions where those offers and sales occur.

Payment by Stockinvest

Under the terms of the RBI Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Payment through stockinvest would not be accepted in this Issue.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Forms or Revision Forms. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Bids made by Eligible Employees both under the Employee Reservation Portion as well as in the Net Issue shall not be treated as multiple Bids.

Our Company and the Selling Shareholder reserve the right to reject, in consultation with Book Running Lead Managers, all or any multiple Bids in any or all categories.

Our Company and the Selling Shareholder reserve the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as probable multiple master document.

2. In this master document, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master document.

3. The addresses of all these applications from the multiple master document will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters, i.e., commas, full stops, hashes etc. Sometimes, the name, the first line of the address and pin code will be converted into a string for each application received and a photo match will be carried out among all the applications processed. A print-out of the addresses will be made to check for common names. Applications with the same name and same address will be treated as multiple applications.

4. The applications will be scanned for similar DP ID and client identity numbers. In cases where applications bear the same numbers, these will be treated as multiple applications.

5. After the aforesaid procedures, a print-out of the multiple master will be taken and the applications physically verified to tally signatures and also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

In cases where there are more than 20 valid applicants having a common address, such shares will be kept in abeyance, post Allotment and released on confirmation of KYC norms by the depositories.

Permanent Account Number or PAN

Except for Bids on behalf of the Central or State Government and the officials appointed by the courts, each of the Bidders, should mention his/her PAN. Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground**. In case the sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should Mention "Applied for" in the Bid cum Application Form.

Further, Bidders residing in the State of Sikkim are exempted from the mandatory requirement of PAN. The exemption is subject to the 'Depository Participants' verifying the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address.

Unique Identification Number ("UIN")

Pursuant to circulars dated April 27, 2007 (No. MRD/DoP/Cir-05/2007) and June 25, 2007 (No. MRD/DoP/Cir-08/2007) issued by SEBI, the requirement of UIN under the Securities and Exchange Board of India (Central database of Market Participants) Regulations, 2005 has been discontinued and irrespective of the amount of transaction, PAN has been made the sole identification number for all participants in the securities market.

THE RIGHT TO REJECT BIDS OF OUR COMPANY AND THE SELLING SHAREHOLDER

In case of QIBs bidding in the QIB Portion, our Company and the Selling Shareholder, in consultation with Book Running Lead Managers, may reject Bids provided that the reason for rejecting the Bid shall be provided to such Bidders in writing at the time of acceptance/ rejection of the Bids. In case of Non-Institutional Bidders, Retail Individual Bidders and Eligible Employees who Bid, our Company and the Selling Shareholder have a right to reject Bids based on technical grounds.

Consequent refunds shall be made as described in this Red Herring Prospectus and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;

2. Age of First Bidder not given;

3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no partnership firm as such shall be entitled to apply;

4. Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors and insane persons;

5. PAN not mentioned in the Bid cum Application Form, except for the case of Central Government, State Government, and the officials appointed by the courts as per SEBI circular dated June 30, 2008 and Bidders residing in the State of Sikkim, subject to the 'Depository Participants' verifying the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address;

6. Bids for lower number of Equity Shares than specified for that category of investors;

7. GIR number furnished instead of PAN where PAN is required;

8. Bids at a price less than the Floor Price or in case of QIBs, at or below the Floor Price in case of other Bidders;

9. Bids or revision thereof by QIBs bidding in the QIB Portion and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000 and by Eligible Employees Bidding under the Employee Reservation Portion, uploaded after 4.00 p.m. on the Issue Closing Date;

10. Bids for number of Equity Shares which are not in multiples of [●];

11. Category not ticked;

12. Multiple Bids as defined in this Red Herring Prospectus;

13. In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

14. Bids accompanied by stockinvest/money order/postal order/cash;

15. Signature of sole and/or Joint Bidders missing;

16. Bid cum Application Form does not have the stamp of the Book Running Lead Managers or Syndicate Members;

17. Bid cum Application Form does not have Bidder's Depository account details;

18. Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Issue Opening Date advertisement and this Red Herring Prospectus and as per the instructions in this Red Herring Prospectus and the Bid cum Application Forms;

19. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depositary Participant's identity (DP ID) and the beneficiary's account number;

20. Bids for amounts greater than the maximum permissible amounts prescribed by the applicable regulations;

21. Bids in respect where the Bid cum Application Form do not reach the Registrar to the Issue prior to the finalisation of the 'Basis of Allocation';

22. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;

23. Bids by persons who are not Eligible Employees and have submitted their Bids under the Employee Reservation Portion;

24. Bids by QIBs not submitted through the members of the Syndicate;

25. Bids by OCBs;

26. Bids by any person outside India if not in compliance with applicable foreign and Indian Laws;

27. Bids by "U.S. Persons" (as defined in Regulation S) or persons in the United States (as defined in Regulation S) that are not both "Qualified Institutional Buyers"as defined in Rule 144A under the U.S. Securities Act and "Qualified Purchasers" as defined under the U.S. Investment Company Act and related rules;

28. Bids not uploaded in the book would be rejected;

29. Bids by FVCIs without obtaining necessary consents and approvals, if required in terms of any applicable law, rule, regulation or guideline;

30. Bids by persons who are not eligible to acquire Equity Shares in terms of any applicable law, rule, regulation, guideline or approval;

31. Bids for allotment of Equity Shares in physical form;

32. Bids or revision thereof by Eligible Employees where the Bid Amount is in excess of Rs. 100,000; and

33. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.

Price Discovery and Allocation

1. After the Issue Closing Date, the Book Running Lead Managers will analyse the demand generated at various price levels for the QIB Portion (including the Mutual Funds Portion). Our Company and the Selling Shareholder, in consultation with the Book Running Lead Managers, shall finalise the Clearing Prices for the QIB Portion and the Mutual Funds Portion.

2. The allocation under the Employee Reservation Portion would be on a proportionate basis, in the manner specified in the SEBI Regulations and this Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at the Floor Price.

3. Up to 50% of the Net Issue shall be allocated to QIBs on a 'price priority' basis subject to valid Bids received at a price above the Floor Price. 5% of the QIB Portion shall be available for allocation on a 'price priority' basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a 'price priority' basis to QIBs (including Mutual Funds), subject to valid Bids being received from above the Floor Price. However, if the aggregate demand from Mutual Funds is less than 4,284,550 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will be added to the QIB Portion and allocated on a 'price priority' basis to the QIBs.

4. Not less than 15% of the Net Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Net Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, in a manner specified in the SEBI

Regulations and this Red Herring Prospectus, in consultation with the Designated Stock Exchange and subject to valid Bids being received at the Floor Price.

5. Under-subscription in any category, excluding Employee Reservation Portion, would be met with spill-over from any other category, at the sole discretion of our Company and the Selling Shareholder in consultation with the Book Running Lead Managers. In the event that the aggregate demand in the QIB Portion has been met, under subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company and the Selling Shareholder, in consultation with Book Running Lead Managers. Under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion, subject to the Net Issue constituting at least 10% of the post Issue paid-up share capital of our Company.

6. In the event that the oversubscription in the QIB Portion, all QIBs who have submitted Bids at or above the Clearing Price shall be Allotted Equity Shares on a 'price priority' basis for up to 95% of the QIB Portion. In the event of an oversubscription in the Non-Institutional Portion and Retail Portion, allocation shall be made on a proportionate basis.

7. Any oversubscription to the extent of 10% of this Issue can be retained for the purpose of rounding off and making allotments in minimum lots, while finalising the 'Basis of Allocation'.

8. Allocation to Eligible NRIs, FIIs, eligible/permitted Sub-Accounts, FVCIs etc. applying on repatriation basis will be subject to applicable law and the terms and conditions stipulated by the RBI, while granting permission for Allotment to them in this Issue.

9. The Book Running Lead Managers, in consultation with our Company and the Selling Shareholder, shall notify the members of the Syndicate of the allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

10. Our Company and the Selling Shareholder, in consultation with Book Running Lead Managers, reserve the right not to proceed with this Issue any time after the Issue Opening Date, but before Allotment. In the event of withdrawal of this Issue, the reasons therefor shall be disclosed in a public notice which shall be published within two days of the Issue Closing Date in English and Hindi national newspapers, where the pre-Issue advertisement was published, each with wide circulation and the Stock Exchanges shall be informed promptly. Further, in the event of withdrawal of the Issue and subsequently, plans of a further public offering by our Company, a fresh draft red herring prospectus will be submitted again for observations of the SEBI.

11. In terms of the SEBI Regulations, QIBs bidding in the QIB Portion shall not be allowed to withdraw their Bids after the Issue Closing Date.

12. Our Company and the Selling Shareholder, in consultation with the Book Running Lead Managers, reserve the right to reject any Bid procured from QIBs. Rejection of Bids made by QIBs, if any, will be made at the time of acceptance of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing.

13. The Allotment details shall be put on the website of the Registrar to the Issue.

Signing of Underwriting Agreement

1. Our Company, the Selling Shareholder and the members of the Syndicate shall enter into an Underwriting Agreement on finalisation of the respective Clearing Prices.

2. After signing the Underwriting Agreement, our Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue size, underwriting arrangements and would be complete in all material respects.

Filing of the Prospectus with the RoC

Our Company and the Selling Shareholder will file a copy of the Prospectus with the RoC in terms of Sections 56, 60 and 60B of the Companies Act.

Announcement of pre-Issue Advertisement

Subject to Section 66 of the Companies Act, our Company shall upon registering this Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed under the SEBI Regulations, in two national newspapers (one each in English and Hindi) and a regional newspaper, each with wide circulation.

Advertisement regarding Issue size and Prospectus

A statutory advertisement will be issued by our Company after the filing of the Prospectus with the RoC in an English national newspaper, a Hindi national newspaper and a regional newspaper, each with wide circulation. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue size along with a table showing the number of Equity Shares and the amount payable by an investor. Any material updates between the date of this Red Herring Prospectus and the Prospectus shall be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note ("CAN")

1. Upon approval of the 'Basis of Allocation' by the Designated Stock Exchange, the Book Running Lead Managers, or Registrar to the Issue shall send to the Syndicate Members a list of their Bidders who have been allocated Equity Shares in this Issue. The approval of the 'Basis of Allocation' by the Designated Stock Exchange for QIBs in the QIB Portion may be done simultaneously with or prior to the approval of the 'Basis of Allocation' for the Retail and Non-Institutional Bidders. However, the investor should note that our Company shall ensure that the instructions by our Company for demat credit of our Equity Shares to all investors in this Issue shall be given on the same date as the date of Allotment.

2. The Book Running Lead Managers, Syndicate Members and/or their affiliates would dispatch a CAN to their Bidders who have been allocated Equity Shares in this Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Bid Amount, as applicable, for all our Equity Shares allocated to such Bidder. QIBs who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.

3. Bidders who have been allocated Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the Bid Amount, as applicable, for the Allotment to such Bidder.

4. The Issuance of CAN is subject to "Notice to QIBs in the QIB Portion - Allotment Reconciliation and Revised CANs" as set forth below.

Notice to QIBs in the QIB Portion: Allotment Reconciliation and Revised CANs

After the Issue Closing Date, an electronic book will be prepared by the Registrar to the Issue on the basis of Bids uploaded on the BSE/NSE system. This shall be followed by a physical book prepared by the Registrar to the Issue on the basis of the Bid cum Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs bidding in the QIB Portion may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the final 'Basis of Allocation', which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar to the Issue, prior to Allotment by the Board. Subject to SEBI Regulations, certain Bids/ applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and the 'Basis of Allocation' as approved by the Designated Stock Exchange, prior to Allotment by the Board. As a result, a revised CAN may be sent to QIBs bidding in the QIB Portion and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs bidding in the QIB Portion should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for such QIB to pay the entire Bid Amount for all our Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety, the earlier CAN.

Designated Date and Allotment

1. Our Company will ensure that the Allotment is done within 15 days of the Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account and to the Refund Account on the Designated Date, our Company would ensure the credit to the successful Bidders depository account. Allotment of our Equity Shares to the Allottees shall be within two Working Days of the date of Allotment.

2. In accordance with the SEBI Regulations, Equity Shares will be Allotted and Allotment shall be made only in the dematerialised form to the Allottees. Allottees will have the option to re-materialise our Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept our Equity Shares that may be allocated/Allotted to them pursuant to this Issue.

BASIS OF ALLOCATION

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at the Floor Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Retail Individual Bidders will be made at the Floor Price.

- The size of this Issue less allocation to Non-Institutional and QIBs shall be available for allocation to Retail Individual Bidders.

- If the valid Bids in this portion are less than or equal to 59,983,700 Equity Shares at the Floor Price, full allocation shall be made to the Retail Individual Bidders to the extent of their valid Bids.

- If the valid Bids in this portion are greater than 59,983,700 Equity Shares at the Floor Price, the allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. For the method of proportionate 'Basis of Allocation', refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at the Floor Price shall be grouped together to determine the total demand under this category. The allocation to all successful Non-Institutional Bidders will be made at the Floor Price.

- The size of this Issue less allocation to QIBs and Retail Portion shall be available for allocation to Non-Institutional Bidders.

- If the valid Bids in this portion are less than or equal to 25,707,300 Equity Shares at the Fllor Price, full allocation shall be made to Non-Institutional Bidders to the extent of their demand.

- If the valid Bids in this portion are greater than 25,707,300 Equity Shares at the Floor Price, allocation shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate 'Basis of Allocation', refer below.

C. For QIBs in the QIB Portion

- Bids received from QIBs bidding in the QIB Portion above the Floor Price shall be grouped together to determine the total demand under this portion.
- The QIB Portion shall be available for allocation to QIBs who have Bid at a price greater than the Floor Price.
- Allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:

    (i) In the event that Bids by Mutuals Fund exceed 5% of the QIB Portion, allocation to Mutual Funds shall be done on a 'price priority' basis for 5% of the QIB Portion.

    (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allocation to the extent of valid Bids received above the Floor Price.

    (iii) Equity Shares remaining unsubscribed, if any, and not allocated to Mutual Funds shall be available for allocation to all QIBs as set out in (b) below;

  (b) In the second instance allocation to all QIBs shall be determined as follows:

    (i) In the event of over subscription in the QIB Portion, all QIBs who have submitted Bids at or above the Clearing Prices shall be allocated Equity Shares on a 'price priority' basis for up to 95% of the QIB Portion.

    (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a 'price priority' basis along with other QIBs.

    (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIBs on a 'price priority' basis.

- The aggregate Allotment to QIBs bidding in the QIB Portion shall be up to 59,983,700 Equity Shares.

D. For Employee Reservation Portion

- Bids received from Eligible Employees at the Floor Price shall be grouped together to determine the total demand under this category. The allocation to all the successful Eligible Employees will be made at the Floor Price.
- If the aggregate demand in this category is less than or equal to 350,000 Equity Shares at the Floor Price, full allocation shall be made to Eligible Employees to the extent of their demand. The value of Allotment to any Eligible Employee shall not exceed Rs. 100,000.
- If the aggregate demand in this category is greater than 350,000 Equity Shares at the Floor Price, the allocation shall be made on a proportionate basis.
- Under-subscription, if any, in the Employee Reservation Portion shall be added back to the Net Issue. In case of under-subscription in the Net Issue, spill over to the extent of under-subscription shall be permitted from the Employee Reservation Portion, subject to the Net Issue constituting at least 10% of the post Issue paid-up share capital of our Company. For the method of proportionate 'Basis of Allocation', refer below.

Only Eligible Employees are eligible to apply under Employee Reservation Portion.

The drawing of lots (where required) to finalize the 'Basis of Allocation' shall be done in the presence of a public representative on the Governing Board of the Designated Stock Exchange.

Method of Proportionate Basis of Allocation in this Issue

The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the Book Running Lead Managers and the Registrar to the Issue shall be responsible for ensuring that the 'Basis of Allocation' is finalized in a fair and proper manner and in accordance with the SEBI Regulations. In the event of this Issue being over-subscribed, our Company and the Selling Shareholder shall finalize the 'Basis of Allocation' in consultation with the Designated Stock Exchange.

The allocation shall be made in marketable lots, on a proportionate basis as explained below:

Price Priority Method for QIBs

a) Bidders will be categorised according to the price at which the Bid for any quantity of Equity Shares has been submitted.

b) The total number of Equity Shares to be Allotted to QIBs bidding in the QIB Portion shall be arrived at on a 'price priority' basis, i.e. QIBs who Bid at the highest price shall be allotted the Equity Shares Bid for first, Bidders who Bid at the second highest price shall be allotted the Equity Shares Bid next. The 'price priority' basis of Allotment shall continue until the relevant QIB Portion is exhausted.

c) Each of the options specified in the Bid cum Application Form by a QIB would be independently considered for the purpose of allocation on a 'price priority' basis.

d) If the number of Equity Shares Allotted to a QIB on a 'price prority' basis is more than [●] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All QIBs would be Allotted after such rounding off.

Proportionate Basis for Non-Institutional Bidders, Retail Individual Bidders and Bidders applying under the Employee Reservation Portion

a) Non-Institutional Bidders, Retails Individual Bidder and Eligible Employees bidding under the Employee Reservation Portion will be categorised according to the number of Equity Shares at which the Bid has been submitted.

b) The total number of Equity Shares to be Allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the allotment shall be made as follows:

- Each successful Bidder shall be Allotted a minimum of [●] Equity Shares; and
- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.

e) If the number of Equity Shares Allotted to a Bidder is a number that is more than [●] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be Allotted Equity Shares arrived at after such rounding off.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue Details

Sr. No.	Particulars	Issue details
1.	Issue size	202 million equity shares
2.	Floor Price	Rs. 250 per share
3.	Employee Reservation Portion	2 million equity shares
4.	Net Issue size	200 million equity shares
5.	Allocation to QIBs (50%)	100 million equity shares
	Of which:	
	a. Allocation to MFs (5%)	5 million equity shares
	b. Balance for all QIBs including MFs	95 million equity shares
6	No. of QIB applicants	6
7	No. of shares applied for	600 million equity shares

** For this illustration, we have not assumed any cap on any individual bidder*

B. Details of QIB Bids

Sr. No.	Type of QIBs#	Options	Bid price	No. of shares bid for (in million)
1	A1	Option 1 (A1O1)	Rs 300	20
		Option 2 (A1O2)	Rs 270	30
		Option 3 (A1O3)	Rs 260	50
2	A2	Option 1 (A2O1)	Rs 280	10
		Option 2 (A2O2)	Rs 275	40
		Option 3 (A2O3)	Rs 270	50
3	A3	Option 1 (A3O1)	Rs 290	20
		Option 2 (A3O2)	Rs 260	40
		Option 3 (A3O3)	Rs 255	40
4	MF1	Option 1 (M1O1)	Rs 280	2
		Option 2 (M1O2)	Rs 275	46
		Option 3 (M1O3)	Rs 270	52
5	MF2	Option 1 (M2O1)	Rs 278	3
		Option 2 (M2O2)	Rs 275	7
		Option 3 (M2O3)	Rs 255	90
6	MF3	Option 1 (M3O1)	Rs 270	25
		Option 2 (M3O2)	Rs 265	25
		Option 3 (M3O3)	Rs 260	50
	Total			**600**

 # A1-A3: (QIBs other than MFs), MF1-MF3 (QIBs which are MFs)

C. Details of Allotment to QIBs/ Applicants

(Number of equity shares in million)

Type of QIBs and Options	Shares bid for	Allocation of 5 million Equity Shares to MF on price priority (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs on price priority basis (please see note 4 below)	Price (Rs)
(I)	(II)	(III)	(IV)	(V)
M1O1	2.00	2.00	0.00	280
M2O1	3.00	3.00	0.00	278
A1O1	20.00	0.00	20.00	300
A3O1	20.00	0.00	20.00	290
A2O1	10.00	0.00	10.00	280
A202	40.00	0.00	*19.35	275

Type of QIBs and Options	Shares bid for	Allocation of 5 million Equity Shares to MF on price priority (please see note 2 below)	Allocation of balance 95 million Equity Shares to QIBs on price priority basis (please see note 4 below)	Price (Rs)
M1O2	46.00	0.00	*22.26	275
M2O2	7.00	0.00	*3.39	275
	Total	**5.00**	**95.00**	

** Would be rounded off to the nearest integer*

Notes:

(1) The illustration presumes compliance with the requirements specified in this Red Herring Prospectus..

(2) Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on price priority basis among 3 Mutual Fund Bidders who applied for 300 shares in QIB Portion at various price. In case the Mutual Funds Portion receives bids for quantity exceeding the quantity available for allocation, i.e. 5 million, the balance would be added to the QIB Portion and allocation would be on price priority basis.

(3) The balance 95 million Equity Shares (i.e. 100 - 5 (available for Mutual Funds) will be allocated on price priority basis among 6 QIB applicants who applied for 600 million Equity Shares (including 3 Mutual Funds applicants who applied for 300 million Equity Shares).

(4) The figures in the fourth column titled "Allocation of balance 95 million Equity Shares to QIBs on price priority basis" in the above illustration are arrived as under:

(a) The highest bid was made at Rs. 300 per share for 20 million shares by A1 under option 1 and first allocation of 20 million shares was made to A1

(b) Similarly, allocation to QIBs were made in descending order of the price bidded by them under each option. Each option of a QIB was treated as a separate bid for allocation on price priority basis.

(c) At Clearing Price (Rs. 275 per share) the allocation was made proportionately to all the QIBs who bid at that price (i.e., column II of the table above).

D. Margin Money Requirement for QIBs

The margin money requirement for QIBs at the time of application should be arrived at as follows:

S. No.	QIBs	Options	Bid price	No. of shares bid for (in million)	Margin Money Requirement (10% of the bid amount)
1	A1	Option 1 (A1O1)	Rs 300	20	Rs 600 million
		Option 2 (A1O2)	Rs 270	30	Rs 810 million
		Option 3 (A1O3)	Rs 260	50	Rs 1,300 million
		Total Margin Money requirement for QIB bidder A1			**Rs 2,710 million**

Procedure and Time of Schedule for Allotment and demat Credit of Equity Shares

This Issue will be conducted through the Alternate Book Bulding Process pursuant to which the members of the Syndicate will accept Bids for our Equity Shares during the Bidding Period. The Bidding Period will commence on February 19, 2010 and expire on February 23, 2010. Following the expiration of the Bidding Period, our Company and the Selling Shareholder, in consultation with Book Running Lead Managers, will determine the Clearing Prices, and the 'Basis of Allocation' and entitlement to Allotment based on the Bids received and subject to confirmation by the Stock Exchange(s). Successful Bidders will be provided with a confirmation of their allocation (subject to a revised confirmation of allocation) and will be required to pay any unpaid amount for our Equity Shares within a prescribed time. The SEBI Regulations require our Company to complete the Allotment to successful Bidders within 15 days of the expiration of the Bidding Period. Our Equity Shares will then be credited and Allotted to the investors' demat accounts maintained with the relevant Depository Participant. Upon approval by the Stock Exchanges, our Equity Shares will be listed and trading will commence.

Payment of Refunds

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders' bank account details, including the nine digit MICR code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in dispatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither our Company, the Selling Shareholder, the Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue, the Book

Running Lead Managers shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

1. **ECS** – Payment of refunds would be mandatorily done through ECS for applicants having an account at any of the 68 centers notified by the SEBI through its notification (Ref. No. SEBI/CFD/DILDIP/29/2008/01/02) dated February 1, 2008. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned 68 centers, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS. Refunds through ECS may also be done at other locations based on operational efficiency and in terms of demographic details obtained by Registrar to the Issue from the Depository Participants.

2. **Direct Credit** – Applicants having bank accounts with the Refund Banker(s), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company.

3. **RTGS** – Applicants having a bank account at any of the abovementioned 68 centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the Indian Financial System Code (IFSC) code in the Bid cum Application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. **NEFT** – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the IFSC, which can be linked to a MICR, if any, available to that particular bank branch. IFSC code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. The process flow in respect of refunds by way of NEFT is at an evolving stage hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched under certificate of posting for value up to Rs. 1,500 and through speed post/ registered post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Letters of Allotment or Refund Orders

Our Company and the Selling Shareholder shall give credit to the beneficiary account with Depository Participants within two Working Days from the date of Allotment. Applicants residing at the 68 ECS centers notified by the SEBI, through its notification (Ref. No. SEBI/CFD/DILDIP/29/2008/01/02) dated February 1, 2008, will get refunds through ECS only except where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. Our Company and the Selling Shareholder shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or First

Bidder's sole risk within 15 days of the Issue Closing Date, except for Bidders who have opted to receive refunds through the ECS facility or RTGS or direct credit. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 15 days of the Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Regulations, our Company and the Selling Shareholder undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Dispatch of refund orders, except for Bidders who can receive refunds through Direct Credit, NEFT, RTGS or ECS, shall be done within 15 days from the Issue Closing Date; and
- Interest shall be paid by our Company and the Selling Shareholder at 15% p.a., if the Allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or ECS, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the Issue Closing Date .

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received, except where the refund or portion thereof is made in electronic mode/manner. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Our Company and the Selling Shareholder will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Other than refunds effected through electronic transfer of funds, refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by our Company and the Selling Shareholder, as the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Our Company and the Selling Shareholder shall ensure that "at par" facility is provided for encashment of refund orders for Applications other than the ASBA process.

Disposal of applications and application moneys and interest in case of delay

Our Company shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges, within two Working Days of date of Allotment.

In case of applicants who receive refunds through electronic transfer of funds, the refund instructions will be given to the clearing system within 15 days from the Issue Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode within 15 days of Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where our Equity Shares are proposed to be listed, are taken within seven Working Days of finalization of the 'Basis of Allocation' for this Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, our Company and the Selling Shareholder further undertake that:

- Allotment shall be made only in dematerialised form within 15 days of the Issue Closing Date;

- Dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 days of the Issue Closing Date would be ensured;

- Interest shall be paid by our Company and the Selling Shareholder at 15% p.a. for any delay beyond the 15 day time period as mentioned above, if Allotment is not made and refund orders are not dispatched, instructions to SCSB are not issued, or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 day time prescribed above, as per the SEBI Regulations; and

- That adequate arrangements shall be made to collect all ASBA Forms and to consider them similar to non-ASBA applications while finalizing the 'Basis of Allocation'

Our Company and the Selling Shareholder will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

UNDERTAKINGS BY OUR COMPANY

Our Company undertakes the following:

- That the complaints received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily;

- That all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven Working Days of finalisation of the 'Basis of Allocation';

- That our Company shall apply in advance for the listing of Equity Shares;

- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue;

- That no further issue of Equity Shares shall be made until the Equity Shares offered through this Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription, etc.;

- That there would be no further issue of Equity Shares during the period commencing from submission of this Red Herring Prospectus with the SEBI until the Equity Shares Allotted/ to be Allotted pursuant to the Issue have been listed or until the Bid monies are refunded on account of non-listing, under-subscription, etc.;

- That the Equity Shares are free and clear of all liens or encumbrances and shall be Allotted to the successful Bidders within the specified time;

- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

- That the Allotment advice or refund orders to the Non-Resident Indians shall be dispatched within specified time; and

- That adequate arrangements shall be made to collect all ASBA Forms and to consider them similar to non-ASBA applications while finalizing the 'Basis of Allocation'.

Our Company shall not have recourse to the proceeds of the Issue until the final listing and trading approvals from all the Stock Exchanges have been obtained.

UNDERTAKINGS BY OUR PROMOTER AS THE SELLING SHAREHOLDER:

The Selling Shareholder undertakes the following:

- That the Equity Shares being sold pursuant to the Offer for Sale have been held by them for a period of more than one year and the Equity Shares are free and clear of all liens or encumbrances and shall be transferred to the successful Bidders within the specified time;

- That there would be no further transfer of Equity Shares during the period commencing from submission of this Red Herring Prospectus with the SEBI until the Equity Shares Allotted/ to be Allotted pursuant to the Issue have been listed or until the Bid monies are refunded on account of non-listing, under-subscription, etc.; and

- That they shall not have recourse to the proceeds of the Offer for Sale until the final listing and trading approvals from all the Stock Exchanges have been obtained.

Utilisation of proceeds of the Fresh Issue

Our Board certifies that:

1. All monies received out of this Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;

2. Details of all monies utilised out of the Fresh Issue shall be disclosed under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised;

3. Details of all unutilised monies out of the Fresh Issue, if any shall be disclosed under the appropriate head in the balance sheet indicating the form in which such unutilised monies have been invested;

4. Our Company shall comply with the requirements of Clause 49 of the listing agreement entered into with the Stock Exchanges in relation to the disclosure and monitoring of the utilization of the Net Proceeds; and

5. Our Company shall not have recourse to the proceeds of the Fresh Issue until the approval for trading of our Equity Shares from the Stock Exchanges has been received.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, our Equity Shares shall be Allotted only in a dematerialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the Registrar to the Issue:

a) Agreement dated November 15, 2007 among NSDL, our Company and the Registrar to the Issue.

b) Agreement dated October 16, 2007 with CDSL, our Company and the Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

1. A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

2. The Bidder must necessarily fill in the details (including the beneficiary account number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

3. Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

4. Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

5. If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

6. The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

7. Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

8. The trading of our Equity Shares would be in dematerialised form only for all investors in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of Bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, credit of Allotted shares in the respective beneficiary accounts, refund orders etc.

This Red Herring Prospectus, in so far as it relates to terms of the Issue should be read in conjunction with the aforestated paragraphs, to the extent applicable.

Foreign Ownership of Indian Securities

Eligible NRIs, FIIs, FVCIs (subject to receipt of appropriate approvals by the FVCI from the appropriate regulatory authority) and multilateral and bilateral development financial institutions are eligible to participate in this Issue. There is no reservation for Eligible NRIs and FIIs. All Eligible NRIs and FIIs will be treated on the same basis with other categories for the purpose of allocation. Further, as per existing regulations, OCBs cannot participate in this Issue. For further details, see the section titled "***Regulations and Policies***" on page 83.

Our Equity Shares have not been and will not be registered under the U.S. Securities Act under the securities laws of any state or other jurisdiction of the United States and the Company has not been and will not be registered under the U.S. Investment Company Act. The Equity Shares may not be offered or sold within the United States (as defined in Regulation S) or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S), except pursuant to an exemption from or in a transaction not subject to, registration requirements of the U.S. Securities Act. Our Equity Shares are only being offered or sold to in the United States (as defined in Regulation S) to, and to U.S. Persons (as defined in Regulation S) that are, (i) entities that are both "Qualified Institutional Buyers" as defined in Rule 144A under the U.S. Securities Act and "Qualified Purchasers" as defined under the U.S. Investment Company Act and related rules and (ii) outside the United States (as defined in Regulation S) to non-U.S. Persons (as defined in Regulation S) in offshore transactions in compliance with Regulation S and the applicable laws of the jurisdictions where those offers and sales occur.

Our Company and the Selling Shareholder have obtained all the necessary approvals from the concerned governmental authorities for this Issue. The RBI has, pursuant to its letter (FE.CO.FID. No. 17056/10.21.073/2009-10) dated January 1, 2010, accorded its 'no-objection' for (a) the issuance of Equity Shares forming part of the Fresh Issue to eligible non-residents, subject to, *inter alia,* the terms and conditions of Schedule I to Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended, and (b) transfer of Equity Shares forming part of the Offer for Sale. For further details regarding the requirement for the said approval and other ancilliary matters in this regard, see the sections titled "Regulations and Policies" and "Government and Other Approvals" on pages 83 and 212, respectively.

The Book Running Lead Managers undertake that the complaints or comments received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily.

ISSUE PROCEDURE FOR ASBA BIDDERS

SEBI, by its circular dated July 30, 2008, had introduced the "Application Supported by Blocked Amount" as a supplementary facility of applying in public issues, which facility was available only to Retail Individual Bidders, wherein the application money remained in the "ASBA Account" until allotment in the public issue. However, pursuant to a circular dated December 30, 2009 ("**ASBA Phase II Circular**"), SEBI has, *inter alia*, extended the facility of ASBA to all category of investors, except QIBs. This extended facility of ASBA has been referred to as 'ASBA Phase – II'. The said circular dated July 30, 2008 has been withdrawn pursuant to the ASBA Phase II Circular. The ASBA Phase – II shall be applicable to all public issues which are opening on or after January 1, 2010. Since ASBA Phase – II introduces a new mode of payment, set forth below is the procedure for bidding under the "ASBA" procedure, for the benefit of the ASBA Bidders.

Bidders are advised to read this section in consonance with the other sections of this Red Herring Prospectus.

The list of banks who have been notified by SEBI to act as SCSBs for the ASBA process are provided at http://www.sebi.gov.in. For details on designated branches of SCSB collecting the ASBA Form, please refer to http://www.sebi.gov.in.

ASBA Process

Bidders, except QIBs, can submit Bids through ASBA Forms, either in physical or electronic mode, to the SCSB with whom the bank account of the ASBA Bidder or bank account utilised by the ASBA Bidder ("**ASBA Account**") is maintained. The SCSB shall block an amount equal to the Bid Amount in the ASBA Account specified in the ASBA Form, physical or electronic, on the basis of an authorisation to this effect given by the account holder at the time of submitting the Bid. The ASBA data shall thereafter be uploaded by the SCSB in the electronic public issue system of the Stock Exchanges.

The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the 'Basis of Allocation' and consequent transfer of the Bid Amount against the allocated Equity Shares to the Public Issue Account, or until withdrawal/failure of this Issue or until withdrawal/rejection of the ASBA, as the case may be. Once the 'Basis of Allocation' is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful ASBA Bidders to the Public Issue Account. In case of withdrawal/failure of this Issue, the blocked amount shall be unblocked on receipt of such information from the Book Running Lead Managers, through the Registrar to the Issue.

In accordance with the SEBI Regulations, QIBs cannot participate in this Issue through the ASBA process.

ASBA Form

An ASBA Bidder shall use the ASBA Form obtained from the Designated Branches bearing the stanp of the Syndicate Member for the purpose of making a Bid in terms of this Red Herring Prospectus. ASBA Bidders are required to submit their Bids, either in physical or electronic mode. In case of application in physical mode, the ASBA Bidder shall submit the ASBA Form at the relevant Designated Branch. In case of application in electronic form, the ASBA Bidder shall submit the ASBA Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA Account held with SCSB, and accordingly registering such Bids.

- In the ASBA Form, the ASBA Bidder shall, *inter alia,* give the following confirmations/declarations:

    a. That such person is an ASBA Bidder as per the SEBI Regulations;

    b. That such person has authorized the relevant SCSB to do all acts as are necessary to make an application in this Issue, upload the Bid, block or unblock the funds in the ASBA Account and transfer the funds from the ASBA Account to the Public Issue Account after finalization of the 'Basis of Allocation' entitling the ASBA Bidder to receive Equity Shares in this Issue etc.; and

    c. That such person has authorized the Registrar to the Issue and/or the Book Running Lead Managers, as applicable, to issue instructions to the SCSBs to unblock the funds in the ASBA Account upon finalization of the 'Basis of Allocation' and to transfer the requisite money to the Public Issue Account.

- On submission of the ASBA Form, the ASBA Bidders are deemed to have authorised (i) the concerned SCSB to do all acts as are necessary to make the participate in this Issue, including uploading his/her Bid, blocking or unblocking of funds in the bank account maintained with the SCSB specified in the ASBA Form, transfer of funds to the Public Issue Account on receipt of instruction from the Registrar to the Offer after finalisation of the basis of Allotment; and (ii) the Registrar to the Issue to issue instructions to the SCSB to remove the block on the funds in the bank account specified in the ASBA Form, upon finalisation of the basis of Allotment. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the ASBA Form shall be considered as the Application Form.

- Further, upon completing and submitting the ASBA Form, the ASBA Bidder is deemed to have authorised our Company and the Selling Shareholder to make the necessary changes in this Red Herring Prospectus as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the ASBA Bidder.

Maximum and Minimum Bid Size for ASBA Bidders

The ASBA Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. ASBA Bidders who are Resident Individual Bidders (including HUFs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000 in any of the bidding options in the Issue, will be categorised as Retail Individual Bidders. ASBA Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount over Rs. 100,000 will be categorised as Non-Institutional Bidders.

Information for the ASBA Bidders:

1. The Book Running Lead Managers shall ensure that adequate arrangements are made to circulate copies of this Red Herring Prospectus and the ASBA Form to the SCSBs and the SCSBs will then make available such copies to investors applying under the ASBA process. Additionally, the Book Running Lead Managers and shall ensure that the SCSBs are provided with soft copies of the abridged prospectus and the ASBA Form and that the same are made available on the websites of the SCSBs.

2. ASBA Bidders who would like to obtain this Red Herring Prospectus and/or the ASBA Form can obtain the same from the Designated Branches of the SCSBs. ASBA Bidders can also obtain a copy of this Red Herring Prospectus and/or the ASBA Form in electronic form on the websites of the SCSBs.

3. The Bids should be submitted to the SCSBs on the prescribed ASBA Form if applied in physical mode. SCSBs may provide the electronic mode of bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the ASBA Account.

4. ASBA Forms, if applied in physical mode, should bear the stamp of the Syndicate Member and/or Designated Branch of the SCSB. ASBA Forms which do not bear the stamp will be rejected.

5. The SCSBs shall accept Bids only from the ASBA Bidders during the Bidding Period.

6. ASBA Bidders shall correctly mention the bank account number in the ASBA Form and should ensure that funds equal to the Bid Amount are available in the bank account maintained with the SCSB before submitting the ASBA Form to the respective Designated Branch. In case the amount available in the bank account specified in the ASBA Form is insufficient for blocking the amount equivalent to the Bid Amount, the concerned SCSB shall reject the application.

7. If the ASBA Account holder is different from the ASBA Bidder, the ASBA Form should be signed by the account holder as provided in the ASBA Form. No more than five ASBA Forms can be submitted per bank account in the Issue.

8. ASBA Bidders shall correctly mention their DP ID and Client ID in the ASBA Form. For the purpose of evaluating the validity of Bids, the demographic details of ASBA Bidders shall be derived from the DP ID and Client ID mentioned in the ASBA Form.

Method and Process of Bidding

a. ASBA Bidders are required to submit their Bids, either in physical or electronic mode. ASBA Bidders submitting their Bids in physical mode should approach the Designated Branches of the SCSBs. ASBA Bidders submitting their Bids in electronic form shall submit their Bids either using the internet enabled bidding and banking facility of the SCSBs or such other electronically enabled mechanism for bidding and blocking funds in the accounts of the respective eligible investors, and accordingly registering such Bids. Every Designated Branch of the concerned SCSB shall accept Bids from all such investors who hold accounts with them and desire to place Bids through them. Such SCSBs shall have the right to vet the Bids, subject to the terms of the SEBI Regulations and this Red Herring Prospectus.

b. The Designated Branches of the SCSBs shall give an acknowledgment specifying the application number to the ASBA Bidders as a proof of acceptance of the ASBA Form. Such acknowledgment does not in any manner guarantee that the Equity Shares Bid for shall be allocated to the ASBA Bidders.

c. Upon receipt of the ASBA Form, submitted whether in physical or electronic mode, the Designated Branch of the concerned SCSB shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Form, prior to uploading such Bids with the Stock Exchanges.

d. If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.

e. If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Form. The Designated Branch shall thereafter enter the Bid details from the prescribed ASBA Form, if submitted in physical mode, or the Bid information submitted through the electronic mode made available by the SCSBs, as the case may be, into the electronic bidding system of the Stock Exchanges and generate a Transaction Registration Slip ("**TRS**"). The TRS shall be furnished to the ASBA Bidder on request.

f. An ASBA Bidder cannot Bid, either in physical or electronic mode, on another ASBA Form or a Bid cum Application Form after bidding on one ASBA Form, either in physical or electronic mode, has been submitted to the Designated Branches of SCSBs or uploaded by the ASBA Bidder, as the case may be. Submission of a second ASBA Form or a Bid cum Application Form to either the same or to another Designated Branch of the concerned SCSB will be treated as multiple Bids and will be liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment.

Bidding

a. The Floor Price and the minimum Bid lot size for the Issue shall be decided by the Company, in consultation with the Book Running Lead Managers, and advertised in two national newspapers (one in English and one in Hindi, which is also the regional newspaper) at least one Working Day prior to the Issue Opening Date. The ASBA Bidders can submit only one Bid in the ASBA Form.

b. Our Company and the Selling Shareholder, in consultation with the Book Running Lead Managers, reserve the right to revise the Bidding Period, in accordance with the SEBI Regulations.

c. In case of such revision of Bidding Period, the Bidding Period will be extended for three additional days subject to a maximum of 10 Working Days. Any revision in the Bidding Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a public notice in two national newspapers (one each in English and Hindi, which is also a regional newspaper) and also by indicating the change on the website of the Book Running Lead Managers, SCSBs and at the terminals of the members of the Syndicate.

d. ASBA Bidders agree that they shall purchase the Equity Shares at the Floor Price.

Mode of Payment

The ASBA Bidders shall specify the ASBA Account number in the ASBA Form and the SCSB shall block an amount equivalent to the Bid Amount in the ASBA Account specified in the ASBA Form.

Upon submission of an ASBA Form with the relevant SCSB, whether in physical or electronic mode, each ASBA Bidder shall be deemed to have agreed to block the entire Bid Amount and authorized the relevant Designated Branch to block the Bid Amount, in the ASBA Account.

ASBA Form should not be accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amounts in the ASBA Account.

After verifying that sufficient funds are available in the ASBA Account, the concerned SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Form till the Designated Date. On the Designated Date, the SCSBs shall transfer the amounts allocable to the ASBA Bidders from the respective ASBA Account, in terms of the SEBI Regulations, into the Public Issue Account. The balance amount, if any against the said Bid in the ASBA Accounts shall then be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Book Running Lead Managers, through the Registrar to the Issue.

The Bid Amount shall remain blocked in the ASBA Account until finalization of the 'Basis of Allocation' in this Issue and consequent transfer of the Bid Amount against allocated shares to the Public Issue Account, or withdrawal/failure of this Issue or withdrawal/failure of the Bid through ASBA, as the case may be. The balance amount, if any, against the said Bid in the ASBA Accounts shall then be un-blocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the Issue. In the event the ASBA Account does not have a sufficient credit balance for the Bid Amount, the ASBA shall be rejected by the relevant SCSB and no funds shall be blocked in the said ASBA Account. In the event of withdrawal or rejection of an ASBA Form or for unsuccessful ASBA Forms, the Book Running Lead Managers, through the Registrar to the Issue shall give instructions to the Controlling Branch of the relevant SCSB to unblock the funds in the relevant ASBA Account.

Electronic Registration of Bids by SCSBs

Upon receipt of the ASBA Form whether in physical or electronic mode, the Designated Branch of the SCSBs shall register and upload the Bid using the online facilities of the Stock Exchanges. **The Book Running Lead Managers, our Company, the Selling Shareholder and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to Bids accepted by SCSBs, Bids uploaded by SCSBs, Bids accepted but not uploaded by**

SCSBs or Bids accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for Bids uploaded by SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.

At the time of registering each Bid, the Designated Branches of the SCSBs shall enter the information pertaining to the investor into the online system, including the following details:

- Name of the Bidder(s);
- Application Number;
- PAN;
- Number of Equity Shares Bid for;
- Depository Participant identification number; and
- Client identification number of the Bidder's beneficiary account.

In case of electronic ASBA, the ASBA Bidder shall fill in all the above mentioned details, except the application number which shall be system generated. The SCSBs shall thereafter upload all the abovementioned details in the electronic bidding system provided by the Stock Exchange(s).

A system generated TRS will be given to the ASBA Bidder upon request as proof of the registration of the Bid. **It is the ASBA Bidder's responsibility to obtain the TRS from the relevant Designated Branch.** The registration of the Bid by the Designated Branch of the SCSB does not guarantee that our Equity Shares Bid for shall be allocated to the ASBA Bidders. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

The Stock Exchanges offer a screen-based facility for registering Bids for this Issue which will be available on the terminals of Designated Branches during the Bidding Period. The Designated Branches can also set up facilities for offline electronic registration of Bids subject to the condition that they will subsequently upload the offline data file into the online facilities for alternate book building on a regular basis. On the Issue Closing Date, the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges.

The Stock Exchanges offer a screen-based facility for registering Bids for the Issue which will be available on the terminals of Designated Branches during the Bidding Period. The Designated Branches can also set up facilities for offline electronic registration of Bids subject to the condition that they will subsequently upload the offline data file into the online facilities for book building on a regular basis. On the Issue Closing Date, the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges. ASBA Bidders are cautioned that high inflow of bids typically received on the last day of the bidding may lead to some Bids received on the last day not being uploaded due to lack of sufficient uploading time, and such bids that are not uploaded may not be considered for allocation.

The aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges will be displayed online at all the Designated Branches of the SCSBs and on the websites of the Stock Exchanges. A graphical representation of consolidated demand and price would be made available at all the Designated Branches of the SCSBs during the Bidding Period.

It is to be distinctly understood that the permission given by the Stock Exchanges to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, the Selling Shareholder or the Book Running Lead Managers or the Designated Branches of the SCSBs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements; nor does it take any responsibility for the financial or other soundness of our Company, the Selling Shareholder, our management or any scheme or project of our Company.

It is also to be distinctly understood that the approval given by the Stock Exchanges should not in any way be deemed or construed that this Red Herring Prospectus has been cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that our Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

The SCSB may reject the Bid by an ASBA Bidder upon receipt of ASBA Form, if the bank account maintained with the SCSB as mentioned in the ASBA Form does not have sufficient funds equivalent to the Bid Amount. Subsequent to the acceptance of the Bid by the Designated Branch, our Company and the Selling Shareholder would have a right to reject the Bids only on technical grounds.

Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/Allotment. In case of discrepancy of data between the BSE or NSE and the Designated Branches of the SCSBs, the decision of the Registrar, in consultation with the BRLMs, our Company, the Selling Shareholder and the Designated Stock Exchange, based on the physical records of the ASBA Forms shall be final and binding on all concerned.

ASBA Bidders are cautioned that high inflow of Bids typically received on the last day of the Bidding Period may lead to some Bids received on the last ay not being uploaded due to lack of sufficient uploading time, and such Bids that are not uploaded may not be considered for allocation.

Build Up of the Book and Revision of Bids

a. Bids registered through the Designated Branches of the SCSBs shall be electronically transmitted to the Stock Exchanges' mainframe on a regular basis.

b. The SCSBs shall provide aggregate information about the numbers of ASBA Forms uploaded, total number of Equity Shares and total amount blocked against the uploaded ASBA Form and other information pertaining to the ASBA Bidders. The Registrar to the Issue shall reconcile the electronic data received from the Stock Exchanges and the information received from the SCSBs. In the event of any error or discrepancy, the Registrar to the Issue shall inform the concerned SCSB of the same. The concerned SCSB shall be responsible to provide the rectified data within the time stipulated by the Registrar to the Issue. Further, the decision of the Registrar to the Issue in consultation with the Book Running Lead Managers, our Company, the Selling Shareholder and the Designated Stock Exchange, in this regard shall be final and binding.

c. During the Bidding Period, any ASBA Bidder who has registered his/ her or its interest in the Equity Shares at the Floor Price is free to revise his/ her or its Bid using the printed ASBA Revision Form, which is a part of the ASBA Form. However, the SCSB will not accept incomplete or inaccurate Revision Forms.

d. The ASBA Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the ASBA Bidders will have to use the services of the same Designated Branch of the concerned SCSB with whom he/she holds the bank account. ASBA Bidders are advised to retain copies of the ASBA Revision Form and the revised Bid must be made only in such ASBA Revision Form or copies thereof.

e. Any revision of the number of Equity Shares Bid for, shall be accompanied by an instruction to block the incremental amount on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be unblocked by the SCSB.

f. When an ASBA Bidder revises his/her the number of Equity Shares Bid for, he/she shall surrender the earlier TRS and get a revised TRS from the SCSBs. **It is the responsibility of the ASBA Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

g. Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/ Allotment.

Unblocking of ASBA Account

Once the 'Basis of Allocation' is finalized, the Book Running Lead Managers, through the Registrar to the Issue and the Designated Stock Exchange shall send an appropriate request to the SCSBs for unblocking the ASBA Accounts and for the transfer of requisite amount to the Public Issue Account. On the basis of instructions from the Registrar to the Issue, the SCSBs shall transfer the requisite amount against each successful ASBA Bidder to the Public Issue Account and shall unblock excess amount, if any in the ASBA Account. However, the Bid Amount may be unblocked in the ASBA Account prior to receipt of intimation from the Registrar to the Issue by the relevant Controlling Branch regarding finalisation of the 'Basis of Allocation', in the event of withdrawal or failure of this Issue or withdrawal or rejection of the ASBA Bid, as the case may be.

After the Issue Closing Date, the Registrar to the Issue shall aggregate the demand generated under the ASBA process and which details are provided to them by the SCSBs along with the demand generated by other Bidders, except QIBs, to determine the total demand generated by such Bidders.

Interest in Case of Delay in Dispatch of Allotment Letters/ Refund Orders or Instructions to SCSBs

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Regulations, our Company and the Selling Shareholder undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;
- Instructions to SCSBs to unblock the funds in the relevant ASBA Account for withdrawn rejected or unsuccessful Bids shall be made within 15 days of the Issue Closing Date.
- Our Company shall pay interest at 15% p.a. if instructions to SCSBs to unblock funds in the ASBA Accounts are not given within 14 days of the Issue Closing Date.

Our Company and the Selling Shareholder will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Issuance of CAN

(a) Upon approval of the 'Basis of Allocation' by the Designated Stock Exchange, the Registrar to the Issue shall send the Controlling Branches of the SCSBs, a list of the ASBA Bidders who have been allocated Equity Shares in this Issue, along with:

  - The number of Equity Shares to be allotted against each successful ASBA Form;
  - The amount to be transferred from the ASBA Account to the Public Issue Account, for each successful ASBA Form;
  - The date by which the funds referred to above, shall be transferred to the Public Issue Account; and
  - The details of rejected ASBAs, if any, along with reasons for rejection and details of withdrawn/ unsuccessful ASBAs, if any, to enable SCSBs to unblock the respective ASBA Accounts.

  Investors should note that our Company shall ensure that the instructions for demat credit of the Equity Shares to all investors in this Issue shall be given on the same date; and

(b) The ASBA Bidders shall directly receive the CAN from the Registrar. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the ASBA Bidder.

Allotment

- Our Company and the Selling Shareholder will ensure that the Allotment is done within 15 days of the Issue Closing Date. After the funds are transferred from the ASBA Accounts to the Public Issue Account on the Designated Date, to the extent applicable, our Company would ensure the credit of the Allotted Equity Shares to the depository accounts of all successful ASBA Bidders' within two Working Days from the date of Allotment.

- As per the SEBI Regulations, Equity Shares will be issued, transferred and allotted only in the dematerialised form to the Allottees. Allottees will have the option to re-materialise our Equity Shares so Allotted, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

GENERAL INSTRUCTIONS

DO's:

1. Ensure that you use the ASBA Form specified for the purposes of ASBA process.

2. Read all the instructions carefully and complete the ASBA Form.

3. Ensure that the details of your Depository Participant and beneficiary account are correct and that your beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.

4. Ensure that your Bid is submitted at the relevant Designated Branch, where the ASBA Bidder or a person whose bank account will be utilized by the ASBA Bidder for bidding has a bank account, and not to the Bankers to the Issue/Collecting Banks (assuming that such Collecting Bank is not a SCSB), to our Company, the Selling Shareholder or the Registrar, the Book Running Lead Managers.

5. Ensure that the ASBA Form is signed by the account holder in case the applicant is not the account holder.

6. Ensure that you have mentioned the correct ASBA Account number in the ASBA Form.

7. Ensure that you have funds equal to the number of Equity Shares Bid for at the Floor Price available in your ASBA Account before submitting the ASBA Form to the respective Designated Branch of the SCSB.

8. Ensure that you have correctly checked the authorisation box in the ASBA Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for the Designated Branch to block funds equivalent to the Bid Amount mentioned in the ASBA Form in your ASBA Account maintained with a branch of the concerned SCSB.

9. Ensure that you receive an acknowledgement from the Designated Branch of the concerned SCSBs for the submission of your ASBA Form.

10. Except for Bids on behalf of the Central or State Government and the officials appointed by the courts, and Bidders residing in the State of Sikkim, each of the Bidders should mention their PAN.

11. Ensure that the name(s) given in the ASBA Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the ASBA Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the ASBA Form.

12. Ensure that the Demographic Details are updated, true and correct, in all respects.

DON'Ts:

1. Do not submit an ASBA Form if you are a QIB.

2. Do not Bid on another ASBA Form or on a Bid cum Application Form after you have submitted a Bid to a Designated Branch of the SCSB.

3. Payment of Bid Amounts in any mode other than blocked amounts in the ASBA Accounts shall not be accepted under the ASBA process.

4. Do not send your physical ASBA Form by post; instead submit the same to a Designated Branch of the SCSB only.

5. Do not submit more than five ASBA Forms per bank account for the Issue.

6. Do not submit the GIR number instead of the PAN.

7. Do not instruct your respective banks to release the funds blocked in the ASBA Account under the ASBA process.

INSTRUCTIONS FOR COMPLETING THE ASBA FORM

1. Made only in the prescribed ASBA Bid cum Application Form, which is white in colour if submitted in physical mode, or electronic mode.

2. The Bid may be made in single name or in joint names (not more than three, and in the same order as their Depository Participant details).

3. Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein and in the ASBA Form.

4. The maximum and minimum Bid size of a particular ASBA Bidder shall be as prescribed in the section titled "***—Maximum and Minimum Bid Size for ASBA Bidders***" on page 278.

5. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

6. ASBA Bidders should correctly mention the ASBA Account number in the ASBA Form and ensure that funds equal to the Bid Amount are available in the ASBA Account before submitting the ASBA Form to the respective Designated Branch.

7. If the ASBA Account holder is different from the ASBA Bidder, the ASBA Form should be signed by the account holder as provided in the ASBA Form.

8. ASBA Bidders should correctly mention their DP ID and Client ID in the ASBA Form. For the purpose of evaluating the validity of Bids, the demographic details of ASBA Bidders shall be derived from the DP ID and Client ID mentioned in the ASBA Form.

ASBA Bidder's Depository Account and Bank Details

ALL ASBA BIDDERS SHALL RECEIVE THE EQUITY SHARES ALLOTTED TO THEM IN DEMATERIALISED FORM. ALL ASBA BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE ASBA FORM. ASBA BIDDERS MUST ENSURE THAT THE NAME GIVEN IN THE ASBA FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE ASBA FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE ASBA FORM.

ASBA Bidders should note that on the basis of name of the ASBA Bidders, Depository Participant's name and identification number and beneficiary account number provided by them in the ASBA Form, the Registrar to the Issue will obtain from the Depository, demographic details of the ASBA Bidders including address, ("**Demographic Details**"). Hence, ASBA Bidders should carefully fill in their Depository Account details in the ASBA Form.

As these Demographic Details would be used for all correspondence with the ASBA Bidders they are advised to update their Demographic Details as provided to their Depository Participants.

By signing the ASBA Form, the ASBA Bidder is deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

CAN/ allocation advice would be mailed at the address of the ASBA Bidder as per the Demographic Details received from the Depositories. ASBA Bidders may note that delivery of CAN/ allocation advice may be delayed if the same once sent to the address obtained from the Depositories are returned undelivered. Note that any such delay shall be at the sole risk of the ASBA Bidders and neither of the Designated Branches of the SCSBs, the members of the Syndicate, our Company, the Selling Shareholder or the Registrar to the Issue shall be liable to compensate the concerned ASBA Bidder for any losses caused to him due to any such delay or be liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories that match three parameters, namely, names of the ASBA Bidders (including the order of names of joint holders), the DP ID and the beneficiary account number, then such Bids are liable to be rejected.

ASBA Bidders are required to ensure that the beneficiary account is activated, as Equity Shares will be Allotted in dematerialised form only.

ASBA Bids under Power of Attorney

In case an ASBA Bidder makes a Bid pursuant to a power of attorney, a certified copy of the power of attorney must be lodged along with the ASBA Form. Failing this, our Company and the Selling Shareholder, in consultation with the Book Running Lead Managers, reserve the right to reject such Bids. Our Company and the Selling Shareholder, in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the ASBA Form (if submitted in physical form), subject to such terms and conditions that our Company and the Selling Shareholder, in consultation with the Book Running Lead Managers may deem fit.

Our Company and the Selling Shareholder, in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar to the Issue that, for the purpose of printing particulars on the refund order and mailing of the refund order/ CANs/ allocation advice, the Demographic Details given on the ASBA Form (if submitted in physical form) should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic Details as given on the ASBA Form instead of those obtained from the Depositories.

OTHER INSTRUCTIONS

Withdrawal of ASBA Bids

In case an ASBA Bidder wants to withdraw his/her ASBA during the Bidding Period, he/she shall submit his/her withdrawal request to the concerned SCSB, which shall do the necessary, including deletion of details of the withdrawn ASBA from the electronic bidding system of the Stock Exchanges and unblocking of funds in the relevant bank accounts. In case an an ASBA Bidder wants to withdraw his/her ASBA after the Issue Closing Date, he/she shall submit the withdrawal request to the Registrar to the Issue. The Registrar to the Issue shall delete the withdrawn bid from the bid file and give instruction to the SCSB for unblocking the ASBA Account after finalization of the 'Basis of Allocation'.

Joint ASBA Bids

ASBA Bids may be made in single or joint names (not more than three). In case of joint ASBA Bids, all communication will be addressed to the first Bidder and will be dispatched to his address.

Multiple ASBA Bids

An ASBA Bidder should submit only one ASBA Form. Two or more Bids will be deemed to be multiple Bids if the sole or first Bidder is one and the same. However, submission of up to five ASBA Forms per bank account in the Issue is permitted and shall not be treated as multiple Bids. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are described in "Issue Procedure - Multiple Bids" on page 261.

Permanent Account Number

Except for Bids on behalf of the Central or State Government and the officials appointed by the courts, each of the Bidders, should mention his/her PAN allotted under the I.T. Act. **Applications without this information will be considered incomplete and are liable to be rejected by the SCSBs**. It is to be specifically noted that ASBA Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.

Further, Bidders residing in the State of Sikkim are exempted from the mandatory requirement of PAN. The exemption is subject to the 'Depository Participants' verifying the veracity of the claim of the investors that they are residents of Sikkim, by collecting sufficient documentary evidence in support of their address.

RIGHT TO REJECT ASBA BIDS

The Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the ASBA Account, the respective Designated Branch ascertains that sufficient funds are not available in the ASBA Account. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company and the Selling Shareholder would have a right to reject the ASBA Bids only on technical grounds.

Further, in case any DP ID, Client ID or PAN mentioned in the ASBA Form does not match with one available in the depository's database, such ASBA Bid shall be rejected by the Registrar to the Issue.

Grounds for Technical Rejections under the ASBA Process

ASBA Bidders are advised to note that Bids under the ASBA Process are liable to be rejected on, *inter alia*, the following technical grounds:

1. Application on plain paper or on split form;

2. Amount mentioned in the ASBA Form does not tally with the amount payable for the value of Equity Shares Bid for;

3. Age of first Bidder not given;

4. Bid made by QIBs;

5. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and persons of unsound mind;

6. ASBA Forms not being signed by account holder, if the account holder is different from the Bidder;

7. PAN not stated, or GIR number furnished instead of PAN;

8. Bids for number of Equity Shares, which are not in multiples of [●];

9. Authorisation for blocking funds in the ASBA Bidder's bank account not ticked or provided;

10. Multiple Bids as defined in this Red Herring Prospectus;

11. In case of ASBA Bid under power of attorney, relevant documents are not submitted;

12. ASBA Bids accompanied by stockinvest/money order/postal order/cash;

13. Signature of sole and/or joint Bidders missing in case of ASBA Bid cum Application Forms submitted in physical mode;

14. ASBA Form does not have the stamp of the SCSB and/or a member of the Syndicate;

15. ASBA Form does not have the Bidder's depository account details;

16. ASBA Form is not delivered, either in physical or electronic form, by the Bidder within the time prescribed and as per the instructions provided in the ASBA Form and this Red Herring Prospectus;

17. Inadequate funds in the ASBA Account to block the Bid Amount specified in the ASBA Form at the time of blocking such Bid Amount in the ASBA Account;

18. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the DP ID and the beneficiary account number; and

19. Bids by Directors and employees not in accordance with laws, regulations, guidelines circulars or notifications applicable to them.

Bidders are advised that ASBA Bids not uploaded in the electronic book of the Stock Exchanges, due to any of the grounds mentioned above, would be rejected.

COMMUNICATIONS

All future communication in connection with ASBA Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First ASBA Bidder, ASBA Form number, details of Depository Participant, number of Equity Shares applied for, date of ASBA Form, name and address of the relevant Designated Branch and bank account number of the ASBA Account, a copy of the acknowledgement slip, with a copy to the relevant SCSB. The Registrar to the Issue shall obtain the required information from the SCSBs for addressing any clarifications or grievances. The relevant SCSB shall be responsible for any damage or liability resulting from any errors, fraud or willful negligence on the part of any employee of the concerned SCSB, including its Designated Branches and the branches where the ASBA Accounts are held.

ASBA Bidders can contact the Compliance Officer, the relevant Designated Branch, or the Registrar to the Issue in case of any pre or post-Issue related problems such as non-receipt of credit of Allotted Equity Shares in the respective beneficiary accounts, unblocking of excess Bid Amount, etc.

Disposal of Investor Grievances

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the relevant SCSB, giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked on application, bank account number of the ASBA Account number and the Designated Branch or the collection centre of the SCSB where the ASBA Form was submitted by the ASBA Bidders.

Impersonation

For details, see the section titled "***Other Regulatory and Statutory Disclosures-Impersonation***" on page 228.

Disposal of Applications and Application Moneys and Interest in Case of Delay in Instructions to SCSBs by the Registrar to the Issue

In accordance with the Companies Act, the requirements of the Stock Exchanges and SEBI Regulations, our Company and the Selling Shareholder undertake that:

- Allotment shall be made only in dematerialised form within 15 days from the Issue Closing Date;

- Instructions for unblocking of the ASBA Bidder's ASBA Account shall be made; and

- Interest shall be paid by our Company at 15% p.a. for any delay beyond the 15 day period mentioned above, if Allotment is not made and/or demat credits are not made to investors within the time period prescribed above or if instructions to SCSBs to unblock ASBA Accounts are not issued within 14 days of the Issue Closing Date.

Basis of Allocation

Bids received from ASBA Bidders will be considered at par with Bids received from other Bidders, except QIBs. The basis of allocation to such valid ASBA Bidders and non-ASBA Bidders will be that applicable to Retail Individual Bidders, Non-Institutional Bidders and Bidders bidding under the Employee Reservation Portion. For details, see the section titled "***Issue Procedure–Basis of Allocation***" on pages 267.

Method of Proportionate basis of allocation in the Issue

ASBA Bidders who are Resident Individual Bidders (including HUFs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000 in any of the Bidding options in the Issue, will be categorised as Retail Individual Bidders. ASBA Bidders that are not Retail Individual Bidders and who have Bid for Equity Shares for an amount over Rs. 100,000 will be categorised as Non-Institutional Bidders. Bidders bidding under the Employee Reservation Portion shall also be considered as ASBA Bidders and shall be eligible to Bid under the ASBA process.

Undertakings by our Company

In addition to our undertakings described under "Issue Procedure – Undertakings by our Company" on page 274, with respect to the ASBA Bidders, we undertake that adequate arrangements shall be made to collect all ASBA Forms and ASBA Bidders shall be considered similar to other Bidders while finalizing the 'Basis of Allocation'.

Undertakings by the Selling Shareholder in relation to ASBA

In addition to the undertakings by our Promoter as the Selling Shareholder described under the section titled "***Issue Procedure - Undertakings by our Promoter as the Selling Shareholder***" on page 274, with respect to the ASBA Bidders, the Selling Shareholder undertake that adequate arrangements shall be made to collect all ASBA Forms and ASBA Bidders shall be considered similar to other Bidders while finalizing the 'Basis of Allocation'.

SECTION VIII – MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Pursuant to Schedule II of the Companies Act and the SEBI Regulations, the main provisions of our Articles relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares or debentures and/or on their consolidation/splitting are detailed below. Please note that each provision herein below is numbered as per the corresponding article number in our Articles and capitalized/defined terms herein have the same meaning given to them in our Articles.

The regulations contained in Table A in the First Schedule to the Companies Act, shall not apply to our Company except in so far as they are now modified or excluded or supplemented in these articles.

6.	**Buy-back of shares**
	Notwithstanding any of the provisions of these Articles, the Company shall have the power, subject to and in accordance with the relevant provisions of the Act and other applicable provisions of law, and subject to such approvals, permissions and sanctions, if any, as may be necessary, to purchase, acquire or hold its own Shares or other specified securities as defined in the Act, on such terms and conditions and in such manner, and up to such limits as may be prescribed by law from time to time, and make payment out of its free reserves or security premium account of the Company or out of the proceeds of an issue other than fresh issue of Shares made specifically for buy back purpose provided that, nothing herein contained shall be deemed to affect the provisions of Section 100 to 104 of the Act in so far as and to the extent they are applicable.
7.	**Allotment of shares**
(1)	Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and subject to the provisions of Section 77A of the Act with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or at premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid – up shares and if so issued shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in General Meeting.
(2)	Notwithstanding anything to the contrary contained in the Act or in these Articles, after an issue, where the securities are dealt with the Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.
7A	**Payment of Commission and Brokerage**
(i)	Subject to the provisions of the Act, as may be applicable, the Company may at any time pay a commission to any person in consideration of his subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares or debentures in the company or procuring or agreeing to procure subscription (whether absolute or conditional) for any shares or debentures or other securities issued by the Company, but so that the commission shall not exceed in the case of shares five percent (or such percent as may be prescribed by the Act or the Rules framed thereunder) of the price at which the shares are issued and in case of debentures or other securities two and a half percent (or such percent as may be prescribed by the Act or the Rules framed thereunder or by any statutory authority) of the price at which the debentures or other securities are issued. Such commission may be satisfied by payment of cash or allotment of fully or partly paid shares/debentures / securities or partly in one way and partly in the other.
(ii)	The Company may pay a reasonable and lawful sum of brokerage.
8.	**Right of members or debenture holders to certificates**
(1)	Subject to the requirement of the Listing agreement and the byelaws of the Stock exchanges, every member shall be entitled, without payment, to one or more certificates in marketable lots, forall the shares of each class or denomination registered in his name, or if the Directors

	so approve (upon paying such fees as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment unless the conditions of issue thereof otherwise provide, or within one month of the receipt of application of registration of transfer, transmission, sub division, consolidation or renewal of any of its shares, as the case may be. Every certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate and delivery of a certificate of shares to one of several right holders shall be sufficient delivery to all such holders.
(2)	All securities held by a Depository shall be dematerialised and be in fungible form and shall not be progressively numbered and the provisions relating to the progressive numbering shall not apply to the Shares or other securities of the Company which are dematerialised and no certificate shall be issued in respect of the shares of other securities issued/held in dematerialised form with the Depository.
(3)	Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears as the beneficial owner of the Shares or other securities in the records of the Depository as the absolute owner thereof as regard the receipt of dividends or bonus or service of notice and all or any other matters connected therewith and the Depository shall not have any voting rights or any other rights in respect of the Shares or other securities held by it. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository.
(4)	All blank forms to be issued for issue of certificates shall be printed and the printing shall be done only on the authority of aresolution of the Board or a committee of Directors duly appointed. The blank forms shall be consecutively machine numbered and the forms and the blocks, engravings, facsimiles and hues relatings to the printing of such forms as well as books and documents relating to the issue shall be kept in the custody of the Secretary or such persons as the Board or a Committee of Directors may appoint for the purpose.
8A.	**Dematerialization of Securities**
(a)	Notwithstanding anything contained in these Articles, the Company shall be entitled to Dematerialize or rematerialize its shares, Debentures and other securites (both present and future) held by it with the depository and to offer its shares, debentures, and other securities for subscription in a dematerilzed form pursuant to the Depositories Act, 1996 and the rules framed thereunder, if any.
(b)	Every person subscribing to securities offered by the Company shall have the option to recieve the security certificate or to hold the security with a Depository. Such a person who is the beneficial owner of security can at any time opt out of a Depository if permitted by law, in respect of any security and the Company shall, in the manner and within the time prescribed provided by the Depositories Act ,1996 issue to the beneficial owner the required certificates of security. If a person opts to hold his security with the Depository, then notwithstanding anything to the contrary contained in the Act or in these Articles, the Company shall initimate such depository the details of allotment of the security and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.
(c) (i)	Notwithstanding anything to the contrary contained in the Act or in these Articles a depository shall be deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.
(ii)	Save as otherwise provided in (i) above the Depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
(iii)	Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the Depository shall be deemed to be a member/debenture holder, as the case may, of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of the securities which are held by a Depository.
9.	**Issue of new certificate of Share of Debenture**
	If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the

	back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every certificate under the article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs. 2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer. Provided that notwithstanding what is stated above the directors shall comply with such rules or regulations or requirements of any stock exchange or the rules made under the Act or the rules made under the Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf. The provision of this Article shall mutatis mutandis apply to the debentures of the Company.
10.	**Calls on Shares**
(1)	The Board may, from time to time, subject to the terms on which any Shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of Board make such call as it thinks fit upon the members in respect of all moneys unpaid on the Shares held by them and each member shall pay theamount of every call so made on him to the person(s) and at the times and places appointed by the Board. A call may be made payable by installments. Thirty days notice in writing of any call shall be given by the Company specifying the time and place of payment, and the person(s) to whom such call shall be paid. A call shall be deemed to have been made at the time when the resolution authorising such call was passed at a meeting of the Board. A call may be revoked or postponed at the discretion of the Board. The Board may from time to time at its discretion, extend the time fixed for the payment of any call, but no member shall be entitled to such extension save as a matter of grace and favour.
(2)	That where calls are made on partly paid up Shares : -
(i)	Call notice shall be sub-divided into smaller units when so required by the registered shareholders and duplicate call notices shall be issued at the request of the persons beneficially entitled on production of satisfactory evidence that they are so beneficially entitled.
(ii)	Payment of calls money shall be accepted from the beneficial holders on production of sub-divided or duplicate call notices without insisting that the Shares in respect of these call moneys are paid shall be transferred into the names of the beneficial holders.
(iii)	The surrender of call money receipts shall be accepted when allotment letters are presented to the Company to be exchanged for share certificates regardless of persons in whose favour the receipts have been made out and the Board shall not require surrender of any receipts from the registered shareholder(s) of the issue of discharge or indemnity from him or them before issuing the Share certificate(s).
(3)	The provisions of these Articles shall mutatis mutandis apply to the calls on Debentures.
11.	**When interest on call payable**
	If a sum payable in respect of any call be not paid on or before the day appointed for payment thereof the holder for the time being or allottee of the share in respect of which a call shall have been made, shall pay interest on the same at such rate not exceeding 6% per annum as the board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part.
12.	**Payment in anticipation of calls may carry interest**
	The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a

	right to participate in profits or dividend. The Directors may at any time repay the amount so advanced. The members shall not be entitled to any profits or dividend or voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable. The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.
13.	**Joint – holders liabilities to pay**
	The joint-holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
14.	**Company's lien on Shares and Debentures**
	The Company shall have a first and paramount lien upon all the shares/debentures (other than fully-paid shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys whether presently payable or not) called or payable at a fixed time in respect of such shares/ debentures, and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/ debentures. Unless otherwise agreed the registration of a transfer of shares/ debentures shall operate as a waiver of the company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from this clause.
15.	**Enforcement of lien by sale**
	The company may sell in such manner as the board thinks fit, any share on which the company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable or until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists and is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death or insolvency.
16.	**Application of Proceeds of sale**
	The proceeds of the sale shall be applied in payment of such part of the amount in respect of which the lien exists and presently payable, and the residue shall (subject to a like lien for sums not presently payable, as-existed upon the shares prior to the sale) be paid to the person entitled to the shares at the date of the sale. The purchaser shall be registered as the holder of the shares, and he shall not be bound to see the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale. The provisions of these articles shall stand mutatis mutandis apply to the Company's lien on debentures.
17.	**Forfeiture of Shares**
(1)	If a member fails to pay any call, or installment of a call, on the day appointed for payment thereof, the board may, at any time thereafter during such time as any part of the call or-installment remains unpaid, serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.
(2)	The notice aforesaid shall:-
(a)	Name a further day (not being earlier than the expiry of fourteen days from the date of service of notice) on or before which the payment required by the notice is to be made ; and
b)	State that in the event of non-payment on or before the day so named, the shares in respect of which the call was made will be liable to be forfeited.
(3)	If the requirements of any such notice as aforesaid are not complied with any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. When any share is forfeited, and entry of the forfeiture with the date thereof shall be made in the register.

(4)	A forfeited share may be sold or otherwise disposed of on such terms and in such as the manner board thinks fit.
(5)	At any time before a sale or disposal as aforesaid the board may cancel the forfeiture on such terms as it thinks fit.
18.	**Effects of forfeiture**
(1)	A person whose share has been forfeited shall cease to be a member in respect of the share,but shall notwithstanding such forfeiture remain liable to pay, and shall forthwith pay to the Company, all calls, or installments, interest and expenses, owing upon or in respect of such share, at the time of forfeiture, together with interest thereon, from time of forfeiture until payment at the rate as may be determined by the Board from time to time and the Board may enforce the payment thereof, or any part thereof, without any deduction allowance for the value of the Shares at the time of forfeiture, but shall not be under any obligation to do so.
(2)	The liability of such person shall cease if and when the company shall have received payment in of all such moneys in respect of the shares.
19.	**Declaration of forfeiture**
(1)	A duly verified declaration in writing that the declarant is a director, the manager or the secretary of the company and that a share in the company has been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share.
(2)	The company may receive the consideration if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the persons to whom the share is sold or disposed of.
(3)	The transferee shall thereupon be registered as the holder of the share.
(4)	The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.
20.	**Provisions regarding forfeiture to apply in the case of non-payment of sums payable at a fixed time**
	The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the term of issue of a Share or Debenture becomes payable at a fixed time, whether on account of the nominal value of the Share or Debenture or by the way of premium, as if the same had been payable by virtue of a call duly made and notified.
20A.	**Board may issue new certificate**
	Where any share, under the power in that behalf herein contained, is reissued by the Board consequent to the forfeiture of Shares and the certificate in respect thereof has not been delivered to the Company by the former holder of such share, the Board may issue a new certificate for such share distinguishing it in such manner as it may think fit from the certificate not so delivered. The provisions of these articles shall stand mutatis mutandis apply to the forfeiture of debentures.
21	**Transfer and transmission of Shares or debentures or other securities**
	The Company shall register the transfer of securities subject to the applicable provisions of the Companies Act, 1956, Depositories Act, 1996, Listing Agreements with the Stock Exchanges where the securities of the Company are listed and any other applicable law from time to time. Subject to the provisions of Section 111, 111A, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Board may refuse whether in pursuance of any power of the Company under these Articles or otherwise to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal.

	Provided that the registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on shares The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof. A common form of transfer of shares or debentures as the case may be, shall be used by the Company. Further, the Board may, subject to applicable law and these Articles and further subject to the right of appeal, decline to register: (a) the transfer of a share or debentures not being fully- paid, to a person of whom they do not approve; (b) any transfer of shares or debentures on which the company has a lien, or when any statutory prohibition or any attachment or prohibitory order of a competent authority restrains the Company from transferring the securities out of the name of the transferor; (c) when the transferor object to the transfer, provided he serves on the Company within a reasonable time a prohibitory order of a Court of competent jurisdiction.
21A.	**Register of Transfer**
	The Company shall, if the Shares/ Debentures/ Securities of the Company are not in dematerialized form, keep a Register of Transfer of Shares (and Debentures or other securities) and therein enter the particulars of several transfers or transmission of any shares or debentures or other securities.
22.	**Dematerialisation of securities**
	Deleted
23.	**Company not bound to recognise any interest in shares other than that of the registered holders**
	Save as herein otherwise provided the directors shall be entitled to treat the person whose name appears on the register of members as the holder of any share as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or as by law required) be bound to recognise any benami trust or equity or equitable contingent or other claim to or interest in such share on the part of any person whether or not it shall have express or implied notice thereof.
24.	**Execution of transfer**
	The instrument of transfer of any share or debenture or other securities in the Company shall be executed both by the transferor and the transferee, and the transferor shall be deemed to remain holder of the share or debenture or security until the name of the transferee is entered in the Register of Members or Debenture holders / other Security holders in respect thereof.
27A.	**Nomination/ Transmission of Shares/ Debentures/ Other Securities**
	For the purpose of this Article unless the context otherwise requires:
(i)	Every Share/Debenture/ Security holder and a Depositor under the Company's Public Deposit Scheme (Depositor) of the Company may at any time, nominate in the prescribed manner, a person to whom his Shares/Debentures/ Securities or deposits in the Company standing in his name shall vest in the event of his death.
(ii)	Where the Shares or Debentures or securities or Deposits in the Company are held by more than one person jointly, the joint holder may together nominate, in the prescribed manner, a person to whom all the rights in the shares or bonds or debentures or securities or deposits in the Company, as the case may be, shall vest in the event of Death of all the joint holders
(iii)	Notwithstanding anything contained in any other law for the time being in force or in disposition, whether testamentary or otherwise, in respect of such Shares/Debentures, securities or Deposits in the Company, where a nomination made in the prescribed manner purport to confer on any person the right to vest the Shares/Debentures/ securities or Deposits in the Company, the nominee shall on the death of the Share/ Debenture/ Security holder or a Depositor or on the death of the joint holders as the case may be, become entitled to all the rights in such Shares/Debentures/ Security or deposits, as the case may be, to the exclusion of

	all persons, unless the nomination is varied, cancelled in the prescribed manner.
(iv)	A nominee shall be entitled to the same dividends/ interests and other advantages to which he would be entitled to, if he were the registered holder of the Share/Debenture/ Security or Deposits except that he shall not, before being registered as a member in respect of his Share/Debenture/ Security or Deposits be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company. Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the Share/Debenture or Deposits, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, interests, bonuses or other moneys payable or rights accruing in respect of the Share/ Debenture/ Securities or deposits, until the requirements of the notice have been complied with.
(v)	Where the nominee is a minor, it shall be lawful for the holder of the Shares/Debentures/ Security or deposits, to make the nomination to appoint, in the prescribed manner, any person to become entitled to Shares/Debentures/ Securities or deposits in the Company, in the event of his death, during the minority.
	Transmission of Share/Debentures/Other Securities by Nominee
	A nominee, upon production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either
(i)	To be registered himself as holder of the Share/Debenture/ Security or Deposits, as the case may be; or
(ii)	To make such transfer of the Share/Debenture/ Security or deposits, as the case may be, as deceased Share/ Debenture holder or Depositor could have made.
(iii)	If the nominee elects to be registered as holder of the Share/ Debenture/Security or Deposits, himself, as the case may be, he shall deliver or send to the Company a notice in writing signed by a notice him stating that he so elects and such notice shall be accompanied with the death certificate of the deceased Share/Debenture/ Security holder or Depositor, as the case may be;
(iv)	A nominee shall be entitled to the same dividends and other advantages to which he would be entitled to, if he were the registered holder of the Shares/Debentures or Deposits except that he shall not, before being registered as a member in respect of his Share/Debenture or Deposits be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the Company. Provided further that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the Shares/Debentures or Deposits, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other money(s) payable or right(s) accruing in respect of the Shares/Debentures or deposits, until the requirements of the notice have been complied with.
29.	**Closing of Registers of Members and Debenture/other securities holders**
	The Register of Members / Debenture / Securities holders may be closed for any period or periods not exceeding 45 days in each year but not exceeding 30 (thirty) days at any one time after giving not less than 7 days previous notice by advertisement in some newspaper circulating in the district in which the registered office of the Company is situated. The Company shall cause to be kept at its Registered Office or at such other place as may be decided by the Board of Directors, the Register and Index of Members/ Debenture holders in accordance with Section 150 and 151 and other applicable provisions of the Companies Act, 1956 and the Depositories Act, 1996 with the details of shares / debentures held in physical and dematerialized form in any medium as may be permitted by law including any form of electronic medium. The Register and Index of Beneficial Owner maintained by a Depository under Section 11 of the Depositories Act, 1996 shall also deemed to be the Register and Index of members/ debenture holders for the purpose of the Companies Act, 1956 and any amendment or re – enactment thereof. The Company shall have power to keep in any State or Country outside India, a Register of Members / Debenture holders for the resident in that State or Country. The instrument of transfer shall after registration remain in the custody of the Company. The Board may require preserving the transfer deeds for a period of at least 8 years.
29A.	**Trading of Securities in Demat Mode**
	Notwithstanding anything contained in these Articles the Company shall have the right to issue Securities in a public offer in dematerialized form as required by applicable laws and subject to the provisions of applicable law, trading in the Securities of the Company post listing shall be in the demat segment of the relevant Stock Ex-change(s) where the securities

	issued by the Company are listed for trading, in accordance with the directions of SEBI, the Stock Exchanges and in terms of the listing agreements to be entered into with the said Stock Exchange(s).
30A.	**Depository to furnish information**
(a)	Every Depository shall furnish to the Company information about the transfer of securities in the name of the Beneficial Owner at such intervals and in such manner as may be specified by the bye-laws and the Company in that behalf.
(b)	The Company shall make available to the Depository copies of the relevant records in respect of securities held by such Depository. Notwithstanding anything contained in these Articles the Company shall have the right to issue Securities in a public offer in dematerialized form as required by applicable laws and subject to the provisions of applicable law, trading in the Securities of the Company post listing shall be in the demat segment of the relevant Stock Exchange(s) where the securities issued by the Company are listed for trading, in accordance with the directions of SEBI, the Stock Exchanges and in terms of the listing agreements to be entered into with the said Stock Exchange(s).
30B.	**Cancellation of Certificate upon surrender by a person**
	Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a participant, the company shall cancel such certificate and substitute in its records the name of Depository as the registered owner in respect of the said securities and shall also inform the Depository accordingly.
30C.	**Option to opt out in respect of any security**
(a)	If a Beneficial Owner seeks to opt out a Depository in respect of any security, the Beneficial Owner shall inform the Depository accordingly.
(b)	The Depository shall on receipt of intimation as above make appropriate entries in its records and shall inform the Company.
(c)	The Company shall within thirty (30) days of the receipt of intimation from the Depository and on fulfillment of such conditions and on payment of such fee as may be specified by the regulations, issue the certificates of securities to the Beneficial Owner or the transferee as the case may be.
30D.	**Service of Documents**
	Notwithstanding anything in the Act or these Articles to the contrary, where securities are held by a Depository, the records of the beneficial ownership may be served by such Depository on the Company by means of electronic mode or by delivery of floppies or discs.
30E.	**Provisions of Articles to apply to shares held by a Depository**
	Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien, on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held by a Depository so far as they apply to shares held in physical form subject to the provisions of the Depositories Act.
30F.	**Allotment of securities dealt with in a Depository**
	Notwithstanding anything in the Act or these Articles to the contrary, where securities are dealt with by a Depository, the Company shall intimate the details thereof to the Depository immediately on allotment of such securities.
30G.	**Distinctive Number of securities held in a Depository**
	The shares in the capital shall be numbered progressively accordingly to their several denominations, provided however, that the provision relating to progressive numbering shall not apply to the shares of the company which are dematerialized or may be dematerialized in future or issued in future in dematerialized form. Except in the manner herein before mentioned, no share shall be sub-divided. Every forfeited or surrendered share held in material form shall continue to bear the number by which the same was originally distinguished.
31.	**Power to increase capital**
	Subject to the provisions of the Act, the Board may, with the sanction of members in General Meeting, increase the share capital for the time being of the Company, by such sum divided into Shares ofsuch amount as the resolution shall prescribe and to divide the Shares into

	several classes with rights, privileges or conditions as may be determined. Any debentures, debenture stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.
31A.	**Redeemable Preference Shares**
	Subject to the provisions of Section 80 of the Act, the Company shall have the power to issue Preference Shares which are or at the option of the Company be liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of redemption.
32.	**On what condition new shares may be issued**
	New shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation whereof shall direct. Provided that no shares (not being preference share) shall be issued carrying voting rights or rights in the Company as to dividend, capital or otherwise, which are disproportionate to the rights attaching to the holders of other shares (not being preference shares).
32A.	**Payment in anticipation of call may carry interest**
1	Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares either out of the unissued capital or out of the increased share capital then
(a)	Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion as near as circumstances admit, to the capital paid-up on that shares at the date.
(b)	Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
(c)	The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to them in sub clause (b) hereof shall contain a statement of this right, provided that the Directors may decline, without assigning any reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.
(d)	After expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think, in their sole discretion, fit.
2	Notwithstanding anything contained in sub-clause (1) hereof, the further shares aforesaid may be offered to any person (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof in any manner whatsoever:
(a)	If a special resolution to that effect is passed by the Company in General Meeting, or
(b)	Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.
3	Nothing in sub – clause (c) of (1) hereof shall be deemed:
a)	to extend the time within which the offer should be accepted; or
b)	to authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
4	Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the

	Company:
(i)	to convert such debentures or loans into shares in the Company; or
(ii)	to subscribe for shares in the Company (whether such option is conferred in these Articles or otherwise)
	Provided that the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:
a)	either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with the rules, if any, made by that Government in this behalf; and
b)	in the case of debentures or loans or other than debentures issued to or loans obtained from the Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.
33.	**How far new share to rank with shares in original capital**
	Except so far as otherwise provided by the conditions of issue, or by these articles, any capital raised by the creation of new shares shall be considered part of the original capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, transfer and transmission, lien, voting, surrender and otherwise.
34.	**Issue of shares at par, premium or discount to members**
(1)	The new shares shall be at the disposal of the Board and may be allotted or disposed off by them in accordance or in such a manner as may be thought fit, subject to the provisions of the Act.
(2)	The Company may at any time offer Shares to its employees. The allotment of such Shares shall abide by these Articles and provisions of the Act.
(3)	The Company in general meeting may determine that any Shares shall be offered to such persons (whether members or holders or not) in such proportions and on such terms and conditions and either at a premium or at par or subject to compliance with provisions of the Act, at discount, as such general meeting shall determine and with full power to give to any such person (whether a member of the Company or not) the option to call for or be allotted Shares of any class of the Company either at a premium or at par or (subject to compliance with the provisions of the Act) at a discount, such option being exercisable at such time and for such consideration as may be directed by such general meeting or the company in general meeting may make any other provision whatsoever for the issue, allotment or disposal of any Shares.
35.	**Reduction of capital etc.**
	Subject to the provisions of Section 100 to 104 of the Act, the company, from time to time, by special resolution reduce its capital in any way and in particular and without prejudice to the generally of the foregoing power may:
(a)	extinguish or reduce the liability on any of the shares in respect of share capital not paid up;
(b)	either with or without extinguishing or reducing liability on any of its shares, cancel any paid up share capital which is lost or is unrepresented by available assets or;
(c)	either with or without extinguishing or reducing liability on any of its shares, pay off any paid up shares capital which is in excess of the wants of the company upon the footing that it may be called up again and otherwise.
36.	**Sub-division and consolidation of shares**
	Subject to the provisions of the Act the Company in general meeting may, from time to time:-
(a)	increase its share capital by such amount as it think expedient by issuing new shares;
(b)	consolidate and divide all or any of its shares capital into shares of larger amount than its existing shares ;
(c)	convert all or any of its fully paid up shares into stock and reconvert that stock into fully paid up shares of any other denomination;
(d)	sub-divide its shares or any of them into shares of smaller amount than is fixed by the memorandum so, however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
(e)	cancel shares which at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the

	amount of the shares so cancelled, and shall file with the registrar such notice of exercise of any such powers as may be required by the Act.
37.	**Power to modify**
	If at any time, the capital, by the reason of the issue of preference shares or otherwise is divided into different classes of shares all or any of the rights and privileges attached to each class may subject to the provisions of Section 106 and 107 of the Act be modified abrogated or dealt with by agreement between the company and by any person purporting to contact on behalf of that class provided such agreement is (a) rectified in writing by the holder of at least three- fourths of the nominal value of the issued shares of that class or (b) confirmed by a special resolution passed at separate general meeting of the holder of share of that class and all the provisions hereinafter contained as to general meeting shall mutatis mutandis apply to every such meeting, except that the quorum thereof shall be members holding or representing by proxy one-fifth of the nominal amount of the issued shares of that class. This article is not by implication to curtail the power of modification which the company would have if the article was omitted
38.	**Power to borrow**
	Subject to the provisions of the Act and the regulations made thereunder, the Board may from time to time, by a resolution passed at a meeting, borrow moneys for the purposes of theCompany and may secure repayment of such sum(s) in such manner and upon such terms and conditions as they think fit.
39.	**Conditions on which money may be borrowed**
	The Board may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in particular by the issue of bonds, perpetual or redeemable debentures or debenture stock, or any mortgage, charge or other security on the undertaking of the whole or any part of the property of the company (both present and future) including its uncalled capital for the time being.
40.	**Securities may be assignable free from equities**
	Debentures, debenture stock, bonds or other securities, may be made assignable free from- any equities between the company and the persons to whom the same may be issued.
41.	**Issue of debenture etc. at discount or with special privilege**
	Subject to Section 79 and Section 117 of the Act, any debentures, debenture stock, bond or other securities may be issued -at a discount, premium or otherwise, and with any special privileged as to redemption, surrender, drawings, and allotment of shares attending (but not voting) at the General Meeting, appointment of directors and otherwise. Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.
42.	**Person not to have priority over any prior charge**
	Whenever any uncalled capital of the company is charged all persons taking any subsequent charge thereon shall take the same subject to such prior charge and shall not be entitled by notice to the shareholder or otherwise, to obtain priority over such prior charge.
43.	**Indemnity may be given**
	If the directors or any of them or any other person shall become personally liable for the payment of any sum primarily due from the company, the directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the company by way of indemnity to secure the directors or persons so becoming liable as aforesaid from any loss in respect of such liability.
44.	**General Meeting**
	The Company shall in each year hold, in addition to any other meetings, a general meeting as its annual general meeting and notmore than fifteen months shall elapse between the date of one annual general meeting and that of the next. The first annual general meeting of the Company will be held within eighteen months from the date of its incorporation and thereafter, subject to the provisions of Section 166 of the Act as amended, the annual general meeting of the Company shall be held within six months after the expiry of each financial year. It shall be held during business hours on a day that is not a public holiday. The notice calling the general meeting shall specify it as annual general meeting. The other general meetings which may be called at such time and place as may be determined by the Directors shall be called extra-ordinary general meeting.
45.	**When extra ordinary meeting to be called**

	The board may whenever it thinks fit, and they shall when so required by the President or on the requisition of the holders of not less than one-tenth of the paid up capital of the company upon which all calls or other sums then due have been paid forthwith proceed to convene an extraordinary meeting of the company and in the case of such requisition the following provisions shall have effect:-
(1)	The requisitions must state the objects of the meeting and must be signed by the requisitionists and deposited at the office and may consist of several documents in like form each signed by one or more requisitionists.
(2)	If the board does not proceed within 21 days from the date of deposit of valid requisition to call a meeting on a day not later than 45 days from such date the meeting may be called by such of the requisitionists as represent either majority in value of the paid-up share capital held by all of them or not less than one-tenth of such of the paid up capital of the company as is referred to in clause (a) of Sub-section (4) of Section 169 of the Act whichever is less.
(3)	Any meeting convened under this article by the requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by the directors.
	If, after a requisition has been received it is not possible for a sufficient number of directors to meet in time so as to form aquorum, any director may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the directors. Where any items of business to be transacted at the meeting are deemed to be special as aforesaid, there shall be annexed to the notice of the meeting a statement setting out all material facts concerning each business, including in particular the nature of the concern or interest, if any, therein of every director and the manager, if any. Provided that where any item of special business as aforesaid to be transacted at a meeting of the company relates to, or affects any other company, the extent of shareholding interest in that company of every director and manager if any of the company shall be set out in the statement if the extent of such shareholding interest is not less than twenty percent of the paid up capital of the other company. Where any item of business consists of the according of the approval to any document by the meeting, the time and place where the document can be inspected shall be specified in the statement aforesaid.
46.	**Notice of meeting**
	A general meeting of the Company may be called by giving not less than twenty-one days notice in writing specifying the place, day and hour of meeting, with a statement of the business to be transacted at the meeting. Such notice shall be served on every member in the manner hereinafter provided. Subject to the provisions of section 171(2) of the Act, a General Meeting may be convened by shorter notice than twenty-one days. Provided, however, that where any resolution is intended to be passed as a special resolution at any general meeting as required by section 189(2) of the Act, notice of such meeting specifying the intention to propose the resolution as a special resolution shall be served.
47.	**To whom notice of general meeting be given**
	Notice of every general meeting shall be given in same manner hereinbefore authorised to (a) every member of the company, except those members who having registered address have not supplied to the company an address for the giving of notice to them and also to (b) every person entitled to a share in consequence of the death or insolvency of a member who, but for his death or insolvency, would have been entitled to receive notice of meeting, provided the same is within the knowledge of the company.
48.	**Transferees etc. bound by prior notice**
	Every person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which preciously to his name and address and title to the share being notified to the company, shall have been duly given to the persons from whom he derives his title to such shares.
49.	**How notice to be signed**
	The signature to any notice to be given by the company may be written or printed.
50.	**How time to be counted**
	Where a given number of day's notice or notices extending over any other period is required

	to be given, the day of service shall, unless it is otherwise provided, be counted in such number of days or other period.
51.	**How notices to be served on members**
	A notice may be given by the company to any member either personally or by sending it by post to him to his registered address, or (if he has no registered address) to the address if any, supplied by him to the company for the giving of notice to him.
51A.	**Service of Documents**
	Where securities are held in a Depository, the records of the beneficial ownership shall be provided by such Depository to the Company by means of electronic mode or by delivery of floppies or discs to enable the Company to serve notices to such members / beneficial owners.
52.	**Notification of address by a holder of shares having no registered place of address**
	A holder of registered shares, who has no registered place of address, may from time to time, notify in writing to the company an address which shall be deemed his registered place of address, within the meaning of the last proceeding article.
53.	**When notice may be given by advertisement**
	If a member has no registered address and has not supplied to the company and address for giving of notices to him a notice addressed to him and advertised in a newspaper circulating in the neighbourhood of the registered office of the company, shall bedeemed to be duly given to him on the day on which the advertisement appears.
54.	**Notice to joint-holders**
	A notice may be given by the company to the joint-holders of share by giving the notice to the joint-holder named first in the register in respect of the share.
55.	**How notice to be given to representatives of a deceased or bankrupt members**
	A notice may be given by the company to the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name, or by the title of the representatives of the deceased, or assignee of the insolvent or by any like description, at the address (if any) supplied for the purpose by the persons claiming to be so entitled or (until such an address has been so supplied) by giving notice in any manner in which the same might have been given if the death or insolvency had not occurred.
56.	**Omission to give notice**
	An accidental omission to give any such notice to or the nonreceipt of any such notice by any member shall not invalidate the proceedings at any meeting.
57.	**Business of annual meeting**
	The business of any annual general meeting shall be to receive and consider the profit and loss account, the balance sheet and the report of the directors and of the auditors, to declare dividends, appointment of directors and to transact any other business which under these articles ought to be transacted at an annual general meeting. All other business transacted at an annual general meetings, and all business transacted at and extraordinary general meeting shall be deemed special.
58.	**Quorum**
	No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Five members present in person or by duly authorized representative shall be quorum for a general meeting of the Company.
59.	**Right of President to appoint any person as his representative**
(1)	The President, so long as he is a share holder of the company, may, from time to time appoint such person as he thinks fit (who need not be a member or members of the company) to represent him at all or any meetings of the company.
(2)	Any one of the persons appointed under sub-clause (1) of this article who is personally present at the meeting shall be deemed to be member entitled to vote and be present in person and shall be entitled to represent the President at all or any such meeting and to vote on his behalf whether on a show of hands or on a poll.

(3)	The President may, from time to time, cancel any appointment made under sub-clause (1) of this article and make fresh appointments.
(4)	The production at the meeting of an order of the President, evidenced as provided in the Constitution of India, shall be accepted by the company as sufficient evidence of any such appointment or cancellation as aforesaid.
(5)	Any person appointed by the President under this article may, if so authorised by such order, appoint a proxy whether specially or generally.
60.	**Chairman of general meeting**
	The chairman of the board of directors shall be entitled to take the chair to every general meeting or if there be no such chairman, or if ,at any meeting he shall not be present within fifteen minutes after the time appointed for holding such meeting or is unwilling to act as chairman, the members present shall choose another director as chairman, and if no director shall be present or, if all the directors present decline to take the chair then the members present shall choose one of the members to be chairman.
61.	**When if quorum not present meeting to be dissolved and when to be adjourned**
	If within fifteen minutes from the time appointed for the meeting a quorum is not present, the meeting, if convened upon any requisition of the members as aforesaid shall be dissolved but in any case it shall stand adjourned to the same day in the next week not being a public holiday (but if the same be a public holiday the meeting shall stand adjourned to the succeeding date of such public holiday) at the same time and place and if at such adjourned meeting a quorum is not present, those members who are present shall be a quorum and may transact the business for which the meeting was called.
62	**How questions to be decided at meetings**
	Every question submitted or resolution put to vote at the meeting shall, unless a poll is demanded under Section 179, be decided on a show of hands.
63.	**What is to be evidence of the passing of resolution where poll not demanded**
	At any general meeting resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is, before or on the declaration of the result of the show of hands, demanded by a member present in person or proxy or by duly authorized representative, and unless a poll is so demanded a declaration by the chairman that resolution has, on a show of hands been carried or carried unanimously or by particular majority or lost, and an entry to that effect in the book of proceedings of the company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution.
63A.	**Postal Ballot**
	Notwithstanding anything contained in the Articles of the Company, the Company may in respect of any business prescribed in the Companies (Passing of Resolutions by Postal Ballot) Rules, 2001 and matters specified in said Rules as modified from time to time adopt the mode of passing resolutions by the members of the Company by means of Postal Ballot (which includes voting by electronic mode) instead of transacting such business in a General Meeting of the Company subject to compliances with the procedure for such Postal Ballot and/ or other requirements prescribed in the aforesaid rules in this regard.
64.	**Poll**
	If a poll is duly demanded, it shall be taken in such manner and place as in accordance with Sections 179 and 180 of the Act.
65.	**Power to adjourn general meeting**
	The chairman of a general meeting may, with the consent of the meeting, adjourn the same from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
66.	**In what cases poll taken without adjournment**
	Subject to the provisions of Section 180 of the Act any poll duly demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken at the meeting and

	without adjournment.
67.	**Business may proceed not withstanding demand of poll**
	The demand of a poll shall not prevent the continuation of a meeting for the transaction of any business other than the question on which a poll has been demanded.
68.	**Chairman's decision conclusive**
	The chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.
69.	**Votes of members**
	Upon a show of hands every member present in person shall have one vote, and upon a poll every member present in person or by proxy or by duly authorised representative shall have one vote for every share held by him.
70.	**No voting by proxy on show of hands**
	No member not personally present shall be entitled to vote on a show of hands.
71.	**Votes in respect of shares of deceased and bankrupt members**
	Any person entitled under the transmission clause to any shares may vote at any general meeting in respect thereof in the same manner as if he was the registered holder of such shares, provided that seventy two hours at least before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote, he shall satisfy the directors of his right to transfer such shares, unless the directors shall have previously admitted his right to such shares or his right to vote at such meeting in respect thereof.
72.	**Joint-holder**
	Where there are joint registered holders of any share, any one of such persons may vote at any meeting either personally or by proxy, in respect of such shares as if he was solely entitled thereto, and if more than one of such joint holders be present at any meeting personally or by proxy, one of the said persons present whose name stands first in the register in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased member in whose name any share stands shall for the purposes of this clause be deemed joint-holders thereto.
73.	**Vote in respect of share of members of unsound mind**
	A member of unsound mind, or in respect of whom an order has been made by a court having jurisdiction in lunacy, may vote whether on a show of hands or on poll, by this committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.
74.	**Proxies permitted**
	On a poll, vote may be given either personally or by proxy or by duly authorised representative.
75.	**Instrument appointing proxy to be in writing**
	A member entitled to attend and vote at a meeting may appoint another person (whether a member or not) as his proxy to attend a meeting and vote on a poll. No member shall appoint more than one proxy to attend on the same occasion. A proxy shall not be entitled to speak at a meeting or to vote except on a poll. The instrument appointing a proxy shall be in writing and be signed by the appointer or his attorney duly authorised in writing or if the appointer is a body corporate, be under its seal or be signed by an officer or an attorney duly authorised by it.
76.	**Instrument appointing proxy to be deposited at office**
	The instruments appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, shall be deposited at the registered office of the company not less than forty eight hours before the time for holding the meeting at which the person named in the instrument proposes to vote, and in default the instrument or proxy shall not be treated as valid.
77.	**When vote by proxy valid through authority revoked**
	A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the proxy or of the authority under which the proxy was executed or the transfer of the shares in respect of

	which the proxy is given provided that no intimation in writing of such death, insanity, revocation of transfer or transmission shall have been received at the office of the company before the commencement of the meeting or adjourned meeting at which the proxy is used.
79.	**No member entitled to vote etc. while call due to company**
	No member shall be entitled to be present or to vote on any question either personally or by proxy, or as proxy for another member at any general meeting or upon a poll or be reckoned in a quorum whilst any call or other sum shall be due and payable to the company in respect of any of the shares of such member.
80.	**Time for objection to vote**
	No objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote whether given Personally or by proxy, not disallowed at such meeting or poll shall be deemed valid for all purposes of such meeting or poll whatsoever.
80A.	**Representation at meeting**
	Any member who is a company, present by a representative, duly authorised by a resolution of the Directors of such company in accordance with the provisions of Section 187 of the Act, may vote and exercise the same rights and powers as if he was a member of the Company. The production at the meeting of a copy of such resolution, duly signed by a Director or the Secretary of such company and certified by him as being a true copy of the resolution shall at the meeting be accepted by Company as sufficient evidence of the validity of his appointment.
81.	**Number of Directors**
	Until otherwise determined in a general meeting the number of directors of the company shall not be less than three and not more than fifteen. The Directors are not required to hold any qualification shares.
82.	**Appointment of Chairman/Chairman and Managing Director**
(1)	The Chairman/Chairman and Managing Director of the Company shall be appointed by the President on such terms and conditions, remuneration and tenure as the President may determine from time to time. The Chairman/ Chairman and Managing Director so appointed shall not be liable to retire by rotation under Section 255 of the Act.
	Appointment of Vice Chairman/ Managing Director and other Directors who are not liable to retire by rotation
(2)	In addition to the Chairman/Chairman and Managing Director, President may also appoint Vice Chairman/Managing Director, whole time functional Director and other Directors in consultation with the Chairman/Chairman and Managing Director. No such consultationwill however be necessary in case of appointment of Directors representing the Govt.. The total number of Directors including Chairman/Chairman and Managing Director/Vice Chairman/MD/whole time functional Directors and other Directors appointed under this Article shall not exceed 1/3rd of total number of Directors of the Company and they shall not be liable to retire by rotation.
	Appointment of Directors who are liable to retire by rotation
(3)	The remaining Directors constituting 2/3rd of the Directors, whether whole time functional Directors or part-time Official / part-time Non-Official Directors, will be appointed in the General Meeting, in accordance with the provisions of the Act. The Directors so appointed shall be liable to retire by rotation.
	Retirement or Directors by rotation
(4)	Subject to the provisions of Section 256 of the Act, at every Annual General Meeting of the Company, one-third of such of the Directors for the time being as are liable to retire by rotation, or if their number is not three or a multiple of three, then, the number nearest to onethird, shall retire from office. The Directors to retire by rotation at every annual general meeting shall be those who have been longest in office since their last appointment, but as between persons who became Directors on the same day, those who are to retire shall, in default of and subject to any agreement among themselves, be determined by lot. The retiring Directors shall be eligible for reappointment. The Company at the Annual General Meeting in which Director retires, may fill up the vacated office by appointing the retiring Director or some other person thereto.

	If the place of retiring Director is not so filled up and the meeting has not expressly resolved not to fill the vacancy, the meeting shall stand adjourned till the same date in the next week, at the same time and place, or if that day is a public holiday, at the same time and place, and if at the adjourned meeting also, the place of retiring director is not filled up and that meeting also has not expressly resolved not to fill the vacancy, the retiring director shall be deemed to have been re- appointed at the adjourned meeting, unless:
(i)	at that meeting or at the previous meeting, a resolution for the reappointment of such director has been put to the meeting and lost;
(ii)	the retiring director has, by a notice in writing addressed to the company or its Board of Directors, expressed his un willingness to be so reappointed;
(iii)	he is not qualified or disqualified for appointment;
(iv)	a resolution, whether, Special or Ordinary, is required for his appointment by virtue of any provisions of the Act;
(v)	the proviso to sub – section (20 of Section 263 is applicable to the case).
	Appointment of Additional Directors
(5)	Board shall have the power to appoint any person as an additional Director on the Board provided that such additional Director shall hold Office only up to the date of next Annual General Meeting of the Company and shall then be eligible for reappointment by such General Meeting. The total number of Directors including additional Directors shall not exceed at any time the maximum strength fixed for the Board by these Articles.
	Alternate Director
(6)	Subject to the provisions of Section 313 of the Act, the Board may appoint any person to act as alternate director for a Director during the latter's absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held.
	Filling of casual vacancy of Directors
(7)	Subject to the provisions of Section 262 of the Act, the Board shall have the power at any time, on nomination by the President or otherwise, to appoint any person, to be a Director to fill up a casual vacancy not covered by Article 82(2). Any persons so appointed shall hold Office only up to the date up to which the Director in whose place he is appointed would have held Office if it had not been vacated by him.
	Payment of remuneration and/ or allowances to Directors
(8)	Subject to the provisions of the Act, the Chairman / CMD / Vice Chairman/MD/whole time Functional Directors and other Directors may be paid such remuneration and/or other allowances as the President or the Board may, from time to time, determine. Further, subject to the provisions of Section 314 of the Act, such reasonable additional remuneration as may be fixed by the President or the Board may be paid to any one or more of the Directors for extra or special services rendered by him or them or otherwise.
	Payment of Sitting Fee to Part-time Directors
(9)	The Part-time Directors may be paid sitting fee for attending meetings of the Board of Directors or any Committee thereof as may be decided by the Board from time to time not exceeding the maximum limit as prescribed under the Act.
	Vacation of the Office by Directors
(10)	The Office of a Director shall become vacant in accordance with the provisions set out in Section 283 of the Act and such cases of vacation of Office shall be regulated in accordance with this provision.
	Power to remove any Director and fill the vacancy caused thereof
(11)	Subject to the provisions of Section 284 of the Act, the President shall have the right to remove and/or dismiss, at his absolute discretion, the Chairman /CMD/Vice-Chairman/MD/Whole time Functional Director and other Directors for any reasons whatsoever. Chairman/CMD/Vice-Chairman/MD/Whole time Functional Director may be removed from Office in accordance with their terms of appointment, or if no such terms are specified, on the expiry of three months notice issued in writing by the President or with immediate effect on payment of the pay in lieu of the notice period. The President shall have the right to fill any vacancy caused in this regard including any vacancy caused by resignation, death or otherwise.
	Power to appoint Nominee Director(s)

(12)	If any financial Institution or any other Creditor is, by arrangement or agreement with the Company, given the right/power to appoint one or more Nominee Director/s the tenure and other terms and conditions for holding the Office of such Nominee Director/s so appointed shall be determined by the concerned Financial Institution or Creditor subject to the provisions of Section 255 of the Act, other applicable extent laws/statutory Rules/Guidelines and these Articles.
82A.	**Appointment of Secretary**
	In accordance with Section 383 A read with Section 2(45) of the Act, the Board may from time to time appoint any person hereinafter called the 'Secretary', to perform any functions which by the Act or the Articles of the Company are to be performed by the Secretary, and to execute any other duties which may from time to time be assigned to the Secretary by the Board/Chairman/CMD. The Secretary shall keep the registers and other documents, which are required to be maintained according to the Act, in his custody.
82B.	**Disclosure of interest and interested directors not to participate in Board Proceedings**
(i)	Every director of the Company shall disclose the nature of his concern or interest in accordance with the provisions of Section 299 of the Act.
(ii)	No director of a company shall as a Director take any part in the discussion of or vote on, any contract or arrangement entered into or to be entered into, by or on behalf of the company, if he is in anyway, whether directly or indirectly, concerned or interested in the contract or arrangement; nor shall his presence count for the purpose of forming a quorum at the time of any such discussion or vote; and if he does vote, his vote shall be void as provided in Section 300 of the Act.
83.	**General Power of company vested in Directors**
(1)	Subject to the provisions of the Act, the board of directors of the company shall be entitled to exercise all such powers and to do all such acts and things as the company is authorised to exercise and do, provided that the board shall not exercise any power or do any act or thing which is directed or required whether by the Act or any other Act or by the memorandum and article of the company or otherwise, to be exercised or done by the company in general meeting. Provided further that in exercise any such power or doing any such act or thing, the board shall be subject to the provisions contained in that behalf in the Act or any other Act or in the memorandum and article of the company, or in any regulations not inconsistent therewith and duly made thereunder, including regulations made by the company in general meeting.
(2)	Subject the provisions of Section 291 and 292 and the relevant provision of the Companies Act 1956, the Board of Directors shall have the powers:-
(a)	to approve the company's five year and annual plans and the company's annual budget;
(b)	to approve the company's revenue budget in case there is an element of deficit which is proposed to met by obtaining funds from the Government;
(c)	to approve any agreements involving foreign collaboration to be entered into by the company and to approve purchasesand contracts of a major nature involving substantial capital outlay.
(3)	President will have the right to give directions to the company as to the exercise and performance of its functions in matters involving national security or substantial public interest and to ensure that the company gives effect to such directions.
(4)	No regulation made by the company in general meeting shall invalidate any prior act of the board which would have been valid if that regulation had not been made.
84.	**Specific powers to Directors**
	Without prejudice to the general powers conferred by preceding Articles and the other powers conferred by these Articles and subject to the provisions of Section 292, 293, 294 and 297 of the Act, the directors shall have the following powers, that is to say powers:-
(1)	**To acquire property** - to purchase, take on lease or otherwise acquire for the company, property, rights or privileges which the company is authorised to acquire at such price and generally on such terms and conditions as they think fit.
(2)	**Work of capital nature** - to incur capital expenditure on purchase of new items or for replacement, without any monetary ceiling.
(3)	**To pay property in debentures etc.** - to pay for any property, rights, or privileges acquired by, or services rendered to the company either wholly or partially in cash or in shares, bonds, debentures or other securities of the company, and such shares may be issued either as fully

	paid up or with such amount credited as paid up thereon as may be agreed upon, and any such bonds, debentures or other securities may be either specially charged upon all or any part of the property of the company and its uncalled capital or not so charged.
(4)	**To secure contracts by mortgage** - subject to provisions of Section 292 of the Act to secure the fulfillment of any contractsor engagement entered into by the company by mortgage or charge of all or any of the property of the company and its uncalled capital for the time being or in such other manner as they may think fit.
(5)	**To appoint officers etc**. - to appoint and at their descretion remove for suspend such managers, secretaries, officers, clerks, agents, and servants for permanent, temporary or special services as they may from time to time, think fit, and to determine their powers and duties and fix their salaries or emoluments, and to require security in such instances and to such amounts as they think fit, provided that no appointment of any person who has already attained the age to 58 years of any posts carrying salary scale of Rs. 5700 or more shall be made without the prior approval of the President.
(6)	**To appoint trustees** - to appoint any person or persons (whether incorporated or not) to accept and hold in trust for the company, and property belonging to the company, or in which it is interested or for any other purposes, and to execute and do all such deeds and things as may be requisite in relation to any such trust, and to provide for the remuneration of such trustee or trustees.
(7)	**To bring and defend action etc**. - to institute, conduct, defend, compound or abandon any legal proceedings by or against the company or its officers, or otherwise concerning the affairs of the company, and also to compound and allow time for payment or satisfaction of any claims or demands by or against the Company.
(8)	**To refer to arbitration** - to refer any claims or demands by or against the company to arbitration and observe and perform the awards.
(9)	**To give receipts** - to make and give receipts, releases and other discharges for money payable to the company and for the claims and demands of the company. (10) To authorise acceptance etc. - to determine who shall be entitled to sign on the company's behalf bills, notes, receipts, acceptances, endorsements, cheques, releases, contracts and other documents.
(11)	**To appoint attorneys** - from time to time to provide for the management of the affairs of the company in such manner as they think fit, and in particular to appoint any person to be the attorneys or agents of the company with such powers (including power to sub-delegate) and upon such terms as may be thought fit.
(12)	**To invest moneys** - subject to the provisions of Section 292 of the Act, to invest in the Reserve Bank of India or in such securities as may be approved by the President and deal with any of the moneys of the company upon such investment authorised by the memorandum of association of the company (not being shares in this company) and in such manner as they think fit and from time to time to vary or realise such investments.
(13)	**To give security by way of indemnity** - to execute in the name and on behalf of the company in favour of any director or other person who may incur or be about to incur any liability for the benefit of the company such mortgage of the company's property (present and future) as they think fit and such mortgage may contain a power of sale and other powers, convenient and provisions as shall be agreed on. (14) To give percentage - subject to the approval of the President, to give to any person employed by the company a commission on the profits of any particular business transaction, or a share in the general profits of the company, and such commission or share or profits shall be treated as part of the working expenses of the company.
(15)	**To make bye-laws** - from time to time to make vary and repeal bye-laws for the regulation of the business of the company, its officer and servants.
(16)	**To give bonus etc**. - to give, award or allow any bonus, pension, gratuity or compensation to any employee of the company, or his widow, children or dependents that mayappear to the directors just or proper, whether such employee, his widow, children, or dependents have not a legal claim upon the company.
(17)	**To create provident fund** – before declaring any dividend and subject to approval of the President to set aside such portion of the profits of the company as they may think fit, to form a fund to provide for pensions, gratuities or compensations or to create any provident or benefit and in such manner as the directors may deem fit.
(18)	**To establish local board** – from time to time and at any time to establish any local board for managing any of the affairs of the company in the specified locality in India, or out of India, and to appoint any person to be members of such local board and to fix their remuneration and from time to time and any time to delegate to any person so appointed any of the powers, authorities and discretion for the time being vested in the directors other than their power to make calls, and to authorise the members for the time being of any such local board or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms, and subject to such conditions as the directors may think fit, and the directors may at any time remove any person so appointed

	and annual or vary any such delegation.
(19)	**To make contracts etc**. – to enter into all such negotiations and contracts and rescind and vary all such contracts and execute and do all such acts, deeds and things in the name and on behalf of the company as they may consider expedient for or in relation to any of the matter aforesaid or otherwise for the purpose of the company.
(20)	**To sub-delegate power** – subject to the provisions of Section 292 of the Act to sub-delegate all or any of the powers, authorities and discretion for the time being vested in them, subject however to the ultimate control and authority being retained by them.
(21)	**To borrow moneys** – Subject to the provisions of the Act, to borrow or raise or secure the payment of money on behalf of the Company in such manner as the Directors may think fit and in particular by way of acceptance of deposit, issue of Debentures, or Debenture stock, or bonds, perpetual or otherwise, or in any other manner, and create a charge upon all or any of the Company's property (both present and future) including its uncalled capital and to purchase, redeem, or payoff any such securities. Any such delegate may be authorized by the Board to subdelegate all or any of the powers, authorities and discretions for the time being vested in him.
(22)	**To execute mortgages** – to execute mortgage and to create charges on its properties.
(23)	**To open and deal in bank accounts in any currency** – To open accounts with any bank or bankers in any currency, and pay money into and draw money from any such account from time to time as the Directors may think fit.
(24) (a)	**Training of Personnel & Research & Consultancy –** To undertake training of personnel in the relevant activities undertaken by the company.
(b)	To undertake research and consultancy in the relevant fields enumerated in the memorandum and articles of association of the company.
(25)	**Formation of joint venture/subsidiary companies** – To establish joint ventures and promote wholly or partly owned company(ies) or subsidiary company(ies) in India or abroad subject to compliance of Government Guidelines issued from time to time
84A.	**Delegation of Powers to Chairman/CMD**
	Subject to the provisions of Section 292 of the Companies Act the directors may, from time to time, entrust and confer upon Chairman/ CMD, a Committee or Sub-Committee of the Board or a FunctionalDirector, for the time-being such of the powers as they may think fit and may confer such powers for such time and to be exercised for such objects and purposes and on such terms and conditions and with such restrictions as they may think expedient and may, from time to time, revoke, withdraw, alter or vary all or any of such powers.
84B.	**Delegation of Power by Chairman/CMD**
	The Chairman/CMD may sub-delegate any of the powers delegated to him by the Board to any officer or other employees of the Company.
88.	**Meeting of directors and quorum**
	The directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit and may determine the quorum in accordance with Section 287 of the Act, for the transaction of business.
89.	**Director may summon meeting. How questions to be decided**
(1)	A director may at any time summon a meeting of directors, Questions arising at any meeting shall be decided by majority of votes. The Chairman shall have a second or casting vote.
(2)	A meeting of the board shall be held at least once in every 3 calendar months and at least four such meetings shall be held every year.
(3)	Notice of every meeting of the Board of Directors of the company shall be given in writing to every Director for the time being in India and at his usual address in India to every other director.
90.	**Power of quorum**
	A meeting of the directors for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, power and discretion by or under the article of the company for the time being vested in or exercisable by the directors generally.
91.	**Chairman of directors meetings**
	The Chairman appointed by the President shall ordinarily preside over the board meeting. If at any meeting the chairman is not present within 5 minutes after the time for holding the

	same, the directors present may choose one of their members to be the Chairman of the meeting.
92.	**Power of Chairman**
	The Chairman shall reserve for the decision of the President any proposals or decisions of the directors in any matter which in the opinion of the Chairman is of such importance as to be reserved for the approval of the President. No action shall be taken by the company in respect of any proposal or decision of the directors reserved for the approval of the President as aforesaid until his approval to the same has been obtained. Without prejudice to the generally of the above provision, the directors shall reserve for the decision of the President:
(i)	Sale, lease or disposal otherwise of the whole, or substantially the whole of the undertaking of the company;
(ii)	Deleted
(iii)	winding up of the company;
(iv)	Division of capital into different classes of shares.
93.	**Delegation of powers to committees**
	Subject to provision of the Act, directors may delegate any of their power to committees consisting of such member or members of their body as they think fit and may from time to time, revoke such delegation. Any committee so formed shall, in the exercise of the powers so delegated conform to any regulations that may from time to time, be imposed upon it by the directors . The proceedings of such a committee shall be placed before the Board of Directors at its next meeting. *The meetings and proceedings of any such committee shall be governed by the provisions of these articles regulating the meetings and proceedings of the Board of Directors, so far as the same are applicable thereto and are not suspended by regulations, if any, made by the Board of Directors as aforesaid.
94.	**Chairman of meeting of committees**
	A committee may elect a chairman of their meetings but if no such chairman is elected, or if at any meeting the Chairman is not present within 5 minutes after the time appointed for holding the same, the members present may choose one of their number to be chairman of the meeting.
95.	**When acts of directors or a committee valid notwithstanding defective appointments etc.**
	All acts done by any meeting of the directors or of a committee of directors, or by any persons acting as a director, shall notwithstanding that it would be afterwards discovered that there was some defect in the appointment of such directors or persons acting as aforesaid, or that they or any of them were disqualified be as valid as if every such person had been duly appointed and was qualified to be a director.
96.	**Resolution without boards meeting valid**
	Subject to the provisions of section 289 of the Act a resolution in writing signed by a majority of directors shall be as valid and effectual as if it had been passed at a meeting of the directors dully called and constituted.
98.	**Capitalization of Profits**
(1)	The company in general meeting may upon the recommendation of the board resolve:
(a)	That it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the company’s reserve accounts (or) to the credit of the profit and loss account or otherwise available for distribution ; and
(b)	that such sum be accordingly set free for distribution in the manner specified in the clause (2) amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportions.
(2)	The sum aforesaid shall not be paid in cash but shall be applied subject to the provisions contained in clause (3) either in or towards:-
(a)	paying up any amounts for the time being unpaid on any shares held by such members respectively:
(b)	paying up in full, unissued shares or debentures of the company to be allotted and distributed, credited as fully paid up, to and amongst such members in the proportions aforesaid ; or
(c)	partly in the way specified in sub-clause (a) and partly in that specified in sub-clause (b)
(3)	A share premium account and a capital redemption reserve and may, for the purpose of this

	regulation, only be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares.
(4)	The board shall give effect to the resolution passed by the company in pursuance of this article.
(5)	Whenever such a resolution as aforesaid shall have been passed the board shall –
(a)	make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid up shares or debentures, if any; and
(b)	generally do all acts and things required to give effect thereto.
(6)	The board shall have full power:-
(a)	to make such provision, by the issue of fractional certificates or by payment in cash or otherwise at it thinks fit, for the case of shares or debentures becoming distributable in fractions;
(b)	to authorise any person to enter, on behalf of all the members entitled thereto, into and agreement with the company providing for allotment to them respectively, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalisation, or (as the case may required) for the payment by the company on their behalf by the application thereto, of their respective proportions of the profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares.
(7)	Any agreement made under such authority shall be effective and binding on all such members.
99.	**Dividends**
(i)	The profits of the Company available for payment of division of profits or dividend subject to any special rights relating thereto created or authorised to be created by these presents and subject to the provisions of the Act and these presents as to the reserve fund and amortisation of capital shall be divisible among the members in proportion to the amount of capital paid up by them respectively. Provided always that unless the terms of issue otherwise provide, any capital paid up on a share during the period in respect of which a dividend is declared shall only entitle the holder of such share to an apportioned amount of such dividend as from the date of payment.
(ii)	No dividend shall be declared or paid by the company for any financial year except out of profits of the company for that year arrived after providing for the depreciation in accordance with the provisions of the Companies Act or out of profits of the company for any previous financial year or years arrived after providing for the depreciation in accordance with applicable laws and remaining undistributed or out of both or out of moneys provided by the government for the payment of dividend in pursuance of a guarantee given by the government. No dividend shall carry interest against the company.
(iii)	For the purpose of the last preceding article, the declaration of the directors as to the amount of the profits of the company shall be conclusive
(iv)	Subject to the provisions of the Companies Act as amended from time to time, no dividend shall be payable except in cash. (iv) A transfer of shares shall not pass the right to any dividend declared thereon after transfer and before the registration of the transfer.
(v)	Any one of the several persons who are registered as the joint holders of any share, may give effectual receipts for all dividends and payments on account of dividends in respect of such shares.
(vi)	Unless otherwise directed any dividend may be paid by cheque or demand draft or warrant or such other permissible means to the registered address of the member or person entitled or in the case of joint holding, to the registered address of that one whose name stands first in the register in respect of the joint holding and every cheque, demand draft or warrant so sent shall be made payable to the member or to such person and to such address as the shareholder or the joint shareholders in writing may direct.
100.	**Capital paid up in advance**
	Where capital is paid up on any shares in advance of calls upon the footing that the same shall carry interest such capital shall not whilst carrying interest, confer a right to participate in profits.
101.	**Declaration of dividends**
(1)	The company in general meeting may declare a dividend to be paid to the members according

	to their rights and interest in the capital and may fix the time for payment, but no dividend shall exceed the amount recommended by the directors.
(2)	All dividends shall be paid, or the warrants in respect thereof shall be posted, within thirty days from the date of the declaration, to the shareholders entitled to the payment of the dividend.
102.	**Dividend out of profits only and not to carry interests**
	No dividend shall be payable, otherwise than out of the profits of the year or other period of any other undistributed profits of the company and no dividend shall carry interest as against the company.
103.	**When to be deemed net profits**
	The declaration of the directors as to the amount of the net profits of the company shall be conclusive.
104.	**Interim dividend**
	The directors may from time to time pay to the members such interim dividends as in their judgement the position of the company justifies.
105.	**Debts may be deducted**
	The directors may retain any dividends on which the company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
106.	**Dividend and call together**
	Any general meeting declaring a dividend may make a call on the members of such amount as the meeting fixes, but the call on each members shall not exceed the dividends payable to him. If the call be made at the same time as the declaration of the dividends, the dividend may if so arranged between the company and the members be set off against the call. The making of a call under this clause shall be deemed special business.
107.	**Effect of transfer**
	A transfer of shares shall not pass the right to any dividend declared thereon after such transfer and before the registration of the transfer.
108.	**Retention in certain cases**
	The directors may retain the dividends payable upon shares in respect of which any person is under the transmission clause (Article 27) entitled to become a member or which any personunder that clause is entitled to transfer, until such person shall become a member in respect of such shares or shall duly transfer the same.
109.	**Dividend to joint holder**
	Any one of the several persons who are registered as the jointholders of any share, may give effectual receipts for all dividends and payments on account of dividends in respect of such shares.
110.	**Payment by post**
	Unless otherwise directed any dividend may be paid by cheque or warrant sent through the post to
111.	**Notice to dividend**
	Notice of the declaration of any dividend, whether interim of otherwise, shall be given to the registered holder of shares in the manner hereinafter provided.
112.	**Unclaimed dividend**
	No unclaimed or unpaid dividend shall be forfeited by the Board and the Company shall comply with the provisions of Section 205 A of the Act in respect of unclaimed or unpaid dividend.
113.	**Accounts to be kept**
	Subject to the provisions of the act the company shall cause to be kept proper books of accounts with respect: -
(a)	All sums of money received and expended by the company and the matter in respect of which receipt and expenditure take place.

(b)	All sales and purchases of goods by the company.
(c)	The assets and liabilities of the company.
114.	**Inspection of accounts books**
	The books of the accounts shall be kept at the registered office of the company or at such other place as the directors shall think fit and shall be open to inspection by the directors during business hours.
115.	**Inspection by members**
	The Directors shall, from time to time, determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members (not being Directors) and no member (not being a Director) shall have any right of inspecting any account or book of document of the Company except as conferred by law or authorised by the Directors or by the Company in general meeting.
116.	**Annual accounts & balance sheet**
(1)	The directors shall prepare and lay the balance sheet and profit and loss account before the company in accordance with Section 210 of the Act.
(2)	The Balance Sheet and Profit and Loss account shall be approved by the Board of Directors and signed on behalf of the Board in accordance with the provisions of Section 215 of the Act, before they are submitted to the Auditors for their report thereon.
(3)	The Books of Account of the Company relating to a period of not less than eight years immediately preceding the current year together with vouchers relevant to any entry in such books of account shall be preserved in good order.
117.	**Annual report of directors**
	The Directors shall as per Section 217 of the Act make out and attach to every balance sheet a report with respect to the state of the company's affairs, the amount, if any which they recommend should be paid by way of dividend and the amount, if any, which they propose to carry to the reserve fund, general reserve or reserve account shown specifically on the balance sheet or to a reserve fund, general reserve or reserve account to be shown specifically in a subsequent balance sheet. The report shall be signed by the chairman of the board of directors on behalf of the directors if authorised in that behalf by the directors or as required under Section 215 of the Act.
118.	**Contents of profit and loss account**
	The profit and loss account shall in addition to the matters referred to in Section 211 of the Act, show, arranged under the most convenient heads, the amount of gross income, distinguishing the several sources from which it has been derived and the amount of gross expenditure fairly chargeable against the year's income shall be brought into account, so that a true balance of profit and loss may be laid before the meeting and in cases where any item of expenditure which may in fairness be distributed over several years has been incurred in any one year, the whole amount of such items shall be stated, with the addition of the reasons why only a portion or such expenditure is charged against the income of the year.
119.	**Balance sheet & profit and loss accounts to be sent to members**
	The company shall send a copy of such balance sheet (including profit and loss account, the auditor's report and every other document required by law to be annexed or appended to the balance sheet) to the registered address of every member of the company in the manner in which notices are to be given hereunder at least 21 days before the meeting at which it is to be laid before the members of the company, and shall deposit a copy at the registered office of the company for inspection of members of the company during a period of at least twenty one days before that meeting.
120.	**Directors to comply with Section 209 to 222 of the Act**
	The directors shall in all respects comply with provisions of Section 209 to 222 of the Act, or any statutory modification there of for the time being in force.
121.	**Accounts to be audited annually**
	Once at least in every year the accounts of the company shall be examined and the correctness of the profit and loss account and balance sheet ascertained by one or more auditors.

122.	**Appointment of auditors**
	In regard to the appointments of auditors the provisions contained in Section 619 of the Act shall apply.
123.	**Auditor's right to attend the meeting**
	The auditors of the company shall be entitled to receive notice of and to attend any general meeting of the company at which any accounts which have been examined or reported on by them are to be laid before the company and may make any statement or explanation they desire with respect to the accounts.
124.	**Powers of the Comptroller and Auditors General**
	The Comptroller and Auditor General of India shall have the power:-
(a)	to direct the manner in which the company's accounts shall be audited by the auditor/auditors appointed in pursuance of Article 122 hereto and to give such instructions, in regard to any matter relating to the performance of his/their functions as such;
(b)	to conduct a supplementary, or test audit of the company accounts by such person or persons as he may authorise in this behalf, and for the purposes of such audit, to have access, at all reasonable times, to all accounts, accounts books vouchers, documents and other papers of the company and to require information or additional information to befurnished to any person or persons so authorised on such matters, by such person or persons and in such form, as the Comptroller and Auditor General may be general or special order, direct.
125.	**Comments upon or supplement to audit-report by the Comptroller and Auditor General to be placed before annual general meeting**
	The auditor/auditors aforesaid shall submit a copy of his/their audit report to Comptroller and Auditor General of India who shall have the right to comment upon or supplement the audit report in such manner as he may think fit. Any such comments upon or supplement to, the audit report shall be placed before the annual general meeting of the company at the same time and in the manner as the audit report.
126.	**Rights of the President**
	Subject to the provisions of the Act, and notwithstanding anything contained in any of these Articles :-
(i)	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 directives. The Directors shall give immediate effect to the directives so issued provided that all directives issued by the President shall be in writing addressed to the Chairman. The Board shall, except where the President considers that the interest of National Security requires otherwise incorporate the contents of directives issued by the President in the Annual Report of the Company.
(ii)	The President will have right to call for such return or other information with respect to the property or activity of the company as may be required from time to time.
(iii)	Save with the prior approval of the President, the company shall not embark upon or incur any liability or enter into any agreement or arrangement for embarking upon any objects other than the main objects specified in the memorandum, except to the extent that the exercise by the company, of the power under the relevant sub-clause is, in the opinion of the board of directors, necessary for the fulfillment of the main objects.
(iv)	The President will have the right to appoint any Director on the Board of the Company at any time on such terms and conditionsand on payment of such remuneration and/or allowances as the President may from time to time determine.
126A.	**Preliminary Expenses**
	The Board may pay all expense incurred in setting up and registering the company.
127.	**Distribution of assets on winding up**
	If the company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid up, at the commencement of the winding up of the shares heId by them respectively, and if a winding up, the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members in proportion to the capital at the commencement of winding up paid up or which ought to have beenpaid up on the shares held by them respectively. But this clause is to be without prejudice to the rights of the holders of shares issued upon special terms and conditions.

128.	**Secrecy Clause**
(1)	No members shall be entitled to require discovery of or any information respecting any details of the company's trading or any matter which may be in the nature of a trade secret, mystery of trade or secret process which may relate to the conduct of the business of the company and which, in the opinion of the directors, it will be inexpedient in the interest of the members of the company to communicate to the public.
(2)	Every Director, Secretary, Trustee for the Company, its members, or Debenture holders, member of a committee, officer, servant, agent, accountant, or other person employed in or about the business of the Company shall, if so required by the Board before entering upon his duties, sign a declaration pledging himself to observe, a strict secrecy respecting all transactions of the Company with its customers and the state of accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to hisknowledge in discharge of his duties except when required so to do by the Board or by any general meeting or by a court of law and except so far as may be necessary in order to comply with any of the provisions in these Articles contained.
129.	**Indemnity**
	Subject to the provisions of the Act, chairman managing director, whole director and every director, manager, and other officer or servant of the company shall be indemnified by the company against, and it shall be the duty of the directors to pay out of the funds of the company all costs, losses, damages, and expenses which any such officer or servant may incur or become liable to by reason of any contract entered into or act or thing done by him as such director, manager or other officer or servant, or in any way in the discharge of his duties including travelling expenses and in particular and so as not to limit the generally of the foregoing provisions against all liabilities incurred by him as such director, manager or other officer or servant in defending any proceeding whether civil or criminal in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Act in which relief is granted by the court.
130.	**Individual responsibility of directors**
	Subject to the provisions of the Act no director, or other officer of the company shall be liable for the acts, receipts, defaults or negligence of any other director or officer or for joining in any receipt or other act for conformity, or for any loss or expenses happening to the company through the insufficiency of title to any property acquired by the order directors for or on behalf of the company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of company shall be invested, or for any loss of damage arising from the bankruptcy, insolvency or tortuous act of any person damage or misfortune whatever, which shall happen in the execution of the duties of his office or in relation thereto unless the same happens through his own negligence default, breach of duty or breach of trust.

SECTION IX – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Red Herring Prospectus, delivered to the RoC for registration and also the documents for inspection referred to hereunder, may be inspected at our Registered and Corporate Office from 10.00 a.m. to 4.00 p.m. on Working Days from the date of this Red Herring Prospectus until the Issue Closing Date.

Material Contracts in relation to this Issue

1. Letters of appointment dated November 10, 2009 to the Book Running Lead Managers from our Company and the Selling Shareholder appointing them as the book running lead managers to this Issue.

2. Issue Agreement among our Company, the Selling Shareholder, the Book Running Lead Managers dated December 1, 2009.

3. Agreement among our Company, the Selling Shareholder and Registrar to the Issue dated December 1, 2009.

4. Escrow Agreement dated [●], 2010 among our our Company, the Selling Shareholder, the Book Running Lead Managers and the Syndicate Members.

5. Syndicate Agreement dated [●], 2010 among our Company, the Selling Shareholder, the Book Running Lead Managers and the Syndicate Members.

6. Underwriting Agreement dated [●], 2010 among our Company, the Selling Shareholder, the Book Running Lead Managers and the Syndicate Members.

7. Agreement dated November 15, 2007 among NSDL, our Company and the Registrar to the Issue.

8. Agreement dated October 16, 2007 among CDSL, our Company and the Registrar to the Issue.

Material Documents

1. Our Memorandum and Articles, as amended from time to time.

2. Our certification of incorporation.

3. Resolutions passed by our Board dated October 16, 2009 and November 24, 2009 in relation to this Issue.

4. Resolution passed by our shareholders dated November 24, 2009 approving this Issue.

5. Letter no. 44/20/2009- RE dated November 9, 2009 issued by MoP, granting approval for the further public offering of 20% of the pre-Issue paid up capital of our Company.

6. Letter no. 44/20/2009- RE dated November 30, 2009 issued by MoP, granting approval for disinvestment of 42,933,000 Equity Shares (i.e., 5% of the existing paid up share capital of our Company) through the Offer for Sale in this Issue.

7. Letter no. 44/20/2009- RE dated November 30, 2009 issued by MoP, granting approval for lock-in of 20% of the fully diluted post-Issue paid up Equity Share capital of our Company for three years from the date of Allotment and lock-in of balance pre Issue share capital of our

Company (excluding such Equity Shares forming part of the Offer for Sale) for a period of one year from the date of Allotment.

8. Resolution dated October 16, 2009 passed by our Board appointing Mr. B. R. Raghunandan as the Compliance Officer.

9. Notification No. 46/10/2007- (RE) dated February 29, 2008 issued by the MoP appointing Mr. P. Uma Shankar on our Board.

10. Notification No. 46/3/2003-D (RE) dated April 26, 2004 and No. 46/3/2003-D(RE) dated June 15, 2009 appointing Mr. Hari Das Khunteta on our Board.

11. Notification No. 46/14/2007-(RE) dated October 17, 2008 appointing Mr. Guljit Kapur on our Board.

12. Notification No. No. 46/4/2007-RE dated August 29, 2007 appointing Mr. Devender Singh on our Board.

13. Notification No.46/15/90-D (RE) (Vol.IV) dated December 20, 2007 appointing Mr. Venugopal N. Dhoot, Dr. M. Govinda Rao and Mr. P.R. Balasubramanian on our Board.

14. Notification No.46/15/90-D (RE) (Vol. IV) dated January 7, 2008 appointing Dr. Devi Singh on our Board.

15. Report of the Auditors, Bansal & Co., Chartered Accountants and K.G. Somani & Company, Chartered Accountants, dated January 23, 2010 prepared in accordance with Indian GAAP as required by Part II of Schedule II to the Companies Act and mentioned in this Red Herring Prospectus.

16. 'Limited Review Report' of the Auditors, Bansal & Co., Chartered Accountants and K.G. Somani & Company, Chartered Accountants, dated January 13, 2010 for the three month period ended December 31, 2009 and mentioned in this Red Herring Prospectus.

17. Copies of annual reports of our Company for the Fiscals 2005, 2006, 2007, 2008 and 2009.

18. Consent of the Auditors, Bansal & Co., Chartered Accountants and K.G. Somani & Company, Chartered Accountants, for inclusion of their reports in the form and context in which it appears in this Red Herring Prospectus.

19. Statement of Tax Benefits dated January 23, 2010 from Bansal & Co., Chartered Accountants and K.G. Somani & Company, Chartered Accountants dated January 23, 2010, regarding tax benefits available to our Company and its shareholders.

20. Consents of Bankers to the Company, Book Running Lead Managers, members of the Syndicate, Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue, lenders of the Company, domestic legal counsel to the Company, domestic legal counsel to the Underwriters, international legal counsel to the Underwriters, Directors, Company Secretary and Compliance Officer, as referred to, in their respective capacities.

21. Applications dated December 2, 2009 filed with the NSE and the BSE, respectively, for obtaining their in-principle listing approval.

22. In-principle listing approvals dated December 11, 2009 received from the NSE and the BSE.

23. Due diligence certificate dated December 2, 2009 provided to the SEBI by the Book Running Lead Managers.

24. SEBI interim observation letter no. CFD/DIL/SP/JAK/187971/2009 dated December 17, 2009 and reply to the same dated December 23, 2009; SEBI observation letter nos. CFD/DIL/ISSUES/SP/JAK/189220/2009 dated December 31, 2009 and

CFD/DIL/SP/JAK/190583/2010 dated January 11, 2010 and inseriatim reply to same dated January 18, 2010; letter dated January 20, 2010 pursuant to discussions held with SEBI pertaining to clarifications/disclosures sought in connection with the said letter dated January 18, 2010.

25. Letter (FE.CO.FID. No. 17056/10.21.073/2009-10) dated January 1, 2010 issued by the RBI, according no-objection for (a) the issuance of Equity Shares forming part of the Fresh Issue to eligible non-residents, subject to, *inter alia,* the terms and conditions of Schedule I to Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended, and (b) transfer of Equity Shares forming part of the Offer for Sale

26. Contribution agreement dated March 29, 2004 entered among KSK Trust Private Limited, KSK Energy Ventures Limited and our Company in relation to contribution towards 'Small is Beautiful' Fund.

27. Memorandum of understanding dated August 6, 2009 entered among Maharashtra State Electricity Transmission Company Limited and our Company.

28. Memorandum of understanding dated April 2, 2007 entered between our Company and Tamil Nadu Electricity Board.

29. Memorandum of understanding dated November 18, 2004 entered between our Company and Andhra Pradesh Power Generation Corporation Limited.

30. Memorandum of understanding dated January 28, 2005 entered between our Company and Neyveli Lignite Corporation Limited.

31. Memorandum of understanding dated September 9, 2005 entered between our Company and Jammu and Kashmir State Power Development Corporation Limited.

32. Memorandum of understanding dated June 20, 2006 entered between our Company and Maharashtra State Power Generation Company Limited.

33. Memorandum of understanding dated July 14, 2004 entered between our Company and PGCIL.

34. Memorandum of understanding dated July 14, 2004 entered between our Company and NHPC.

35. Memorandum of Understanding dated July 23, 2004 entered between our Company and Damodar Valley Corporation Limited.

36. Memorandum of understanding dated August 16, 2004 entered between our Company and NTPC.

37. Agreement dated June 5, 2007 entered between our Company and HUDCO.

38. Agreement dated July 13, 2007 entered between our Company and IIFCL.

39. Joint venture agreement dated November 19, 2009 entered among NTPC, PFC, PGCIL and our Company in relation to incorporation of a joint venture company, namely, Energy Efficiency Services Limited.

Any of the contracts or documents mentioned in the Red Herring Prospectus may be amended or modified at any time, if so required in the interest of our Company or if required by the other parties, without reference to the shareholders, subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

In accordance with Section 61 of the Companies Act, in the event any of the material contracts mentioned in this section are required to be modified or amended, post the filing of the Prospectus with the RoC, reference shall be made to the shareholders of our Company for the same.

DECLARATION

We, the Directors, certify that all relevant provisions of the Companies Act and the guidelines or regulations issued by the GoI or the SEBI, as applicable, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, the SEBI Act or the rules made or regulations issued thereunder, and that all approvals and permissions required to carry on the business of our Company have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Red Herring Prospectus are true and correct. Please see section titled "***Other Regulatory and Statutory Disclosures – Disclaimer from the Company, the Directors, the Selling Shareholder and the Book Running Lead Managers***" on page 225 in relation to information pertaining to the Selling Shareholder.

SIGNED BY THE CHAIRMAN AND MANAGING DIRECTOR

Sd/-
Mr. P.Uma Shankar

SIGNED BY THE DIRECTORS OF OUR COMPANY

Sd/- **Mr. Hari Das Khunteta** Director (Finance)	**Sd/-** **Mr. Guljit Kapur** Director (Technical)
Sd/- **Mr. Devender Singh** Government Nominee Director	**Sd/-** **Mr. Venugopal N. Dhoot** Independent Director
Sd/- **Dr. M. Govinda Rao** Independent Director	**Sd/-** **Mr.P.R. Balasubramanian** Independent Director
Sd/- **Dr. Devi Singh** Independent Director	

SIGNED BY THE SELLING SHAREHOLDER

We certify that all statements in respect of the Promoter are true and correct.

Sd/-
Mr. Devender Singh
(For the President of India, acting through the Ministry of Power, Government of India)

Date: January 25, 2010
Place: New Delhi